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On wealth: Is this the right way to make a transition?

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Not long ago the husband of a childhood friend, whom I will call Peter, ran a family business and was visiting from Europe. We met at a beach café for a late breakfast. As usual in such situations, I cannot hold back and always ask questions about his family business. I knew that 20 years ago he took over the business founded by his father. I was curious how this transition went. Peter was very open with me and told me the story of the family business from the beginning to the present. Let me share with you what Peter told me:

The transition was not easy. Actually, my father did not hand me over the business – he sold it to me! I was working in the business already for 15 years and was in charge of sales and supplier/client relationships. I was the foreign minister of the business. My father was running HR and was in charge of the logistics.

With my father's growing age, it became more and more difficult to run the business together. I brought the innovation and the new business and he was no longer 'hungry' and willing to put in the time and effort as before.

I started the conversation with my father about his retirement and the transition. My dad told me: I will retire, but you have to buy the business from me! We did a valuation of the assets of the business and I had prepared a 10-year transition proposal, where every year I would get a 1/10 of the shares as less of a salary/bonus. He did not want to hear anything like this. He wanted to sell the business immediately and at his price, not negotiable. My father took the valuation of the assets and added a goodwill of three times the valuation on top of it. I told him, Dad, some of the goodwill is also mine; I am the one traveling to all the clients, getting new clients and maintaining our brand name. His answer was, if he would not have started this business, I would not have anything! I had to accept his conditions, but asked myself: from where do I get the money?

> *All ended well on the surface, but a certain emotional scar remains.*

Peter had to go to the bank and ask for a loan. The bank valued the business and was willing to finance 60% of the purchase price (and also commented that the father's valuation was too high!) with a 10-year loan. Peter turned to his father and asked if he would agree to the additional 40% in instalments over a 10-year period (as Peter had initially proposed). Peter's father did not accept. He offered Peter a loan for the remaining 40% of the purchase price – on the same terms as the bank!

Right after the purchase Peter's sister, a lawyer, had all the parties involved (the father, the second wife of the father, herself and Peter) sign an agreement that stated that the purchase was done in a fair way and that Peter did not get any preferable treatment or pre-inheritance gift, nor did he overpay and could not later reclaim some money from the father's estate.

Peter had to accept the offer. Peter's wife joined the business and with a joint effort they managed to repay the loans within seven years and also expanded the business. This made Peter very proud and he showed his father that he had succeeded far beyond expectations!

I walked away from this breakfast meeting with mixed feelings. I felt that Peter's father had been too hard on him and I would not have recommended such a strategy.

For Peter this was very difficult, economically and also psychologically. Did the father not trust his son? It seemed the father wanted to protect his life's achievement by 'cashing-in'.

I've learned that people will forget what you said, people *will forget what you did, but people will never forget how you made them feel.* (Maya Angelou)

From the father's point of view, he was the son of penniless Eastern European refugees who grew up with nothing and always had to look after himself. He built a business that succeeded beyond his wildest dreams. He also had to finance his brothers' unsuccessful attempts to start a business, and assume responsibility for the wider family. He had a hard time 'giving' any of his creation away. Peter, on the other hand, felt he had 'earned' a lower price for the business.

While his father probably felt generous in his sale to Peter, Peter did not feel that it had been. All ended well on the surface, but a certain emotional scar remains. Peter will always have the feeling that his father did not trust him or value his hard work.

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