

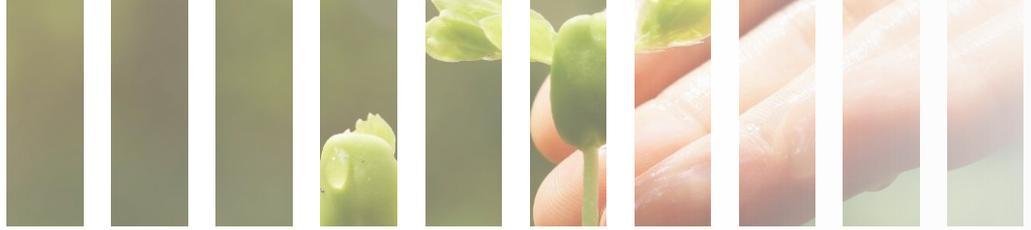


SUFABU

SUCCESSION IN FAMILY BUSINESSES

FAMILY BUSINESS SUCCESSION STORIES

UNPLANNED SUCCESSION



INTRODUCTION TO THE THEME

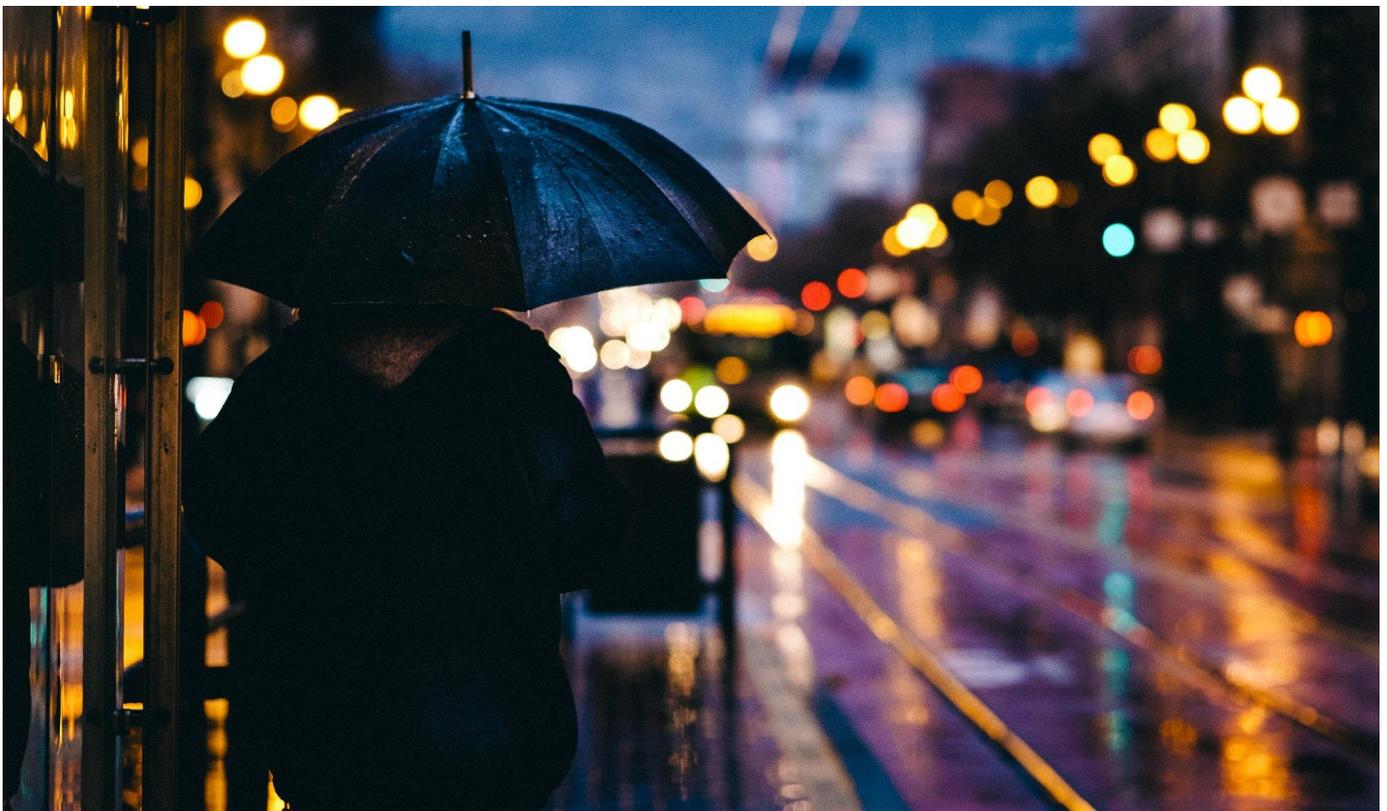


We might like to think of ourselves as immortal, with sufficient time to postpone the challenging conversation of how and when to hand over a business. A book about family business governance holds the title “I will run the business until I die, then I’ll decide what I’ll do” [1], quoting a Swedish business owner. This type of attitude makes it difficult to plan succession, both in ownership and leadership.

Working and owning together as a family can be challenging. What expectations does the senior generation have to the next generation? Questions like “can they handle the burden?”, “are they good enough?” or “is the company interesting enough?” might lead to procrastination of the intergenerational conversation until it is too late. By procrastinating the conversation about future ownership and working together across generations, you can lose out on possibilities to transfer knowledge and experience to the next generation.

Members of the next generation often seek independence or autonomy from the family and family business. This may be caused by an urge to prove their merits outside the family business, or by an insecurity around one’s own capabilities, asking oneself questions like: “Am I good enough?”

