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Advising the family business: love, leadership and loss (2019) 13th March 2019

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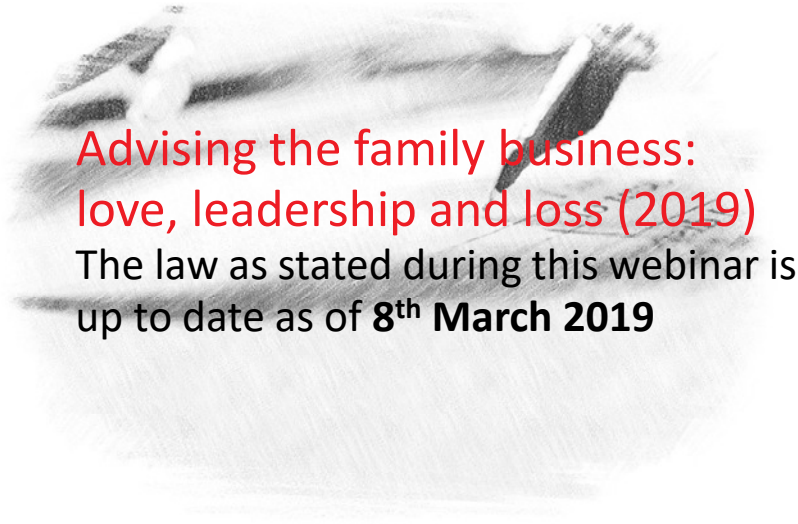

Advising the family business: love, leadership and loss (2019)

The law as stated during this webinar is up to date as of **8th March 2019**

Introduction

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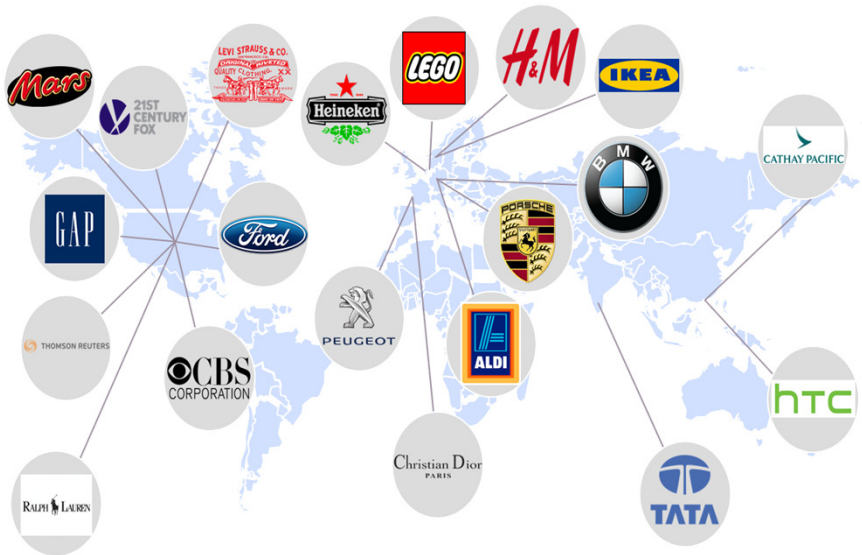
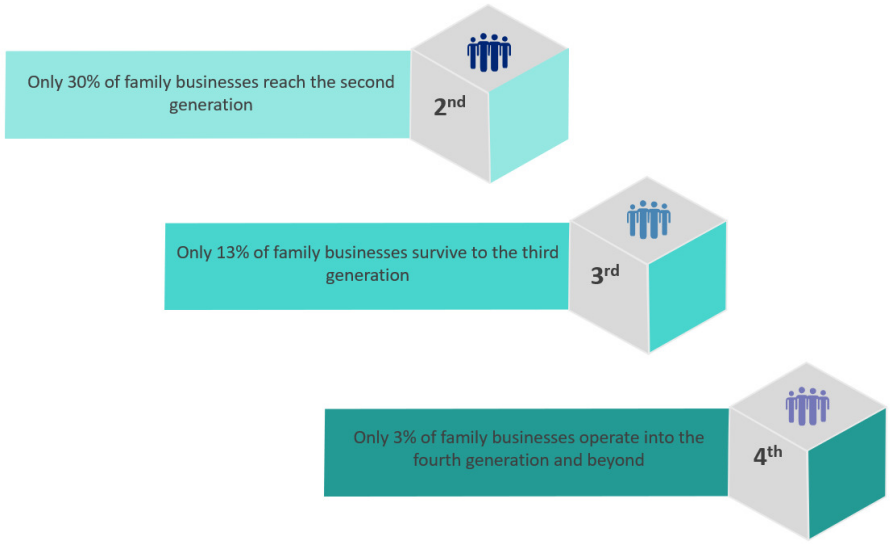
Agenda

