

SUCCESSION PLANNING

Succession Conundrum

When it makes sense to hand down the family business...and when it doesn't **BY KEVYN BURGER**

When Ben and Matt Zoubek walk into work every day at ZTECH Precision, they call the president of the company "Don" and the office manager "Jane."

When they're not on duty at the Elk River precision machine shop, they call them Dad and Mom.

"We're a family business, but when we're dealing with customers, vendors and the other employees, we keep it professional," says Don Zoubek, 51, who's had a long career in manufacturing and founded the company with his eldest son four years ago. The 17-employee job shop manufactures components for the medical, aerospace and other high-tech industries.

Today, Vice President and Operations Manager Ben, 27, is in charge of running the manufacturing and engineering functions while Matt, 24, oversees the milling department and engineering as well. Like their father, the Zoubek sons are graduates of the Dunwoody College of Technology.

"We've always spent a lot of time in the garage doing mechanical things. We had dirt bikes, four-wheelers and snowmobiles, and our kids knew how to take them apart," says Don. "Now they've found their passion in the business and have grown closer as brothers. I have the opportunity to mentor, teach and guide them."

The plan for handing off the business is emerging, with Don expecting to remain on the job for at least the next decade.

"I'm in no rush," he says. "They don't need to learn everything at once. I know the boys, what their skills are. We're teaching them the financial side, the ratios, and we are watching them mature."



Don (Dad), Jane (Mom), Matt and Ben Zoubek

A DOSE OF REALITY

Succession planning for owners of manufacturing businesses is not always so strategic and seamless. A 2015 survey of manufacturing and distribution businesses by professional services firm Clifton Larson Allen found that only 19% of leaders of privately held companies say they are "very prepared" for an ownership or leadership change.

"A lot of owners have their nose to the grindstone as we come out of the recession. They say they don't have time to think about succession planning," says Julie Keyes, owner and operator of KeyeStrategies, a Coon Rapids-based business coach and exit planner. "I should say, they don't make the time."

Keyes has found that the toll taken by the economic downturn has stalled the transition of some of her manufacturing clients.

"We see a lot of owners who are having another good year after the dry spell; they're not just breaking even but making money," she says. "One of my clients should be retired now

but he had to weather that storm and is still climbing back. The value went into the tank so he'll keep working to have the nest egg he needs for retirement."

Statistically, the idea of a business handed down from parent to child is more of a myth than reality. According to the Family Firm Institute, only 30% of family businesses survive into the second generation, 12% remain viable in the third, and a mere 3% of family businesses operate into the fourth generation.


Don Zoubek thinks an ironclad rule will make his family one of the ones that makes the generational shift.

"When we're up north at our lake place, we're not there as partners and we don't talk business," he says. "It's important to keep it separate."

HEIRLESS AND HAPPY

When owners decide it's time to sell rather than pass down a business, buyers don't much care about family dynamics.

"What buyers are looking for is a cash flow



stream, a business that will generate a profit," says Andy Kocemba, president and CEO of Calhoun Companies, a business brokerage that helps clients buy or sell businesses.

"With manufacturing, infrastructure is significant in the value of the business. Equipment represents such an investment," he says. "We see owners who want to sell when they are at the end of their careers, and that coincides with when the machines are at the end of their work life. They will have to discount their asking price. On the other hand, if they're recapitalized and everything is new and running well, the business can create a premium."

In 2014, the Calhoun Companies helped Roger Zbikowski sell Toolkraft, his Fridley-based high precision manufacturing company.

"My reason for selling was personal," says Zbikowski, 57, who calls himself the company's first employee. He was eight years old when his father Bill, a World War II veteran, bought a couple of machines and began operating them in the basement of the family home in northeast Minneapolis.

"He made parts during the day. When I got home from school, I would have production jobs to do while he made his sales calls," Zbikowski recalls.

It was in this era that Bill Zbikowski heard about Toolkraft. Then a four-man tool-and-die shop, Toolkraft's owner had died and his widow was ready to sell.

"Mom and Dad took a second mortgage and it was ours," Zbikowski says.

As the business grew and developed, father and son worked side by side, eventually moving to a 46,000-square-foot Fridley facility that specializes in the production of high-accuracy components.

"Dad showed me how to be successful. Even though he was an old school craftsman, he was never afraid of purchasing the latest technology. That's paramount to competing."

When the Polish patriarch stepped down from daily leadership in 2005, Roger assumed the presidency of Toolkraft. Even in retirement, the senior Zbikowski was a constant presence.

"He came in a couple of days a week; he sat in the office and read the Wall Street Journal and we went out for lunch," Zbikowski says. "He enjoyed the commotion and still advised me. I ran things by him all the time and he was more

BIZ BRIEFING

ZTECH PRECISION

HEADQUARTERS: Elk River

INCEPTION: 2012.

LEADERSHIP: Don Zoubek, president; Ben Zoubek, vice president/operations manager

EMPLOYEES: 14

REVENUE: Approx. \$2 million

DESCRIPTION: ZTECH Precision is primarily a manufacturer of precision machined components for the aerospace, medical, and other high tech industries. ZTECH also produces components required for precision tooling and special equipment applications.

WEBSITE: ztechprecision.com

than happy to tell me what I didn't want to hear."

Bill Zbikowski was 87 when he had a heart attack on the steps of his home. His death turned his son inside out.

"The business was something we did together. The guy I worked with my whole life was gone," he says. "I had been president for 14 years and we had just experienced the three highest profit years in the history of the company, but it wasn't fun anymore."

Divorced with no children, Zbikowski decided he was ready to sell.

"If I'd had kids and could have kept that family connection, I may still be working," he admits.

With a company that was profitable, debt-free and boasted up-to-date equipment, Zbikowski had options. His primary consideration was for his 43 employees; he wanted a buyer who understood the business and would not "throw our people to the wolves."

It was a few months short of a year from when Toolkraft went on the block until the sale closed. The buyer, MultiSource Manufacturing, was an industry player that Zbikowski was familiar with and agreed to keep his workforce intact.

While Zbikowski misses his team, vendors and customers, he is taking delight in his retirement.

"I had never taken more than one week of vacation a year, never traveled much. Now I've been to Europe four times in two years," he says. "I'm healthy and active. I have freedom and time; that's the biggest gift in selling the company." ■