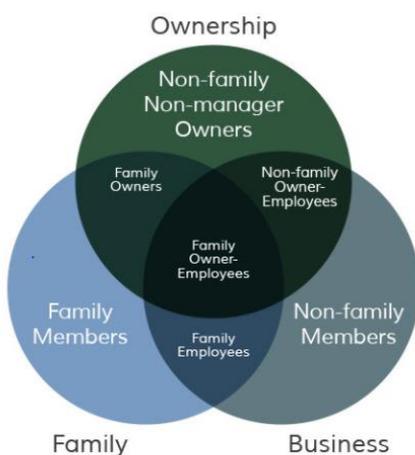
In times of crises caused by sudden illness or death, many families experience that they manage to find strength and support among the stakeholders they did not know they had. However, once the crisis has struck, it is too late to think about the conversations you didn’t have with the senior generation, the questions you never asked, the plans you didn’t make or the will you didn’t write.



The academics at Harvard Business School, Renato Tagiuri and John Davis, developed the first version of the three-circle-model of the family business system in 1978 [2]. More than 40 years later the model is still referred to in the family business literature. The model is also perfect for practical use in the business owning families.

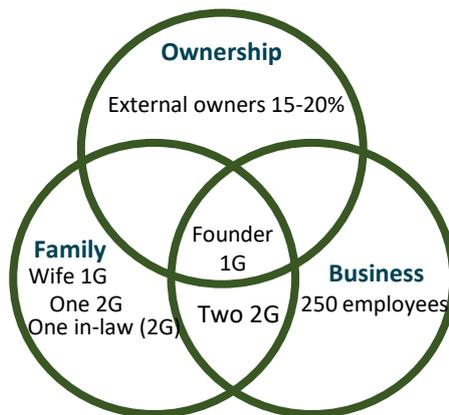
Within the three circles and where they overlap, you find seven different roles. Draw your version of the model to see how it looks like for your family. The circles are dynamic by evolving together with the family and the business. New family members are born, some die, young adults may develop into ownership roles etc. In addition to drawing the version of your current model, you can predict how it might look in 10 years' time, or you can look back to how it looked ten years back. Below you find the original model together with the 1990 and 2020 version of the model from the family from the last story "1.7 NO Sudden death of founder and CEO of Simon Møkster Shipping".

THREE-CIRCLE MODEL OF THE FAMILY BUSINESS SYSTEM

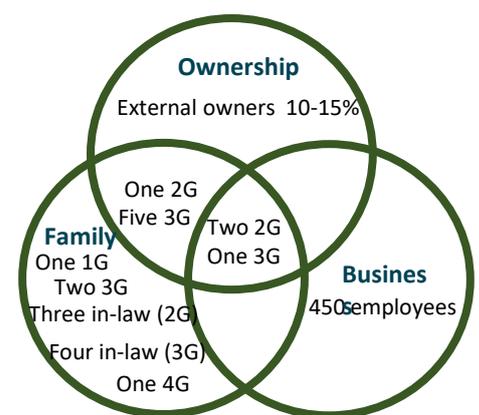


TAGIURI AND DAVIS, 1982

Simon Møkster Shipping 1990



Simon Møkster Shipping 2020



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1.1 Sudden death of founder of La Colzi Fabrizio Orditura Campioni

CATEGORIZATION



Nationality:	Italy	Succession option:	Family succession
Company size headcount:	<10	Company size turnover:	<€2m
Generation:	1st to 2nd generation	Industry:	Manufacturing
Interviewed:	2nd generation Elisa Colzi	Anonymous:	No

SUCCESSION STORY



La Colzi Fabrizio Orditura Campioni S.A.S. is a limited liability company founded in 1985 in Montemurlo (PO) by Fabrizio Colzi. It specializes in sample warping, a specific phase of the fabric production process. After the sudden death of Fabrizio in 2011, his children Elisa and Alberto, took over the family company.

Fabrizio's professional history began in a textile company in Prato, where he worked as a sample warper. After a short time, the owner suggested that Fabrizio bought the warping machinery to carry out this activity on behalf of third parties within the same factory. In October 1985, a great challenge arose when Fabrizio moved the business to a new location. He made major investments in machinery and resources and began taking on new clients. Over the years, his company grew constantly, specialized, and became one of the leading businesses in the region.

Everything changed in February 2011, when Fabrizio fell ill and died after only 3 months. The tragic event took place very quickly, which was extremely difficult from an emotional point of view. It also left them no time to plan and foresee the many changes that Fabrizio's death brought with it. In 2011 Elisa was 31 years old, Alberto 15 and Fabrizio's wife had another job. However, while her mother had never taken part in the family business, Elisa always combined her university studies in human resources with work in the company founded by her father.

An aspect that facilitated the succession despite not having been planned, is that Fabrizio was close to retirement age and for some time he had begun to delegate tasks, both to Elisa and to his employees. Therefore, thanks to the skills acquired over the years and thanks to the indispensable support of the employees, Elisa took charge of the situation and took over the reins of the company following in Fabrizio's footsteps. Today she takes care of the administrative office work and has begun to take care of customer management. The management of production activities were first left to non-family employees, until Alberto joined the company in 2017. The company is entirely owned and run by the family. Elisa and her brother Alberto are the sole owners of the company.

When Elisa decided to take an active role in the company, her first thought was to maintain the same level of credibility that her father had gained with his clients; because, working in a purely male dominated environment, Elisa knew well that gaining credibility and trust would require greater efforts. Moreover, at that moment, Elisa was the mother of a two-and-a-half-year-old child and reconciling work and family aspects was not easy. The second thought was towards his collaborators. In a small business reality, very close relationships are often created, it is similar to having a second family. Earlier Elisa had felt protected by her father, whereas after his death she felt greater pressure and responsibility both for the company's business and for its employees.

