

Business Transfer in SME, especially in Family Businesses

A majority of Family Businesses do not make it to the next generation. For example, over 90% of businesses in the U.S. are family owned, but less than 30% make it to the second generation and fewer than 12% make it to third generation. The key reason cited is: they had a poor, or worse yet, no business succession plan. In fact, recent surveys indicate that only 30% of business owners have a succession plan.

Business family succession and estate planning is a multifaceted challenge that demands a multi-disciplined process and a well designed succession and estate plan.

In the vocational education program on business transfer introduced here (most of) the disciplines come up to be discussed extensively and in coherence. Special attention is paid to the social and emotional aspects of (family) business transfer. Processes of business transfer are forwarded and a business transfer plan (the "Final Test of Greatness") is designed.

Since proper business succession planning requires sound preparation, this course was developed.

Contents of the educational program on BT in SME

The first part of the program consists of an introduction to business transfer (BT) in general and to BT within families in particular. Different types of BT are discussed. Knowing your own business or the business you are taking over is an essential, no matter what type of transfer you prefer. For that, the basics with respect to business analysis are presented.

BT often is a disordered process, on average taking five to seven years without a guarantee for success. Therefore we start the second part offering participants a clear overview of the stages of planning the business transfer using processes of business transfer.

During a BT (planning) process, different but interrelated disciplines play a role. With a special focus on the social and emotional aspects, participants get a profound understanding of 'what it takes' to transfer their (family) business.

In the third part of the program participants are actually asked to develop and document their business transfer plan. Ultimately, the many disciplines need to deliver one solution. Personal assistance and coaching are available to participants.

The institutional framework and policy initiatives regarding family businesses differ from country to country. For that, this program offers the main lines on business transfer that have to be specified in more detail by the individual program partners, located in Belgium, Germany, Lithuania, Portugal and the Netherlands.

Part 1: Introduction on Business Transfer (BT)

1. Business Transfer (BT)
2. Transfer types
3. Business analysis

Part 2: BT Process Aspects

4. Transfer Process
5. Value of the firm
6. Finding a buyer
7. Finance
8. Legislation
9. Organization
10. Human Resource Management (HRM)
11. Social and emotional aspects

Part 3: The Business Transfer Plan

12. The Business Transfer Plan (BTP)

General remarks:

[1]

The preliminary and follow-up literature as well as the web links and other materials mentioned with each module are recommended by the project team.

It is recommended however to list literature, web links et cetera based on the recommendation of the trainer also.

[2]

This is 'work in progress'. The document will develop during the duration of the project (and thereafter).

[3]

We aim at the following components for each topic/module:

- **Case/example/article/image that illustrates the topic or main issue(s) in practice and starts a discussion**
- **Short introduction to the topic and/or main issue(s)**
- **Learning goals**
- **Sources/references, given to provide a deeper insight into each module and its topics**

[4]

We aim at a study guide, not a text book

Part 1: Introduction on Business Transfer (BT)

1. Business Transfer (BT)

Topics:

- Family Businesses defined/described
- Economic impact
- Characteristics
- 3-circle model

Definition of what is a Family Business

A firm, of any size, is a **family business**, if:

1. The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2. The majority of decision-making rights are indirect or direct.
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

The notion of **ownership** is fundamental to family businesses.

Family businesses can be very diverse: they can be small, medium sized or large, listed or unlisted.

Economic Impact

Family firms are important, not only because they make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they feel as owners and the values they stand for. These are precious factors against the backdrop of the current financial crisis. Across Europe, about 70 % - 80 % of **enterprises** are family businesses and they account for about 40 % - 50 % of **employment**. On the one hand, a large share of European SMEs are family businesses, and some of the largest European companies are also family businesses. On the other hand, similar to the European economy in general, the family business sector is dominated by SMEs, and particularly by micro enterprises with less than 10 employees.

Characterizing 'family businesses'

Within family businesses, there is a **strong interrelationship between the family and the business**. The **family is** (formally, but also informally) **at the centre of the company**.

