



Welcome

In this issue of *MGI – Family Business In Focus*, Mr Lucio Dana continues to elaborate on topics taken from *The MGI Australian Family and Private Business Survey 2010* which we believe will be of interest to our family business clients.

Lucio's article looks at two options for exiting from your family business. The first option, succession planning, should not be regarded as an event but a process that takes place over time. Succession planning should be considered within the context of a family business constitution and a long time before the plan needs to be implemented.

The survey found that for approximately one third of family businesses, where there are no suitable successors within the family, the succession plan may call for an exit from the family business via sale. This means these family businesses need to implement a disciplined process by which they can become ready for sale in order to maximise their attractiveness to external investors.

Mr Dana, in collaboration with RMIT University's Professor Kosmas Smyrniotis, has been undertaking Australia's longest running longitudinal study into the health and motivators of Australian family and privately owned businesses. The 2010 MGI study is the seventh in the series. These surveys have made an important contribution to the understanding and appreciation of the attitudes of family and private business owners and their valuable contribution to the Australian economy.

Lucio lectures in family and non-family business management subjects at RMIT University. He is also a published author of family business books as well as a one of the researchers involved in the 2000 and 2006 MGI surveys.

*Make sure you take advantage of our **Free Consultation** on how MGI can help you successfully manage the challenges of exiting your family business.*

Sue Prestney
MGI Australasia Chairperson
Chartered Accountants and Business Advisors

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Family Business In Focus

Download the Report

Access to *The MGI Australian Family and Private Business Survey 2010* and all past reports here.

[Click here](#)



MGI Business Solutions

To find out how MGI can provide a business solution that works for you, contact your nearest MGI office.

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Download the Podcast

Watch the interview with Ms Sue Prestney and Professor Kosmas Smyrniotis as they discuss the findings in the Family Business Survey 2010 Report.

[Click here](#)



Family business exit options

Leadership and ownership succession

The *MGI Australian Family and Private Business Survey 2010* (The MGI Survey) provided a number of valuable insights into family business continuity, leadership and succession issues, and the suggested ways to address them. Over two thirds of survey respondents indicated that leadership and ownership *succession*,

more particularly 'letting go of control', were among the most critical issues/challenges confronting family businesses. (See table below).

Critical business continuity issues/challenges confronting family businesses	%
<i>Leadership & ownership succession</i>	
Letting go of leadership/ownership control	39.7
Providing liquidity for family owners to exit	36.7
Securing adequate capital for growth and retirement	34.2
Choosing a suitable ownership structure for next generation	29.1
Selecting a leadership successor	25.3
Developing effective processes for shared family control	13.9
Expectations of family owners not active in the business	7.6

Statistical overview

In most family businesses, ultimate ownership control is consolidated in a husband and wife couple 46%, compared with 24% in two or more siblings (brothers and/or sisters); 17% in one individual; and 2% in cousins from different sibling branches. Fifty-eight per cent of businesses are first generation, 31% second generation, and 11% third and subsequent generation family businesses. Fifty-nine per cent have two generations involved in operations and 6% have three or more generations. Thirty-six per cent have only one generation of family members involved in business operations.

Over a third of family business owner-managers are in the 50-59 years of age bracket, and just under a quarter are in the 60-69 age bracket, with 8% being 70 years of age or older. Just under half of them see themselves working in the business beyond 65 years of age; with two thirds suggesting that their businesses are **NOT** exit or succession ready. Only a fifth, however, identify *passing the business on to the next generation* as a main motivation or objective for starting a business or remaining in it.

The family members most actively involved in the business are: spouses, 35%; sons, 35%; brothers, 11%; daughters, 7%; sisters, 2%; and other family members, 6%. To the extent that current CEOs are likely to be succeeded by a family member, those family members are most likely to be a son, 27%; or spouse, 14%. However, two thirds of family business owners indicate that younger generation family members are **NOT** as interested in actively managing the family business as the older generation. A third of family business owners indicate that, as a result, leadership succession will **NOT** be feasible, and that the current CEO is likely to be succeeded by a non-family member.

Over two thirds of family business owner-managers believe that they have an adequately funded retirement program. Nevertheless, a substantial proportion of business owner managers are relying either on the sale of their business or continuing family business ownership for the cash to fund their retirement.

To read the entire article: [Click here](#)

Free Offer

Your free consultation with an MGI expert on how to implement your succession plan and how to make your business ready for sale.

We at MGI are focussed on helping family businesses deal with the complex challenges families in business inevitably face – we do not just deal with the business issues but with all the issues that arise from the interaction of family and business.

You cannot always plan for the impact of your exit on the culture of your business, but through the adoption of MGI's family business constitution process, and the implementation of a succession plan, you can put in place a strong foundation for managing the conflicts and breakdowns that may occur in managing family business and family harmony.

Free Offer- Cont'd

Not only does our family business constitution process address succession planning but it also ensures that your retirement and estate plans are practical to implement and minimise costs such as tax and stamp duty.

However a family business constitution achieves far more than ticking the boxes for family business succession planning. It also incorporates:

- management and equity succession plans;
- retirement planning for current owners;
- estate plans for all family members;
- asset protection for all family members;
- best practice governance and management practices;
- what benefits and remuneration the business will and will not provide to family members.

It is an inclusive process suitable for all members of the family, not just those who are active in the family business, and is tailored to suit the requirements of the particular family and business.

The points covered by a typical family business constitution can be downloaded from [here](#).

If your business succession plan includes consideration of a non-family successor then our sale-ready programme will assist you to optimise the realisable value of your business. This programme is designed to ensure your business capitalises on its strengths and opportunities and identifies and builds on its unique characteristics.

Your MGI relationship partner would be happy to arrange for a complimentary obligation-free meeting to provide you with further information in respect of family business succession planning and how to make your business sale-ready.

Perfect Match

MGI's pedigree – just right for partnering with family businesses

A twenty-five year history of providing professional advice to family and privately owned businesses positions MGI as the business growth advisor of choice for this vital contributor to the Australian economy.

To find out how MGI can provide a business solution that works for you and assist you implementing your succession plan and getting your business sale-ready, contact your nearest MGI office.

To contact us: [Click here](#)

MGI – Your Business Growth Advisor

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For a copy of the current and past MGI Family and Private Business Survey visit: www.mgiaust-survey.com