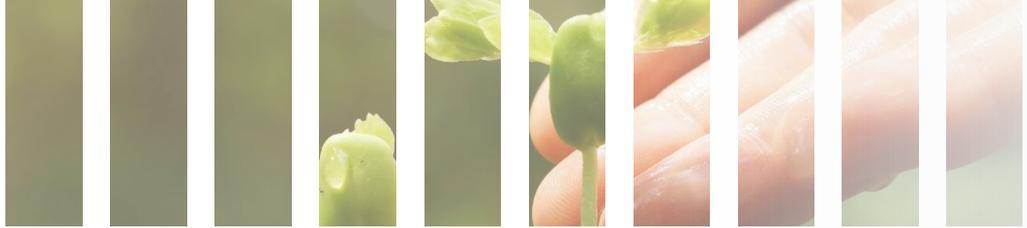
Taking over the company and leading it through moments of crisis, most recently with the health emergency generated by Covid-19 has been great for Elisa's personal growth and satisfaction. While remaining a small company, Fabrizio's children have made changes in the business, necessary to keep up with what the market demands today. The investments made were not aimed only at the purchase of new machinery but also at certifications related to the issue of sustainability, a very important issue today. Precisely these choices, which required significant investments, have allowed the Colzi company to expand its customer network, intercepting those that other companies rejected because they had more specific and not easily satisfied needs.



REFLECTION QUESTIONS



- Evaluate stakeholder and your network - who could support the succession process in your family business?
- From her personal experience, Elisa believes it is necessary to ask who the support figures can be to deal with a succession, especially when this has not been planned.



1.2 Sudden death of founder of Idrotherm 2000

CATEGORIZATION



Nationality:	Italy	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	>€50m
Generation:	1st to 2nd generation	Industry:	Manufacturing
Interviewed:	2nd generation	Anonymous:	No

SUCCESSION STORY



Idrotherm 2000, founded in 1985, specializes in the production of polyethylene pipes for the passage of drinking water, gas, optical fibers and many other types of applications. It is a company that has seen great development over the years, and currently its turnover is around 85 million euros. The company has 3 production sites: one in Castelnuovo di Garfagnana, one in Castelvecchio (both in the province of Lucca) and another in Mozzanica in the province of Bergamo.

About 130 employees currently work within the company. Over the years there has been a strong change within Idrotherm 2000 and strong growth that took place in the late 90s thanks to the desire to make the company dynamic thanks to major technological investments made. Today, Idrotherm 2000 is considered a leader in the sector, not only nationally but also internationally, precisely because of its ability to create and distribute diversified products within a complex system.

In fact, polyethylene pipes are a "poor" product for which it is not easy to innovate. Idrotherm 2000, however, has managed to stand out in the international context precisely for its ability to create special pipes and find new fields of application within the sector. Furthermore, in 2014 the company acquired Eurotubi, a historical company in Bergamo founded in 1986 that was characterized by having a mainly foreign market. The acquisition of Eurotubi has allowed the company to further extend its market even within a more international landscape. The growth of Idrotherm 2000 over the years has been gradual, solid but also historic because the company volumes have grown annually, as have the products manufactured and the number of customers, especially important ones, who once seemed unreachable. Today Idrotherm 2000 exports around 40% of its turnover and this has allowed them to remain solidly in command of this market.

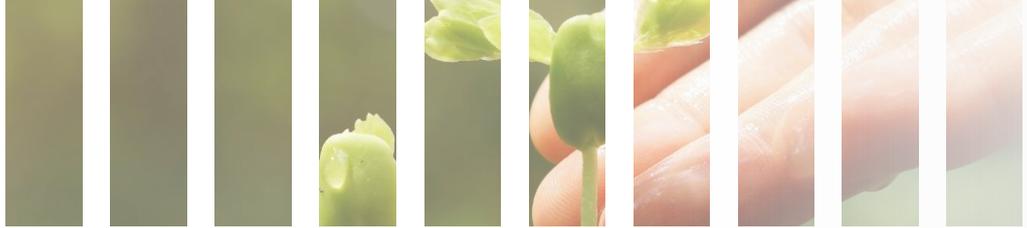
We interviewed Giulia and Raffaella, daughters of the company's founder who today, together with their mother and two other siblings, Lorenza and Fausto, run the family business. The company was founded in 1985 by Giulia and Raffaella's father. Only a year later, the founder passed away. The founder's wife took over the company despite having no role within the company. At the time, the founder had a partner who was liquidated shortly after. Initially, the wife was alone in managing the company because the children were too young and she was helped by very reliable external consultants. Over time, the children gradually became part of the company organization.

Regarding the inclusion in the company structure, Raffaella and Fausto joined the company in the 90s followed by Lorenza. Giulia joined the company in 2010 after having obtained a Master's degree in Business Administration, a Master's degree in Corporate Finance and Banking and having worked in a bank where she was in charge of credit evaluation. To date, all the children are shareholders with the same shares and hold top positions within the company. Specifically, Fausto is responsible for production, Raffaella for internal relations and industrial development, Lorenza for the administration and, finally, Giulia for the company organization and human resources. Their mother currently holds the role of Managing Director.

Giulia says that her mother immediately had the ability to distinguish family dynamics from that of the company: *"an important lesson that she has given to every child is that one does not enter the company by right or belonging to the family, but only if there are skills, and the will to make an effective contribution to company production"*. The inclusion of each family member in the company is dictated by the analysis of skills and the added value that this can give to the company. Even in the case of Giulia, for example, the mother had realized how much a figure linked to company management was missing from the company structure and, obviously in agreement with Giulia, it was considered appropriate that her studies were directed towards this direction.