This results in two structures encountering each other, namely the family and the business, increasing the potential for conflict which affects both the family and the business sphere.

Family businesses tend to **focus on the firm's long-term sustainability** rather than realising short-term profits and **on realising generational changes** in ownership and management. In line with this, family businesses are on average older than non-family businesses.

When a firm is transferred to the next generation, it is not only financial assets which

are passed on, but also social and cultural capital. The latter refers, for example, to the **value system**, i.e., the importance of honesty, credibility, modesty, respect etc. On the one hand, this has led to particular emphasis being placed on the **personal commitment and engagement** of family members within the enterprise and, on the other hand, on the firm's engagement in (local) **Corporate Social Responsibility** activities.

Another characteristic of family businesses is the **dominance of management from within the family**. In this context, **paternalism** and **nepotism** are also often prevalent in family firms, as is the existence of **emotional** and **informal** decision making.

The capitalisation of family firms stems from **family funds and bank loans**. **Profits** are often **reinvested** in the company and the owners are more willing to wait for a return on their investment (so called "patient capital").

Family businesses' **growth trajectories** are quite stable and continuous in comparison to non-family businesses, which take more dynamic and volatile routes.

The 3-circle model of family business

There is general agreement that a definition of family business has to incorporate three essential elements: the family, the (business) management and ownership. This was first illustrated by the '3-circle' model of family business developed by Tagiuri & Davis in 1982. The experts support the use of the 3-circle approach when studying the phenomenon of family businesses.

Ownership is key to the business life of the firm. It enables a clear distinction to be made between family and non-family businesses. Taking the 'ownership perspective' rather than the 'company size' perspective can help improve understanding of the phenomenon.

The Three Circle Model is often used to illustrate the interaction/impact of the family component on the (business) management and ownership of family business. The ownership circle and the management circle are common to all businesses. The family circle, however, is unique to family business and is what differentiates it from its non-family business counterparts.

Sources in Dutch

Reports

Feiten en cijfers van het familiebedrijf

<http://www.bdo.nl/Brochure%20documenten/Cijfers%20en%20feiten.pdf>

Praktijkhandreiking bedrijfsoverdracht

http://www.nivra.nl/Sites/Files/0000022876_Brochure_Praktijkhandreiking_bedrijfsoverdracht.pdf

Sources in English

Links

Study "Overview of family business relevant issues", including main document and country sheets (e.g.: the Netherlands, Belgium, Portugal, Lithuania, Germany)

http://ec.europa.eu/enterprise/policies/sme/documents/family-business/index_en.htm

See also, e.g. for a European definition on 'Family Business':

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/index_en.htm

Reports

Final report of the Expert group (EC, November, 2009)

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf

Overview of Family Business Relevant Issues (EC, 2008)

http://ec.europa.eu/enterprise/policies/sme/files/craft/family_business/doc/familybusiness_study_en.pdf

Walsh, G. (2007). Family Business Succession. Managing the All-Important Family Component, KPMG, Section 1

http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Documents/3468_Succession.pdf

YouTube

<http://www.youtube.com/watch?v=hxqxlnvBQPk>

5 augustus 2008 — 75% of family business leaders will retire in the next 15 years. Jeremy Miller of LEAPJob, a sales recruiting and family business discusses how family business can prepare next generation leaders.