- An Introduction to Family Businesses
- The Unique Features of Family Businesses
- Challenges
- Family Dynamics
- Vision and Governance
- The Next Generation





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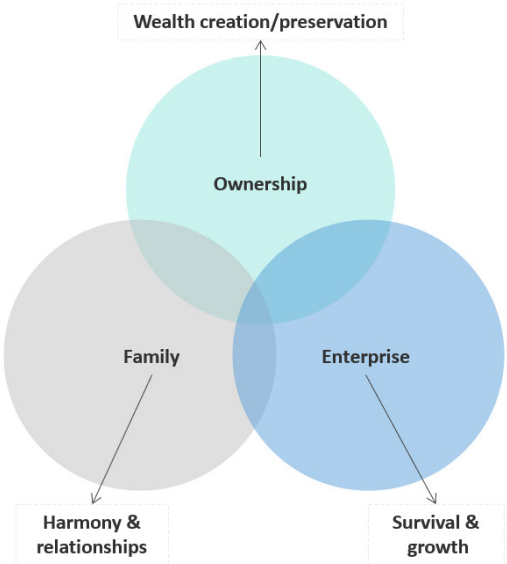
Competing goals



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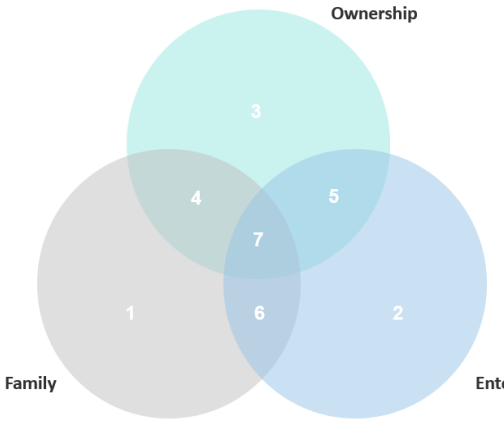
Family enterprise subsystems



1. Family Members
2. Employees
3. Shareholders
4. Family Shareholders
5. Employee Shareholders
6. Family working in the enterprise
7. Family shareholders working in the enterprise

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The family enterprise lifecycle

Cousin syndicate
- Relationships are less close
- Wide range of ages
- Often more distant from the business
- Different levels of interest
- Difficult to exert authority within the business

Sibling partnership
- Different aspirations to the owner manager
- Different competency levels within the sibling group
- Sibling rivalry
- Shared decision making

Owner managed
- Entrepreneurial founder
- Accustomed to working on own and making all decisions
- Business a reflection of him personally

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Family Capital

Long Term Thinking

Stable Ownership

Quick decision making

Flexibility

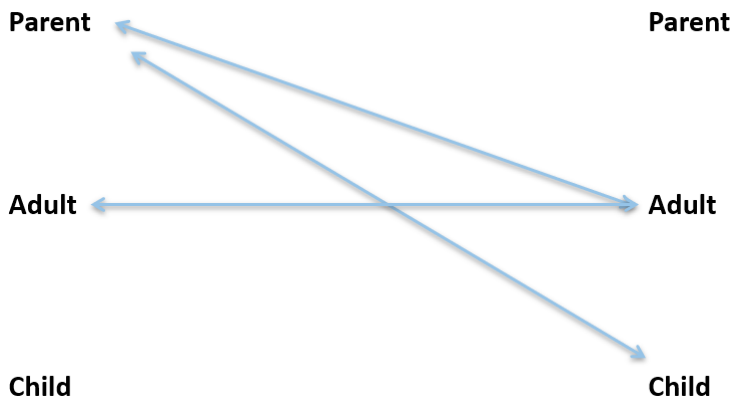
Trust

Family Values

Challenges

The 'emotional temperature' is higher	Tribal affiliations based on family branch membership are often very strong
Stakeholders with a whole spectrum of competencies may be involved	Behind the scenes stakeholders (eg spouses) may be key influencers
Stakeholders of a wide age range are typically involved	A culture of hierarchy and respect for elders can hinder honest or difficult conversations
Key decision makers may include people who have little or no business experience	Personal problems can create a significant impact and can even drive decisions
Performance issues relating to family members are more difficult to deal with	Tenure of key positions tend to be longer
Accountability amongst family members tends to be lower	Decisions may be made for family reasons, not rational commercial reasons