Raffaella's inclusion in the company took place gradually. Raffaella began working in the company in the early 90s and began carrying out simple tasks such as answering the phone, rather than collaborating with laboratory colleagues or working with management systems. Performing multiple tasks allowed her to mature and, at the same time, to receive great satisfaction for the work she did. Raffaella says: *"I have never felt a burden in my job or role but, on the contrary, I found a very strong curiosity that allowed me to explore within the company and this made me grow a lot"*. Perhaps the situation of Giulia is different, who in the eyes of the three older brothers is seen almost as a third generation. In fact, between Raffaella and Giulia there is an age difference of 14 years which proved to be good for the company: when the company was developing and growing Giulia was able to devote herself to the study and deepening of disciplines that a time were not relevant but today, they have become very important for a company of the size of Idrotherm 2000.





1.3 Sudden death of the 2nd generation owner of Gancedo

CATEGORIZATION



Nationality:	Spain	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	>€10m
Generation:	2nd to 3rd generation	Industry:	Manufacturing
Interviewed:	3rd generation Manuel Gancedo Puig	Anonymous:	No

SUCCESSION STORY



“For a successful succession you need to know where you want to end up. Set the idea and the attitude, it is fundamental to know where you want your family business to be.”

– Manuel Gancedo Puig de la Bellacasa, the 3rd generation owner of Gancedo company.

The Gancedo family business was started more than 50 years ago by his grandfather – the founder and the original engine of the company. Back then there were three brothers – three partners and the wife of Manuel’s grandfather who opened a small textile shop in Barcelona.

At the very beginning there was a clear understanding on the positioning of the business. Despite its small size, it was decided the shop was to be located in the wealthiest area of Barcelona. This was a strategic move that allowed the company to quickly grow in the following years.

The company is specialized in textile manufacturing and interior design, and ever since its foundation, it has grown and maintained its leadership position in an increasingly competitive national and international market. Nowadays, Gancedo is headquartered in Madrid with branches in Barcelona, Valencia and internationally in Mexico.

The succession was executed in a classic way, when Manuel’s father, an only child, inherited the company at the age of 19 after his father passed away. Though succession is a critical event for many families, in the case of Gancedo, the succession went smoothly, mostly owing to the fact there were no other possible successors.

The second succession took place in 1993, when Manuel’s father died due to complications of lung cancer while at work in his office. At that time, there was no succession protocol of any sort established, and the company continued running with the help of an external consultant and an executive board. The executives had the decision-making power, yet their management was characterized by flaws and the seeking out of personal benefits rather than for those or the company and its employees and customers. These were challenging times for the family and the decision was made to continue without the executive board.

Manuel and his siblings were very young at that time. Being an 18 years old Manuel didn't have skills to take on responsibility of the company's leader thus the family made the decision to hire professionals from a famous business university in Barcelona. This was when the family decided that setting a succession procedure was necessary.

The role of women in the Gancedo company is also something very worthy of mention. Manuel's mother played a huge role in making the ends meet and maintaining the company alive during the difficult times. After her husband passed away, she was left with 6 children to take care of and a family business that needed a strong hand.

She had no previous background in the textile industry or any executive position at the company, yet her talent and long-term vision helped in the most natural way to keep both the family and the business together. She is currently the president of the Gancedo business group.

For the next 13 years after the death of Manuel's father the company continued without any succession protocol. The first family succession protocol was signed in 2006 and has remained unchanged almost up to present. After a recent revision, the protocol was considered as outdated, and Manuel expressed his concern: "14 years later everything changed, business changed, family and the realities have changed". Now, the family shares same understanding that no protocol is really needed for a successful family succession, but instead a clear vision for all the family members, to be on the same page about what they want from the company, what they are expecting from the business, if and how they want their children to be involved and how they see the family business in the long run.

Following this vision, the family took a strategic decision to make a move towards hiring external consultants, young professionals with business consultancy experience, and this is being currently implemented. The idea behind hiring external experts is to back up the family business in case no family members will want to take on the active role in managing the company.



At the moment, 5 out of the 6 children work at Gancedo. There was a mutual agreement on how to manage the company and the family decided to distribute roles in accordance to their preferences. As such, one of them works in design, while others work with operations management, sales, marketing and communication. Since 2014 Manuel has been Gancedo's general manager. The communication within the family is fairly good, based on mutual respect, trust and shared love for the company. All family members involved in the business report to the general manager, yet they have the power to make their own decisions. They have established a common communication protocol with weekly meetings and updates about the company's progress.

Gancedo is a remarkable example of having both 3rd and 4th generations working side by side. Recently, one of Manuel's nephews became interested in joining the business - at the moment he handles the Mexican division in Cancun.

Another noteworthy fact is that the family has a long history of membership in several family business associations and business-related education programs. Manuel did several courses in public businesses and two of Manuel's sisters are currently doing a course in family business governance. Other family members in leadership positions also received a specialized education related to textile production and business. In Manuel's words:

“Being a member of business associations gives a great advantage, it helps to connect with owners of different family businesses and realize that regardless of the company size – all family companies have very similar problems.”

– Manuel Gancedo Puig de la Bellacasa, the 3rd generation owner of Gancedo company

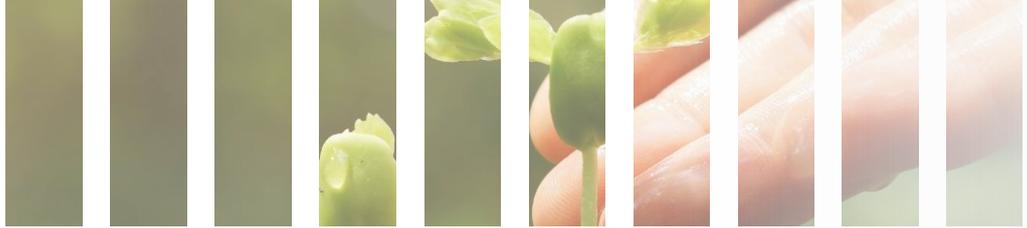
The family is united in the understanding of the need to lay the groundwork for the next hand-over phase while their children are still young, to ensure the company's attractiveness for the next generation and maintain Gancedo in the family hands.

