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Family Business

The family business and succession challenges

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**Grant Gordon, Director General
Institute for Family Business (UK)**



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The family business and succession challenges

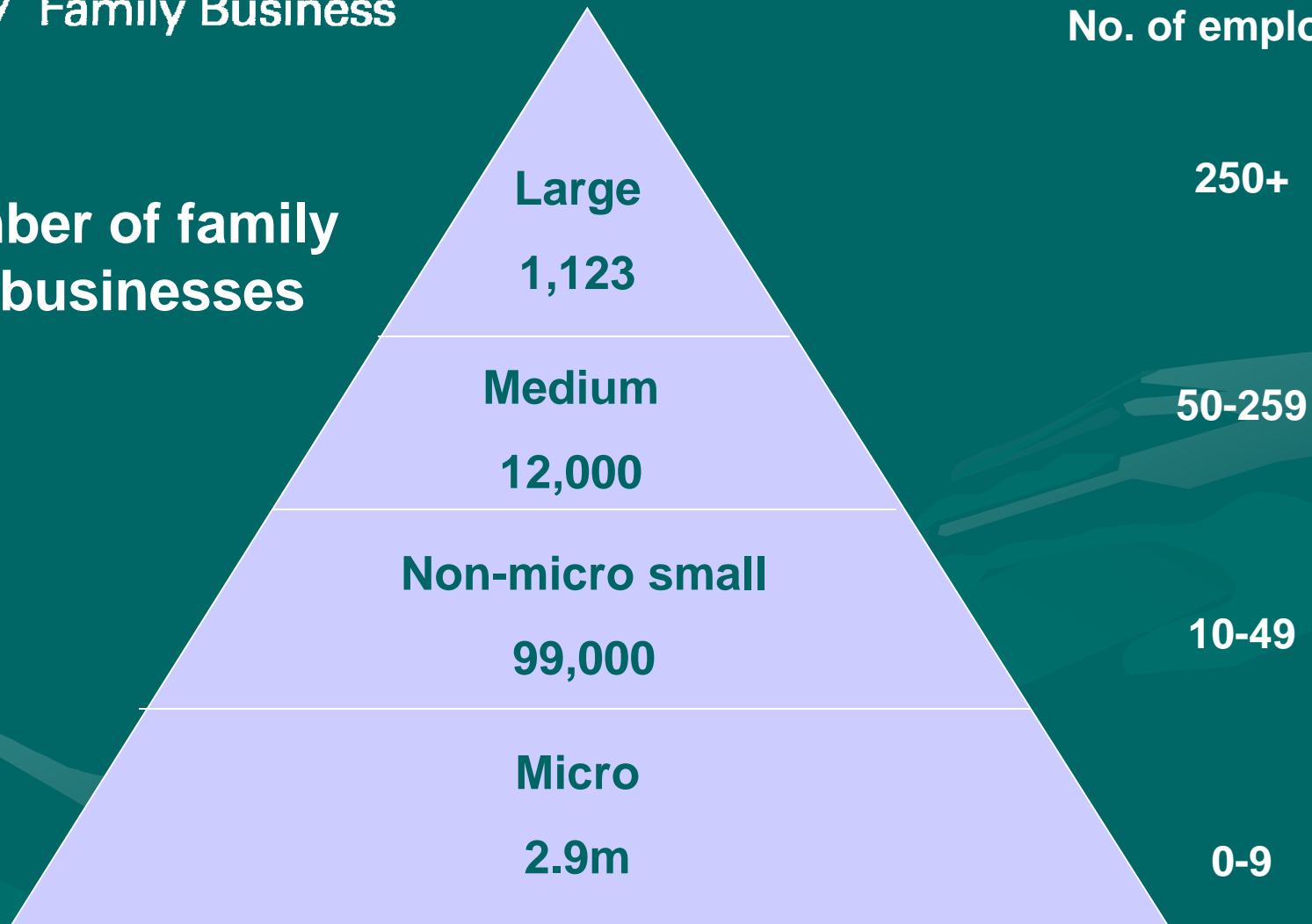
- The UK family business sector
- Succession challenges
- Conclusions



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Number of family
businesses

No. of employees



Source: Capital Economics



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**“Family firms are
the backbone of
the UK economy”**

**Key facts the UK family
business sector:**

- **3 million firms**; 65% of the private sector enterprises in the UK economy
- Over 40% of private sector employment, providing 9.5 million jobs – **one job in three**
- Family firms make a large contribution to the economy – **over 30% of UK GDP**



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**“Family businesses
are defined by
distinctive values”**

**Family business
sector values include:**

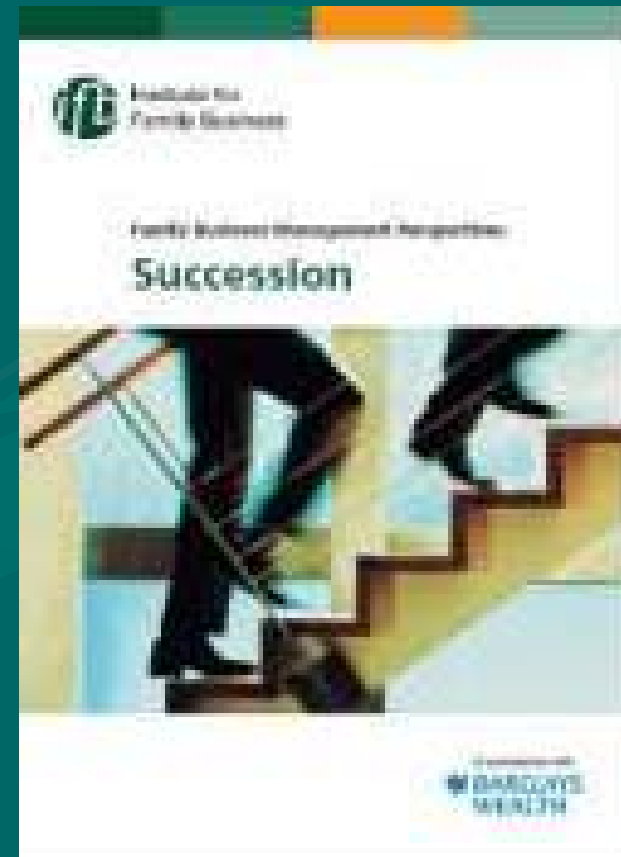
- **Entrepreneurship**
- **Stewardship**
- **Social responsibility**