Family dynamics



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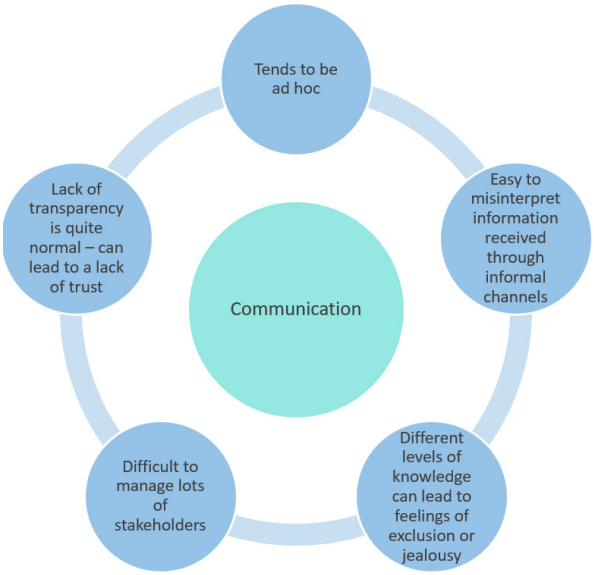

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Success indicators

Vision and Values

- What business are we in?
- Where do we want to be?
- Does the family want to still own the business and what role(s) do they want?
- What are the business and family values?

Process

- How will we reach agreement?
- How will we handle conflict?

Structure

- How will we organize ourselves as a family?
- How will we develop and agree policies and procedures for the family and for it's relationship with the business?

Education

- How will we educate the next generation about the business, ownership and family governance?
- Who will take part and at what age?

Participation

- How will we select and train people to represent the family on the board?
- How will we select, guide and support family who want to work in the business?
- How can we ensure ongoing communications with the (growing) family?

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A definition of family governance

"The processes, principles, structures and relationships that help family enterprises realise their vision and objectives"

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Next generation questions

- Will I live up to my parent's generation expectations?
- Will I be able to establish my independence?
- How will I get along with my parent's generation at work?
- Who will I report to?
- Will I be able to establish good working relationships with siblings/cousins?
- Will the non-family employees respect me?
- How will my remuneration work?
- Will I be given this business one day?
- Do I even want to be there in the first place?
- What will my role be if I don't work in the business?

Developing the next generation

Knowledge: the laws of the road, basics of how cars work, purpose of instruments

Skills: Safe overtaking, driving in snow, fog, controlling a skid, parking

Mindset: respect for others, obey speed limits, avoid drinking and driving, care for the car

Dealing with Death

- Fear of mortality (or denial of!)
- Contingency planning – what are the what ifs?
- How does the business purpose extend through the generations?
- Business personification –coping with the loss of identity?
- Leadership change is rare and can be disruptive
- The challenge of working in the grieving moment
- Hidden surprises often emerge
- How to replace the 'family glue'?
- Managing disagreements on the future of the business
- Tax implications and liquidity issues

Thank you

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Upcoming Private Client Law and Practice webinars

- How to settle inheritance act claims (2019) – 10th April 2019
- Propriety estoppel in 2019 – 8th May 2019
- Update on compliance obligations for trustees (2019) – 3rd July 2019
- Cryptoassets in 2019 – 9th October 2019
- Removal of personal representatives (2019) – 6th November 2019
- Private Client Law and Practice – End of year round-up 2019 – 16th December 2019

On demand Private Client Law and Practice webinars

- Court of Protection update 2018 – expires 15th February 2020
- Deprivation of Liberty Safeguards – expires 15th March 2020
- Trust management – accounts, tax returns and compliance – expires 12th April 2020
- Posthumous marriages and the importance of making a will – expires 3rd May 2020
- FATCA, CRS and other disclosure regimes – expires 24th May 2020
- Mental capacity and formalities in wills: including discussion of the Law Society's Consultation – expires 14th June 2020
- The Money Laundering Regulations 2017 and potential impact of the proposed 5MLD – expires 12th July 2020
- Estate and succession planning – expires 20th September 2020
- Elderly client update – expires 11th October 2020
- Issues in contentious probate – expires 1st November 2020
- Practical tips and what to look out for when drafting effective wills – expires 22nd November 2020
- Private client law yearly round-up 2018 – expires 13th December 2020
- Misuses of lasting powers of attorney (2019) – expires 13th February 2021
- Advising the family business: lover, leadership and loss (2019) – expires 13th March 2021

Thank you and reminders

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