



There's been an Arkwright running Arkwright's for generations

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For many family businesses the process of handing over the running of the business is a predetermined step; one day dad or mum retires and son or daughter takes over. This may be your approach to dealing with succession planning. It may not, however, always be the best or only option.

All too often succession planning is something that is not talked about, even a taboo. Perhaps sub-consciously you don't want to let go, or you feel the person who should take over is not quite ready; or you don't know to whom you should pass your business onto. Invariably, it is much easier to ignore, or put off, the situation and to carry on with day-to-day matters. It may just be you do not know how to approach succession planning or what it involves.

Then why face it?

The key reasons are that you are unlikely to want to work for ever and if you did, you are certainly not going to live for ever. Few businesses are time-bound in that they are set up for a limited period only; most look to go on trading for an undefined number of years. It is important to consider how your business will continue once you are no longer involved.

It might be that your business is part of your retirement package; with a potential sale a source of your pension provision. Few though, without planning, actually realise anything like the value hoped for.

How then do you go about succession planning?

Firstly, there is the need to acknowledge that you don't just leave succession to chance and a plan has to be prepared. This should be something you work on for some time, say three to five years ahead of the date you want to retire or handover the business; the reason is that you need to get the business in shape so that it is no longer reliant on you. Long-term planning also helps to provide for optimum structure, with solid financial and tax planning to provide you with the best returns.

Determining your successor

For the majority of family businesses, the logical successor has been the son or daughter or other family member. More and more family businesses, however, find that their younger members are opting for alternative careers and don't want to go into the family firm. It may also be the case that whilst the young family members think it is their birth-right to continue in their parents' footsteps, such a move would exclude a more competent, non-family member from taking the reins.

What are the choices?

In essence there are four choices.

- First, to pass the running of the business to a family member and retain ownership within the family.
- Second, to retain ownership of the business within the family, but recruit or handover management of the business.
- Third, to sell the business to one of the following; the employees, a competitor or other third party.
- Last, to close the doors and wind-up the business.

Emotional Ties

Whilst it is relatively easy to present options, probably one of the most difficult areas to deal with is the emotional element, and the history, and feelings associated with running a family business. These need to be considered as an integral part of any succession plan.

Another of the pitfalls you should be looking to avoid is taking your eye off the day-to-day running of the business till your succession planning is complete.

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