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Transition, diversity and entrepreneurship

How Australian family businesses are sparking next-generation success

KPMG Australia and University of Adelaide Family Business Report 2021

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Contents

Foreword

Family businesses are important to Australia's society and economy – and the statistics back this up. Family businesses represent 67 percent of all Australian businesses, provide 55 percent of private-sector employment, 48 percent of total private sector wages paid, and 50 percent of Gross Industry Value Added.[1]

One of the most significant events in the family business lifecycle is the transition of leadership and/or ownership from one generation to the next. This step is traditionally complex for numerous reasons, both business and personal. The vast disruption caused to businesses by the COVID-19 pandemic has not made future planning any simpler. However, the pandemic has certainly highlighted within many families the need to develop a formal strategy for this important stage.

This report highlights some of the issues around family business succession, and offers insights into how to overcome them to keep on track to sustainable growth.

The insights shared in this report come from analysis of KPMG Australia's in-depth interviews with seven Australian family businesses, conducted in late 2020.

These interviews explored Australian family businesses' perspectives on key findings from the STEP Project Global Consortium 2019 Global Family Business Survey and subsequently on the challenges brought about by the COVID-19 pandemic.

The insights also draw on KPMG's deep experience in working with family businesses, expertise from the University of Adelaide's Family Business Education and Research Group (FBERG), and relevant academic research.

We would like to thank the seven family business participants from across Australia, and also Associate Professor Chris Graves and Dr. Francesco Barbera from the University of Adelaide's Family Business Education & Research Group for their involvement in co-writing this report.

We hope you find it helpful as you plan for the future of both your family and your business.

Robyn Langsford
Partner in Charge,
Family Business & Private Clients
KPMG Australia

1 Based on economic modelling undertaken by Associate Professor Chris Graves, The University of Adelaide, using Australian Bureau of Statistics data and IBISWorld data on the largest 2,000 unlisted Australian businesses.

Our report explores three key themes

for building sustainable family businesses

1

Transition planning

Why putting in place plans for a successful transition of leadership and/or ownership of the family business benefits both the family and the business.

2

Leadership diversity across the business

Why fostering diversity of gender and experiences in leadership roles and more broadly across the business is beneficial.

3

Entrepreneurship across generations

How entrepreneurship often diminishes as a new generation takes over, but it is possible to sustain this vital competitive trait.

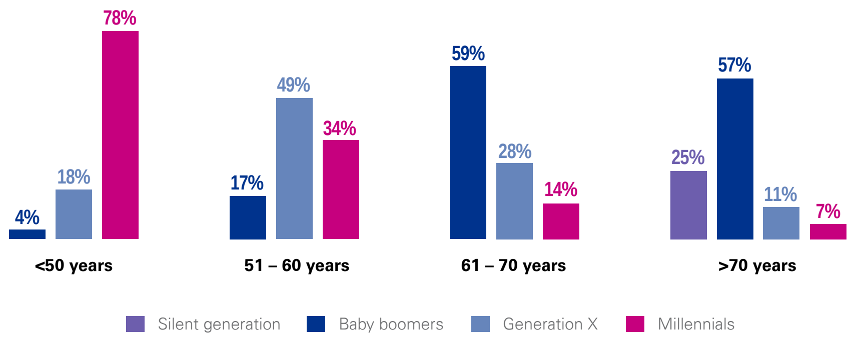
Transition planning

As family businesses look ahead to the succession of leadership and/or ownership, a fundamental step is planning for the transition of the most senior leader from their role. However, the plan for this is often left far too late to the detriment of the leader, the family and the business.

For over half of family leaders globally, the planned retirement age is between 61 to 70, according to the STEP Project Global Consortium 2019 Global Family Business Survey. Nearly 30 percent plan to retire when they are over 70, while the remaining 20 percent plan to retire before 60.

Figure 1

Age of planned retirement by age group



Source: STEP Project Global Consortium 2019 Global Family Business Survey

Figure 1 highlights generational differences when it comes to planned retirement age – notably that baby boomers (born in 1946-1964) and the silent generation (born in 1925-1945) intend to retire after 60. However, Generation X (born in 1965-1980) and millennials (born in 1981-2000) intend to retire before 60. This suggests that Generation X and millennials are more likely to emphasise work-life balance compared to their predecessors.

We spoke to a Queensland family business about these differing expectations, and found that the views of millennials in the family were influencing the views of the current leadership generation.

OUR INTERVIEWER REPORTED:

"The next generation (millennials) have consciously prioritised life experiences over wealth creation in early adulthood, and now value time with their family over time in the business. This doesn't mean the next generation aren't passionate about the business and thankful for the opportunities it presents. But for the family, it means considering different options to the way things have been done in the past to achieve a balance – and one not being sacrificed for the other."

