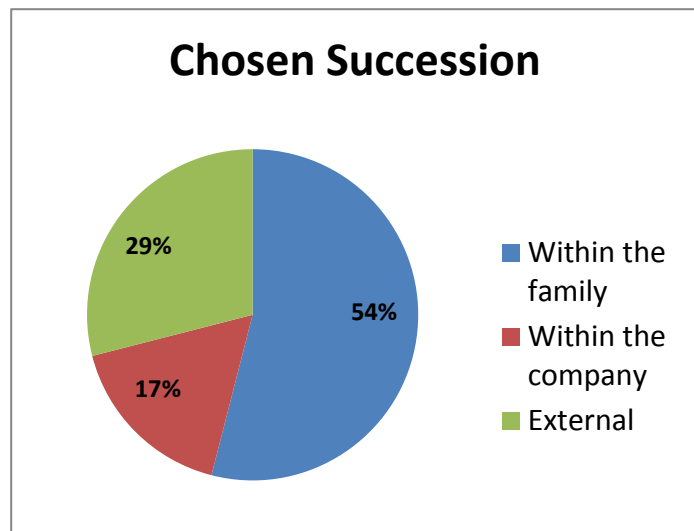


Management of Family Business Succession as Entrepreneurial Challenge

RA Dr. Hartmut Schneider, Ulm

Business succession often is a sensitive issue. In many cases an internal family succession does not succeed. The chances of a successful transfer rise, if the ones in charge are aware of this process and revert to various consulting offers.

The “Bonner Institut für Mittelstand” estimates that until 2020 there are about 104.000 to 131.000 Businesses to transfer each year in Germany. Successor’s age is still in the range of 30 to 50, which decreases because of the demographic change. That is why the topic of succession is more important than ever. In family businesses the owner strives for a continuation of ownership and leadership and with that a succession within the family.



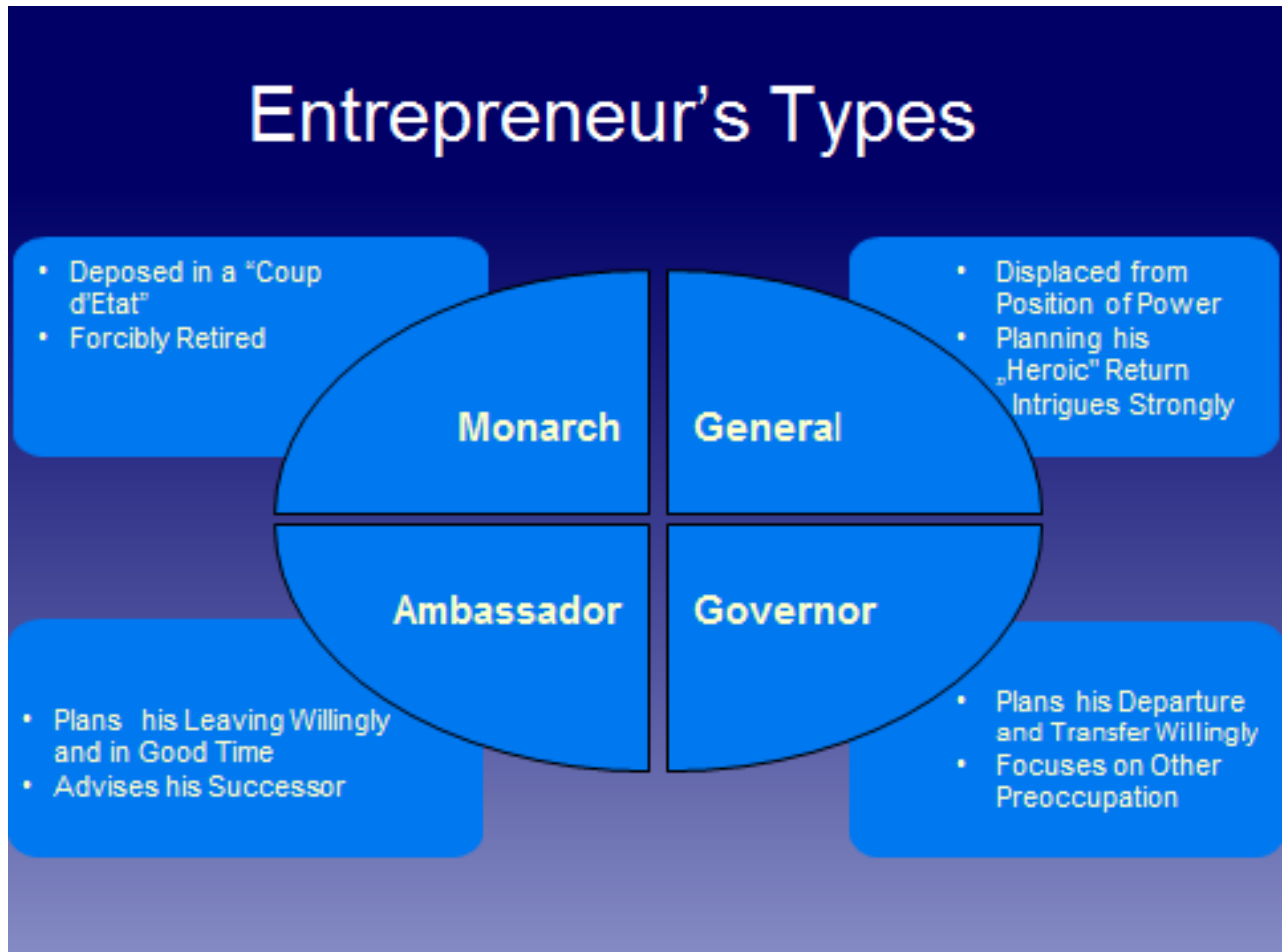
But when is the right moment in time? – There is no fixed age limit like 55, 60 or 65 years, because it does not fit the individual situation. However every good entrepreneur should have taken precaution, organizationally and financially, like advised by the German Chambers of Commerce “Notfallkoffer” (“Contingency Plan”), the very important question of business succession should be planned on a long-term view and should adjust to each entrepreneur’s type.