<http://www.youtube.com/watch?v=BBtWITC7hsY&feature=channel>

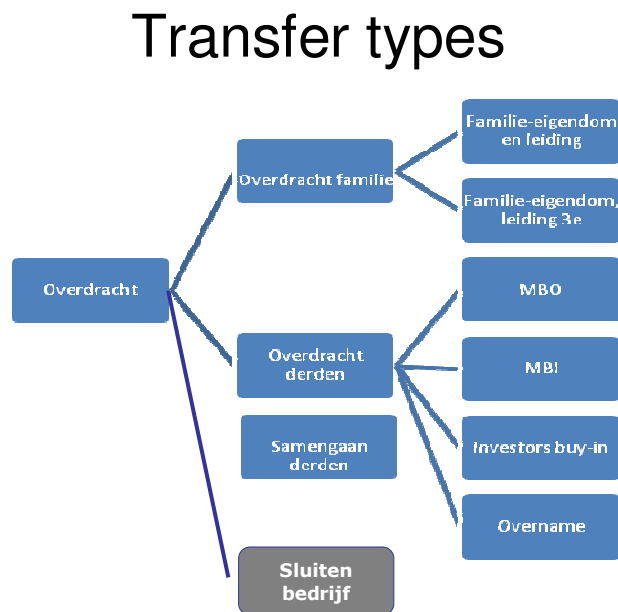
19 oktober 2008 — Intro and step 1 - strategic approach to succession planning (#1)

2. Transfer types

Topics:

- General transfer types
- Special types of business transfer

Types of business transfer



Source: Van der Eijk *et al* (2004) in NIVRA (2007)

Special types of business transfer

- a. Noodopvolging (OASE: overlijden, arbeidsongeschiktheid, stoppen met werk, echtscheiding)
- b. Overdracht door vererving
- c. Overdracht door schenking

Sources in Dutch

Reports

Praktijkhandreiking bedrijfsoverdracht

http://www.nivra.nl/Sites/Files/0000022876_Brochure_Praktijkhandreiking_bedrijfsoverdracht.pdf

Het overdrachtspakket

http://www.kvk.nl/Images/Overdrachtspakket_tcm16-168647.pdf

Books

(Hoofdstuk uit) boek:

Over overdrachtvormen MBI en MBO

<http://www.rembrandt-fo.nl/dynamic/pdf/bijzondere-overdrachtvormen.pdf>

Cases/Examples

Voorbeeld van een MBO: Petit Verbindt gevestigd te Nuth (in Dichterbij, het magazine van Rabobank Centraal Zuid-Limburg, winter 2009, pp. 10 en 11)

Gulpener: "Memoires van een heren brouwer", interview met oud-directeur dhr. Paul Rutten senior

Sources in English

YouTube

<http://www.youtube.com/watch?v=J3O7NM4OP3Y&feature=channel>

19 oktober 2008 — Small Business Succession Planning (#6)

3. Business Analysis (assessing the current business)

Topics:

- Analysis of the (financial) situation of the firm
- Market analysis (SWOT-analysis)
- Strategic plan and business plan

Analysis of the (financial) situation of the firm

See also 7: Finance for the basic financial business ratios

Market analysis (SWOT-analysis)

"In addition to evaluating the overall financial performance (and potential financial performance) of the business it is important to reflect on what specific things the business does well, and what specific things the business might not be as good at. This is essentially the process of identifying the "competitive advantage" of the business, an important consideration for the long term viability of the business.

The strategic planning literature often refers to the well known SWOT (Strengths, Weaknesses, Opportunities, Threats) thought process to help managers prepare for the future, evaluate changes, or consider investment opportunities. Internal factors (such as per-unit cost of production for certain product lines, or base resources available to work with) are viewed as either strengths or weaknesses. External factors (factors over which you have very little control, but still impact your business) are viewed as either opportunities or threats. Examples of external factors might include political decisions affecting your industry, or changing consumer preferences for products produced by your industry.

Internal strengths and weaknesses of the family business should be identified and discussed during the succession planning process. Plans for the future need to build on the strengths that have given the business its competitive advantage, and should address weaknesses that could lead to performance that is not competitive. Discussions of external factors that will need to be either addressed or taken advantage of will lead the planning process into the next phase, strategically planning for the future."
(Jones, 2005)

Strategic plan and business plan

The business plan plays an important role in **valuing the firm (see module #5)**.

Sources in Dutch

Sources in English

Article

Jones, R. (2005). Successful Family Business Transitions.