When family business members are younger, they tend to aspire to retire early, which can make sense as they may not have dependents, debt, or significant responsibilities to the family business. However, as they get older, and perhaps take over, these factors often come into consideration and naturally the timeline for retirement extends. This can lead to conflict between them and the next generation, as the next generation wants the leadership generation to retire so they can get started, while the leadership generation don't think that the current generation are ready. These potentially damaging issues can be prevented if the business has a clear transition plan in place far in advance of when it is needed.

No set age for retirement

There is no one-size-fits-all approach when it comes to planning for retirement, and certainly planning retirement based on age isn't right for everyone. Factors such as personal goals, propensity for risk-taking, and cognitive abilities change with age, and these all need to be considered by the individual and the board. For example, we spoke to a Victorian family business about when their current Chief Executive Officer (CEO) may retire.

OUR INTERVIEWER OBSERVED THAT:

"The current CEO is a long way off retirement and will retire 'when he has had enough'. Until then, it's up to him to have the capability and capacity to fulfil his role."

Knowing when to step aside can be difficult, and there can be temptation to stay in the leadership role longer than is beneficial. We spoke to a Queensland family business and found that the current leader had no intention of considering retirement. This lack of planning may mean the next generation will not get the experience they need to take over successfully when it does eventually happen.

OUR INTERVIEWER REPORTED:

"With the senior decision-maker having a strong influence over the business and no desire to 'slow-up', the challenge for the next generation family members and the business executive is how and when they can make their mark on the business. The next generation recognises that they need to be comfortable with this, but the risk is that it may not end up being personally or professionally satisfying for them in the long term. This is a risk the family and the business need to remain aware of."

In contrast, we also spoke to another family business about the same topic, and our interviewer observed a different perspective.

"Lee (not his real name) has stepped back from the business. This was due to his age and health, as well as the fact that the next generation were capable of and ready to step up and run the company. Lee said: 'I've suffered enough the last 30 years, working hard to make a success of the business. If God gives me another 30 years on earth, I want to enjoy my life with my family.'"

The impact of COVID-19

The economic disruption of COVID-19 is likely to have a significant effect on superannuation funds, which in turn might see leaders seek to work longer to fund their retirement. However, COVID-19 has also had some positive effects on retirement planning in family businesses. Insights gained from the family businesses spoken to for this report suggest the pandemic has encouraged them to update their estate plans.

Additionally, according to Mastering a comeback how family businesses are triumphing over COVID:19 STEP Project Global Consortium and KPMG Private Enterprise Global family business report: COVID-19 edition, many family businesses have leaned in to and accelerated conversations surrounding family governance to enable faster decision making, allowing them to engage efficiently and effectively with their family members and shareholders.

A documented transition plan

As all of these scenarios indicate, there is more to transition than deciding what date the leader will step down and selecting who will take over. Instead, a formally documented transition plan needs to be part of the process. For many a plan is implicit or assumed, however the very act of making an explicit, documented plan is useful for people who are driven to achieve outcomes. The plan should include strategies for what the senior leader will retire to do, their financial needs in retirement, and how those needs will be met.

Benefits of taking this step include:

For leaders

It assists them in clarifying how long they are expected to meet the demands of being the senior leader, what their financial needs will be in retirement, and how these will be financed.

For the family

It provides a timeframe for the development, selection and transition to a new leader from the next generation of the family, or to a non-family leader.

For the business

It helps to guard against the senior leader staying in the role for longer than is beneficial for the business.

However, while many Australian family businesses are in the process of developing a documented transition plan for their senior leader, less than 15 percent have done so.[2] This is a much lower figure than across the broader Asia Pacific region, where 50 percent have one, according to the STEP Project Global Consortium 2019 Global Family Business Survey.

2 Based on the analysis of the data collected in the 2013, 2015 and 2017/18 KPMG Australia-Family Business Australia -University of Adelaide National Family Business surveys.

There are a number of reasons why family businesses may not have a transition plan.

These include:

Age

Those close to retirement are more prepared compared to those entering the job market.[3] In Australia, it is estimated that 75 percent of baby boomers have gathered information about retirement compared to 44 percent of millennials and 54 percent of Generation X.[4]

Awareness

Many family businesses are simply not aware of different components of a retirement plan and the benefits of preparing one.

Acceptance

While many family business leaders accept the need to plan for retirement and future leadership, some struggle to do so for psychological reasons. These include denial of decline in abilities, fear of the next stage of life, concerns over loss of identity and purpose, and uncertainty of what to retire to.[5]

Aspirations

Senior family business leaders aspire to achieve particular goals before they step down. This might be a business milestone or accumulating the wealth required to enjoy a particular type of lifestyle in retirement. Alternatively, it may be that the family has decided not to pass on the business, and perhaps wants to sell or close it instead.