The company has developed a clear set of objectives and targets for 2030 – and is pushing forth to turn their vision into reality.

REFLECTION QUESTIONS



- What is the long-term vision with our family ownership?
- What can you do to build resilience for your family businesses?



1.4 Sudden death of the 3rd generation owner of Venta Pinto

CATEGORIZATION



Nationality:	Spain	Succession option:	Family succession
Company size headcount:	<50	Company size turnover:	>€2m
Generation:	3rd to 4th generation	Industry:	Accommodation and food service activities
Interviewed:	4th generation Cristina Pinto	Anonymous:	No

SUCCESSION STORY

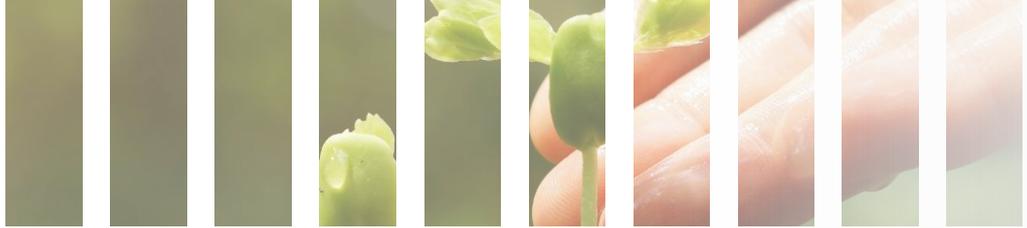


In every sense, over four generations, Venta Pinto has been an establishment that has managed to keep the business in the family. The company had rather humble beginnings when it was started as a small roadside kiosk and petrol station on a thoroughfare connecting several coastal towns in the province of Cadiz. The original founder passed the business to his son Antonio who turned it into a small “venta” (local country restaurant and shop in Andalusia) where travelers could stop to pick up food. The place quickly became famous because of its original ways of offering traditional lomo y manteca – an ancient dish with origins in the south of Spain.

In the late 70’s, Antonio’s son, the father of the current owner Cristina, acquired the company and the first thing he did was revive the original and famous lomo en manteca recipe. This attracted many people to Venta Pinto and resulted in a big boost to the family business. To this day Venta Pinto maintains its original interior and recipes. Venta Pinto is a true family business. Cristina Pinto represents the 4th generation of the family business. Cristina shares ownership working while in tandem with her aunts, yet she is the only member with a manager position and executive power.

There was no established protocol when Cristina’s great-grandfather passed the business to his son, and later passed it to Cristina’s father. Before Cristina took the lead, the company had been passed down from father to son. Cristina is the first woman in Venta Pinto’s history to assume a leadership role. Two out of three of Cristina’s aunts are working in the restaurant business, but they do not have interest in managerial positions. Cristina took over when her father died suddenly at the age of 73 years from a heart attack. The family was devastated as he was the main link among the family at the time. The transition period was difficult for many personal reasons, but from an administrative point of view it was not. The family was united in the understanding that Cristina should take responsibility as she had already been in the business for years and was the most competent to handle the business. Communication-wise, there were no problems within the family. The family assumed it was the most natural decision to pass the family business to Cristina. “I owe all my success to my father – he taught me everything,” said Cristina.

Before 2005 the company was incorporated under the name of Cristina’s father and in 2005 it was transitioned to being a limited liability company. At the moment, Venta Pinto is owned by three partners (Cristina and her aunts) with Christina having the executive role. The only external help they had during the transition time was hiring an accountant to deal with the inheritance tax issue.



The four times the company went through the succession process were natural and there was no need for a succession protocol. Yet, Cristina adds that she believes that when it comes to the 5th generation, the family will have to figure out how to set up succession procedures as they already anticipate it will be a more complicated process, mainly because there are more descendants who might want to run the company. Cristina adds it has been difficult for them to take the decision on establishing a succession protocol as there is no clear understanding whether the next generation will want to work in the family business and what will happen in 20 years from now.

This is especially true in the aftermath of the health crisis of this year which has had a significant impact on business. The simple reality fact is that with this health crisis it is impossible to plan anything in the immediate future, and common-sense dictates focusing on the day to day. The sentiment is along the lines of that today you may work, but tomorrow you don't know what will happen and if one of the workers falls sick and you will need to close the business.

There is a vision that they want to keep the business in the family's hands, and in order to do so, it is important to understand what values – what core beliefs – drive the family's business. They recognize the need of developing a succession model for the family. The 5th generation is still small with the oldest just 8 years old, hence they have time to think about succession protocol.

Venta Pinto is a remarkable example of success within succession. There are workers originally from outside the family who have been working there for 30 years and are now considered part of the family. Their children are working alongside their parents and there is a 3rd generation of workers. ***“We are all one big family!”*** concludes Cristina.

“Everything depends on circumstances, on how life is going at a certain moment, and there are times in life when you can't make decisions for the long-run.”

“The uncertainty of not knowing is hard for us, and even more so because we have families who depend on us and it is a huge responsibility.”

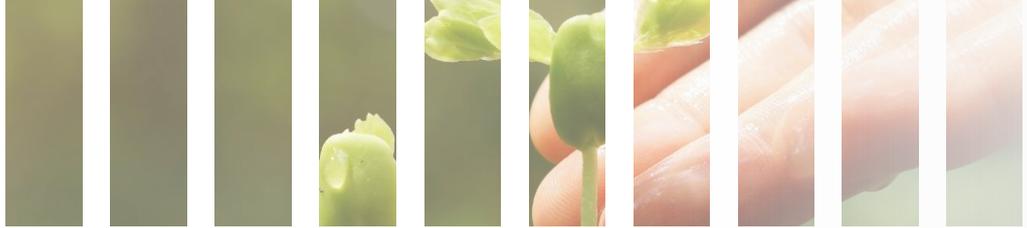


– Cristina Pinto, 4th generation owner

REFLECTION QUESTIONS



- How can you contribute to good relationships with your family?
- How to establish honest and open communication?



