

Succession Planning for the Family Business

As an award winning family-run firm of Chartered Accountants Lamont Pridmore understands what it takes to run a successful family business.

It has helped hundreds of family-owned companies with their finances and business strategy and provided useful advice on how to avoid crises within a family firm.

Chief executive and managing partner Graham Lamont is the father of Chris Lamont, resident partner at the firm's Carlisle office. Wilf Pridmore, our senior partner, and Philip Pridmore, managing director of our Keswick office, are brothers.

Lamont Pridmore specialise in providing advice to other family-run businesses, especially with regard to the difficulties prior to and following succession.



They say that the **five** most common mistakes are:

- **Lack of interest** – Too many owners of family firms assume that their son, daughter, brother, nephews or nieces want to take over the business when they retire, without actually consulting them.

We recommend that business owners have a frank and open discussion with their prospective successor about whether they actually want to run the business. It is important to sometimes put aside the fact they are family and treat them like any other employee applying for an executive position. Don't assume they want it.

- **Lack of experience** – This is a common problem and too many owners hand over their business or part of it to a family member who isn't fit for the role due to a lack of experience.

While a family member may have some knowledge of the job through their family connection, their ability to do it may not be there. We recommend that successors should be properly trained and qualified to do the role and we would encourage those looking to succeed a family member to get some experience outside the business, so their view of the job isn't too insular.

- **Lack of planning** – Far too many family businesses leave it too late to arrange their succession plans, either out of a false sense of security or an assumption that it will be business as usual once the new person takes on the role.

We recommend that businesses have short, medium and long-term plans for succession which include preparations for scenarios such as illness and even premature death in the family so the business has a robust strategy in place for the future direction of the company and its successors. Lack of planning in this area is the most common mistake and the most likely to cause conflict. These plans should be regularly reviewed.

- **Failure to recognise other talent in a business** – While many family firms assume that the best person to take over the running of their firm is another family member, often they fail to think about the impact it may have on other members of the team, such as senior managers who may have more experience and have been with the business longer than the new family member joining.

It is also key that those taking on this role of successor appreciates the work these individuals do and shares their intentions and vision for the business with them so they don't become disenfranchised and leave.

- **Taking time out to be a family** – Sometimes when family members work together, the normal activities of being a family get left behind and it all becomes about the business. People in this situation need to try and take time out to separate their work life and their social life so they can be a family.

We recommend that conflicts at work, are left at work and not brought home. This is not an easy task and it is where an experienced family business adviser is essential to help resolve or smooth over these types of conflicts and where a family council and family constitution really does really help.

At Lamont Pridmore we believe there are three things that business owners should ask their successor:

- 1 Do you feel properly trained for the position?
- 2 Do you have a passion for the business?
- 3 Are you prepared to inspire the existing management team?

A successor should have 10-15 years prior experience and have completed qualifications relevant to their business.

Passion is also key, we have seen too many sons and daughters take over a company because it was their parents wish rather than their own dream, only to watch the company falter or fail.

And finally we would encourage successors to remain aware of those who have worked alongside their parent/s to help build the business. Often senior managers feel that they are just as deserving of the position and family successors need to respect that and work with them to ensure the future success of the business.

To find out more about Lamont Pridmore's services for family businesses, please contact us on **0800 234 6978** or email info@lamontpridmore.co.uk

