

# PASSING THE BATON

Strategies for building a  
sustained family business  
across the generations.



## SUCCESSION OR PROGRESSION? GROWING A FAMILY BUSINESS ACROSS THE GENERATIONS

An introduction by Graham Turley.

Succession is a real concern for many business owners and never more so than when family is involved.

Across both commercial businesses and farms we see the full spectrum of succession, from sad stories to well-planned, well-executed transitions. While owners know it is a business challenge they'll face at some point and should plan for, we often see a trigger event, such as health or business opportunity driving the change of ownership. In these cases, the outcome may be good, but not necessarily the best outcome that could have been achieved or the best experience for those involved.

While succession planning is recognised as a significant issue for farmers, it's also a big consideration for commercial businesses. One key difference is that non-agri businesses tend to have more clearly defined roles (and more of them) which makes it easier to bring someone up through the ranks. For farmers, it can be harder to identify the steps needed to go from working on the farm to running the farm business.

Aside from a few areas however, the fundamental and knotty succession issues and the solutions to address these are the same across agri and non-agribusinesses.

From ANZ's perspective, we are interested in succession because it's important to our customers and an area where we are often asked for ideas and input.

In our experience, the ideas that help in succession are the same as those for a healthy and growing business – good advice, good communication, long term planning and profit. Weaknesses in any of these areas limit the growth of the business and make succession difficult to achieve.

We think there's real benefit in focusing on the opportunity to do succession well. Where family-owned businesses are able to transition ownership successfully across generations, their depth of experience and momentum means they are well-positioned to keep growing and keep being a force for good in the communities they're part of.

So for us, helping owners to maintain ownership within the family is one way we can help New Zealand business succeed.



**Graham Turley**  
Managing Director, Commercial & Agri

# UNRAVELLING THE SUCCESSION KNOT

The issue of succession, particularly in relation to farming, has received significant airtime recently. Much of the focus is on the challenges, either real or perceived, that come from working together as a family in a business. But there are real benefits from running a successful family business.

International research on family business, suggests the family business sector is more successful, resilient and innovative than non-family corporates throughout the developed world. Worldwide, family business is not assumed to be small or informal. Ford, BMW, Wal-Mart, Samsung, Motorola, Lego, L'Oreal and Tata Group are family businesses and certainly don't meet that definition. On a smaller scale, there are countless family businesses that are passing the baton from one generation to the next.

## THE KEY STEPS TO ACHIEVING SUCCESS

Many business owners and farmers tell us that succession is an issue but it's often put off because it's too hard, there are more pressing issues to deal with or because no one wants to consider their own mortality. But if circumstances change, not having a plan can mean there is no choice.

Not only is succession complicated, it's also personal – there's no one right solution and no one else can tell you the solution for your business. However, breaking the task down into a number of steps can make it easier to progress.

### 1. Build a sustainable profitable business

Without profit, successful family succession is not possible. If a business is profitable, well-managed and well-structured, the options open up.

### 2. Strong communication

Having a vision for the business, where individual family members see their role in the future, is a consistent theme among successful family businesses. And these families say that ongoing communication is the key to achieving this. Involving children in discussions about the business from an early age and creating an environment that allows for open and honest conversations are important.

### 3. Identify an appropriate strategy and develop a plan

Typically, the incoming generation thinks the parents have done a lot more planning than they actually have. A written succession plan provides the opportunity to involve family and professional advisers, and gives clearly defined goals to measure success.

### 4. Separate and define the roles of ownership, management and governance

In many businesses, the roles of ownership, governance and management are undefined and interlinked. The expectation is that all roles change from one person to another at the same time. Separating the roles allows for gradual transition. For example, the outgoing generation can step away from day to day management but still maintain a level of ownership and contribute to strategic planning. If outgoing family members leave capital in the business, their interests need to be protected by governance – for instance balancing the need to reward management performance and pay dividends to shareholders.