1.5 Sudden death of 2nd generation owner and CEO – Widow takes active role

CATEGORIZATION



Nationality:	Norway	Succession option:	External management
Company size headcount:	>250	Company size turnover:	>€50m
Generation:	2nd to 3rd generation	Industry:	Transportation
Interviewed:	2nd and 3rd generation	Anonymous:	Yes

SUCCESSION STORY



A few years after the planned succession from first to second generation, the second-generation majority owner and CEO unexpectedly passed away in his mid-40s. This happened only a couple of years after the loss of the dominant patriarchal first generation and was a shock to the family. The family therefore experienced two ownership and leadership successions in less than 5 years. In the succession from first to second generation, the founder decided that the youngest son, who took over the leadership responsibility should be a majority owner (55%) to ensure decision power. Both siblings had worked alongside their father in the company's various business areas for most of their careers. The second-generation majority owner and CEO had shortly before his death updated the marriage settlement stating that his wife should take over the ownership until the children had grown up if something happened to him.

When the second-generation owner and CEO passed away, a trusted employee took over as CEO while the company searched for a new external candidate. A trusted family lawyer who had worked with the company for years closed down his law firm and relocated to become a full-time employee of the family. The older brother remained in his position as a board member. As the children in the third generation were too young to take any ownership responsibility, their widowed mother ended up with an active ownership role based on her husband's wish in the marriage settlement.

One of the members of the third-generation highlights that her parents always had a strong dialogue. Her widowed mother was well informed about the company as a result of her parents' habit of discussing daily experiences and challenges in the evenings. She had a good sense of the business and knowledge of the company. To allow her children to grow up, finish their education and gain work experience, she decided to take an active ownership role in her husband's absence. She became a board member and proactively improved her competence and network. She enrolled in an executive management program and was active in industry conferences and events. When we asked her in the interview, why she did this and where she found the motivation, it is clear that it was an obvious choice. For almost 20 years she was the bridge between second and third generation, before gradually transferring ownership to the third generation.

According to Norwegian law, the surviving spouse is given the right to manage the inheritance left by the late spouse. This may be an unconventional choice when the inheritance includes a family business, however, in this case, the family has been very inclusive of their spouses. The third generation have chosen to follow their parents' approach, to protect their children from the responsibility of prematurely becoming business owners.

They have agreed that their respective spouses will manage their inheritance if they pass away before their children reach a certain age. This arrangement is set for a limited period and will be waived in the case of a divorce. In preparing their spouses for this responsibility, they have been included in family meetings, where they have been educated about the business.

Before the sudden death of the second generation, he had started the process of making the company public. After his death, the family decided to continue with the public offering. The stock exchange requires full transparency and regular updates, which the family also received. These updates and information helped the family become familiar with the company and made the company more accountable which made it simpler for the family to become active owners after the second generation's death.

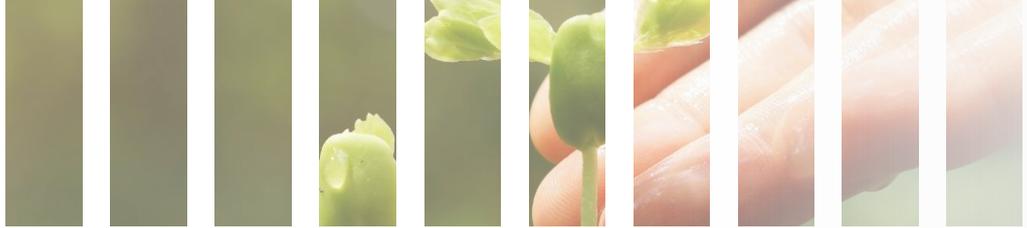
Family unity and trust has always been important to this family. They have created an environment where open communication is encouraged, and where there is room to make mistakes. The mother has continually asked her children questions such as: whether they want to become owners, whether they would want to own together and which role they would like to have. The choice of being a passive owner is as highly respected as the siblings that chose to be active owners with operational responsibilities in the company or have board positions. The third generation is humble about their ownership roles, knowing that family cohesion and good communication is not something to be taken for granted. The family seek knowledge and expertise both by attending education programs designed for family businesses at international universities and utilizing both the national and the international family business network. Several family members often attend learning programs and events together to create a shared learning experience.



REFLECTION QUESTIONS



- If your next generation owners are under aged, who should be their guardian in ownership issues?
- How can you contribute to open and good communication in your family?



1.6 Sudden illness of 3rd generation owner – External advisors

CATEGORIZATION



Nationality:	Norway	Succession option:	External management
Company size headcount:	>250	Company size turnover:	>€50m
Generation:	3rd to 4th generation	Industry:	Construction
Interviewed:	4th generation	Anonymous:	Yes

SUCCESSION STORY



The third-generation owner and managing director of a major real estate developer was diagnosed with cancer at the age of 50 and passed away a few months later. In the previous two successions, one sibling had been chosen as controlling owner and managing director. Ownership and leadership roles had been interconnected. Other siblings had been bought out at a discounted price, nevertheless, at price levels that drained the company for significant resources at the time of ownership succession. Under the management of the third generation, the company had fantastic growth and development. The three siblings in the fourth generation were far too young to take on ownership responsibility when the father was diagnosed. The wife of the third-generation owner had her own career in the health sector and had no desire to take charge of the family firm.

