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Succession Planning:

The pursuit of successful generational leadership transition

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If HBO's series *Succession* taught us anything, it's that passing ownership of a business to family members or colleagues can deliver high drama. Goals and expectations have to be aligned, and the parties need to be transparent about what they hope to get from the deal.

"To hear that there are people around the table who are in the second, third, or fourth generation of family-owned businesses is truly amazing," says Jack Maier, Senior Managing Director and Head of Investment Banking for Comerica Bank. "My hat is off to you for having sustained a business through multiple generations. It's one of the most difficult things you can do."

Leaders from some of Charlotte's leading privately held businesses – some family-owned – gathered in SouthPark at Steak 48 for a discussion about how to successfully plan for a business transition.

The publisher's dinner was sponsored by Comerica Bank, a Dallas, Texas-based bank that established a significant Southeast market presence in 2021, focused on commercial banking and wealth management. Comerica has a 175-year history of assisting private business owners in their pursuit of successful generational leadership transition. Comerica's Southeast leadership includes North Carolina natives Jerry Bowen, Southeast Market President, Brent Gore, Director of Commercial Banking, and Mont Hamrick, Market Leader in Charlotte. Comerica is led nationally by North Carolina natives Curt Farmer, Chairman and CEO, and Greg Carr, Executive Director of Wealth Management. The dinner was hosted by TJ McCullough, President and Publisher of the Charlotte Business Journal.

Taking part in the conversation were Johnno Harris, president of Lincoln Harris Properties, Kim Leazer, CEO of FSloffice, Matt Nazzaro, COO of Weisiger Group, Kent Panther, President and CEO of Wray Ward, Joe Perkins, Executive Vice President of Operations for Carolina Handling, and Charlie Malouf, President and CEO of Broad River Retail.

Joining the conversation from Comerica Bank to share insights from serving clients through the succession planning process were Maier along with Bob Buchanan, Senior Vice President and Head of Business Transition Planning, and Melissa Linn, Senior Vice President and Senior Wealth Planning Strategist.

Key issues to be aware of when transition planning involves a transfer between friends, colleagues, and partners

At the end of 2022, Charlotte's largest advertising agency made a major transition with longtime President, Jennifer Appleby, stepping away from her leadership role in the firm. Kent Panther, whom Appleby had recruited to the firm 20 years earlier, became the new President and CEO of Wray Ward.

"We did have a longstanding friendship and worked together on an incredibly consistent basis through the years," Panther says of his work relationship with Appleby. "It was very important that we kept our personal relationship intact while we were having this serious conversation about succession planning."

It worked because both leaders were transparent and straightforward, he says.

"We had to make sure that we were doing what was in our personal best interests but also the company's, and we always put the company ahead of ourselves. We agreed this would not impact our relationship."

Similarly, in February, Lincoln Property Company announced a growth and succession plan that included the appointment of a new generation of executive leadership and major investment by Stone Point Capital, LLC. Lincoln remains a closely held company. Two new co-CEOs were named to succeed the Chairman and CEO, as well as the President. Lincoln Property Company is one of the largest privately held full-service real estate companies in the country, held by the Harris, Pogue and Duvall families. The Pogue and Duvall families are based in Dallas.

"Our dynamic was a hard one in the aspect it wasn't just partners and friendship, it was family, and it still is family, and it was three different families," Harris says. "That brought a very interesting dynamic to the process."

Harris says every party had to be transparent about the one or two issues they wanted to accomplish in the deal. And a lot of times, it wasn't just about money.

"It's very easy once you understand what everyone ultimately wants to accomplish," Harris says.

Kim Leazer, CEO of FSloffice, is another prime example. She grew up in the business started by her parents 60 years ago.

"My Dad did a very good job of sitting down with us over the years and talking about what we wanted to do and participating in the business," Leazer says. "He put together a generational succession plan so that if you are involved in the business, you earn a salary, and stockholders get a benefit from the dividends."

Leazer says her father's transparency made the transition easy. The bigger challenge for the business was finding a way to provide incentives to retain its top salespeople who are not owners of the business.

In addition, Matt Nazzaro, COO of Weisiger Group, formerly CTE, says the consistency of generations in the



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business has strengthened it. The Weisiger Group is now run by the third generation, with a fourth generation working in the business today.

"The kids have been brought along to understand what it is to be a good shareholder and what it is to be a good participant in the business," Nazzaro says.

The Weisiger Group has a long history that demonstrates its values, and those have stayed intact, Nazzaro says.

"That goes a long way as you are doing these transitions that you might have a different person in that corner office, but if the values are persistent, the types of employees you attract, the customers, the reputation stays intact," Nazzaro says. "It's more about, how do you keep this good thing going?"

Friends to partners is another business dynamic that's important to handle properly. Broad River Retail is one of the largest and fastest-growing Ashley Store operators. President

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CHARLIE MALOUF

Broad River Retail President and CEO

and CEO Charlie Malouf went into the business as a partner with a good friend and ultimately bought out his partner.

Malouf says he's come to recognize the importance of the story that both parties tell after the deal is done.