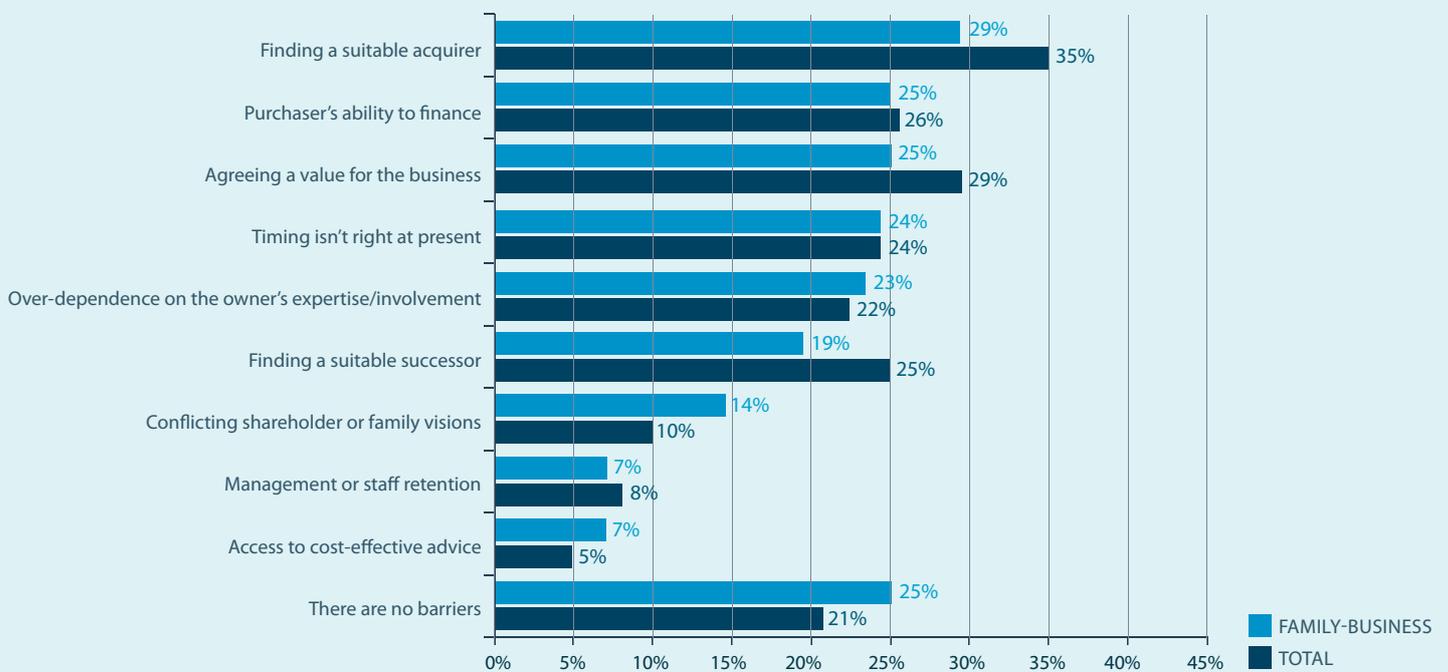
In reality, steps three and four can occur simultaneously. Depending on the current structure of the business and the desired outcome, it may be simpler to separate the roles before embarking on the detailed planning process.

## INSIGHTS FROM THE ANZ PRIVATELY-OWNED BUSINESS BAROMETER.

The ANZ Privately-Owned Business Barometer is New Zealand's most comprehensive survey into business owner attitudes and behaviours. The 2012 Barometer results show some significant differences in the succession

issues faced by family businesses compared to non-family businesses. Family businesses are those that have family working in the business and consider themselves to be a family business.

## BARRIERS TO SUCCESSION – FAMILY BUSINESSES COMPARED TO NON-FAMILY BUSINESSES



### Succession among family businesses

**75**  
PERCENT of private businesses are still owned by the business founder

**40**  
PERCENT of business owners and 52 percent of farmers say succession is an issue for them

**41**  
PERCENT of business owners and 24 percent of farmers expect change of ownership to occur in the next five years

**10**  
PERCENT of businesses actively considering succession have a formal plan in place

Compared with non-family businesses, family businesses have fewer barriers to succession. Yet family businesses are more likely to have conflicting shareholder or family visions and access to cost-effective advice.

## ADVISERS HAVE A CRUCIAL ROLE TO PLAY

Succession is one area where advisers have a crucial role to play. Where families are unable to progress succession planning on their own, family business advisers can help to 'unstick' the process. Where families have reached agreement on their solution, advisers can help to implement the plan smoothly. Getting the right advice from the right people at each stage is critical to success. Similarly, in an area where many professionals are looking to add value to their clients, it's important for advisers to understand where their individual skills can assist.

However, succession advice should not be separated from business performance. Rather than being an end in itself, succession should be a means to continue the success of the business, so succession advisers need to understand both business performance and how to assist families achieve succession.

### GETTING ADVICE – WHEN IS THE RIGHT TIME?

A question that is often asked is 'when is the right time to involve an adviser?' Most advisers answer 'as soon as possible'. However, John Tucker from the UK based, International Centre for Families in Business, points out that "involving an adviser in a family business is a major decision for the family. The adviser is being allowed into the 'inner sanctum' and will get to know a huge amount about the individuals, the family and the business."

