



# PROTECTING YOUR BUSINESS LEGACY

Running the family business for 60 years straight is quite an accomplishment by anyone's standards. A three day celebration involving a 1,000 ship flotilla down the Thames seems only proper when the boss in question is Queen Elizabeth II. Her Majesty's Diamond Jubilee does, however, throw up a question which you should ask yourself if you control a family business: who will succeed the throne?

Unlike the British Monarchy, succession of your family business is not regulated through parliamentary statute. And your own health may not be as robust as the Queen's. Early death, permanent physical disability, terminal illness or loss of mental capacity can befall anyone. If this happens to you, do you have a strategy to ensure that whoever succeeds you in running your business doesn't spoil your legacy?

Planning for business succession is apparently not a high priority for business owners. According to recent reports, your average SME owner is 56 years old and planning to retire sometime in the next 10 years. Alarmingly, up to 70 per cent of SME owners do not have a business succession plan, presumably taking an ostrich-like approach to their own inevitable demise. Not only will this oversight leave your would-be successors in the dark about how the business should be run when you are no longer around, but it could have profound consequences for your business and unravel years of hard work. To avoid this, it is imperative that you create a business succession plan which enables the smooth transfer of leadership and ownership to a suitably prepared next generation. The aim is to ensure that your business has a clear strategy and framework for successful operation into the future.

## Who should you choose as your successor?

The creation of a business succession plan requires careful thought about who will take control of the business and how and when this happens. However, you may have to navigate a minefield of emotions, such as envy, insecurity, resentment and disappointment. The "golden child" you thought might carry on the family legacy may not wish to make a long-term commitment to the business. Worse, you may not be able to identify a viable successor at all.

This doesn't mean you should shy away from preparing a plan. Through lack of careful planning, 70 per cent of family businesses do not survive into the second generation. Of those that do, just 12 per cent are still viable into the third generation, and merely three per cent operate into the fourth generation or beyond.

## Five tips for devising a succession plan

**Get thinking.** What sort of arrangement gives your business the best chance of succeeding well into the future? Will you hand the business on to a family member or trusted employee? Who do you have in mind and why?

**Be realistic.** Do your potential successors truly have the business acumen and real interest in the business to do the job, or are they distracted by other pursuits? Consider the strengths and weakness of candidates carefully and objectively before you tap them on the shoulder.

**Engage.** Prince Charles once said, "To get the best results, you must talk to your vegetables", and the same is true of your successors. When you have a strategy outlined, test your likely successor's interest and seek their input. Engaging them in preparing and implementing a succession plan will ensure that everyone has a common understanding.

**Teach, don't preach.** Once you have a plan in place, get your would-be successors more involved in the company. Sitting back and telling stories about the good old days when you didn't have to pay tax might not have much practical benefit for the business. Take time to teach them the ropes.

**Dial an expert.** There are numerous structures available to protect both your business and your legacy, for example a Family Council. A professional advisor will be able to assist you to identify which will work best for your business. You'll also need tax advice and to ensure that your personal estate is in order and aligned with your succession plan.

Giving serious thought to the future of your business and your exit from it at an early stage will ensure your legacy is protected. And once your business succession plan is in place, you can take a leaf out of the Windsors' book and focus on the finer things in life, like fox hunting and breeding corgis. **mb**

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