

Transition

Family business dynamics



Getting ready for the next step

There's not always a clear path for the transition of a family business. After years of hard work, as the owner you may or may not be ready to retire, but what's next for the family business?

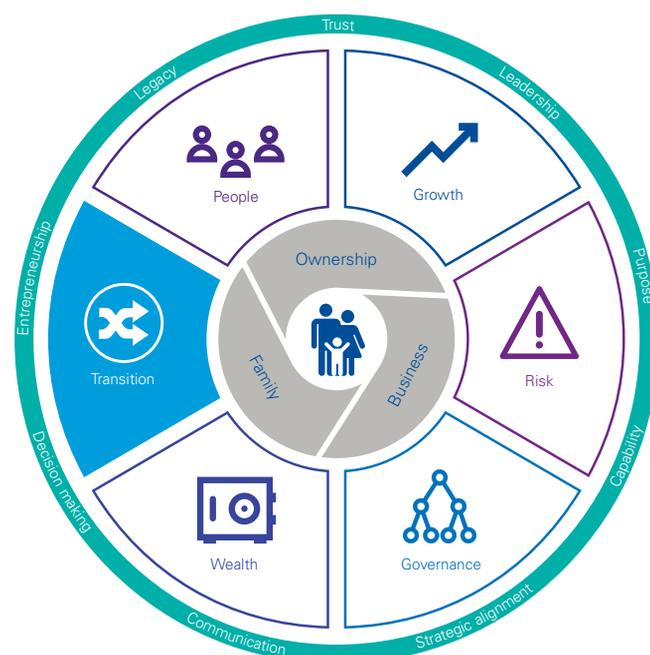
The family may want to take it over, but is that the right the decision?

If you decide to sell, what are the options?

Whether the family business transitions to the next generation or to a new owner, it's best to prepare everyone and everything for the next step.

Family business dynamics

As with your family, your business doesn't stand still — it evolves. Family businesses are unique, at the core lies an important dynamic connecting the family and the business through the family's ownership, which offers both opportunities and challenges. Surrounding each decision you may take, are strong family values and a purpose that helps you navigate the journey ahead. KPMG Private Enterprise advisers understand the dynamics of a successful business and work with you to provide tailored advice — throughout the lifecycle of your business.



“ Whether the family business transitions to the next generation or a new owner, it's best to prepare everyone and everything for the next step. ”

Source: KPMG Private Enterprise Family business dynamics, 2017

Understanding your options

Coming to the decision to transition your business takes time and careful consideration. It starts with understanding the options available to determine what's best for your business and your family.

Involving family members in your considerations can help ensure they are informed and feel comfortable making decisions about their individual and collective futures in the management and ownership of the business.

- What are the wishes and aspirations of the internal team as well as the business' active and non-active family members?
- How do the values, beliefs, and vision of the family come into play?
- Does the family business have rules regarding integrating the next generation?
- Is there any interest in an initial public offering (IPO) and going public?
- How much is the business worth and should that influence the decision to sell?
- What happens to the business once it is sold?
- How will the sale of the business impact the family?

To help ensure the decision-making process supports the business and the family, KPMG Private Enterprise advisers facilitate discussions with individual family members, key non-family management employees, and other stakeholders to obtain a holistic view of all aspects of the business.

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Passing the reigns to the next generation

Succession is one of the toughest and most critical challenges facing a family business. It involves the succession of both the management and the ownership — two separate but equally critical functions. Through family communications, management processes, leadership succession strategies, and dispute resolution procedures, family businesses can successfully integrate family members, assess options, make informed decisions, and increase comfort levels.

Consider all the elements that go into passing the business on to the next generation.

Management process planning ensures family members clearly understand the expectations and responsibilities of taking over the business. Family and ownership structures

with well defined rules, as well as a family constitution and family council can all help address these issues.

Leadership succession strategies can help assess and identify the right leader and develop a program to train and mentor the next generation.

Communication and implementation of the succession plan can help identify all the risk factors and ensure everyone is equally informed on the goals, process and timelines.

Making the decision to sell

The sale of your business is a once-in-a-lifetime transaction, with just one opportunity to get it right. It's important to maximize the value in your business before you decide to sell.

When preparing your business for sale, consider it through the eyes of a prospective purchaser. Spend the time to improve cash management procedures, establish

a governance framework or make changes to improve employee retention. Your hard work will pay off. Not only will you feel confident that you can seize the interest of more qualified buyers quicker and possibly get a better price. You will also know that you are passing on the business in the best possible condition.



Case study

The Hall family's lost legacy

Brothers, Jerome and David Hall*, built a highly successful business from the ground up, working well together as chief executive officer (CEO) and chief operating officer (COO). Their sons, Zach and Martin, started working in the business full-time in their early twenties.

Jerome and David thought the boys would step into their father's shoes at the appropriate time. Unfortunately, they did not communicate this unspoken dream to Zach or Martin until Jerome became ill, and David decided to step back from his role due to advancing age and failing health.

As it turned out, Zach and Martin couldn't find a way to work as a team and sales were quickly dropping. In the end, the business split up with a significant amount of complexity, cost, family heartache, and lost opportunity.

If the owners had communicated and shared their expectations to their sons or subsequently determined that selling the business to an interested buyer while sales were still high was best, the business could still be thriving today.

KPMG Private Enterprise adviser are available to help facilitate these conversations so that a positive outcome can be achieved for the family and the business.

*Actual family business members' names have been changed to protect confidentiality.

Successful outcomes

The transition of any company can create a variety of emotions. Letting go is no easy task. Taking over the reins can also have its challenges. Selling the business can be just as daunting.

In reality, some conflict may be inevitable. Documents, such as shareholder agreements, wills or a power of attorney will help guide the resolution of disputes if things break down.

Having established the necessary communication channels and governance structures will allow family members to make informed decisions about their individual and collective roles in the management and ownership of the family business.

We're here to help

Whether you pass on the business to the next generation or decide to find the right buyer, a KPMG Private Enterprise adviser can help you assess what's right for you and your family. Let us take the time to research and explain your

options and guide you through the process. Having the right advice during this major life decision can make all the difference. It's never too early to start talking about the future and ownership of your family business.

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Family businesses are constantly evolving

The [KPMG Private Enterprise Family Business Dynamics Assessment](#) is a complimentary confidential online self-diagnostic tool highlighting key issues and opportunities that align to the [KPMG Private Enterprise Family Business Dynamics](#). Focusing on the six areas of growth, risk, governance, wealth, transition and people, the assessment allows you to prioritize these issues and opportunities based on how important you believe them to be and how capable, or incapable, you believe the family is to address the issues. It also provides an opportunity to see what other families see as important to their success and what you should be considering if you aren't already.

Try the KPMG Private Enterprise Family Business Dynamics Assessment today.

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