

UNDERSTANDING  
GENERATIONAL PERSPECTIVES  
TO SUCCESSFULLY NAVIGATE  
YOUR TRANSITION

Strategic Continuity  
Planning

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Business Transitions Forum  
November 29, 2016

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Session Overview

- Understanding the Family Enterprise Landscape
- What is Continuity Planning and Why is it so Challenging?
- Best Practices in Continuity Planning
- Discussion and Q/A

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Understanding the Family Enterprise  
Landscape

Advantages, Performance, Complexities

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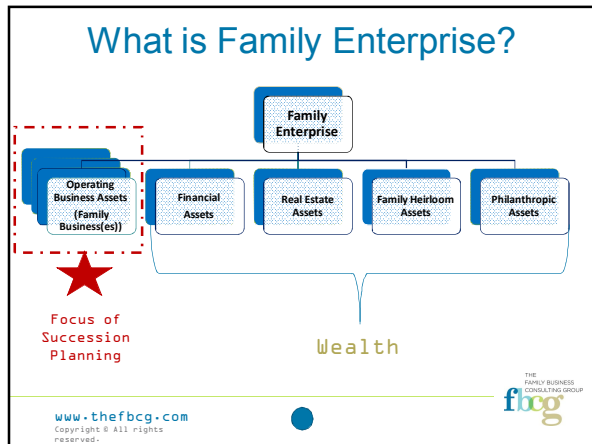
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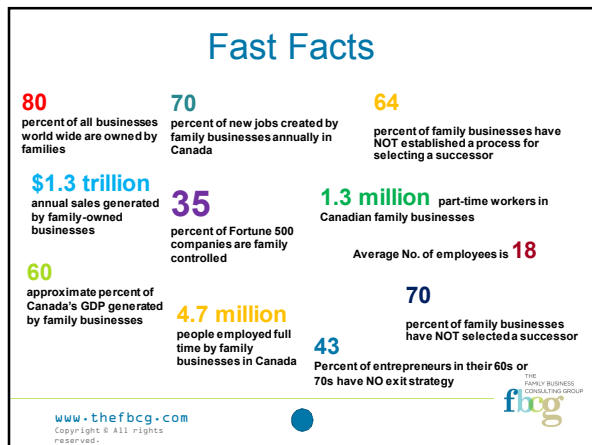
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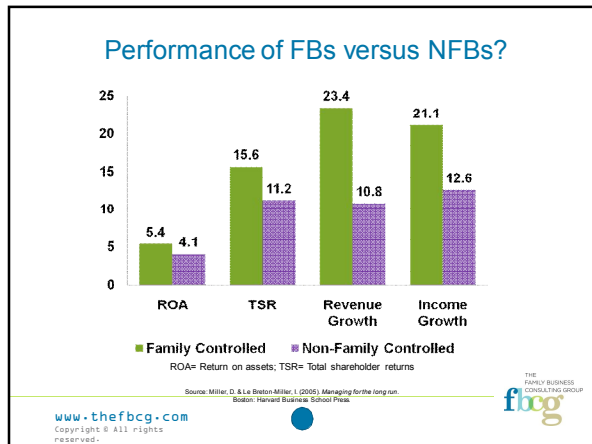
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### Family Firms in Canada

Over a 15 year period, 1992 – 2007:

- 23 largest family controlled firms, outperformed TSX by an average of 41%
- ATCO, an Alberta based, family owned company, outperformed TSX by 224%

Source: Clarkson Center, Rotman School of Management, Toronto

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### The Dynamic Capabilities of Family Enterprise

- Quick decision making
- Long term perspective
- Direct communication
- Control
- Commitment
- Strong Culture/Tradition



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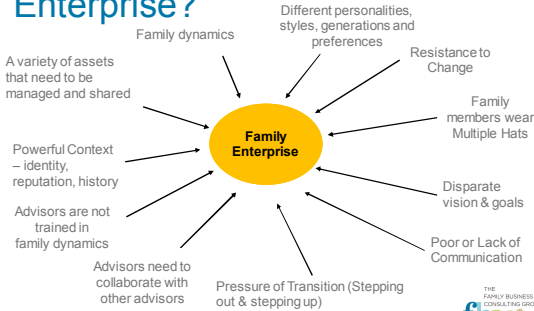
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### What is Unique about Family Enterprise?



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### What is Continuity Planning and Why is it so Challenging?

Definition, Three Circle Framework, Challenges

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## What is Succession Planning?

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## Typical Characteristics of Succession Planning

- A checklist approach
- Business and asset focused
- An event or short term process with concrete outcomes
- Transaction based with a legal/accounting underpinning with product sales
- Defined by advisors
- Typically done with one or two family members



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## A New Lens on Succession.... Continuity

1. A Dynamic **PROCESS** that assumes a multi-generational lens
2. Incorporates **ALL** aspects of the Family Enterprise System
3. **LED by a family** for a family
4. Encompasses a **VARIETY of elements** including governance processes, structural solutions, transactional activities, and relational work
5. **MULTI-STAGE** – Reflection, Planning, Execution, Measurement and Adjustment
6. Whose outcome is the **LONGEVITY** of the of the family and the enterprise
7. Requires an **INTERDISCIPLINARY** team approach



