
Overview

This unit is important as succession is a crucial area for family businesses. At some point you will need to hand over your responsibility to somebody else. Selecting the right successor, and making sure they are ready, willing and able to take on the task, is key to the survival of the business. Getting support and understanding from other family members for your successor helps to promote good relations in your family. Making sure that you support any decisions they make and focus on your own interests outside of the business is important for your own wellbeing and the success of the business for the future.

You might need to do this if you are:

1. planning to retire or move onto other ventures
2. developing an exit strategy from your family business

This unit involves managing succession in your family business:

1. communicating effectively with family members about succession
2. selecting the successor that is right for the business
3. preparing the successor to take over the business
4. preparing yourself to leave the business

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Performance criteria

You must be able to:

- P1 encourage family members to discuss ideas and options for succession from an early stage
- P2 find out what family members really want and not just what they think you want to hear
- P3 keep family communication about the business and succession, open, clear and regular
- P4 proactively deal with family conflict about business succession
- P5 consider all family members for the different roles you currently carry out by impartially assessing their skills, ambition and likely success
- P6 agree the future business values and the goals for succession with family members
- P7 decide whether family succession is the best option for your business and your family
- P8 decide on the right shareholding arrangement to benefit the business
- P9 consult with experts to make sure your succession plans are as tax efficient as possible
- P10 recognise when an independent facilitator would be beneficial to help you develop plans to achieve succession
- P11 arrange the necessary training or hand-over for your successor(s)
- P12 keep all documents relating to long term or interim succession up-to-date
- P13 inform all the people who need to know, about your succession intentions and progress
- P14 arrange your personal pension and financial plans so you are not dependent on the ongoing success of the business
- P15 prepare yourself to leave the business
- P16 fully transfer your responsibilities to your successor(s) at the agreed time

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Knowledge and understanding

You need to know and understand:

Succession planning

- K1 the reasons a succession might fail. (For example unclear succession plans, succession discussion left too late, incompetent, unprepared or unwilling successors, family rivalries, a predecessor who will not relinquish control or who undermines the successor.)
- K2 techniques to enable successful succession to family members. (For example allowing them to explore all their options, encouraging them to seek work experience elsewhere, making it clear to them that they do not have to take over the business if they do not choose to, discussing business issues with them from an early stage.)
- K3 whether family succession is most suitable for your business and what other exit strategies you might want to consider. (For example trade sale, management buyout, closing the business.)
- K4 different ways that roles might be allocated after you leave the business and their implications on the structure of the business. (For example splitting ownership and management, separating out technical expertise.)
- K5 what plans for succession might include. (For example any future role you will have in the business, when succession will start and finish, how to pass on key knowledge that you have, how any transitional period might work, any restructuring that will need to take place, contingency plans.)
- K6 what type of role you might have in the business in the future. (For example as a guru or expert on the core product, to carry out a specific task such as the accounts, no role.)
- K7 why it is important to decide the succession route before consulting on the tax implications. (For example succession is driven by business needs rather than by tax efficiency.)
- K8 the uses of documents such as succession plans, partnership agreements, shareholders agreements and wills. (For example planned succession, death, divorce, a falling-out or other significant unforeseen circumstances.)
- K9 why it is important that you let your successor make decisions and take overrunning the business at the agreed time. (For example they need an incentive to continue, new ideas and a fresh viewpoint can allow the business to move forward.)
- K10 who needs to be informed about succession activity and the best way to do it. (For example other family members including sons and daughters in law, managers and other staff, customers or clients, suppliers, other people or organisations who may be affected by it)
- K11 what policy on share distribution the company should follow. (For example held by one generation at a time, divided throughout

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generations, owned by the children of the family members running the business, executive shares to attract non family employees, sold to employees.)

Communication

- K12 how you come across to your family both inside and outside the business and how you can encourage them to be open and honest with you. (For example listening to and valuing their opinions.)
- K13 ways to resolve family conflict. (For example taking out a life insurance policy for those who won't inherit the business, giving shares to other family members, giving co-successors their own separate areas of responsibility.)
- K14 how to achieve the best communication amongst family members. (For example the best time of day, who should be involved, format, length, frequency.)
- K15 techniques to aid family communication. (For example family meetings, family forums, thorough board discussion, listening to what others really mean, controlling emotions, recognising personality traits of different family members.)

Culture and personality

- K16 the values and culture of the business. (For example whether the needs of the family or business take priority, the ultimate purpose of the business.)
- K17 the influence that other family members have on family members and on the business and how to use this positively. (For example your spouse may resolve issues between yourself and your children, daughters and sons in law may have calming effect on your children.)

Information and advice

- K18 who you might approach for help and advice about succession. (For example anon-executive director, business adviser, other business people who have been through the same thing, an accountant, a solicitor.)

Laws and regulations

- K19 what taxes, duties and relief's apply when you sell or gift a business or business asset. (For example inheritance tax, capital gains tax, business property relief.)

Training, mentoring and coaching

- K20 the attributes and skills that are needed by your successor. (For example ambition, energy, strategic vision, interpersonal skills, technical knowledge.)
- K21 that training and hand-over your successor needs to take the business

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forward.(For example development of leadership skills, time and opportunity to gain credibility.)

Yourself

K22 ways to prepare yourself to leave the business. (For example taking time away from the business to reflect, developing outside interests, making plans for your own personal future, developing new ventures.)

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Additional Information

Links to other NOS

1. EE1 Achieve your goals for your business.
2. BD3 Plan where your business is going.
3. BD6 Make changes to improve your business.
4. BD8 Plan your exit strategy.
5. OP1 Review the skills the business needs
6. OP2 Plan what people the business needs
7. YS1 Explore your own motives.

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