



## 6 steps to protect the future of the family business

To ensure continuity, a succession plan is absolutely essential for every family business. And this is regardless of whether the family runs a global empire, family farm or corner store.

History shows that succession is the Achilles Heel of the family business. A study on family-owned enterprises in Australia by KPMG and the University of Adelaide found that only 43% of business owners were planning to pass their business onto the next generation. 24% plan to sell or float.

Regardless of your intention, here are six steps to help ensure that your succession is a success:

1. Board meetings or formal family meetings should be held regularly. There must be a defined business agenda and open discussions encouraged to ensure no breakdown of communication between all of the family members involved in the business.
2. Plan for the exit of the older generation by setting dates and establishing retirement funds to ensure that they are well provided for. If you fail to have the total support of the older generation they are unlikely to relinquish their position.
3. Who replaces the older generation at the helm of the family business is a vital issue because in order for the business to succeed it may not always be appropriate for the eldest child to automatically take the lead (whether he or she expects to or not!). There must be full and frank discussions on this issue and firm decisions made.
4. Seek professional advice. It is crucial that all-important planning issues are discussed with your accountant, solicitor and financial planner.
5. Dates for future meetings must be set so that discussions continue until a plan that provides for all family members in the business has been completed.

6. It is imperative that you keep your plan current. Succession plans require periodic revision and updating to ensure that what you have agreed upon remains relevant.

There is an old saying. "The first generation **makes** it; the second generation **takes** it; the third generation **breaks** it."

The simple and common sense approach of preparing in advance, seeking professional advice supported by sound, unemotional management, will set the future of the business in good stead.

## Sources:

*Succeeding Generations: Realising the dream of families in business*, Ivan Landsberg

*KPMG Enterprise and Family Business Australia 2017/18 Survey (May 2018)*

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