In John's view "the right time is the time when the family or an individual in the family feels the time is right to do something about succession. In some cases this will be well before the family hits any sort of crisis and is driven by someone in the family who recognises the succession planning process needs to start early in the life of the family business. Unfortunately in some cases the decision to involve an adviser is taken at a point of crisis in the family and/or in the business and this is often a very difficult time for an adviser to be involved."

John believes that "with a growing awareness and more education, we can ensure that more family owned and run businesses engage in the succession process, be it to pass it on to the next generation or other family or to sell the business, and not just 'carry on and see what happens.'"

### THE ROLE OF THE ADVISER

Matthew Pickering works with agri family businesses through his business Coach Approach. He describes the role of his facilitators as being primarily "to take the family through a process that leads them to their desired outcome."

According to Matthew, an effective facilitator brings independence to discussions, has no preconceived ideas of what the solution might be, creates awareness and readily asks courageous questions.

Kerry Ryan, an agri consultant in Tauranga, adds that "the right professional can ensure all parties have the opportunity to think through their options before responding to ideas and expectations."



## PROFITABLE BUSINESSES HAVE MORE OPTIONS

For both commercial and agri businesses, successful transition is difficult if the business isn't profitable. This is becoming more of an issue because as the outgoing generation is likely to live longer and require more income for retirement, and therefore needs to take more capital out of the business.

A profitable business isn't just one that ends the year in the black. It is a business that generates sustainable annual cash surpluses that can either be reinvested in the business or taken as dividends. The cash surplus is important because it gives owners more options for succession. If outside money is needed to fund change of ownership, profitability makes it easier because potential investors or lenders can clearly see where the business has been and where it is heading.

Profitable businesses also have a manageable level of debt, strong planning around the business's cash flow, a clear understanding of the break-even costs, and the risks and opportunities within the business.

It can also mean benchmarking against other businesses (particularly in the agri sector), scenario planning for a range of possible eventualities and identifying areas for improvement.

### PROFITABILITY PROVIDES OPTIONS

If a business isn't profitable, the question has to be asked, 'what is being achieved from succession?'

For businesses that aspire to be a family business but have family members who are unsure of their future role (or too young to decide), instilling the necessary processes and disciplines to improve profitability is one step that owners can take now to assist with their succession planning. Profitable businesses are sale-able businesses, which means that the options for succession are much wider.

Furthermore, a well-managed and profitable business makes it easier to agree a value and achieve financing, two of the main issues with succession that plague business owners.

## STRONG COMMUNICATION

“Succession in a family business only really succeeds when it is prepared for in an atmosphere of joint commitment and when the process, which is inevitable is viewed as confirmation of success.” *John Tucker*

Much of the literature on family succession talks about a ‘shared family vision’. But how is this achieved?

A consistent theme that we hear from professionals working in succession is the importance of structured, meaningful communication.

Lyn Sykes, who helped farm families in Australia deal with succession and communication for 20 years, talks about ‘crucial conversations’ which are defined as ones where opinions differ, stakes are high and emotions are involved.

Lyn observes that these conversations typically occur because family members have not been encouraged to share their views or their opinions have not been taken seriously. The stakes are high because it’s not only a business decision that’s being discussed. The entire family relationship can be at stake. Because these conversations are personal, they are also often emotional.

Natural tendency can be to attempt to avoid highly-charged conversations because we know they will be difficult. If the conversation has to be had, there can be a tendency to try to keep emotions out of the conversation. Lyn recommends that “If you need to have a crucial conversation, accept that there will be emotions; some sadness, anger or fear.”

### DEVELOP A CONVERSATION CULTURE

Working together in the business means the family is communicating with each other all the time. Many decisions are made on the run and may not include all of the affected people. Families won’t necessarily differentiate between the discussions which are crucial to either the family or the business, and those which are not; conversations may take on a life of their own and end up very distant from where they began. What’s important is making sure the conversations that count are managed effectively.

These conversations need to be led by the current owner. We don’t underestimate the challenge of having this type of conversation with your children. Talking to qualified professionals and other owners who have successfully transitioned their business to the next generation can provide some valuable insights on how to initiate the conversation and how to channel any emotions in a constructive way.

Knowing a crucial conversation needs to be had and planning for the conversation is one way to address the issue. This means setting up a meeting to discuss the issues and, if necessary, getting someone independent to facilitate the conversation.