For family businesses serious about a smooth succession to the next generation, more can be done to increase the extent and quality of transition planning, such as:

- raising awareness of the importance of transition planning and how it relates to next-generation development
- addressing some of the concerns that leaders face when considering retiring, such as the loss of identity that comes with being a business leader
- working with leaders to develop a renewed sense of purpose and possibilities of what they can be transitioning to. This may include acting in a mentor role for the next generation, being an ambassador for the family business, starting a new venture, or pursuing other activities of significance to them.

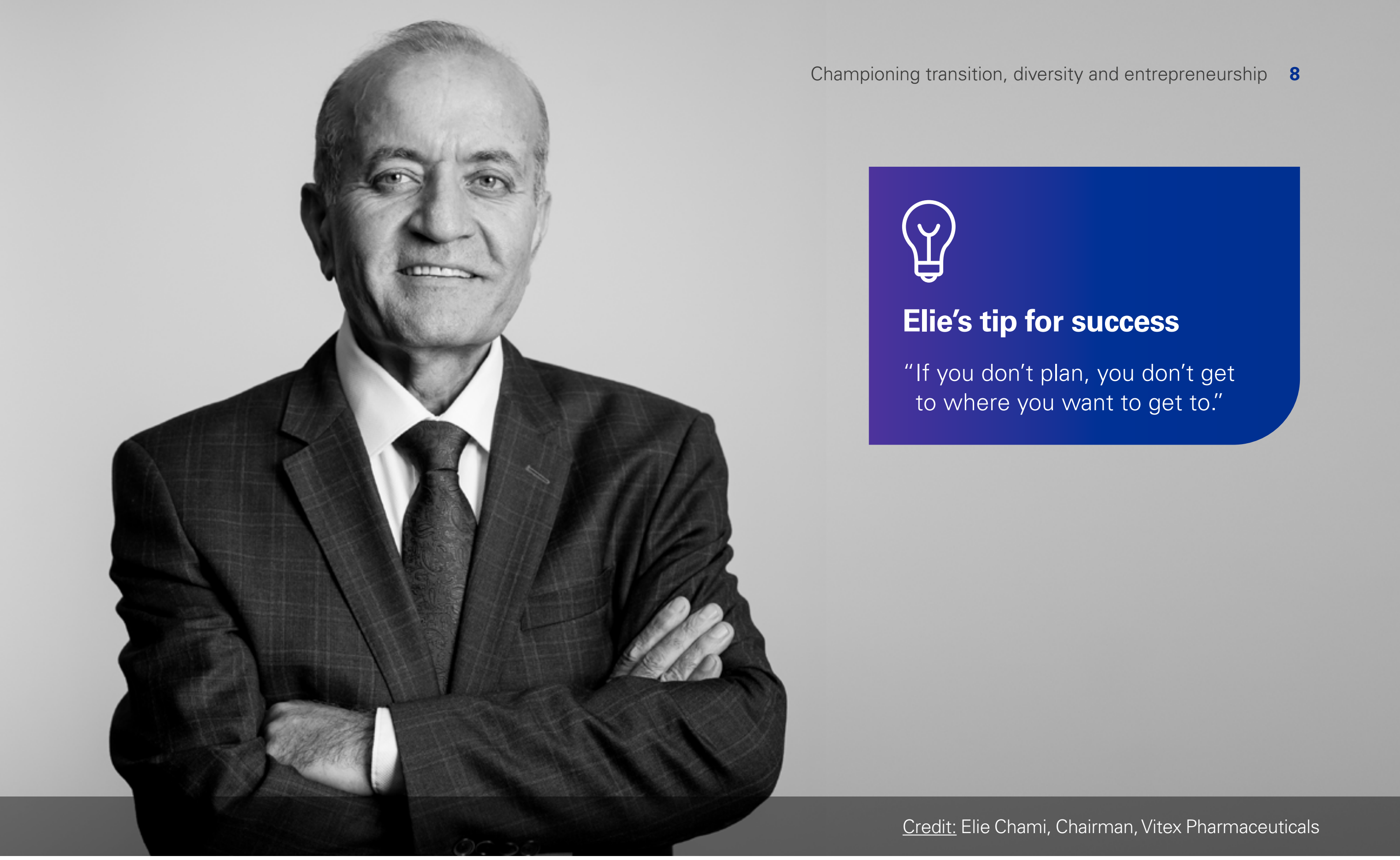
"It is never too early to start thinking about a family business leadership transition plan, and the more strategic and formally documented it is, the better the outcomes for both the family and the business."

Richard Cooper
Associate Director,
Family Business and
Private Clients Advisory
KPMG Australia

3 Ekerdt, D. J., Kosloski, K., & DeViney, S. (2000). The normative anticipation of retirement by older workers. Research on aging, 22(1), 3-22.

4 Jackson, S. I., & Hohman, K. F. (2019). Age and Wisdom: Retirement Readiness in the US, UK and Australia. Benefits Quarterly, 35(2), 22-32.

