



A PRACTICAL GUIDE TO
**FAMILY
BUSINESSES**

**JACKSON
STEPHEN**
ACCOUNTANTS / ADVISERS

A REAL ASSET

FAMILY BUSINESSES

A family business is usually defined as one or two families owning a controlling interest in the business, although they may include family members from different generations or involve multiple families through marriage.

However, it could simply be said that if a family regards the business as a family business then it should be described as one.

Whatever the definition, the UK is dominated by family businesses, of all sizes and business sectors, indeed some of the most successful and well known household names are family owned.

Drive, culture and a sense of pride are typically inherent strengths of a family business, giving them a significant competitive edge. However, family businesses face many unique challenges such as an ever present conflict between the short and long-term needs of the business with those of the family.

They differ from other businesses because they have to prosper under what sometimes are fundamentally different demands of business and family.

Every family business is unique, shaped by its own set of distinctive personalities, objectives and relationships. There are, however, challenges that are common to all family businesses.

These are:

- Succession planning
- Communication
- Employing family members
- Management of change

SUCCESSION PLANNING

Succession planning is usually cited as the most significant issue facing family businesses, with only 30% of them surviving to the second generation and only about 10% making it to the third generation in the UK.

A successful handover down the generations is critical in determining whether the business will survive and prosper.

Succession planning is a long-term process and should happen long before current owners/senior management plan to step down from running the business.

Not only does succession of a family business have to take into account the needs and expectations of the existing family and other key individuals, but also the availability of family or non-

family successors.

The key issues to be addressed by the current generation are:

- Can existing family members personally afford to pass the business on to the next generation?
- Are they prepared and open to move aside and relinquish control?
- Are their children ready and willing to take over and have they got the necessary skills?
- Would a non-family member be more qualified to run the business?
- Does it make more sense to sell the business?

COMMUNICATION

A fundamental myth within family businesses is that working relationships are strong and lines of communication are open.

However conflicts within family businesses are often hidden, but are sometimes actually more significant than within other businesses as family relationships can become strained within the context of a business. Business decisions can become emotional rather than objective.

To ensure the future success of the family business these conflicts must be addressed and resolved as early as possible.

Key issues to be considered are:

- Recognise if a conflict exists;
- Does the management style allow for open discussion and for all views to be heard?
- Do shareholding family members not involved in the day to day running of the business have a voice?
- Are you aware of what individual family members want so that a consensus can be built on issues such as dividend policy/capital investment?

EMPLOYING FAMILY

Experience shows that a family business is less likely to be successful if it only employs family members to the exclusion of others.

Introducing external expertise, and the fresh thinking this brings, can be valuable at all levels of the business. It is imperative that all family members are employed on merit and it should not preclude non-family members from being employed in senior positions.

Key issues to be considered are:

- Encourage family members to gain significant work experience outside the business. They will bring new ideas and perspectives, drawing from other business experiences similar to non-family members;
- Remuneration of family members should be no more favourable than that of equivalent non-family employees. The most successful family businesses do not differentiate between family and non-family employees;
- Don't pressurise family members to join the business – you will not only be ignoring the needs of the individual family member but also the requirements of the business;
- Find a mentor for family members both inside and outside of the business.

CHANGE MANAGEMENT

Change is a constant in all businesses and there is sometimes resistance to change especially in family businesses as they are also concerned with how change affects the family.

Family businesses are concerned with change not only from a business perspective but also because of the changing nature of family dynamics.

It is imperative that the business continues to evolve and keeps pace with a rapidly changing marketplace, whilst preserving the competitive edge offered by a strong family culture.

Key issues to be considered are:

- Question the status quo. Just because previous generations had operated in a certain way does not mean that it is correct in the current economic climate;
- Separate the changes that affect business from those that affect the family;
- Recognise that change may impact on different individuals in different ways and that those individuals' objectives may change over time;
- Consider using the services of a non-executive director to provide a more objective view in the planning and decision-making process;
- Think about the future and be flexible in adapting plans when change occurs.

HOW WE HELP

Jackson Stephen's family business team comprises widely respected professionals with considerable experience within the sector.

After working with family businesses since 1920 our clients range from first to third and even fourth generation, large and small family businesses.

Our family business service concentrates on the following core areas:

- Managing succession;
- Creating and implementing a 'Family Rule Book';
- Facilitating and improving communication.
- Ensuring all advice is tax efficient

However, no two family businesses are the same and therefore we provide a bespoke service and impartial advice to each of our clients, underpinned by our vast experience.

Other services:

- Tax Planning
- Advice, Development, Strategy
- Audit, Accounts, Tax Compliance
- Outsourced Services
- Corporate Finance
- IT Management
- Wealth Management
- Family Office
- Wills, Trusts, Probate

KEY CONTACTS



DIANE BRENNAN

MANAGING PARTNER

D 01942 292511

M 07730 436073

E diane.brennan@jsllp.co.uk



STEVE CROMPTON

PARTNER - HEAD OF TAX

D 01942 292541

M 07790 840394

E steve.crompton@jsllp.co.uk

**JACKSON
STEPHEN**
ACCOUNTANTS / ADVISERS

A REAL ASSET

James House, Stonecross Business Park,
Yew Tree Way, Warrington, Cheshire WA3 3JD

T 01942 292500

F 01942 292501

E info@jsllp.co.uk

www.jacksonstephen.co.uk

ATTENTIVE
AVAILABLE
FRIENDLY
SUPPORTIVE
ON-SIDE
PROMPT
KNOWLEDGEABLE
PROACTIVE
CARING
VISIONARY
FOCUSED
RECOMMENDED
ENTERTAINING
REALISTIC
PREPARED
GUIDING
UNDERSTANDING
INQUISITIVE
PASSIONATE
HELPFUL
SIMPLE
USEFUL
DIRECT
CLEVER
TRANSPARENT
TRUSTWORTHY
THOUGHTFUL
COMMUNICATIVE
FLEXIBLE
HONEST
ENERGETIC
PRACTICAL
RESPONSIBLE