“Open communication helps to grow the family relationships from ‘parent to child’ towards equal family business relationships. Open communication is not about another thing to do in the day, it is about how family members hold the conversations that they are already having, every day.” *Matthew Pickering*





## KEEP AN OPEN MIND

“Making assumptions about your children’s interest, capability or desire to be part of the family business is dangerous”, says Dr Deb Shepherd who works closely with family businesses. Common assumptions are around what others want, how they feel, what they understand and what they can contribute. There can be a tendency to assume that only the family members working in the business day to day are interested in the business or that a family member has the skills to own and manage the business because they have worked in the business the longest.

Assumptions left uncorrected can, over time, turn into expectations. The longer expectations are left the more likely they will be perceived as a ‘right’.

Matthew Pickering recommends that parents go in to the process with no preconceived solutions because “they may well be surprised what their children come up with.”

## UNDERSTAND THE INFLUENCING FACTORS

There are a number of factors influencing how individual family members react to changes within the business. Two common influencing factors are family history and generation.

Experience from our own history affects us, either by repeating or reacting in the opposite way to what has happened to us – “I will never do to my children what was done to me”. It is common to see exchanges happening at the same time they did in the previous generation without anyone realising the pattern (positive or negative) is being repeated.

Thinking about the family’s history when making decisions or having conversations can help increase the options beyond simply repeating or doing the opposite.

Veterans, Baby boomers, Generation X, Generation Y, all have different expectations from life and different communication styles. If you’re having a lot of trouble communicating, have a look at some of the research on generations in order to broaden your understanding of the generation above or below your own.

## INVOLVE PARTNERS

There can be a tendency for family business owners to underutilise, or even ignore, their children’s partners. But as well as having a strong influence on the next generation’s involvement within the business, partners can also introduce an independent perspective, different experience and new ideas on how to improve the business.



### FORMALISE THE DISCUSSION PROCESS

It's human nature to avoid a difficult conversation, and this is one of the reasons that families avoid dealing with the succession issue.

One way to overcome this and to ensure that the difficult conversation yields results is to formalise the process. Schedule a time to have the conversation in advance, let everyone know what is going to be discussed and give them time to think about it, set an agenda, establish the rules of the forum up-front. Consider bringing someone in to facilitate – a trusted family friend, a business associate or a professional facilitator or family business adviser. It needs to be someone who is impartial to the outcome but who is committed to ensuring that a solution is achieved.

Many family businesses we have spoken to talk about feeling initially apprehensive about calling a 'family meeting' but the process of separating the strategic long-term planning from the day to day running of the business, and of treating the conversation like a business meeting does make a difference.

## MASTERING THE ART OF COMMUNICATION

"For businesses to succeed across generations, it's important for the knowledge and experience of the current generation to be passed to the next generation, yet this is where a lot of businesses come unstuck.

Typically the older generation forgets that all of their knowledge was gained over a long period of time, often by experiencing what doesn't work or by making small adjustments consistently. This may mean they are not great teachers as they are unaware of how much they know until someone asks questions.

The younger generation may not be willing to ask the questions that ensure that the information is passed on as they have a need to believe they are already competent.

Communication is a skill that all business owners need to master, and in family business, this is even more important because the stakes are high, there is emotion involved and every member believes their opinion is the correct one. Taking the time to understand how you and your family communicate, setting up a structure and process for crucial conversations to take place in a safe environment and, if necessary, bringing in someone independent to facilitate the conversations are all important skills that significantly increase the chances of both the business and the family succeeding.

When a family is able to respect and harness the wisdom and experience of one generation with the energy and enthusiasm of another the results are unbeatable."

*Lyn Sykes*

## DEVELOPING A PLAN

For many business owners and advisers, succession planning is about the formal change of ownership within the business. But that's just one step in the process and, in many ways, it's the least significant. Much more crucial is ensuring that the identified successor has the necessary skills and confidence to transition from employee to manager, and to take business performance forward.

The purpose of a formal succession plan is to take the shared family vision and make it a reality. It does this by identifying where the business is at now, where it wants to be in the future and the steps necessary to achieve this. It includes expectations and accountability measures that are documented and can be measured and tracked over time. This gives all parties clarity of their role both now and in the future.

In the same way that formal business planning is strongly linked to business success, a formal succession plan increases the probability of a successful change of ownership.

### LOAD FOR SUCCESS

A key component of the succession plan is ensuring that the incoming generation have the time and opportunity to develop the necessary skills to take over the business.