During their upbringing, their father focused on not pressuring his children to join the family business. He did not want it to be an obstacle for them to explore their personal interests and pursue other career paths. He had planned to start involving them around the age of 25, but sadly he never got this opportunity. In his few remaining months after having been diagnosed with cancer, the third-generation owner wrote a will. Three advisors were appointed to fulfill the ownership role on behalf of the family for a 10-year period, until the youngest child turned 25. In addition to their responsibility in the boards and the general assembly, the advisors also became responsible for preparing the next generation for their future ownership roles.

The competence and qualifications held by the three advisors included long and trusting friendships with the third-generation owner, knowledge of the family, legal competence, business competence, family business backgrounds from another enterprising family and loyalty. The advisors have introduced the siblings to an international network of business owning families and family business advisors. The two oldest siblings gained work experience in the company through an owner's trainee program after completing their education. The owner's trainee program spanned two years with 6 months in four different departments. The oldest sibling completed the program while the second sibling accepted a full-time position in the first department, he worked in. They have also received other internal and external training and held various board positions within the enterprises.

A few years into the ten-year period with the advisors, the two oldest siblings appreciated that their father's plan had allowed them to grow into the ownership role and its responsibilities. At the same time, they felt as if there was an imaginary door between them and the family firm. Their advisors, who were their fathers age or older, kept referring to them as "the children".

Being young adults between 25 and 30, they struggled to be heard and involved. The situation improved as they gained operational experience and insight into the company through the owner's trainee program, and later through permanent employment in the company.

This gave them a newfound confidence in meetings with their advisors. They have also experienced the challenges of taking operational responsibility in the organization while also being a part of the owning family. For instance, their board positions gave them access to information which their colleagues did not have, which could lead to some uncomfortable situations. For the youngest sibling the ten-year period, with external advisors fulfilling the ownership role on their behalf, has allowed him to develop from an uninterested next generation owner to an adult who works with music and lives in London while also sitting on the board of the family business. The time that he was given allowed him to explore his own interests while also finding a suitable role in the family business without any rush.

Today the ten-year period has ended, and all three siblings have become owners of the family business in accordance with their father will. For the two oldest siblings, they have impatiently waited to finally gain full ownership responsibilities, the time horizon selected by their late father was necessary for the youngest sibling to mature into the ownership role. Currently, they all have board positions in the company while none of the siblings have operational responsibilities. The tradition from previous succession with one controlling owner will not be continued. Given the size and complexity of the firm, they prefer to share the responsibility in a sibling partnership.

The members of the fourth generation appreciate that they were given the time to develop the skills and knowledge required to be good owners. Yet, in our interview they expressed that it would have been valuable to have greater diversity in the advisory team, in terms of age, gender and qualifications. As the advisors chosen by their father are taking a step back, the siblings have continued his idea, and created their own team of advisors. When appointing the advisors, they highlight the importance of advisors with personal family business experience and the fact that they are selected by themselves.

“After joining the firm, I was very surprised when I read our code of conduct. Our dad was very value driven, and our upbringing was totally aligned with our firms code of conduct.”

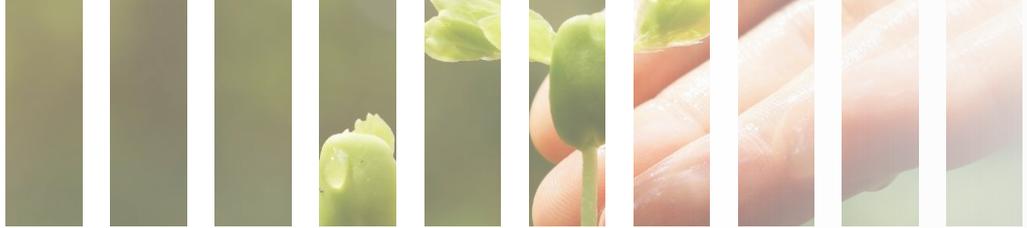
– 4th generation owner



REFLECTION QUESTIONS



- How to overcome/manage age difference among siblings?
- How can you be generous with younger/older siblings to allow them to mature into ownership responsibilities?
- Would you consider appointing external advisors to oversee the ownership in your family business? If yes, what profile should they have?



1.7 Sudden death of founder and CEO of Simon Møkster Shipping

CATEGORIZATION



Nationality:	Norway	Succession option:	Family succession
Company size headcount:	>250	Company size turnover:	>€50m
Generation:	1st to 2nd generation	Industry:	Transportation
Interviewed:	2nd generation	Anonymous:	No

SUCCESSION STORY



During its 24th year in business, the company's founder and managing director, Simon Møkster died unexpectedly of a heart attack. The company was 100% privately owned by Simon Møkster, with external part owners on some single assets. As there was no will, the family followed the Norwegian inheritance law that gives widows the right to postpone the settlement of their children's inheritance. When Simon Møkster died at the age of 55, he left behind a widow aged 47 and three children Anne Jorunn 27, Alf 25 and Astrid Simone 17. Anne Jorunn and Alf already held junior positions in the company, having worked alongside their father for some years. The widow did not have business experience and was therefore not comfortable with the responsibility of active ownership.

Prior to his death, Simon had discussed the subject of succession with his wife. After an initial meeting with an auditor, where ownership succession and organizational structure was on the agenda, he planned to change the legal structure of the company. Two new companies with limited liability would be formed; one within real estate and the other within vessel and ship management. According to this plan, some shares would be transferred to the next generation once Astrid Simone turned 18 in the following year. Despite not being formalized in a will or any other documents, the wife decided to follow the plan. Assets were divided and organized into two new companies. Ownership of the operational company, which owned vessels and employed an onshore administration and seafarers, was divided equally among the three siblings. A long-trusted employee of the company, who had worked alongside the founder for almost 20 years, became its CEO. The second company, which owned real-estate assets, had no employees. The widow remained its owner for approximately 15 years, after which ownership was shared equally between her grandchildren.

