

SUCCESSION PLANNING

Planning for family succession

Family Matters Section 5 Topic 4

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

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 4, *Planning for family succession*, from Section 5, *Exit*, of the SESAME Family Matters materials.

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Topic 4 Planning for family succession

Passing the business down to the next generation of the family is only one of the options available to the owner-manager of the family business. How important an option it is depends to a large extent on the values and goals of the business founder and the family. For many family businesses, the values of tradition and continuity are paramount – the whole business is regarded as a key family asset and an expression of the family's identity. In this situation, getting the issue of succession right is vital.

The importance of succession planning

Succession planning means preparing to pass control to others, in order to ensure that the business does well in the future. It involves:

- identifying and training successor(s)
- assessing all aspects of business in the light of transition – ownership, management, structure
- gradually relinquishing control.

Issues of succession must be faced early. Failure to prepare may be catastrophic for the company and the family alike, as you will see in some of the case studies later in this section. However, the evidence is that preparation, when it comes, is usually too little, too late ...

Happy families or battleships?

How smooth the transition is from one generation to the next depends on two factors: how early planning starts and the level of involvement of the family. The Stoy Family Business Centre, in its Toolkit for the Family Business, analyses the effect of these factors as making a choice about what sort of 'game' you want to play... The options are Battleships, Risk, Bingo or Happy Families!

- 1 **Battleships** – The owner wants the business to remain in the family (i.e. high family involvement), but has failed to plan how to pass on the business.
- 2 **Happy families** – Again, the owner wants the business to stay in the family and has started planning in good time.
- 3 **Risk** – The owner is not bothered about keeping the business within the family, looking instead to sell it or hand over control (but not necessarily ownership) to a management team; however, the owner again fails to plan early.
- 4 **Bingo** – The owner is not looking to keep the business in the family, but has started planning other arrangements in good time.

Activity

Match up the following descriptions of family firms to the type of business 'game' being played.

- 1 **Bill Waddell** ran the Waddell fleet of refrigerated lorries for 20 years, with the help of his brother and sister-in-law. Sadly, Bill was accidentally knocked over when one of his lorries reversed over him. Bill's brother wants to retire and Bill's widow wants nothing more to do with the business. They are looking to try and sell the business as a going concern. Failing that, they will liquidate.
- 2 **Justright Carpets Ltd** is in its second generation. Philip Jenkins is the current owner-manager. His sons Kevin and Phil, both expert fitters in their time, now spend most of their time in the firm's two shops. Philip Jenkins hankers after a change of lifestyle and suddenly decides he wants to spend the rest of his life on the Costa del Sol. He wants his sons to buy him out. Somewhat stunned by his sudden decision, they are searching for ways to finance the buy-out, but frictions over the price of the shares and the timing of the sale is souring family relations.

'Of those planning to retire within the next 1 to 5 years, 40% have not identified a successor and 18% have not made the family aware of their future plans.'

Source: Bournemouth University Business School (1999)

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- 3 **Jane Brown** and **Stella Walker** set up the first all-woman estate agency in their town 14 years ago, when in their 40s. The sisters are now planning their retirement. About five years ago they discussed what to do in this situation, and after much family discussion, it was agreed that Jane's daughters Selene and Hera would take over the business. After university, both daughters joined the family firm and went through professional training. Dates have been set for first Jane, and then Stella, to withdraw from the business.
- 4 **Cinzia Parati** runs a family business making and selling elaborate wedding and communion dresses. She and her husband now have four shops and have recently been approached by a nationally known firm to sell the business. Cinzia has taken various steps to make the balance sheet look as attractive as possible. She has already made a number of pension investments and set up various trusts to minimise the tax implications of the sale of the business.
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Although you will have realised that this is intended as a humorous analysis, it contains a great deal of accuracy. You should have identified the following games...

- Waddells – Risk
- Justright Carpets – Battleships
- Brown and Walker – Happy Families
- Cinzia Parati – Bingo

Check Point

Note your answers to these questions before turning to the Action plan to consider any changes you may wish to make.

- What sort of game *are* you playing:
 - Battleships
 - Risk
 - Bingo
 - Happy Families?
- What sort of game *should* you be playing?

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:

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