



# Business Succession Planning

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Many people take some comfort at the time of bereavement in the knowledge that the funeral planner they turn to is family-owned and that the business has been in the same hands for decades across different generations. But running a family-based firm, regardless of what the business is focused on, comes with its own pressures, perhaps no more so than in the issue of succession within the family.

Martin Stepek is both a member of the law firm Wright, Johnston & Mackenzie's Family Business Solutions team, which offers expertise in the family business sector, as well as co-founder and Chief Executive of the Scottish Family Business Association (SFBA). He set up the SFBA as a non-profit organisation with colleague George Stevenson in 2005 to help family businesses survive and thrive.

He brings his personal experience of family business succession to the role, as a former co-owner and director of his family's major electrical retail and travel agency business. In his case, the succession of the business first from father to son, and then from brother to brother, threatened to tear his family apart. "First of all our father retired and passed it on to our eldest brother, but he couldn't bring himself to stop coming into the office and, even in an unconscious way, undermining our decision-making and confidence," says Martin. "It's not easy to tell your own father you don't want him around – but that's what we had to do."

The next issue arose when Martin's brother decided to take early retirement, leaving a difficult decision about which of the siblings would succeed him as Managing Director. "I would have loved to be the next MD, but I also loved my family, and with the tension about who was going to take over, I could see the family might start to splinter – so I said, count me out. "Then within a few years, the business ran into trouble. We had a chance to buy it out but we realised it was ripping us apart, so we sold it. It was traumatic for us as a family and having the opportunity to heal was ultimately more important than saving the business."

Based on his own experience and his study of family businesses, Martin set up and became Chief Executive of the SFBA, to support, nurture and develop the full potential of family businesses. "The SFBA is a charity and social enterprise model," says Martin. "I didn't want any conflict of interest, and families need to trust you that you're doing it to help them, not to make money." As for his advice for any family business, he says the key is to tackle the succession issue as early as possible.



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“Whatever your situation or age, start your planning now even if you think the situation isn’t going to arise for another 30 years,” he says. “If you start the process early enough, you have a chance of making a success of it. “Secondly, bring in someone who knows what they’re doing. I don’t mean to demean the local lawyer or accountant, but they might not have the relevant experience. Bring in a specialist; they are not overly expensive, and they’ll give you a pathway and a process. Then they can pass it on to your family lawyer to legalise what you have already decided.”

“Finally, trust in the process. That can be difficult, because family businesses tend to be self-sufficient and can be quite insular, but with succession planning that can be disastrous. “Family members may not have the guts to say it like it is, because of respect for their parents – or they may blurt something out to get it off their chests, which can cause all sorts of rancour.”

Martin says an outside consultant can offer neutral advice and expertise that can help their clients weave their way through this difficult process. With an estimated 70% of family businesses failing to make it through a succession, a lack of planning can lead to a firm’s collapse. “Ultimately, only one person can afford to avoid the issue, and that’s the one who passes away,” says Martin. “Without leaving a succession plan in place, that makes an already difficult situation even more challenging.”