

## THE IMPORTANCE OF SUCCESSION PLANNING

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Family owned businesses in Australia represent \$1.6 trillion in terms of value and therefore the transfer of ownership and control from one generation to the next is important to get right. While a large number of family business owners recognise the importance of succession, 83% of Australian family businesses do not have a succession plan in place for the CEO (Glassop et. al. 2008) The disconnect between intent or the perceived value and implementation need further examination and in particular the key issue of extracting equity / wealth within the business. Given more than 50% of business exits in Australia fail through liquidation, bankruptcy, illness, divorce or closing up shop, these questions should not be taken lightly, after all investing the time to develop a strategic succession plan is one of the most important financial decisions business owners may ever make – without one the value in the business will retire when you do.

Strategic succession planning covers all aspects of the business, but principally focuses on the end outcome – what are we actually trying to build within our business?

There are a number of exit options available that may be tailored to the individual needs of the business. The option of family intergenerational transfer is relatively common, however, for the transitional phase to be successful, the successors must be adequately trained and possess knowledge of the business.

A family business owner is often faced with a dilemma as to whether charging the children with ownership of the family business is the best move forward. It is not uncommon for family business owners to develop pre conceived ideas on whether a child or children can adequately take the reins of the business and move them successfully into the future when you have decided to step aside. What happens if the children, or equally so, the owner, envisaged a different career path?

Do you need a succession plan?

- *Match your strengths with opportunities.* **Strategic planning** involves identifying your business strengths and matching that with marketplace opportunities.
- *Set your business direction.* Steering a business can be complicated so it is important to be able to set goals for your company. This way, the direction which your business should take is clearer to you and to everyone in the company.
- *Be able to assess your progress.* How do you assess how well your business is doing if you do not set goals? How do you determine whether your business is lagging behind or not? A clear set of goals, plans, and timetables would make your business more defined. It would be easier to identify which aspects of your business need some extra attention.
- *Develop your business into a more cohesive organization.* It will be extremely difficult to run a business where everyone has their own idea of what the business is all about. **Strategic planning** will bring all efforts of those in the company towards common goals and directions.

Although it may appear to be a daunting process, it is vital to all businesses that a succession plan is put in place early.