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Succession: the final test of greatness

- The “test of greatness” faces *all* family businesses
- The choices are clear:
 - Appoint family successor
 - Appoint non-family successor
 - Exit the business
- The main weaknesses are:
 - Lack of foresight and planning





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Why “do nothing” approach is common

- The owner's
 - Fear of mortality
 - Inability to choose among children
 - Reluctance to let go
- The family's
 - Pressure from spouse
 - Taboos



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Becoming an observer of your system

Ownership



Family

Business



Engaging the next generation:

- Joining the business is a choice:
not an obligation
- Successors need:
 - Skills
 - Passion & commitment
 - Support
- What if no one is “up for it”?



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Succession: a check list

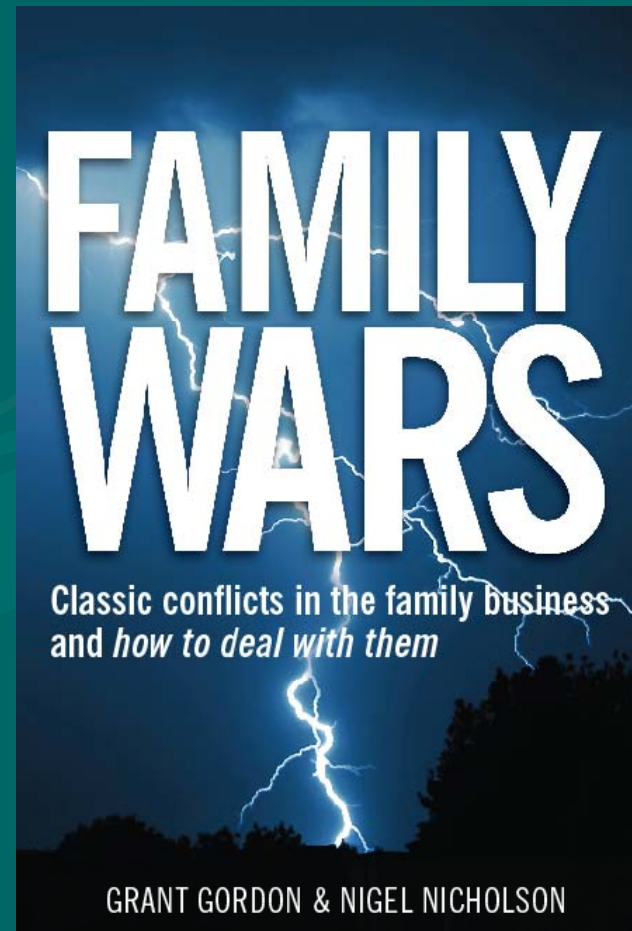
- Start planning early
- Discover expectations & explore options
- Encourage cross generational teamwork
- Consult family, colleagues, friends and seek outside help
- Establish training process
- Write down the plan



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Family risk factors: a check list

- **Nepotism**
- **Intergenerational struggles**
- **Remuneration**
- **Sibling rivalry**
- **Not letting go**





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Supporting the success and sustainability of UK family business

IFB Membership Network

REPRESENTATION

FORUM

DIRECT

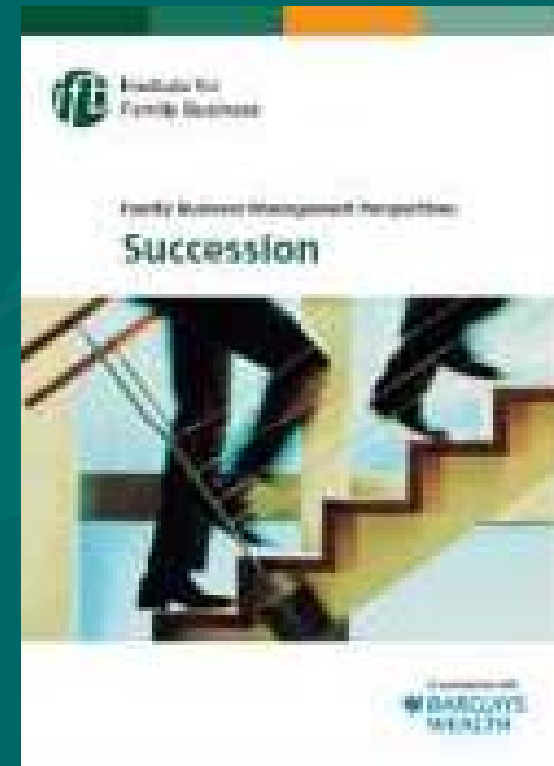
IFB Research Foundation (NEW 2010)



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Succession planning: some conclusions

- Succession planning is a long term process
- Let the next generation know they are welcome; but it's their choice
- Draw up a written succession plan, including an actions timeline





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Thank you

Grant Gordon, Institute for Family Business (UK)

www.ifb.org.uk