

Succession planning for family business: Think beyond tax, estate and legal planning

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Family business founders face an interesting challenge when it comes to finding Legacy Careers. With so much of who they are tied up in their companies, it's hard to admit they're ready to step aside — especially when they aren't sure of how the business will continue without them.

Much attention is placed on the technical elements of succession planning for family businesses. After all, according to the Business Families Centre at the Sauder School of Business, “the economic value of business transfers will increase to more than \$3.7 trillion by 2022.”

The tax and legal implications of business transfers are significant, but they aren't a founder's only concern. According to Andrew Pigott, Principal with Succession Bridge, a consultancy specializing in family business succession, there is a tendency for business founders to place the technical aspects of tax, estate, and legal planning ahead of the qualitative aspects of leadership, communication, and control over decision making.

Putting these priorities in the wrong order is a recipe for a failed succession.

Jim Stewart is the President of ProfitPATH, a Toronto management consultancy, and he agrees. He believes most business owners are unaware of the value of a formal plan to manage family relationships, and that not planning for the softer side of a business transfer can lead to disaster.

Stewart says he's often asked to assist with business strategy after Founders have decided to pass the business to their children, which is generally too late. By that time, assumptions have been made that children are capable to take over the business and family dynamics between siblings may have started to deteriorate.

Pigott cites the example of a company where a founder had five sons in the business. He split ownership evenly among them. The situation became nightmarish as disagreements surfaced about leadership, control and direction. In the absence of a proper decision making structure there were no clear rules, and a power struggle emerged.

The business lost direction and fell apart, ensuring there was nothing left to pass on to the next generation. Under such a scenario, no one's needs are met, families are pulled apart and business legacies are destroyed.

Business owners looking for a way out of their companies want a new challenge. But unless the power transfer at the companies they've founded includes solid planning on both the technical and human aspects of succession, it's difficult for them to move

forward.

A client of mine once said he feels like “that singer who changed his name to a symbol. It is hard to move into new roles, relationships and opportunities when you are hanging around feeling like the guy formerly known as President.”

There are new challenges ahead. You can balance remaining in touch with your business and moving forward with new ideas and activities. But it requires careful consideration and a balanced, multi-disciplinary succession plan that goes beyond tax and legal mechanics.