*"As part of the planning process, the outgoing generation needs to accept that the lifestyle choices, skills and systems that grew the business to its current stage will not be the same as those required to grow it to the next level. Don't expect new entrants to work the hours or have the hands-on involvement that will have been needed to develop a quality operation. The future will be about intellect, education, people and relationships. New entrants to the business need to bring new ideas, commitment to best practice and a hunger for expertise and technology that will ensure top 10 percent profits that deliver sustainability, maximise asset values and provide further opportunities for growth into the future."*

*Kerry Ryan*

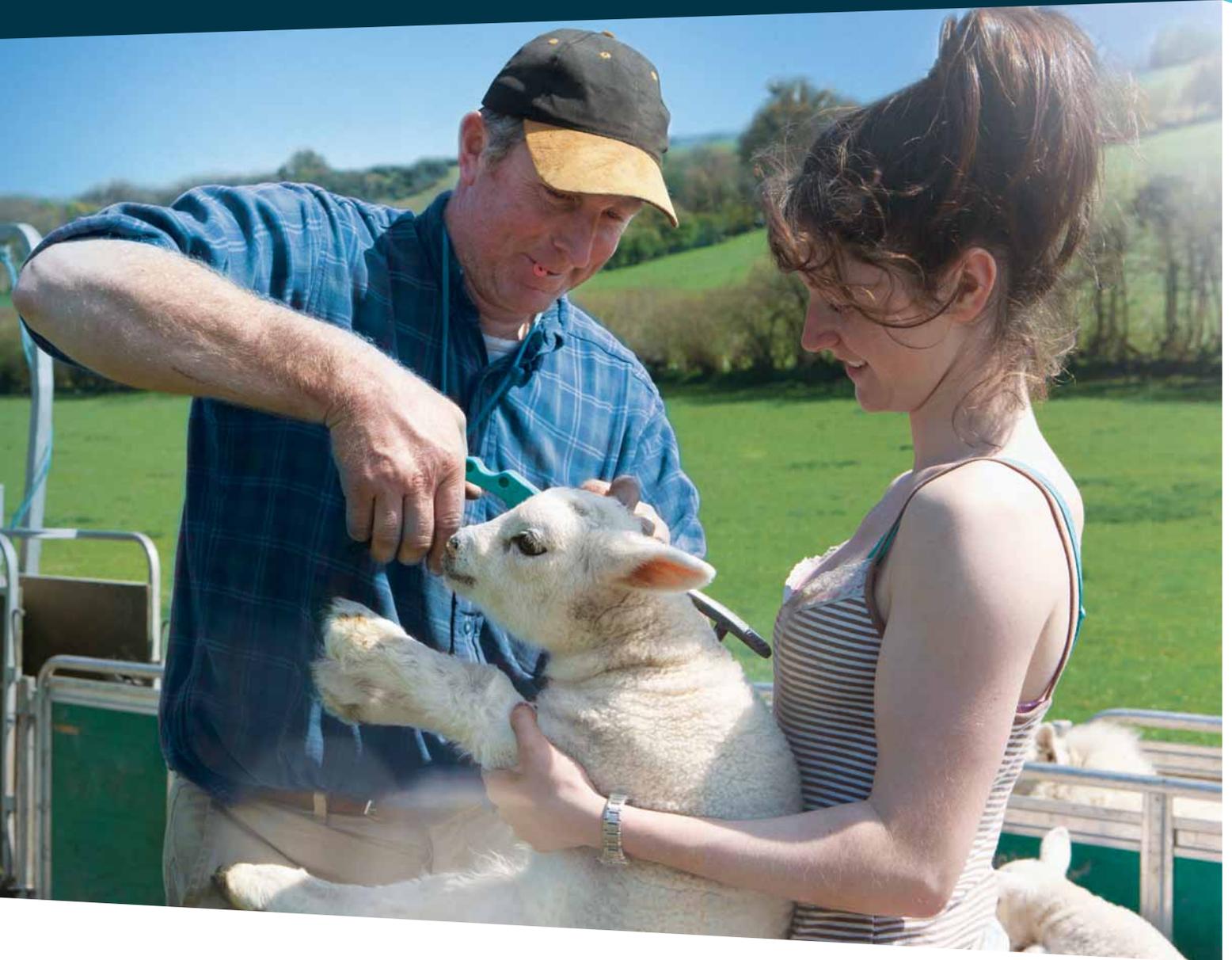
Dr Deb Shepherd makes the point that "children following their parents' footsteps are often resented by staff looking for signs of nepotism. While it is true that children of family businesses grow up around the business and as such, inherently 'know more' than outsiders, this is not an excuse for not providing appropriate preparation, coaching, transition and development into more senior roles. Moreover, being a staff member or manager is not the same as an owner."

Kerry Ryan adds the point "New entrants need to recognise they need to 'win' opportunity rather than have it handed to them. That's why professionals and business founders need to collaborate to ensure there is a sounding board to approve plans and ensure relationships are realistic and soundly structured. Professional advisers can make a significant contribution to mentoring those who are new to the business so they can maintain a sense of independence and autonomy."