Entrepreneur’s Types:

The entrepreneur has to answer one question to himself, honestly: “Which entrepreneur’s type am I most likely?”

- Monarch: This kind of entrepreneur is deposed in a “coup d’etat” and somewhat forcibly retired.
- General: This kind of entrepreneur is displaced from his position of power, but is planning his "heroic" return to its former glory and intrigues with corresponding vehemence.

- Ambassador: This kind of entrepreneur is planning his leaving willingly and in good time and has furthermore an advisory function to his successor.
- Governor: This kind of entrepreneur is planning his departure and transfer willingly and in good time in order to completely separate from the company and focuses on another preoccupation, commercial or social nature.



Real Entrepreneurial Task

Unfortunately, practical experience shows that also many of the most successful family businesses ultimately fail to create a smooth management of business succession. In Germany, in 46 per cent of all handovers it does not succeed within the family. It is no longer just about the familiar manageable tasks operational kind: It is about the entrepreneur himself. It means to let go, to give up control, to deal with the valence of one's own person, the own end and finally even with death. In addition to the business transfer there are, among others, inheritance and family law questions like the testament, corporate structure, tax optimization and justice in the intra-family succession.

Awareness Raising at the beginning

That this is not limited to German medium-sized businesses confirm investigations of the European association Transeo for the Transfer of Small and Medium Enterprises (SMEs). Transeo and, for example, the Friedrichshafen Institute for Family (FIF) at the Zeppelin University Friedrichshafen point out the importance of awareness raising among entrepreneurs for the necessity of an orderly and professional business succession. Often, urgency of the daily business causes the entrepreneur to postpone again and again the planning of the management of his own business succession in due time.

Handover control (Transfer Schedule) – a key to success

The entrepreneur is left alone with his decision and does not want to be advised by anyone else. But especially in this situation neutral support with the necessary sensitivity and objectivity can be the solution. If the entrepreneur overcomes his often existing suspicion of professional consulting and engages in a designed process with his successors, taking into account all interests, a diligently developed transfer schedule can be the key to success. First, the badly needed communication takes place in a hosted and objective environment. Things, which previously were “thought” one-sided only, are finally spoken out. So the 70-year-old entrepreneur suddenly says: “I actually did not know if my son wanted to stay in the company.” A determination of the transfer steps, the external and internal company communications besides the agreed schedule thus leads, to the good of the company, to an orderly succession. The formulation and periodic inspection disciplines everyone involved and leads inevitably emerging emotions back on the agreed target/aim. Relieved, one daughter expressed: “Finally my father told me, that he would like to have me as his successor.”

Goal: Welfare of the company

The sequel finally recognizes the concerns of the transferor; so he or she accepts the entrepreneurial challenge and assumes the responsibility. If the entrepreneur finally recognizes that planning and design of the business transfer process is to be considered as an own and independent challenging entrepreneurial task, then the successful family-internal succession of a lifelong established company could be the true crowning of his life's work.

Dr. Hartmut Schneider
M & A Strategie GmbH
Frauenstr. 11
D-89 073 Ulm / Germany

+49 731 15 97 93 38
office@ma-strategie.de
<http://youtu.be/94v5t2v4ssw>
www.ma-strategie.de