

GOOD LIVING: FINANCIAL PLANNING FOR THE HEALTHY, WEALTHY AND WISE.

Never too late to start a family business

Intergenerational planning important at any age

When Lance Sparling turned 50, he and his wife Terry decided to spend a month in France thinking about what the next chapter of their lives together would look like.

"We did a series of exercises to help us articulate our core values and where our passion was. We have enjoyed the Sunshine Coast as a family for the last 30 years and felt there was an opportunity to start a development and construction business there. When we came back, we got serious about it – we connected with a local agent and started looking for properties," says Sparling.

One of the options available at the time happened to be the historical Wakefield Inn in Sechelt. "It was a beautiful piece of property; we figured we'd buy it and build four or five homes on the acreage. But when we went to see the city planners, they said they'd prefer more density, up to 20 homes per acre, on the property. I'd never done that before, so we started to build a team and created our first community development, Wakefield Beach."

By the end of the project, the Sparlings' aspirations had come to fruition in a fledgling construction company. "We have structured ourselves with three revenue streams to allow us to survive through the ups and downs of the construction world: very high-end spec homes on the waterfront, developing detached and multi-family home communities, and construction for third parties, including renovations, new home construction and commercial construction."

With a core team of 10 employees including project managers, site supervisors, construction managers and support personnel, Wakefield Home Builders now employs 20 to 40 employees depending on the workload. The Sparlings' three children are always welcome to work in the business, along with family members of other employees.

"We're building multi-family homes, and we have a multi-family business. Some businesses will not allow the relatives of employees to be part of the business because there can be challenges, but I'm comfortable we can deal with those challenges when they arise," says Sparling.

As a former second-generation owner of a family business, Sparling is conscious of the importance of inter-generational planning. "We joined the Canadian Association of Family Enterprises, and it was really helpful for my parents, brother and sisters in understanding the issues relative to succession planning, and how to avoid sibling issues as mom and dad move on. Fortunately for me, my parents had the



PHOTO: LYNN FALCONER

UBC Business Families Centre executive director Judi Cunningham says succession is always an issue for business families. While the UBC Business Families Centre and others at select universities across Canada help business families deal with the interpersonal complexities and challenges they face, Cunningham says when it comes to estate and tax planning, shareholder agreements, legalities, accounting and other finance-related issues, "There are many qualified professionals – lawyers, accountants and financial planners – available to assist families."

courage to do that while they were alive."

Many parents don't, he says. "It's a recipe for disaster. Very few families survive that without greed and entitlement slipping into the situation."

Succession is always an issue for family business, says Judi Cunningham, executive director of the UBC Business Families Centre. "It's the cycle of life. How is the next generation going to come into the business, and how is the current generation going to exit?"

Although the demographic influence of the baby boomers is expected to have a profound effect on family enterprises, Cunningham says that influence may take longer than expected to manifest. "Typically entrepreneurs start a business, get it up and running, and it becomes their life. Exiting is difficult because there are issues around attachment to the business. If an entrepreneur says, 'I'm going to leave my business when I'm 65,' they could still be in the business when they're 80.' Letting go for an entrepreneur is very difficult."

When people talk about succession planning in the marketplace, says Cunningham, they're generally referring to estate and tax planning, shareholder agreements, legalities, accounting and other finance-related issues. "There are many qualified professionals – lawyers, accountants and financial planners – available to assist families with those aspects of succession. Here at the centre, while we don't assist with the technical aspects of succession, we help with the some of the most challenging aspects – the family dynamics, emotional and interpersonal."

Succession should not be viewed as an event, she says, but as the byproduct of a

process that supports the success of the family and the business on a daily basis. "When you finish one generation's succession, you start preparing for the next one. If you treat it like that, then the likelihood of your business staying in the family for multiple generations

is going to be much higher."

Today, the Sparling family uses their family business experience to create beautiful homes and developments together. "We're replicating the environments that many people experienced as children at summer camp and cottages;

the kind of life in which you look out for your neighbours and have an opportunity to discuss family, personal and community values," says Sparling. "You can't create community – but you can create the right environment for people to come and do that." ■

Structure improves chances of success

About 80 per cent of the Canadian economy is generated by family businesses, says Judi Cunningham, executive director of the UBC Business Families Centre.

Succession is only one of many questions that family business owners must address, beginning with which family members work in the business, and how. Cunningham, who is part of the second generation of a Vancouver business family, says, "There are a variety of structures that can help families address these questions more effectively. Governance structures such as boards of directors with outside members and formal human resources policies help the family work together and ensure that everyone understands the rules of the game."

Families are encouraged to have clear, written policies on entry into the business, and exit from it, and on working together in general. "In some families, it's quite traditional to incorporate family members into the business rather than looking at what the business needs. But we know that professionalizing the business leads to greater business success."

Succession plan a living document

A succession plan is not just about a business owner's retirement, says Catherine Swift, CEO of the Canadian Federation of Independent Business. "You should be planning for a number of eventualities – what will happen to your business if something happens to you tomorrow?"

Once the formal, written succession plan is created, it should be considered a working document that is revisited and updated annually or whenever significant changes occur in the business. "It's something that should be reviewed regularly with senior colleagues and family," she says. "If you've got family in your business, a lot of additional issues arise, and some of them may be very emotional."

Accountants, tax lawyers and financial planners may all have a role to play in the succession planning process, but the most important communication happens between the business principals. "One odd finding in one of our surveys is that there are business owners who have a successor in mind but hadn't told that person about it. They may be wondering about their future, considering another job – it is essential to share your plans."