5 Smith, N. (2017), Advising the Family Owned Business, LexisNexis, Bristol UK, pp. 37-38.



Elie's tip for success

"If you don't plan, you don't get to where you want to get to."

Credit: Elie Chami, Chairman, Vitex Pharmaceuticals

Family business profile

Vitex Pharmaceuticals

Two decades after immigrating to Australia from post-war Lebanon, Elie Chami, now Chairman of Vitex Pharmaceuticals, identified a gap in the market to export Australian made complementary medicine to the Middle East and Arabian Gulf.

Together with his son, Dr Aniss Chami, CEO of Vitex Pharmaceuticals, they established Vitex International Services and became a leading exporter to the region. The company has since vertically integrated and is now Australia's largest contract manufacturer of vitamins, minerals and nutritional supplements having launched a world-class facility in Sydney's West. Vitex is proudly an Australian owned and operated family business, with the second generation of the family currently managing the business and Elie Chami as Chairman of the Board of Directors. Having stepped away from active management of the business and transitioning operations to his four children, Elie is now able to enjoy spending more time with his family and grandchildren.

Leadership diversity across the business

Family business leadership is different to traditional corporate leadership in that it requires taking a holistic approach and balancing what is right for the family, the owners, and the business – both now and into the future. This 'family business system' was developed by Renato Tagiuri and John Davis in 1978 (Diagram 1). They illustrate the difficult role of the leader in managing the needs of these competing stakeholders.

In family business, the person considered the 'family business leader' is the most senior family member who is leading the business. Their role is to represent the family, the owners, and the business. In some families, this role could be a CEO. In others, it could be a chair of the board, perhaps alongside a non-family person in the role of CEO.

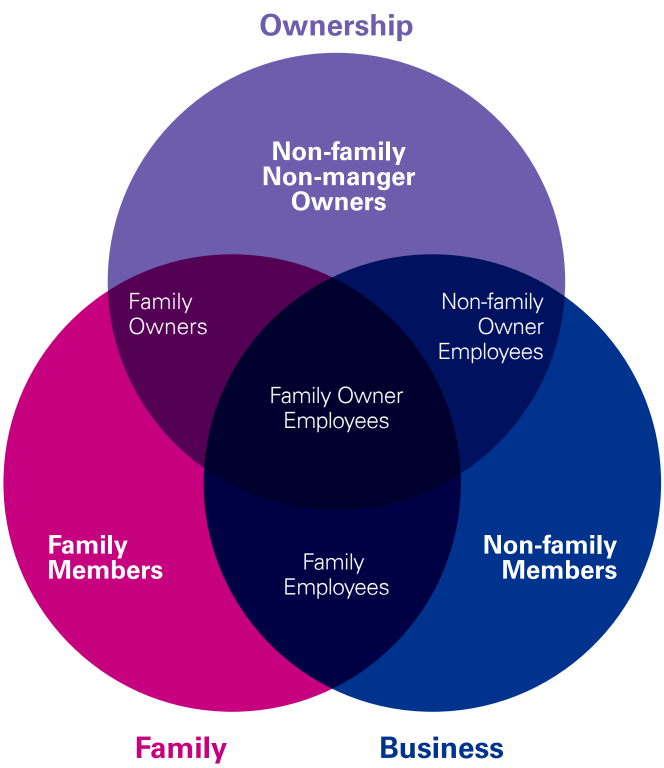
The need to take a holistic view is why family businesses tend to look to the next generation when planning for the transition of leadership.A family member who has grown up around the business will likely have an innate understanding of the needs of the family, the owners, and the business. They will simply 'know how things are done'.

Drawing on leaders from within the family is a unique competitive strength, thanks to the deep understanding of the business and its history and values that they will bring.

However, family businesses can also benefit from bringing diversity of experiences into other leadership roles – whether that be through gender, age, education, skills, culture or more. Diversity can help to open up new opportunities, foster innovation, make the business a dynamic place for employees to work, and be an overall competitive advantage.

Diagram 1

The Three-Circle Model of the Family Business System[6]



6 Tagiuri, R. and Davis, J. A., (1982). Bivalent attributes of the family firm. Family Business Review Vol. IX, No.2, pp.199-208.

Having the courage to accept alternative points of view is often difficult for leaders who have traditionally relied on having their own judgement. If leadership change is inevitable then one can be subject to; 'change' or 'be the change'.

Women in family business leadership

An area of diversity that needs attention across all types of businesses in Australia is women in leadership. Women only represent 17 percent of CEOs, 32 percent of key management roles, 14 percent of board chair positions, and 27 percent of directorships (WGEA).

In family businesses, the statistics are a little better, with 22 percent having a female CEO (2018 Family Business Survey), which is roughly in line with the broader Asia Pacific region, where 20 percent are female, and slightly higher than the global average of 18 percent (STEP Project KPMG Private Enterprise, article, The power of women in family business, November 2020).

