10 Capital Succession Errors and 10 Wa

Partner Content

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No competitor, technological disrupter or economic downturn is as great a threat to fami one generation to the next. We know that on average only two-thirds of family businesses with each subsequent generation, that ratio continues to fall. Only thirty per cent of fami generation, fifteen per cent into the fourth generation and four per cent into the fifth gen cent of family firms cease to exist within five generations.

Often, their failure to survive these generational hurdles is the result of poor succession p that succession happens so infrequently. It's hard to practice for something that only occu

That said, knowing what not to do is a powerful place to start. If family businesses can avo the probability of their surviving the succession process rises considerably:

1. Sense of Immortality

Some entrepreneurs behave as if they'll live forever, and are still leading their companies older. In many cases, these aged founders are surrounded by managers and employees For the most part, these firms have already failed at succession.

When analysing long-living companies, there is one observation to be made: successful

Our advice: Don't wait until you are not fit enough to start the handover. Succession requ transition starting at 60.

2. Non-binding Words

Is talking silver and silence gold? Not when it comes to succession. Succession must add and emotional matters, as well as the "hard facts", including ownership, leadership and go

Communication is key, and the most precise way to communicate is with a pen. Spoken w misinterpretation and not necessarily binding.

Our advice: Write it down. The written word mitigates ambiguity, especially in governance issues, including timing are dealt with and defined, are a vital part of a successful transitio

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3. Secrecy

All members of the family must be included in the succession process. Compete transpa about individual roles within the company is a must. Hiding things harms the process – th

Our advice: If open conversation among family members is inhibited for any reason, get h A greater degree of transparency translates to the increased likelihood of a successful tr

4. Aversion to Conflict

Harmony is a key pillar in the succession process, but maintaining harmony at all costs is positive conflict harmony won't last. This means that everyone needs to express their op found through discussion and debate.

Our advice: families must learn how to argue on the grounds of a trusting culture and a st other ways to build family unity. Financial and behavioural generosity, if practised and rec the process, is an enforcer of harmony.

5. Differentiation

Often, succession is thought of as both succession in ownership and leadership. This mig doesn't necessarily have to include both at the same time.

Our advice: Differentiation between the two should be considered. Inheriting a company automatically qualify a person for leadership. Skills, experience, know-how, will-power an non-family-executives are a better fit.

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6. Injustice

Sometimes, a family business heir feels they receive less than they are entitled to. There digestible and has no negative outcome for family harmony. However, if the value of asse objective injustice inevitably leads to conflict.

Our advice: Be aware that justice is often measured in the value of assets left to each fam family member involved in succession planning has a responsibility to see that assets are

7. Ego

Those who do not strive for good relationships in the family, company and society as a w business. Neither success nor family affiliation justifies arrogance. Hard work, dedication defining traits of a successful entrepreneur.

Our advice: Unilateral decision-making as a company owner and leader or as a potential s member is poor practice. If you are not able to convince with argument do not make an a

8. Remember Customers

Even though succession is a potential threat to family business survival, families need to business. Companies are not meant to serve entrepreneurial families. Instead, they exist

Our advice: don’t forget about customers through the succession process. If you lose cu left to hand over to the next generation.

9. Attractiveness

If the company is unattractive, if it is not healthy, if it lacks unique competitive advantage take over? Bad companies find neither buyers nor successors. Conversely, successful co might be longing to get in as soon as possible.

Our advice: Make sure the company is visibly attractive. Live this attractiveness on a day next generation through your enthusiasm.

10. Inconsistency

Once a succession plan is set up, and the family comes to an agreement, the worst thing decision. Unfortunately, failure to implement a well thought out succession plan happens

Our advice: once decisions are made, implementation steps and timelines need to be set should be scheduled. Competent external support can be critical in this last phase of a su

A Starting Point

Avoiding these ten capital mistakes does not guarantee survival, but it does make surviva companies is not something to be accomplished in your spare time. It's hard work for eve concentration, competence and structure.

Image Courtesy of Markus Weishaupt

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