### ACCEPT THAT THE BUSINESS WILL CHANGE

Family businesses succeed because of the passion and commitment of the owners. But this same passion can make it difficult for owners to recognise the need to change. The outgoing generation needs to consider the skills of the incoming generation, which may not be the same skills as their parents used to found the business.

Many successful family businesses encourage the incoming generation to work outside the business for a period of time to give them exposure to new ideas and ways of doing business. But this isn't the only way to achieve this knowledge. Family members working in the business can still gain insights through other avenues, as long as the current management is flexible and listen to new ideas.



In farming family succession, the greatest barrier is often the ability of the farm to support both generations and provide for the family not involved in the farm.

What is required to make the equation work is increased profit. The incoming generation has to be able to take the business forward rather than just take it over and maintain it at the level the last generation left it at. There is a wide range in the level of return on assets and when assets return at a similar level to the average cost of borrowing, many more options open up.

Also important is the need to maintain the history of the outgoing generation to ensure the business leverages its experience and relationships. Deb Shepherd puts it this way "Entrepreneurial family businesses are successful because they maintain the best of the history, the foundations and the success of the family business legacy AND adapt, change and capture new opportunities across successive generations."

#### WHAT CAN I DO TODAY TO DEVELOP A PLAN?

- Consider the questions on the page 18. Answering these questions will go along way towards formulating a plan for your business.
- Consider time out of the business to work on the plan – an afternoon or a day off-site to focus on succession planning can be more productive than trying to work around the day-to-day interruptions.
- Consider an external facilitator to keep the conversation on track – specialists on business planning bring an impartial perspective and can ask the right questions or identify the gaps in a plan.

# ROLE SEPARATION PROVIDES MORE OPTIONS FOR SUCCESSION

Ownership is often the focus of succession, whereas the focus is better placed on the roles that link to business performance – governance and management.

Many business owners, particularly those who have established the business, tell us about the challenges of 'wearing multiple hats' and of struggling to 'work on the business not in the business'.

Often this issue occurs because there is a lack of definition between the roles within the business. For many businesses, particularly farm business, the ownership and management model looks like the diagram below.

From a business growth and long-term survival perspective, this model is restrictive. One (or two) individuals have a finite amount of time to work both in the business and on the business. The existing owners may have utilised all of their skills and knowledge to grow the business to the point it's at now and need fresh ideas to take the business further.

This model also limits options for succession. If one person does everything, or if the understanding is that the roles all change at the same time, then there is limited scope to:

- bring in the next generation and skills from outside the family;
- for the non-business family to leave capital in the business;
- for the older generation to continue to contribute their skills and experience after they cease working in the business or on the farm.

Within the farming sector, this model is under pressure because:

- farms have got much bigger over the last decade;
- non farming family members have an expectation of equal treatment;
- we live longer and need more to live on in retirement;
- product prices are more volatile, and;
- land value increase has a closer relationship to profitability.

## A TYPICAL MODEL FOR MANY FARMS AND BUSINESSES



Non-agri businesses can often find it easier to separate the roles as there are often more defined areas of the business that a family member can work in to gain experience of the business and gradually increase their responsibility.

### SEPARATION OF ROLES GIVES MORE TRANSITION OPTIONS

Separating the roles of ownership, governance, business management and day to day operations opens up many more options for successful generational transition. When roles operate separately, succession in each role can occur at different times.

The primary consideration becomes how the business can be most effective in each role, particularly governance and management. It is rare that a transition of all roles at one time to one person would be considered desirable.