It is important to remember that when looking at family business diversity statistics, families may view the 'family business leader' as the most senior family member leading the business. This may be a CEO or a chair, meaning the CEO role may not be the only place where a senior female leader is positioned.

Merit first

A tradition that still appears across the Asia Pacific region more broadly that can impact gender balance in the key family leadership role is 'primogeniture' – which means the first-born son is expected to take on the position. However, for the seven Australian family businesses interviewed for this report, this approach was not relevant. They said that gender or birth order does not impact who will be selected, with each of the next generation having an equal opportunity.

Merit, readiness and passion for the business are the key criteria. If the current generation only has daughters, the most willing and able family leader will be female. Similarly, if they only have sons, the most willing and able son will be appointed.

While family status and merit may prevail over gender, there is still opportunity to consider the representation of women in other leadership roles. Female leadership is known to enhance values such as collaboration, the demonstration of pathways for more females to follow (STEP Project Global Consortium 2019 Global Family Business Survey), and superior family business performance through achieving both business and family goals concurrently (2015 Family Business Survey). Family businesses can also work to ensure there is gender diversity in all levels below leadership. One family business surveyed made the good point that a lack of diversity means the business can miss opportunities to attract exceptional talent from outside the family.

Building diversity through non-family staff

A powerful way to bring diversity into a family business is when hiring non-family employees. This requires striking a balance between finding people that have values that align with the business, and can thrive in the family business culture, while also looking for people that can bring in an array of perspectives and experience. It is an opportunity to fill in experience and skills gaps that family members are not able to provide.

The effect of COVID-19 on careers

A well-documented challenge that women in all types of businesses face, including in family businesses, is the impact that having children has on their career. Usually, one parent will need to put their career on hold and take the lead role in caring for the children, and history suggests this is more likely to be the mother. Early evidence indicates that the COVID-19 pandemic has exacerbated the caring responsibilities placed on career-oriented mothers even more. WGEA data suggests that women are more likely to be affected by COVID-19 in ways such as increased time spent on children's education responsibilities. There are concerns about the effect of this time on the progress of women's careers, which should be clearer in around two to three years. This is something that family business leadership can be mindful of when working on career pathways for female employees.

Recognition of every role

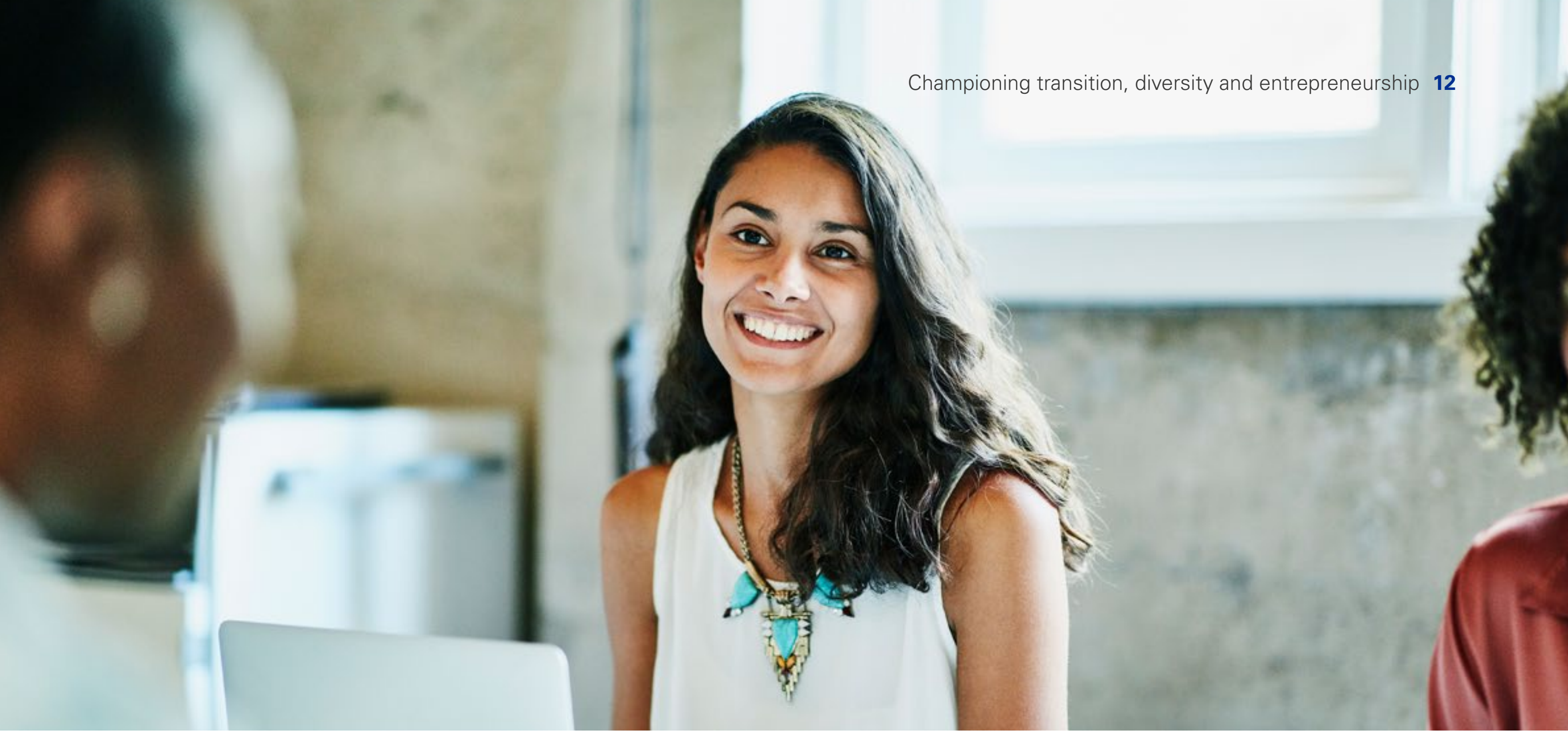
A common occurrence in Australian family businesses is that some members of the family, often women, can play an integral role in both the family and the business, however they are not always given formal recognition for their business role. An example was offered by a NSW family business.