<http://www.agmanager.info/farmmgt/planning/successionplanning.pdf>

Part 2: BT Process Aspects

4. Transfer Process

Topics:

- Topic 1
- Topic 2

Topic 4.1

Verschillende processen

Topic 4.2

Fasen in het bedrijfsoverdrachtsproces

As one of the major reasons for failure of a business transfer constitutes a lack of Planning.

“Ondernemers denken soms dat ze het eeuwige leven hebben. Ze vinden het moeilijk om na te denken over het moment waarop ze hun bedrijf vaarwel moeten gaan zeggen en het aan anderen moeten overlaten”, aldus accountant Stefan Jansen van Berk. “Als adviseur probeer ik zo’n ondernemer bewust te maken van het feit dat hij op tijd moet beginnen met het voorbereiden van een overdracht of verkoop. Zo’n proces kost gemiddeld vijf tot acht jaar.”

Uit onderzoek van hoogleraar Flören blijkt dat slechts 29 procent van de familiebedrijven hun opvolging goed heeft geregeld. Flören: “De cijfers geven bovendien aan dat in Europa tenminste 10 procent van de faillissementen wordt veroorzaakt door slechte of afwezige opvolgingsplanning. Dat zijn forse aantallen die aangeven dat er sprake is van een macro economisch belang als het gaat om het goed regelen van opvolgingskwesties.”

Sources in Dutch

Links

Zie voor een uitgebreid stappenplan van het BT-proces (6 fasen, elk bestaande uit meerdere stappen):

<http://www.mkbnext.nl/faces/pages/stappenplan/stappenplan.xhtml>

Reports

Het overdrachtspakket

http://www.kvk.nl/Images/Overdrachtspakket_tcm16-168647.pdf

Praktijkhandreiking bedrijfsoverdracht (ch. 3):

http://www.nivra.nl/Sites/Files/0000022876_Brochure_Praktijkhandreiking_bedrijfsoverdracht.pdf

Het opvolgings(stappen)plan

[http://www.bdo.nl/Brochure%20documenten/Het%20Opvolgings\(stappen\)plan.pdf](http://www.bdo.nl/Brochure%20documenten/Het%20Opvolgings(stappen)plan.pdf)

Books

Lievens, J. (2001). Opvolging in het familiebedrijf: succesvolle strategieën, Uitgeverij Lannoo, 192 pages (€ 21,95)

ISBN: 978-90-209-4051-0

Lambrecht, J., Baum, D., Cauffman, L. en Lievens, J. (2004). Naar een familiedynastie. Gouden tips van en voor bedrijfsfamilies, LannooCampus, 254 pages (€ 29,95)
ISBN: 978-90-209-5552-1

Sources in English

Video

<http://v1.theglobeandmail.com/partners/free/rbc/09/businessinsights/succession.html>

5 augustus 2008 — According to a Canadian Federation of Independent Business survey, 71 percent of family businesses and 61 percent of non-family businesses do not have a succession plan. Of those that do, the majority have informal, often unwritten plans, rarely shared with their successor. Given that one in four owners is considering leaving their business in the next five years, the odds of widespread succession failure are remarkably high.

Five years is also the minimum amount of time most experts will tell you that it takes to create the right exit strategy and put the pieces in place.

YouTube

<http://www.youtube.com/watch?v=XJ2mAQnEHis>

26 mei 2009 — Learn how a clearly outlined succession plan can lead to a successful transition from Andrew Keyt, Executive Director of the Loyola University Chicago Family Business Center

<http://www.youtube.com/watch?v=-Wy6nISZfnc&feature=related>

26 mei 2008 — Selling a Business 20:

You can increase the value on sale by setting up a succession plan which will assure the buyer that corporate knowledge will be transferred with the business.

5. Value of the firm

When business owners decide to cash out, the first task is establishing a set dollar value for the business, or their share of it. This can be done in several ways.

Only few entrepreneurs know the value of their business. Mostly the owner overestimates the value of his or her company. For that it is important to have knowledge of different methods of valuation.

