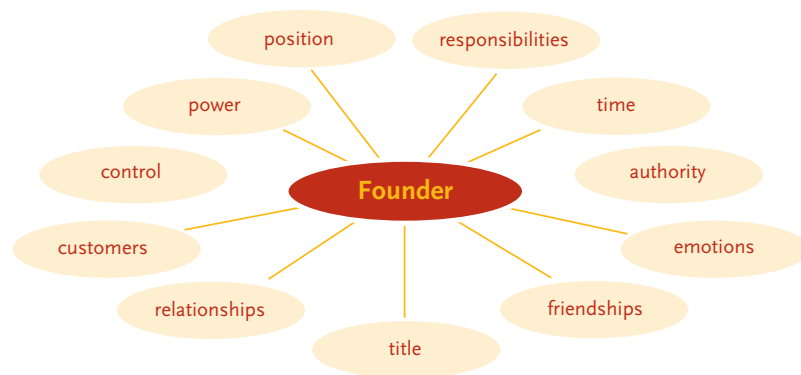


# Management succession

This tricky issue can often be firmly rooted in the reluctance of a founding family entrepreneur to 'let go'.

Conflicting and interacting interests which may hinder or delay the act of succession.



Succession in a family business only really succeeds when it is prepared for in an atmosphere of joint commitment and when the act of succession is seen as a confirmation of success.

## Some of our services

### Business

- Strategic advice
- Tax
- Audit
- Accounting
- Outsourcing
- Payroll
- Business recovery
- Financing
- Valuation
- Succession
- Recruitment

- Profit and cash projections
- Business process improvement
- Company secretarial

### Personal

- Personal tax
- Inheritance tax
- Retirement planning
- Investments and pensions

## The Family Business

Management and Ownership succession

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Many owners and founders are reaching the age where they have to face the inevitable issue of succession.

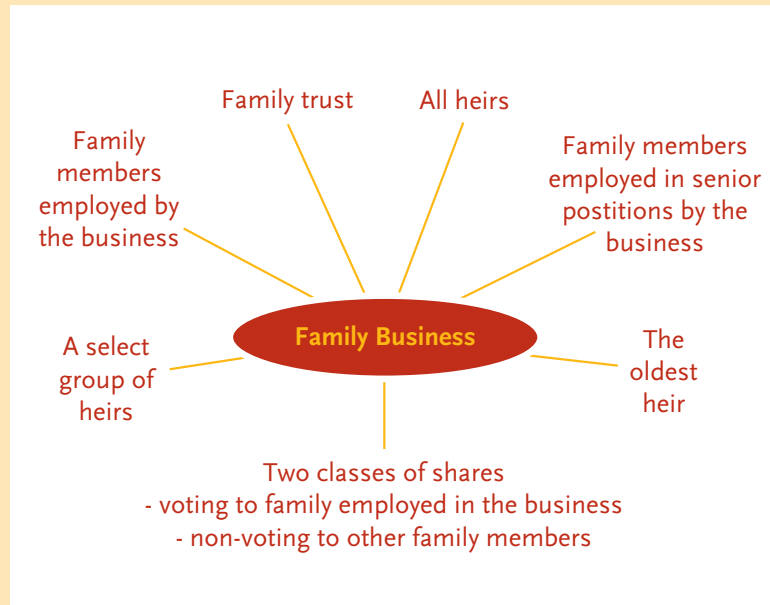


# The family business may face two types of succession –management and ownership.

Ownership is where the emotion kicks in, management succession is relatively straightforward.

The transfer of the family business to the next generation requires careful and detailed planning. It is an emotionally sensitive subject which has the potential to create significant conflict between parents and children, and between siblings.

A general pattern of ownership distribution may look like this:



## Factors influencing the choice of ownership

In deciding which structure is most appropriate for the family business, consider the following:

- **The ownership philosophy**

What is the purpose of the family business and what does ownership really mean? When you have that in place you can decide if the ownership is about control and reward for those working in the business. This would suggest that distribution should be to those working in the business. You may decide that the business is a vehicle for supporting the economic needs of the whole family and future generations. Here you may decide distribution should be amongst all heirs.

- **Who is 'family'?**

Careful consideration should be given to the definition of 'family'. Should ownership be restricted or should it be shared amongst members of the 'wider' family?

- **What is 'fair'?**

Many businesses pass on their wealth to future generations in a 'fair' manner. But the concept of fairness is open to debate and interpretation. Ownership succession is about passing on a business to those who value it and would safeguard its long-term survival.

An open dialogue regarding ownership philosophy can reduce the risk of conflict and allow the next generation to understand your decisions.

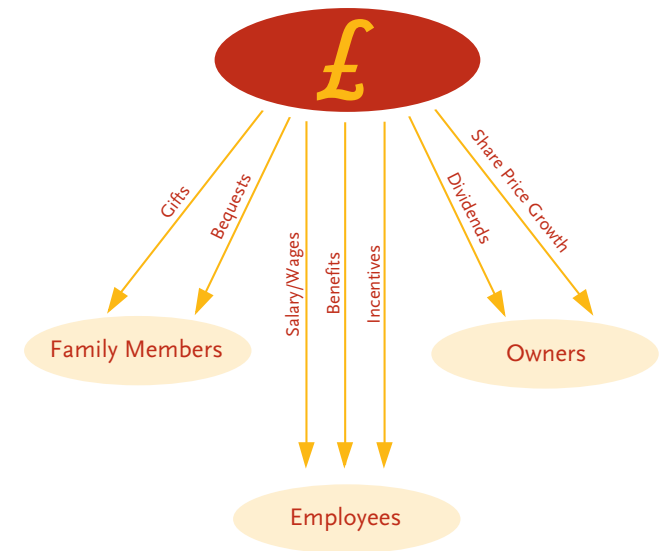
- **Insiders and Outsiders**

Those who work inside the business often have different views on ownership to those owners who don't work in the business. The differences in the two views can breed resentment that can be destructive to the effectiveness of the ownership group as a whole.

- **Compensation/ Remuneration**

The diagram below shows a popular compensation system.

Source: Aronoff and Ward (1993)



- **Financial independence**

If the senior generation remains financially dependent upon the business for income at retirement then the risk of interference from a formally retired founder is greater.

Some businesses go through a family buy out, whereby the exiting generation sell the business to the next generation.

- **Pruning the ownership tree**

With each succeeding generation, shares become increasingly dispersed, family values more diluted and a shared vision for the business more difficult to achieve. This is an exercise many business may benefit from, leaving a leaner more agile business.