OUR INTERVIEWER REPORTED:

"Whilst not having a formal 'employment' position within the business, Sue (name changed) is seen as integral to the growth and success of the business and the family over the years. Sue's husband Mark (name changed) notes that this is why there is a photo of both himself and Sue as founders of the company in the foyer of the head office. Sue has been integral to the backbone of the family and success of the business. She not only kept the home-front running while Mark was building the company, when the family chose to expand the business, Sue and the adult children managed and operated one of the divisions while Mark focused on the diversification opportunity."

In this case, Sue clearly had a leadership role in the business activities, due to running a division of the business over a period of time. While not having a formal title did not concern Sue, it is an example of a missed opportunity when it comes to building evidence of leadership diversity.

Additionally, women often step up, consciously or inadvertently, into the "hidden" CEO role, being that of the 'chief emotional officer'. Innate characteristics of women as nurturers and caregivers can translate to women taking take care of the emotional needs of the family, keeping the family together and perpetuating the family's values and traditions to the next generation. This is another "invisible" role, which factors into the success and perpetuity of the family business and is discussed in more detail in the Global STEP Project KPMG Private Enterprise, article, The power of women in family business, November 2020.



The power of governance structures

A way to foster diversity is to make sure that the business has governance structures such as family councils or business advisory board meetings. These forums can be particularly helpful if there is only one senior family role in the business, as they can give other family members as well as non-family employees and advisors a chance to share fresh perspectives.

We spoke to a Queensland business where the millennial generation were challenging the views of the leadership generation about the role of female leaders in their male-dominated industry using these forums.

OUR INTERVIEWER REPORTED:

"What is important is that the next generation family members are able to voice this at the family council and/or business advisory board meetings and thereby influence the family business culture and strategic direction of the family business."

Building diverse family businesses

While in Australian family businesses, having family members in leadership is key, and the role of the leader is selected based on merit not gender, there is still opportunity to foster diversity across the organisation.

Some ways to increase diversity include:

- develop transition plans that all interested and capable next generation family members can apply for
- encourage the next generation to explore and communicate their interests and commitment to pursuing a leadership role
- work early to develop their knowledge, skills and experience to ensure that they are prepared
- introduce flexible work arrangements which can open access to talent that may not have the capacity to work standard hours
- when hiring non-family staff, explore how that opportunity can bring in new expertise and skill sets not currently within the family
- build in formal forums such as family council and/or business advisory board meetings to ensure there is an opportunity for family and non-family members to share their diverse thinking.

"Diversity in family business can provide a greater pool of talent for leadership roles and improve decision-making quality due to the different perspectives offered."

Kaajal Prasad
Director, Family Business & Private Clients
KPMG Australia

Entrepreneurship across the generations

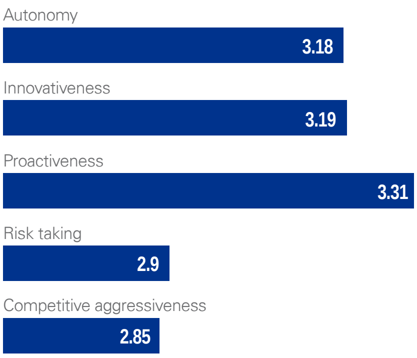
Entrepreneurship is a distinguishing feature of family businesses, and there is potential for it to carry across multiple generations – known formally as 'transgenerational entrepreneurship'.[7]

Being 'entrepreneurial' is now more important than ever as a result of the COVID-19 pandemic. All family businesses have been challenged to adjust their business models and respond to changing customer expectations. For many family businesses, entrepreneurship will play an important role in rebuilding family business and family wealth.