Topics

- What is to be valued?
- Factors effecting the value of the firm
- Methods of valuing
- Difference between value and price
- Emotional value

What is to be valued?

Assets, liabilities, goodwill, cash-flows (in the future), shares?

The value of a firm is more than the summation of the value of the assets, due to goodwill.

In general, those sources that generate money (cash flows) have to be valued

Factors effecting the value of the firm

Examples of factors that have an effect on the value of the firm:

- Customer base (its variety, loyalty)
- Personnel (flexibility and (in)dependence of the owner)
- Brands and patents
- Location and market position
- Level of investment
- Added value to existing activities
- (Potential) competition
- (In)dependence of supplier(s)
- Expectations of how markets will develop
- Family relationships

Methods of valuing

- Intrinsic value
- Return on Investment
- Discounted Cash Flow (DCF)
- Multipliers, ratio's and other 'rules of thumb'
- Liquidation value
- Valuation based on the selling price of comparable companies
- Mixed method

Difference between value and price

Value and price are not the same. Value results from applying one or more of the methods mentioned above. **Value is the starting point for negotiation.** It gives an indication for a possible price. **Price is the result of negotiation** between buyer and seller. Price can differ from value based on:

- Buying and selling motives
- Negotiating skills and tactics of both seller and buyer
- Alternatives for seller (including 'opportunity costs') and/or buyer
- The demand (number of potential buyers)
- The type of buyer (transfer type, see topic 10: family, MBI, MBO etc.)

- Possible benefits resulting from synergy as well as costs of integrating the firm
- Method of paying the transfer sum

The **business plan** plays an important role in valuing the firm.

Ultimately, the value of the firm is what (the price) buyers are willing to pay for it.

Emotional value

Emotional value is the amount for which the owner is willing to transfer the firm.

Sources in Dutch

Articles

Wat is uw bedrijf waard?

http://www.kvk.nl/Images/Wat%20is%20uw%20bedrijf%20waard_tcm16-201868.pdf

Reports

Praktijkhandleiding bedrijfsoverdracht (par. 2.6, p. 21)

http://www.nivra.nl/Sites/Files/0000022876_Brochure_Praktijkhandleiding_bedrijfsoverdracht.pdf

Eijk, R.P. van der, Floren, R.H. en Jansen, S.F. (2004). *Financiering van de bedrijfsoverdracht binnen familiebedrijven*, Kluwer, Deventer

Bedrijfsopvolging: geen gemakkelijke zaak

<http://www.dejongeaccountants.nl/pdf/Bedrijfsopvolging.pdf>

Links

For several methods of valuing: <http://www.nirv.nl/site/dienstverlening>

Sources in English

YouTube

<http://www.youtube.com/watch?v=9QZSy3C1bI&feature=channel>

19 oktober 2008 — Maximise the Value of your business (#2)

6. Finding a buyer

Sometimes the logical and easy choice will be to simply sell the business lock, stock and barrel. However, many owners prefer the thought of their businesses continuing on even after they're gone.

Choosing a successor can be as easy as appointing a family member or assistant to take the owner's place. However, there may be several partners or family members from which the owner will have to choose, each with various strengths and weaknesses to be weighed and evaluated. In this case, lasting resentment by some or all of those not chosen may result, no matter what choice is ultimately made.

Topics:

- Topic 1
- Topic 2
- Topic 3

Topic 6.1

Topic 6.2

Topic 6.3

Sources in Dutch

Links

<http://www.ondernemingsbeurs.nl/>

<http://bedrijfsovername.startpagina.nl/>

<http://www.uwbedrijfverkopen.nl/index.html>

Sources in English

Articles

YouTube

<http://www.youtube.com/watch?v=a19QZ69V0J4&feature=channel>

19 oktober 2008 — Choose your successor/s ? www.smesuccession.com.au (#3)

7. Finance

Although any managerial position requires thorough knowledge in finance, this is even more true in case of business succession. Both the transferor and the successor have to be familiar with the financial aspects that have to be considered in case of a business transfer.