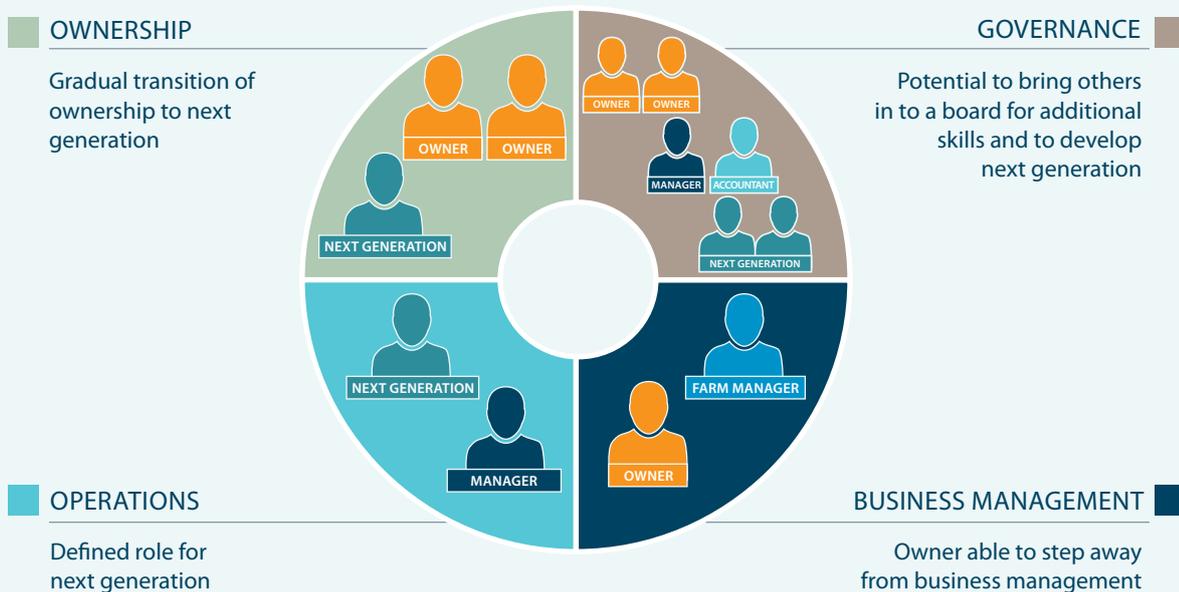
Ownership becomes an important but secondary consideration after business governance and management is maximised. There are more opportunities for progressive input from the next generation when more formal governance exists. It is also easier to identify areas where value can be contributed by external expertise.

The diagram below shows how defining ownership, governance, management and operations allows family members to step in and out of the business at various levels.

For example, the outgoing generation may retain shareholding and be involved at a governance level, but step out of the day to day business management and operations. Children who want to be involved with the business but pursue other careers can still contribute to governance and retain shareholding. This brings in additional skills and resources to the business, and avoids weakening the capital structure by borrowing to pay out family members.

Independent professional advice becomes very beneficial to developing more formal separation of roles, as it's important to have a structure with flexibility to adapt to changing circumstances in the family. The objective is to both bring in the next generation in a way that can take the business forward.

### SEPARATION OF ROLES PROVIDES MORE OPTIONS



## DEFINING GOVERNANCE

For many business owners, the term 'governance' suggests compliance, paperwork and a whole lot more work. But for family businesses with long-term growth aspirations, it pays to take a more positive view of governance.

Simon Telfer, of Appoint Better Boards, works with business owners to establish effective governance. He encourages business owners to consider governance as 'higher level thinking from external, engaged individuals'. He breaks this definition down like this:

"Higher level" refers to a more strategic rather than operational focus on the business. It provides a catalyst for owners to step away from day to day matters and look more broadly at the business.

"Thinking", rather than doing, reflects that it is management's responsibility to run the company but the directors' role to discuss and debate where the company is going and provide guidance to management on the best path to get there.

"External" reflects the need for diverse skills, thoughts and experiences to sit around the table, leading to stronger decision making.

Finally "engaged individuals" suggests that good governance is more than simply a coach or consultant – it is someone who is involved over a long period of time and has a strong commitment to, and responsibility for, the success of the business.

Rather than hindering the business, a governance structure protects the business and helps achieve their objectives. It also sets in place the necessary structure to bring in additional skills and allows for gradual and tiered involvement of family members, both of the outgoing and incoming generation. As a result, the business is no longer limited to the working life span of the founder. For the business owner, the business becomes an investment. Family leaving capital in the business can earn a dividend, rather than the business borrowing and weakening its structure and profits.

## WHERE TO FROM HERE?

**Business owners who are serious about succession but don't know where to start:**

1. **Look at your business profitability** – is your business in good shape? Is it a business you would want to step into right now?
2. **Talk to your family** – whether it's individually or all together, get an idea of what your family's thoughts are on the business and their future involvement.
3. **Decide what you want from the business in the future** – could you take a back-seat role while someone else runs the business? Do you want to continue to stay active in the business or are you all in or all out?
4. **Talk to others** – seek out other business owners who have gone through succession and professional advisers who assist with succession. Involve Your ANZ Relationship Manager can connect you to people in your local network.
5. **The right solution is the one that's right for you and your family** – start with an end-goal in mind and work out the steps needed to get you and your family to where you all want to be.

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## ABOUT OUR CONTRIBUTORS:



### MATTHEW PICKERING

Matthew offers a unique motivational leadership style learnt from surviving four life threatening events and from 26 years of leadership in the rural industry and the surf life saving movement.