The entrepreneurial mindset of family business leaders can be assessed through measuring the Entrepreneurial Orientation (EO) of family businesses. EO measures five entrepreneurial qualities of a business: innovation, risk-taking, proactiveness in responding to market opportunities, aggressiveness in taking on key competitors, and the extent to which they allow employees to act autonomously to pursue entrepreneurial opportunities.

According to the STEP Project Global Consortium 2019 Global Family Business Survey, family businesses are more likely to emphasise proactiveness, innovativeness and autonomy over risk-taking and competitive aggressiveness (see Figure 2).

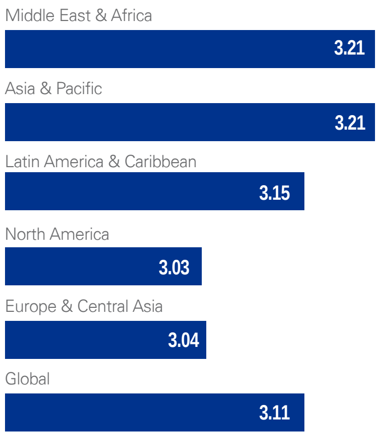
Figure 2
Five qualities of EO of family businesses



Source: STEP Project Global Consortium 2019 Global Family Business Survey

Family businesses in the Asia Pacific region exhibited higher levels of EO compared to most other geographical regions, which is consistent with the higher levels of market dynamism in the region (see Figure 3).

Figure 3
Comparison of the EO of family businesses by region



7 Zellweger, T. M., Nason, R. S., & Nordqvist, M. (2012). From longevity of firms to transgenerational entrepreneurship of families: Introducing family entrepreneurial orientation. Family Business Review, 25(2), 136-155.

"Families in business together can reflect upon the question of what mindset they as a family wish to cultivate. This may be based on an understanding of why they want to be a family in business together."

Katherine Karcz
Director, Family Business & Private Clients
KPMG Australia

Influences on next-generation entrepreneurship

A key challenge facing family businesses is their ability to bring the founder's entrepreneurial mindset to life across generations.[8] As each leader becomes further removed from the founding generation, the original entrepreneurial spirit that kick-started the family business can diminish.[9] There are various reasons for this, with a key one being that as the family's wealth increases, the imperative for entrepreneurship decreases. The lead generation is a wealth creator, but the next generation becomes a wealth custodian instead. We discussed this tendency with a family business in Queensland.

OUR INTERVIEWER REPORTED:

"There is definitely a different outlook between the second and third generations, however not what you may typically see in many family businesses. The first generation's entrepreneurial passion has not diminished and the leader still very much pursues driving the business hard to accelerate growth and generate wealth. He would admit that he is a risk taker and it is in his DNA.

Conversely, it is the third generation who see their role as preserving the wealth and thereby are risk averse. This collective outlook by the third generation has been shaped by them observing – in their adult life – the business facing a 'near death' experience. The business rebounded and is stronger than ever, however the next generation is very circumspect in evaluating opportunities to grow the business. Strategically, the next generation is looking to invest some of the family capital outside of the family business."

Another reason for a potential reduction in entrepreneurship is that leadership is inhibiting the entrepreneurial skills of the next generation, as the current leader shifts from a mindset of growth to preservation. This may mean the next generation doesn't develop the ability to recognise and act on opportunities. We spoke to a Western Australia family business about this, and our interviewer reported:

"Family business leaders take a different approach depending on where they are in life, their personal goals and vision for the business. The experience that the older leaders have gained over the years, seeing the business failures and economic downturns, often makes them more cautious, patient and less likely to overreact."

Finally, as both the family and the business grow in size and generations, the intentions of leaders may shift from wishing to work in the business, to a lesser form of commitment – neither in or out. It could be a negative 'dependence-based' type of commitment.[10] For example, they may 'stay around' due to a fear of missing out or cost avoidance, which can hinder next-generation entrepreneurship. We spoke to a second-generation family business about this and our interviewer reported:

"The dynamic from the first to the second generation has to be strategic and flow through from there. Because that wasn't established, that's the real sticking point, as to where we're at now."

8 Barbera, F., Stamm, I., & DeWitt, R.-L. (2018). The development of an entrepreneurial legacy: Exploring the role of anticipated futures in transgenerational entrepreneurship. Family Business Review, 31(3), 352-378.

9 Lumpkin, G. T., Brigham, K. H., & Moss, T. W. (2010). Long-term orientation: Implications for the entrepreneurial orientation and performance of family businesses. Entrepreneurship and Regional Development, 22(3-4), 241-264.

10 Sharma, P., & Irving, P. G. (2005). Four bases of family business successor commitment: Antecedents and consequences. Entrepreneurship Theory and Practice, 29(1), 13-33.

