

# SUCCESSION PLANNING

## Options and plans

### Family Matters Section 5 Topic 2

The RETAILER programme aims to provide practical resources for independent retailers in the Eastern region, backed by the support of intermediate mentors and the RETAILER website [www.independent-retailer.com](http://www.independent-retailer.com)

The RETAILER programme is supported financially by the European Social fund (ESF). Elements of the RETAILER programme build upon the APU SESAME programme. If you are interested in joining the RETAILER programme, please complete and return the form at the back of this document.

This RETAILER topic is based on Topic 2, *Options and plans*, from Section 5, *Exit*, of the SESAME Family Matters materials.

Copyright © 2005 Anglia Polytechnic University

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the publisher. RETAILER materials are for use as part of the RETAILER programme only.

Anglia Polytechnic University  
Bishop Hall Lane  
Chelmsford CM1 1SQ  
01245-493131



## 5

## Topic 2 Options and plans

Topic 1 identified the various options available to the owner-managers of family businesses seeking to leave the business. In this topic you will explore the available options more closely, in particular looking at the results of research into what owner-managers' exit plans typically are.

### What owners want

The following table shows the results of research referred to earlier by 3i European Enterprise Centre. Owner/managers were asked to describe what their exit plans were.

**Table 1: owner-managers' exit plans (3i EEC)**

Plan	Britain	Overall
Transfer within the family	32	46
Sale to trade buyer	45	40
Sale to existing management	23	14
Total	100	100

The results of a survey of UK family businesses by Manchester Business School/Sand Aire were fairly similar. (Note: the options available are not mutually exclusive, hence the percentage column totals over 100 per cent.)

**Table 2: owner-managers' exit plans (MBS/Sand Aire)**

Plan	%
Lifetime transfers to family	43%
Sale to third party	35%
Setting up trusts	27%
Management buy out/in	16%
Minority family business owners selling out	15%
Employee share ownership plan (ESOP)	13%
Flotation	73%

### Activity

Look at the figures shown in the two tables above.

- What conclusions can you draw from these figures about the plans of family business owners?
- Do any of the findings surprise you?

The first obvious conclusion is that not all family-run businesses see bequeathing the business as the most obvious or attractive option – or indeed as a realistic one. Selling the business, either to a trade buyer or to existing management, is the more likely option for UK businesses, with only one-third of owners intending to pass on the business within the family.

Interestingly, the 3i European Enterprise Centre found that intentions differed depending on the route by which people came to own the business. For those who started the business themselves, 44% favoured transfer within the family (across Europe), but this figure rose to 59% among those who had inherited the business. In other words, where there was already a dynastic succession, there was a greater desire to maintain the family succession.

When ownership came by means of a management buy-in or buy-out, the percentages favouring family transfer fell to 38% and 16% respectively.

## Activity

Why do you think the owner of a second- or third-generation family business might be keen to pass on the family business to the next generation?

And why is it that owners who acquired a family business through a management buy-in or buy-out would be more ready to sell the business on?

To answer the first question, read the words of one person musing on her position as the inheritor of the family business.

Where the owner of the family business has acquired it through a management buy-in or buy-out, there is perhaps less sentimental attachment to the business, as it was originally the result of another person's or another family's entrepreneurship.

The family firm had already been going for 50 years when I inherited it as the third generation of Levines to run it. The business and the family are completely intertwined. It's hard to imagine one without the other, so I can't conceive of, say, selling the firm. I also feel a strong sense of responsibility for my children and grandchildren – the business isn't mine, I'm the custodian of the family inheritance.

**Charlotte Lucas, Managing Director, James Levine Ltd**

## Check Point

What are your favoured options for the future of your business when you come to pass it on?

Tick the appropriate box, depending on how strongly you would favour each option:

	Strongly Favour	Favour	Neutral	Disfavour	Strongly Disfavour
Transfer within the family	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Appoint caretaker manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Appoint professional manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sale to trade buyer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sale to existing management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Winding up the business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do nothing ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Summarise your thoughts about your favoured options in Action plan 5 in Section 6.

Now that you've seen some of the RETAILER materials, would you like to benefit from the RETAILER programme?

Through the RETAILER programme, Anglia Polytechnic University offers Till Side Training for independent retailers in Cambridgeshire, Suffolk, Norfolk and Essex employing less than 250 people.

The training is backed by practical materials, relevant resources, the support of experienced mentors and the RETAILER website.

Retailing is a 'people' business. Supermarkets, department stores and chains spend a significant amount of time and resources training their staff. Product knowledge, customer service, merchandising and selling are prerequisites for working in these companies, but training also:

- demonstrates commitment to their employees and their professional development (for many employees, the offer of training is the reason for deciding which company to work for)
- forms the principal rationale that supports all quality initiatives from simple Quality Control right up to Total Quality Management.

The RETAILER programme is supported financially by the European Social Fund, and is free to beneficiaries. The RETAILER programme is intended to train you, train your employees, and help you train future employees.

To find out more about the RETAILER programme please fill in your details below and send a copy of this page to:

Carole Martindell  
Retailer Programme Administrator  
Ashcroft International Business School  
APU  
Bishop Hall Lane  
Chelmsford  
Essex CM1 1SQ

Name: .....

Business name: .....

Job title: .....

Address: .....

.....

.....

.....

.....

Phone number: .....

Email address: .....