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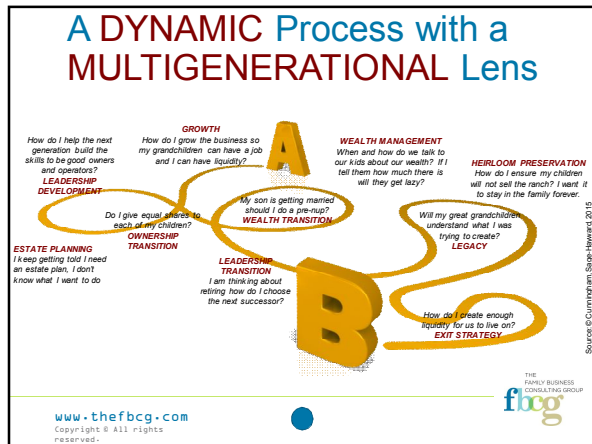
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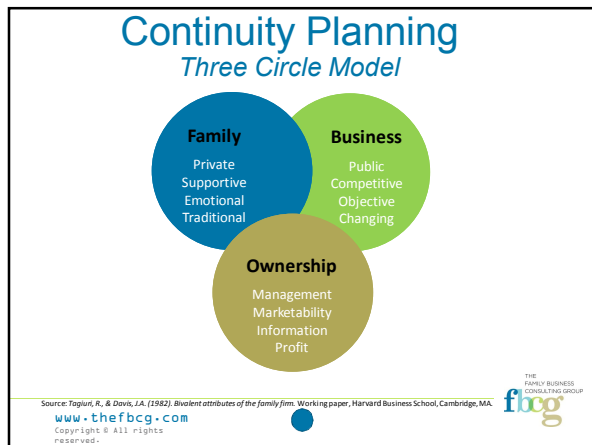
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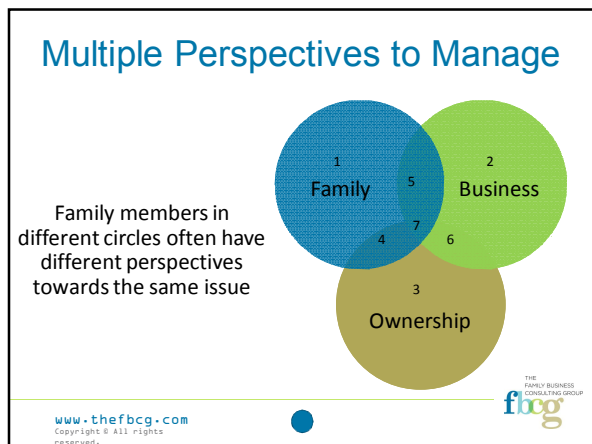
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### "Shirtsleeves to Shirtsleeves in Three Generations"



- About **30%** of family-owned businesses make it to the **second** generation
- About **13%** make it to the **third** generation
- About **3%** make it to the **fourth** generation and beyond

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Source: John Ward, 1987

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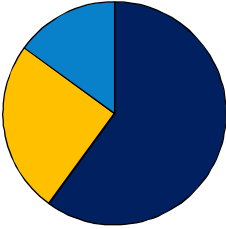
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### Transition Failure Causes



- 60% = Breakdown of Communication and Trust Within Family
- 25% = Heirs Unprepared for Required Roles & Accountability
- 15% = All Other Causes

Source: Williams & Preiser (2003). *Preparing heirs: five steps to a successful transition of family wealth and values.*

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### It is HARD WORK!!



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**Best Practices in Continuity Planning**  
Stages of Transition, Three Keys To Succession

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**Succession Planning Research**

• **Research Question:**  
What is the correlation between effective succession planning and successful succession?

• Repeated the study multiple times  
• Data from **18,000** companies

**RESULT**  
**NO Correlation!!!**

Source: Alastair Kolomo (1998)

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**The Three Keys to Success**  
Best Practices of Successful Family Businesses



**Good Governance**

1. Family Meetings
2. Independent Directors
3. Family Enterprise Strategy

Source: A Neglected Factor Explaining Family Business Success: Alastair and Kolomo (1994)

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## 1. Family Meetings

### Top Reasons



1. To preserve and advance family values, traditions and history
2. To resolve conflicts
3. To plan for how the family will participate in the family enterprise
4. To build the potential for a strong next generation leadership and ownership
5. To help next generation learn to manage inherited wealth
6. To keep communication open and flowing

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## 2. Independent Directors

- Ask challenging questions
- Encourage accountability in management
- Provide a sounding board to aid in evaluating Business Owners' Ideas
- Aid in creative thinking and decision making
- Offer honest, objective strategic advice



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Source: Building a Successful Family Business Board: A Guide for Leaders, Directors, and Advisors, by Wendy Sage-Hayward, 2014

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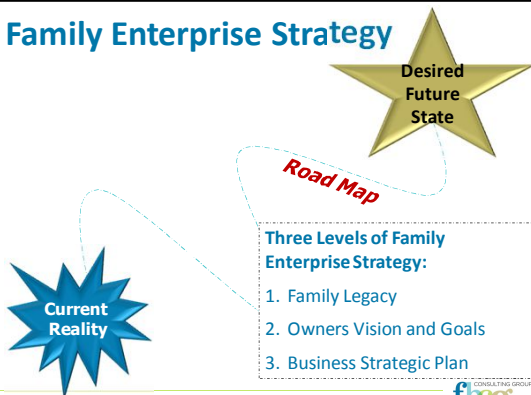
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## 3. Family Enterprise Strategy



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## Summary Points

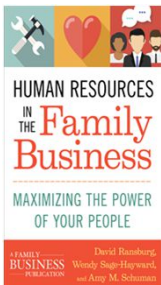


- Includes technical elements but driven by **family needs**
- An **on-going process**: when one generation takes over, planning starts for the next
- **Multi-generational approach** encompassing family dynamics
- Needs to consider all the three circles- **business, family, and ownership**
- Planning process includes the **whole family** not just the active members

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