"You want to be friends on the other side of it. You don't want to squeeze all of the juice out of the turnip. To what end?" Malouf says. "Obviously you want the best deal, but it doesn't have to be the absolute best deal because there can be some good that comes on the other side of it when you look out for one another. In fact, by leaving some dollars on the table and working towards an amicable outcome during the transaction, we created a Founders

Scholarship Fund that awards college scholarships to the children of our Memory Makers as a lasting legacy program that we launched after we completed the transaction.

Carolina Handling is a 57-year-old Raymond forklift dealership that provides solutions for companies to automate and improve the efficiency of their supply chains. Joe Perkins joined two of his closest friends as partners at Carolina Handling. On an annual basis, their executive team reevaluates the company's guiding principles, which are used as the basis for strategy and decision making.

"When it comes time for tough

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decisions, our conversations always revert to our guiding principles and whether the topic at hand supports these goals. Being tied out on these principles ahead of time allows us to remove any emotion and make decisions effectively and efficiently,” Perkins says.

Further, members of the Comerica team shared what they hear from companies in these situations all around the country.

“The most common response to what is most important is family harmony. Yet most don’t achieve that,” Bob Buchanan says.

The process requires transparency

and open communication to achieve everyone’s goals.

“We frequently see people who don’t separate ownership from employment, and they don’t have a governance structure that defines rights and responsibilities. It’s all about balancing the economic and emotional needs. It’s not all economic.”

Melissa Linn says members of family businesses need to do work individually to understand their own needs and the needs of their family unit.

“Five to 10 years in advance of a transition, understanding what a family will need from a cash flow perspective, and how it might affect their estate plan, and the way their heirs in the business and outside of the business will coexist leads to better outcomes,”

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Senior Vice President, Senior Wealth Planning Strategist, Comerica Bank

Linn says. “The families that are the most successful are the ones who do the individual work educating the next generation.”

Additionally, Buchanan says business leaders measure success over the long run.

“Ten years later, you want to be able to say that the story is the right story,” Buchanan says. “You want to look back and think I did the right thing, and I did it the right way and for the right reasons.”

Jack Maier adds that pre-transaction planning is critically important to the success of the deal.

“One of the most important things is talking about the non-economic, non-financial considerations before you go about transacting,” Maier says.

Tips for identifying and preparing the next generation of leaders and owners

In retail, Malouf says career pathing is important to keep high performers in the job. Whereas most retail companies

have sales associates—a title that can follow an employee for years and year—Broad River developed a series of levels within the position to recognize longevity and expertise.

“We changed the paint on that and challenged ourselves to have career pathing at the retail sales level,” Malouf says. Employees come in as home furnishings associates and rise through the ranks to home furnishings consultants, professionals, and experts. Each level has a unique commission, bonus, and benefit plan, and promotion at each level requires both certification and achievement distinctions to reward progress. This example of career pathing has added vibrancy to the more traditional sales floor and has generated premier financial performance and extremely low turnover rates (in a traditionally high turnover position). Broad River also used this Human Capital approach of career pathing and applied it with similar success to its managers with



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KENT PANTHER
President & CEO, Wray Ward

multiple levels in retail management.

Nazzaro says Weisiger Group employees know that succession will run in the family. But it’s important for employees to know what it takes to be in management.

“A lot of what we have worked on is career pathing and what the competencies and skillsets you need to move from A to B to C are,” Nazzaro says. “As you get further up the chain, we want managers to act like owners in how they represent the brand and doing right by the customer.”

Similarly, Wray Ward is implementing a program called Learning to Lead.

“One of the things we had not formalized in the past was what it means to be a leader. Some people were being put into positions where they were supervising someone else, but they didn’t get any formal training.”

Panther says he believes it will help those who become supervisors and leaders to be more effective.

Harris says he cultivates the next

generation of leaders by getting out of the way of employees who are good at their jobs, even if it means watching them fail.

“Let those people in leadership fail. Let them make the decision. Let them take the leap off the cliff,” Harris says “It’s getting out of their way and not micromanaging a situation. That’s how you get really good people and grow people.”

To add, Perkins says Carolina Handling is investing in executive coaching from a group outside of the organization so top employees get additional leadership development. By gaining new perspectives through this coaching and additional networking, our leadership team can collaborate and make thoughtful decisions using varying vantage points. The business also encourages building a peer network outside of just their business or industry.

Leazer says her company works to create a family atmosphere at its 11



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locations.

“I make it a point to know who works for me. Our family goes around to those locations, has a meal with them, spends time and says, ‘Give me your ideas. What do you see that could be a problem and do you have a solution for us?’ Connecting that way gives employees a voice,” Leazer says. “Something I learned in leadership training in my 20s was: when you get there as a leader, I should be able to walk out that door and the company runs and they do not need me,” Leazer says. “If they do not need me to make everything work the way it is supposed to, I have done my job.”

Hamrick, market leader in Charlotte,

summarized that company leaders should make it a priority to develop senior leaders and plan for generational transitions.

“From our various experiences over the years, there are so many great companies across the country whose owners are 100% busy running and managing the daily operations of the firm with time demands that may limit their bandwidth to fully design and implement long term leadership and transitional strategies,” Hamrick says. “The CEO guests at this dinner have set a great example of the great success which is possible when leaders and owners are proactive.”



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