Sustaining entrepreneurship

It is possible to break the pattern of diminishing next-generation entrepreneurship, and even reverse it. A positive sign is that millennial family business leaders demonstrated the highest level of entrepreneurial orientation in the Asia Pacific region in the STEP Project Global Consortium 2019 Global Family Business Survey. Family business leaders belonging to Generation X were found to be more proactive than baby boomers.

To foster an entrepreneurial spirit, interventions in the leadership transition process at opportune times can help. For example, studies have shown that an emphasis on the emotional and social development of the next generation can help them avoid the pitfalls of entitlement, and encourage the adoption of positive forms of commitment, in turn lifting their entrepreneurial spirit.[11] Formal succession planning may also improve the next generation entrepreneurship potential of family businesses. We discussed this with a Western Australian family business.

OUR INTERVIEWER REPORTED:

"Succession planning will encourage an entrepreneurial spirit, as the future family business leader wants to modernise and grow the business. This is reassuring to the founder in terms of seeing the business succeed into the next generation, with the next generation reflecting great conviction and commitment. Planning also gives certainty around future ownership and enables the next generation to commit without reservation, knowing the business will be there for them. It will be important to communicate clearly what is expected from all sides to maintain that commitment."

Another good way to sustain entrepreneurship is for the family business to better understand the goals of the next generation and to help them to realise their full potential.[12] Family governance can also help, as this can enhance the next generation's commitment to, and identification with, the business.[13] Family businesses that adopted at least one family governance mechanism (formal family meetings, family constitution, family council, or family assembly) were more likely to exhibit higher levels of EO compared to family businesses that had no family governance mechanisms in place, according to the STEP Project Global Consortium 2019 Global Family Business Survey.

"While the founding generation may have had entrepreneurial spirit, there is no reason why this can't carry on to the next generation, but it doesn't always happen by accident – leadership needs to give the next generation opportunities to innovate and develop."

Agnes Vacca
Partner, Family Business & Private Clients
KPMG Australia

11 Barbera, F., Bernhard, F., Nacht, J., & McCann, G. (2015). The Relevance of a Whole-Person Learning Approach to Family Business Education: Concepts, Evidence, and Implications. Academy of Management Learning & Education, 14(3), 322-346.

12 Barbera, F., Stamm, I., & DeWitt, R.-L. (2018). The development of an entrepreneurial legacy: Exploring the role of anticipated futures in transgenerational entrepreneurship. Family Business Review, 31(3), 352-378.

13 Suess-Reyes, J. (2017). Understanding the transgenerational orientation of family businesses: the role of family governance and business family identity. Journal of Business Economics, 87(6), 749-777.

Credit: Les Dion, Managing Director, Dion's Bus Service

Family business profile

Dion's Bus Service

The Dion family have been an important part of the Illawarra community in NSW for over 100 years.

Entrepreneurial spirit has been ingrained in the family members from a young age. The family businesses expanded from market gardens in the early 1900s to Dion's Bus Service in 1923, which is known for its customer focus and connecting communities across the region. Les Dion, of the second generation, remembers spending school holidays helping out with the business as a young child and now manages the company.

Les' tips for success

Governance for growth

"As the family expands into second and third generations, creating the governance systems for the family business are important to accommodate the needs and aspirations of the growing family. It also allows the business to innovate and adapt to the external operating environment."

Tips for retirement planning

"Many of the first generation in my family retired at a late age, they enjoyed the interaction with the public so much they found it hard to let go as it was a significant shift in their lives. With retirement planning in a family business, it is important to have an understanding of the family dynamics and make room for the next generation. For me, I am planning on retirement being a gradual transition. I have used technology to establish systems, processes and controls so that I can step away from the business, but continue to have an oversight role and provide strategic direction."

Summary and recommendations

Family businesses face many challenges, but also offer countless rewards for the family members, industries and the communities that they serve. By focusing on succession planning, and in particular the areas of transition of leadership, fostering diversity in leadership and other roles, and sparking next-generation entrepreneurship, family businesses can continue to evolve and grow sustainably.

In this report, we highlighted that:

Transition planning for the leader
if taken seriously, has many benefits for the leader, the business and the family. It needs to start early, be formally documented, and focus on factors such as what the senior leader will retire to do, their financial needs in retirement, and how those needs will be met.

Diversity in leadership and other levels
can be fostered in a family business, even if the key leadership role is destined for a family member without the ability to control gender. The benefits of diversity include opening up new market opportunities, sparking innovation, and making the business a dynamic place for employees to work.

Entrepreneurship across the generations
can diminish for various reasons, such as second- or third-generation concerns about preserving wealth rather than taking risks. However, entrepreneurship is vital in keeping a business competitive and able to grow sustainably. Factors such as the support of leadership in allowing the next generation the freedom to develop entrepreneurship skills can bring a competitive edge.

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