

Family Business Succession Challenge

(Part 2)

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To all those worried and concerned family businesses who read and gave beautiful scintillating feedback on the article on the succession challenge sent on 15 November, the team at SOCH and I want to thank you from the soul of our company.

Going over 150 replies in the form of emails, voice mails, short videos and direct phone calls, I congratulate you all for one thing – "You all took courage to share concern enough that it's a short while for the action to be initiated ultimately delivering your good fortunes" – Good luck and have a life-rewarding succession experience to you all.

To the folks, I referred above and the rest of my friends and well-wishers, I am writing this part 2 on the succession challenge – I hope it aids beyond the arena of succession. Perhaps you will allow helping the real man in the mirror and not the one inadvertently hiding the real man behind.

The responses we received in emails, voice mails, short videos and phone calls are as summed up below in the form of questions:

- 1. What do we do if our traditional family system is strictly patriarchal? How do we help ourselves, and how do we help them? – (Female director of the business family)**
- 2. What if we have more than one family member who wants to take over? And I am worried that even they may not be genuinely interested in taking the legacy forward in health, identity and prosperity**
- 3. We are not sure if the next generation of our family can take over business operations. The kind of vertical growth prospect we see as stewards today and the readiness of our next generation, I doubt what we missed and how can we extremely quickly create a response before it's too late..?**

- 4. We have been very haphazard in how we have created and run our business. Being in Agro products serving far markets, the current scenarios and going forward growth outlook is fierce, and we don't have a shared vision among seven of our family owners. How could we keep the next generations in sync with our vision when even we don't have any credible standard page? How could we prepare for succession?**

- 5. Some members own shares but are not part of ownership in the business group, and we have significant cold wars to which this dynamics adds and affects negatively. How could we press ahead with our succession actions with so much unsaid and unspoken for so many years that we seem to have lost track of who we are as a one-family enterprise?**

- 6. Could you help us with some steps in preparing for the succession plan?**

...and many more

All the above cannot be laid in an article; however, within the boundary, I assure you to give my sincere best to aim to be of aid for your thinking on your own and discuss perhaps among your loved ones.

Succession is more than just passing the baton.

First and foremost, succession must not be considered an act of passing the baton to the next generation. This is hideously wrong and a killer of all hopes.

So, if you are a patriarchal system which had seen this only when granddad did this, that doesn't mean they were wrong, but the time today warns you to review and revisit the same decision much differently.

Let's admit that our forefathers have done a remarkable job in even helping us today made this possible with fortune and overall ability to generate prosperity. Thanks to them.

But, today, to create your story for the next 3 to 5 generations as overall health, overall happiness, conspicuously abundant, and globally reaching corners, your decision requires far more due diligence and preparation than who is to be given the helm of the business.

The following simple guiding steps may throw light and ignite some discussion in your living rooms.

***First, succession planning is a 12 to 36 months process.
Reinforcing the concept of preparation and not pre-selection.***

This preparation is of two elements.

First, a human element such as preparing the leading generations as a whole and not electively already but all eligible ones as learning together all that needs be learned before they could even be engaged in thoughtful and meaningful discussions in few years regarding their fitment to take the helm of the family business.

This even involves the deep education of patriarchs and all owners today, helping them to evolve in their heads, hearts, and soul.

This helps to conduct dialogues between the two generations in later stages more objectively and with warmth and essential good feeling towards members.

The **second** is an institutional element. In this, you require to, first & foremost, clarify what the mission of the family at large is. What core identity this mission helps in becoming the same?

Per the above, then qualify the ownership ambition for the future. Execute a systematic approach clarifying and creating a clear picture of what ambition the ownership carries and how they believe their ambition is in service to the family mission.

You are then required to understand the enterprise position in terms of risk and strength that the new generation leader will inherit. This risk profile will include your all -encompassing holding companies and subsidiaries and anything part of the enterprise. The risk position today of the following must be figured to help build the succession plan well meant for selection and much more later date:

1. Financial risks & hence position as of now of overall enterprise

2. Legal risks & hence position as of now

3. Tax, regulatory and compliance risk position

4. Asset & estate risk position

5. Shareholding, valuation, & structure risk positions today

6. Key relationships risk as of now

7. Essential support & any risks thereof.

Once done, chart out your strategic plan for the business built with stewards of the business. A strategic plan examines the current state of the business and is in tune with the ambition where it must be leading itself.

A detailed financial plan, ownership structure changes, if any and an ownership transition plan followed by leadership transition are performed in planning.

The key that would make seemingly complex 2-3 years of succession planning effort for your family business will be constitutionally led family governance.

As I mentioned, this is not a blueprint or a how-to guide. The devil is in the detail, and I can paint here in the article a mere 15% of broad actions and must-haves not to be missed. Hence, it is by no means a comprehensive guideline or even close.

I would only say that you begin your succession planning efforts in really early stages and do not wait for any event that calls upon your emergency mind to then do all necessary that needs to be done.

I hope this makes sense and add value. Make your choices wisely.

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