Matthew's life has been spent focusing on developing people as the cornerstone to achieving sustainable success. As a director of Coach Approach, his specialist fields are in; self leadership, leading others, Work:Life Choices, change management, strategic planning, facilitation, motivational speaking and succession planning.

He has led at the coal face, he has been through significant personal challenges and he knows how leadership works.



### DEB SHEPHERD

Deb has worked as a researcher, consultant, facilitator and experiential trainer with a variety of companies: SMEs and large as well as not-for-profit organisations.

Deb has been involved with The ICEHOUSE since its inception in 2001. Her consultancy work with SMEs specialises in strategy, leadership, senior team management development, change management, and business growth.

Deb currently sits on the boards of Mainland Poultry Ltd and Pet Doctors Ltd and consults to a number of other SMEs. Her research interests centre around entrepreneurial family business and SME growth and innovation.



### SIMON TEFLER

Simon established [www.appointbetterboards.co.nz](http://www.appointbetterboards.co.nz) in early 2012 after numerous business owners asked him how they could more easily connect with potential directors and board advisers.

With his other hats on Simon advises privately held businesses on strategy, governance and succession via Stimulus Consulting. He is an independent director and investor in Federation Media and Generator and a member of advisory boards including The Orange Group and Pharmaceutical Solutions. Simon co-founded SpringBoard NZ in 2009, a 2100 member group that seeks to encourage and develop the next generation of New Zealand directors and trustees.



### KERRY RYAN

Kerry Ryan & Associates is an agribusiness consultancy that helps farming and primary sector businesses accelerate towards their strategic goals.

Kerry has spent decades business planning and managing staff for farming, corporates and his own businesses. He has used these insights to develop practical systems to help you help yourself. Visit our resource centre and you will find a range of downloadable systems and templates you can adapt for staff selection and appraisal.



### LYN SYKES

Lyn is recognised as the pioneer of a family focused approach to succession planning centered on a facilitated family meeting to clarify the visions and goals of each member in order to develop a shared way forward.

Lyn has worked to develop a cooperative approach to the sensitive area of succession, including cooperation between the family and also the professionals who provide services.

Her aim is to encourage leadership development through long term planning and respect for different personal styles, generations and genders.

Lyn believes when groups work cooperatively and harness the strengths of these differences great things are possible.



### JOHN TUCKER

John is one of the leading experts in the field of family business in the UK. He is the Founding Director of the International Centre for Families in Business and is the founder of the UK's first MBA for Family Business and first Post-Graduate Certificate in Family Business Advising.

John attributes his ability to work creatively with families to his career history. His original training was in sociology, he has been Managing Director and major shareholder of his own family business and he has an MSc in Organisational Development from the University of Bristol. John trains and teaches in the field of family business and consults with families in business. John has extensive experience in working with families in business around the world and is co-founder of the New Zealand business, Families And Business Ltd.

## PLANNING FOR CHANGE – QUESTIONS TO CONSIDER

John Tucker of the UK-based International Centre for Families in Business provides these questions to assist the outgoing and incoming generations think about and discuss what they want from the business.

### CONSIDERATIONS FOR THE OUTGOING GENERATION

Many owners and founders are reaching the age when mortality becomes a reality and they have to face the inevitable truth.

#### Questions for the incumbent generation to consider

- How is the next generation of managers being prepared?
- How will you know when they are ready?
- When should the next leader be identified?
- How do you go about selecting the next business leader?
- Who should succeed as the next leader?
- What qualities do they need?
- When do you know it is time to step down?
- Will you continue to have a role?
- If so, what?

### CONSIDERATIONS FOR THE INCOMING GENERATION

The incoming generation has to want to be there. It is incumbent on the incoming generation to understand their own needs and wants and to be able to articulate those to the outgoing generation.

#### Questions for the next generation to consider

- Do you want to work in the family business?
- Do you want to manage/direct the family business?
- How will you know when you are ready to take the reins?
- What do you want from the outgoing generation?
- What do you need from the outgoing generation?
- How do you feel about working with your siblings?
- Do you want to own the family business?
- How do you view fairness and equality of ownership with your siblings even if they don't work in the business?

### OTHER QUESTIONS FOR CONSIDERATION

- Who should own the business in the future?
- Should all children own the business equally, whether or not they work in business?
- How do you reconcile the interests of family members who work for the business and those who pursue other interests?
- How will the financial needs of the outgoing generation be addressed?
- Will you need a shareholders agreement?
- Are there grandchildren to consider?
- What does the next generation think about ownership?

Succession in a family business only really succeeds optimally when it is prepared for in an atmosphere of joint commitment and when the process, which is inevitable is viewed as confirmation of success.