This module aims to facilitate business transfer by focusing on some elementary but necessary financial aspects of succession.

Learning goals:

- Understand and use basic financial concepts
- Understand a number of financial metrics and ratios
- Become familiar with the main financial sources and funding systems
- To understand how taxes can support or ruin the BT

Topics:

- Basic financial concepts: balance sheet; P&L account; Methods to calculate profit; Cash Flow statements
- Basic financial ratios: cash ratio; debt ratio; liquidity ratio
- Main financial sources and funding systems, e.g. micro credits, venture capital
- Taxes, how to cope them and how to benefit from them

Topic: Basic concepts and ratios

Financing the (family) business transfer is often very difficult. Especially in times of an economic downturn, when e.g. financial service suppliers are holding back.

Although transferors can participate financially in the transferred company, a majority of transferors does not prefer to do that, according to a research by the Centrum van het Familiebedrijf (CFB), in cooperation with ING and BDO Adviesgroep (Financieel Dagblad, 12-11-2009).

Topic: Taxes

(Fiscale aspecten): successierechten, schenkingen, vennootschapsrechtelijke aspecten

Sources in Dutch

Articles

Sources in English

Links

<http://www.cogentvaluation.com/pdf/FundamentalFinAnalysisPrt1.pdf>

<http://www.cogentvaluation.com/pdf/FundamentalFinAnalysisPrt2.pdf>

Articles

YouTube

<http://www.youtube.com/watch?v=TLcDrI9UOU0&feature=channel>

19 oktober 2008 — Funding the plan www.smesuccession.com.au (#4)

http://www.youtube.com/watch?v=uf0vVgvp_1A&feature=channel

19 oktober 2008 — Smooth Transition, Tax Issues (#7)

8. Legislation

Business transfer has a strong relation to legal aspects. Certainly legal aspects differ in each member country of the EU. This is also true for those areas that have an impact on the transfer of businesses. Therefore, a localised version of contents is necessary for this module.

Topics:

- Topic 1: What to take into account in terms of tax legislation, such as tax on gifts and inheritance, legal fees, or tax of transfer of ownership on real estate (see also **module 7**)
- Topic 2: Legal norms protecting employees in case of BT, labour law (see also **modules 9 and/or 10**)
- Topic 3: Contract law and BT

Topic 8.1

Topic 8.2

Topic 8.3

Sources in Dutch

Articles

Sources in English

Articles

9. Organization

Topics:

- Types of family businesses
- Leadership
- Topic 3

Four types of family businesses

Een eenduidige definitie van het familiebedrijf is moeilijk te geven. Het is toch vooral wat je zelf vindt dat je bent. Sommige ondernemers gaan prat op hun familiegeschiedenis, anderen houden dat bewust op de achtergrond, denk aan TomTom.

FBNed onderscheid vier typen:

1. **De DGA-onderneming:** niet meer dan één directeur-grotaandeelhouder met zowel de leiding als het eigendom in handen. Dit kan de oprichter zijn, of - als het een ouder bedrijf is - een familielid dat het stokje heeft overgenomen. Denk aan Zeeman.
2. **De familiegeleide onderneming:** meerdere familieleden, zoals vader en kinderen of neven en nichten, hebben leiding en eigendom volledig in handen. Er worden externe managers binnengehaald die geen eigendom of zeggenschap krijgen. Denk aan de Brenninkmeijers (C&A).
3. **De familiegecontroleerde onderneming:** waarin eigendom en zeggenschap wél worden gedeeld met niet-familieleden. Dit kan bijvoorbeeld nodig zijn als het bedrijf flink groeit. De uiteindelijke zeggenschap is nog wel in handen van familie, zij het van grotere afstand. Denk aan Harold en Corinne Goddijn (TomTom) en hun twee businesspartners, die gezamenlijk 48 procent van de aandelen van het (beursgenoteerde) bedrijf in handen hebben.
4. Het laatste - nog vrij zeldzame - type is **het familieconsortium:** de ondernemende familie met diverse bedrijven. Zo'n familie heeft door de jaren heen een aanzienlijk kapitaal opgebouwd en zet dat via een familiale bestuurs- en beheersconstructie in voor verschillende activiteiten. Denk aan de gebroeders Fentener van Vlissingen.

