

# Family Wine Business Succession Planning

*Deborah Steintal*



# Overview

- The odds
- How to achieve succession in your family business
- How to build a family business that beats the odds

## U.S. national odds

- 90% are family owned or controlled
  - Generate half of Gross National Product and half of total wages.
- Only 5% (started in 1994) survive
- 75% do not transition to the 2<sup>nd</sup> generation
  - Less than 10% make it to 3<sup>rd</sup> generation
  - Thereafter, there is a 1% survival rate

# California Wine Industry

- Translating national statistics ...
  - 125 out of 500 1<sup>st</sup> generation wineries *may* make it
  - Only 12.5 out of 500 wineries *may* make it to the 3<sup>rd</sup> generation
- Scion research
  - 335 out of 500 1<sup>st</sup> generation *may* make it
    - 33% are at risk of failure or sale
    - 31% have not actually started planning

# Factors contributing to demise

- The business simply is not viable
- A lack of planning or adherence to a plan
- The owner lacks desire or commitment to transfer the firm
- The offspring are reluctant to join the firm

# Factors contributing to success

| <b>Exit strategy</b>   | <b>Business performance</b>   | <b>Professional Advisors</b>   | <b>Outside Boards</b>   | <b>Written plans</b>   |
|--|---|--|---|--|
| <ul style="list-style-type: none"> <li>✓ Sell to family</li> <li>✓ Estate planning</li> <li>✓ Tax planning</li> <li>✓ Family roles well defined</li> </ul> | <ul style="list-style-type: none"> <li>✓ Very satisfied</li> <li>✓ Business results mostly aligned with family goals</li> </ul> | <ul style="list-style-type: none"> <li>✓ Reach out to a variety of advisors</li> <li>✓ G2s have a higher degree of satisfaction with these advisors <i>typically</i> than G1s</li> </ul> | <ul style="list-style-type: none"> <li>✓ 90% have outside board members</li> <li>✓ Extremely happy with board impact</li> </ul> | <ul style="list-style-type: none"> <li>✓ Most: strategic &amp; financial plans</li> <li>✓ Many: family continuity plans</li> </ul> |

# G1 exit

## What supports successful G1 exit?

- Personal financial security
- Psychological security
- Business security
- Family security

# G2 entry

## What supports successful G2 entry?

- Management readiness
- Strategic vision
- Governance
- Lifestyle
- Power of diversity

How to build a family business  
that beats the odds?

***BE PREPARED***

2007

# How to build a family business that beats the odds?

- Stop and take stock
- Define success
  - *“If you aim for the tree, there is a good chance you will hit the tree. But, did you really want to aim for the tree?”*
- Develop a reality-based plan
- Execute through people

# It all comes down to execution

- Manage change
  - People practices
  - Business & financial practices
  - Market practices
- Manage emotions & risk
- *Beat the odds thru preparedness*

# Scion Advisors

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# Building stronger businesses for future generations

- Trusted advisors to family wine business owners
  - work alongside you
  - to navigate challenging business transitions
- Our approach produces
  - more professional leadership
  - disciplined business & financial practices
  - innovative go-to-market strategies

# Scion Advisors' Circle

- **Deborah Steintal** (*repositioning businesses & brands*) has worked as an executive across a variety of industries globally and helped companies transition from startup through high growth; restructure due to poor performance; and integrate new acquisitions. She helps wine business leaders navigate important transitions in their businesses and families by working with them on reality-based strategic planning and execution practices.
- **Vicky Farrow** (*leadership development*) has explored the field of leadership for over 20 years and is dedicated to helping CEOs and their executive teams build the skills necessary to advance business performance. As a senior executive she has worked across a variety of industries and helped companies achieve monumental change: from startups, to spin offs and even through Chapter 11.
- **Hank Salvo's** (*CFO*) skills and expertise in finance, accounting, planning and business development supported his rise to senior financial management as vice president finance and vice president controller at the consumer goods giant Clorox Company. Salvo transferred these skills to the wine industry joining Robert Mondavi Corporation as its CFO in 2000.
- **Vivien Gay** (*sales & marketing*) is a wine industry maverick with more than 20-years experience building brands through innovative and aggressive sales and brand strategies. She has served as Head of Sales & Marketing at such companies as Clos Du Val, Callaway, St. Supéry and Sonoma Cutrer. Vivien helps winery leaders become more competitive by refining their Go to Market Strategy and connecting the dots between strategy and execution.