

Success relies on succession plans

Jordon Chong

A POPULAR saying in business management circles is that if you fail to plan, you plan to fail.

But many family-run businesses are struggling to embrace the concept. The Family Business Survey from KPMG, Family Business Australia and Deakin University found 83 per cent of businesses did not know how they were going to appoint their next chief executive.

This was despite the survey also finding that 34 per cent of chief executives were likely to step down within the next five years.

"It is clear that more than one-third of family businesses are close to changing the baton," the business survey report stated.

The most common reason given by 36 per cent of respondents, was that no successor had been identified.

Another 27 per cent said it was too early to plan, while 29 per cent said there was some "other reason" and

8 per cent of respondents claimed it was "too difficult".

But the clock is ticking, given 43 per cent of chief executives in family run businesses have been at the helm for more than 20 years, the report said.

KPMG's Bill Noye said a succession plan was not something that could be completed overnight and could take years.

"You need to plan for it because each of your kids will not necessarily want to do what you think they want to do," Mr Noye said.

"They may have different plans and aspirations which, at times, can often shock a founder or a CEO."

The survey found growing profitability was the No.1 concern of respondents (61 per cent), with economic stability the next most popular response (48 per cent).

"With the recent changes in the economic environment, particularly

increasing fuel prices and rising interest rates, it is not surprising that Australian family businesses have concerns," the report said.

Deakin University's Dr Linda Glassop said the lack of forward thinking was hurting the ability to successfully improve the business.

"Most family businesses are operating around broad, unwritten family goals under leadership from the first-generation founder," Dr Glassop said. "This is not always the most profitable way of operating."

Mr Noye said family businesses were much more complex compared with other "normal" companies, given the emotional factors involved.

While that made some fearful of confronting the sensitive issue of who takes over, Mr Noye said those who did inevitably benefited.

The survey represented the views of 1080 family-run businesses.

Family responsibilities keeps them sharp

THE three brothers at West Gosford asphalt paving company Sharpe Bros took about 18 months to set up a system where there was a chain of command as well as a clear line of succession.

The company was this year's winner of the NSW Family Business Australia awards for a third generation enterprise. Michael Sharpe, who looks after the marketing of the company, said the three brothers were directors of

the company – all had different company responsibilities and they held monthly board meetings to report on all aspects of the business.

While the brothers meet regularly as members of the same family, meeting once a month as a board meant that everyone was up to scratch on what was happening.

"We've set up the business so that it's more professional, not just a family business," Mr Sharpe said.



Family ties: Hayden, Richard and Michael Sharpe are the third generation of the family asphaltting business in Gosford

Picture: Jeff Herbert