Source: http://www.mt.nl/artikel/1927909/Familiebedrijven_Family_matters.html

Topic 9.2

Topic 9.3

Sources in Dutch

Links

http://www.mt.nl/artikel/1927909/Familiebedrijven_Family_matters.html

Sources in English

Articles

10. Human Resource Management (HRM)

Topics:

- Leadership
- Topic 2
- Topic 3

Leadership

Topic 10.2

Topic 10.3

Sources in Dutch

Seven issues on Dutch television about leadership (types)

<http://educatie.ntr.nl/leidersgezocht/>

Articles

Sources in English

Articles

YouTube

<http://www.youtube.com/watch?v=96mnrVIDVo&feature=related>

17 april 2009 — Tim McConnell, SPHR & HR Strategist with McConnell Consulting Ottawa discusses Succession Planning Principles & Guidelines. A key aspect of overall HR Planning is having a systematic process for defining future management requirements, identifying candidates and matching this demand to supply as a basis for future planning. More information and a wide range of HR articles available at www.mcconnellhrc.com McConnell HR provides Compensation and Human Resources Strategy advice to clients in both the public and private sectors.

11. Social and Emotional aspects of BT

For many entrepreneurs their business is their life, which makes it difficult for them to take distance. Particularly in case of family businesses conflicts may arise with those family members that are not involved in the business transfer and negotiations can become very emotional.

Topics:

- Emotion and emotional value
- 3-circle model (more extensively)
- Role conflicts (as a result of rolverwarring en rolonduidelijkheid)
- Communication is key

Emotion and emotional value

According to e.g. Landsberg (1999) and Floren (2002) emotional aspects lead to indecisiveness and delays of transfer (in: Fink et al., 2007). The business owner's inability of letting go is the most cited obstacle of effective succession (Sharma et al., 2001, in: Fink et al., 2007).

3-circle model

Role conflicts

Communication is key

"It is a familiar situation among entrepreneurs. Succession planning is not something enough business-owner parents talk about with their children. Discussing it with family members is like having a sex talk with your 13-year-old son. It can be uncomfortable but it's necessary, says succession planning expert Dr. Pramodita Sharma, a first-generation immigrant who was born in India and also lived in Africa and Europe before coming to Canada."

(See: <http://www.theglobeandmail.com/report-on-business/your-business/exit/succession-planning-with-family-members/article1424036/#comments>)

There is a strong relationship between how well a family communicates on a daily basis, and the probability of a successful family business transfer. There are three overlapping, and often conflicting systems at work in a family based business (**The 3-circle model**). **The management system** is concerned with day to day activities of the business, and is responsible for production, marketing, financing, and other decisions. **The ownership system** is concerned with returns to various investors, and fairness and equity in the treatment of ownership stakeholders, or potential future ownership stakeholders. **The family system** is concerned with maintaining family unity and relationships. The family system is more concerned with emotional aspects, generational authority, and other inward looking issues. The management and ownership systems are business oriented, and outward looking with concerns about merit, profits, and getting the various tasks accomplished.

Sources of conflict often revolve around a failure to distinguish between the various business and family relationships. Research has shown that healthy family business entities share decision making, and are committed to excellence in communication. Unfortunately, many family members who are involved in family businesses are reluctant to begin the process of "open communication".

There are a variety of possible explanations for this reluctance. Past experiences may lead some family members to associate "communication" with "conflict", so avoiding the issue is the easy road. Others may view opening the lines of communication as a "threat" in terms of relinquishing control, etc. Still others may simply be reluctant to any significant change. In any case, these "barriers to open communication" must be overcome. All stakeholders need to gain an understanding of the needs and concerns of the other stakeholders in the succession process.

Remember even though the dream of passing the business on to the next generation may have been considered for many years, when the time comes to actually act upon the dream emotions can run high and conflicts can arise. Chances of success are much greater if the communication process has been open, and a well thought out plan is followed.

Family meetings are a method of bringing stakeholders together to discuss issues that are important to the family, and to the business. In fact, regularly scheduled family meetings are a common trait of successful family businesses. These communication sessions help to unite the family, build a stronger business, develop trust and understanding, and resolve conflict. As such, family meetings provide an excellent venue for initiating discussions regarding succession.

Jones (2005)

In family firms, emotional aspects attached to the transfer need to be carefully managed since the leaver may continue to influence the business even after the transfer has taken place.

The main issue to tackle to successfully complete the transfer is to raise awareness of the importance of early preparation, and to make available tools for the transfer (e.g. specialised training for the parties involved).

Planning is een noodzakelijke voorwaarde om het proces van BT in goede banen te leiden. Echter, het is geen afdoende voorwaarde voor een succesvolle overdracht van het (familie)bedrijf naar de volgende generatie. Het doorgeven van het familiebedrijf is namelijk ook een emotioneel en rationeel kruisvat dat de overdracht, hoe zorgvuldig en tijdig ook gepland, tot een abrupt einde kan doen komen. Er is immers een kans dat emotionele argumenten of familiebelangen het winnen van het bedrijfsbelang.

Sources in Dutch

Report

http://www.nivra.nl/Sites/Files/0000022876_Brochure_Praktijkhandreiking_bedrijfsoverdracht.pdf

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Other/links:

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<http://www.deopvolging.nl/>

Sources in English

Article

Jones, R. (2005). Successful Family Business Transitions.
<http://www.agmanager.info/farmmgt/planning/successionplanning.pdf>

YouTube

http://www.youtube.com/watch?v=8FW3YQz_Bzk&feature=Playlist&p=B35E5292A5AEFE87&playnext_from=PL&playnext=1&index=20

29 april 2008 — Conflict can happen at all levels of a family-run business. In any work place there are areas for conflict to grow and the best way to handle it is by facilitating a discussion. Les Banwart has helped many family businesses deal with the challenges of transitioning to the next generation. Les digs into the benefits of getting beyond conflict in this short excerpt from Succeeding with Succession - Expert Perspective.

<http://www.youtube.com/watch?v=zYpmpzdD1LA&feature=related>

21 oktober 2008 — Communicate and Implement the plan (#8)

<http://www.youtube.com/watch?v=II16MJeZOOQ>

26 mei 2009 — Hear from Wells Fargo customer and restaurant owner Gaston Georis and his son as they discuss what makes their business unique, how they've been successful and why they hope the business stays in the family for generations

Part 3: The Business Transfer Plan

12. The Business Transfer Plan

For many small business owners, maintaining positive cash flow and a stable balance sheet can be an ongoing battle that consumes virtually all of their time. Even retirement often seem like a distant speck on the horizon, let alone plans to hand over the business. However, establishing a sound business succession plan is beneficial for most business owners and can be absolutely necessary for some.

For business owners that are at or near retirement, the issue of succession cannot be ignored. This module will take you through the steps you'll need to go through to create a successful succession.

Sources in Dutch

Coach

Frederik van Caem is werkzaam als emotiespecialist/personal coach

<http://www.frederikvancaem.nl/index.php>

Hij werkt o.a. ook voor Stichting de Opvolging: <http://www.deopvolging.nl/>

Reports

Overdrachtspakket: een handleiding voor de overdracht van uw bedrijf

http://www.kvk.nl/Images/Overdrachtspakket_tcm16-168647.pdf

Praktijkhandleiding bedrijfsoverdracht

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Sources in English

Articles