The Møkster family was completely unprepared for the unexpected death of the founder. Luckily, the business conditions were advantageous as the Q2 financial result had been the best in the history of the company. All stakeholders, including employees, suppliers, customers and the banks, focused on supporting the family. Ongoing operations continued without interruption. Access to the firm's bank account and other practical issues were solved during the first couple of days, without causing any delays in salary or supplier payment.

In less favorable business conditions, the second generation might not have had the opportunity to gradually mature into board positions and leadership roles through active owner participation. After 12 years with an external CEO, the oldest daughter, Anne Jorunn took over as CEO. Alf had already functioned as CFO for several years.

The second generation has created a more robust structure by developing a group of business entities, owned and controlled by a holding company. The corporate governance has been formalized by appointing a board of directors, consisting of two family members and three external members. Today the company has nine owners from the second and the third generation, where three owners have operational roles and two have governing roles. The owners have regular owner meetings to ensure that all owners are well informed, and that major decisions are anchored with all owners.



First vessel 1968



Newest vessel from 2016 built at Astilleros Godan in story 2.3.

REFLECTION QUESTIONS



- What will happen in your family if the family members with highest involvement in the family business suddenly dies?



LEARNING POINTS



Write a final will

If you have an opinion about what should happen to ownership after your death, write a final will. Such a document should be written to fit the current situation. If you have underaged children, a guardian must be appointed and informed.

Intergenerational conversation

Talk with the other owners and family members. One owner invited his wife and children to a conversation with the presence of a lawyer and a family business advisor to discuss “what happens to the company if/when I die?”. Despite the unpleasant nature of the topic, his openness was appreciated. The discussion resulted in increased involvement from the next generation owner, the formation of a training program and the inclusion of the next generation in the board of directors. Make room for the next generation – although they might always be the ‘children’ of the company, they should not be treated as such. Ask questions to the next generation: Do you want to be a part of the company? In which way? Communication is key – work together across generations to solve problems and figure out appropriate roles.

Utilize networks/stakeholders

Trusted advisors and long-term employees can turn out to be valuable resources to the family in times of crises. They may fulfill leadership roles in the short or long term. The benefit of using human resources from the existing business network is their knowledge of the business culture and values, as well as company loyalty.

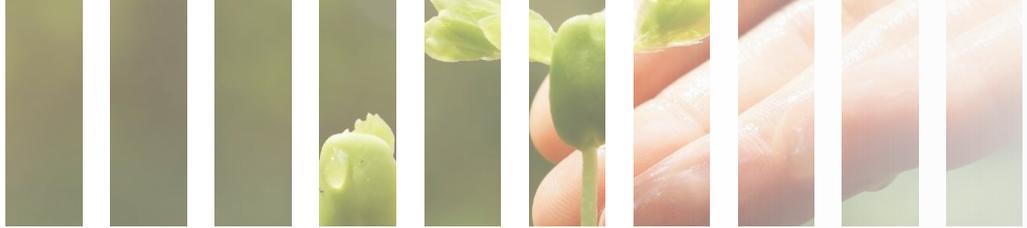
Robust structure with empowered employees

Make sure to have a robust organizational structure. The three-circle model [2] can be a useful tool for analyzing the structure of your family business. For example, a structure where only one person represents ownership and leadership might prove to be fragile if something happens to this person. Ensuring robustness is important both when it comes to dependence on key personnel (family or external members) as well as other stakeholders like suppliers, customers or banks. It is important to delegate and empower the employees, guaranteeing each employee an independence such that, if a person were to leave the company, the group is able to cope with the situation.

Every business succession is unique

One should not be afraid to think outside the box when making decisions about succession in a family business. It is important to consider the particular circumstances and what works best for the family. Solutions from previous successions in the family does not need to be the rule for coming successions. The second generation in case 1.5 believed the succession should include his wife. No plan is perfect – there will always be some disagreement and unhappiness in every plan for succession. Try to incorporate flexibility to adjust a plan.





ACTIONS TO CONSIDER



Use scenario thinking to discuss possible future events in the family

Using scenario thinking can make a discussion less personal. Describe 2-4 different scenarios and use the story as a starting point to discuss different outcomes within the family.

Learn from the experiences of other business-owning families

Incidents that happen to other families can happen to your family as well. Use the experiences of other families to consider what you would do in a similar situation. What good practices would you copy from other families and what bad practices would you avoid? Other family's experiences can be used to improve your own robustness.

The power of communication

Talk to each other and don't wait for the other party to take initiative. Be humble and realistic – no one lives forever, and there is no need to manage challenging situations on your own. Ask open questions. A junior may ask a senior: "What would you like to teach me about the business?" A senior may take advantage of a juniors' new and fresh perspectives and ask: "What do you think we can improve?"

Given our different levels of personal development and maturity, it is not enough to have the big succession talk only once per generation. Succession should be a recurring topic. In order to ensure that all parties are mentally prepared, families may want to formally schedule conversations and prepare an agenda. Two sisters shared their experiences of succession talks during a conference. Their parents had initiated this by inviting the four children to create a succession plan over the next two years. During this period, the family scheduled regular meetings and recorded these. Some meetings were with the children only, while the parents joined occasionally. Over the two years, the family had the opportunity to reflect and thoroughly consider various succession alternatives.

Stakeholder mapping

It can be useful to do a stakeholder mapping. Take a piece of paper and put your family business in the middle. Around the family business identify all who have a stake in the family business like owners, family, employees, customers, suppliers, local communities, banks etc. After you have identified all stakeholders you can evaluate the relationship. Is it a strong relationship? Any conflicts? As a final step you can evaluate if there are any actions you can take to strengthen a weak relationship, actions to keep a strong relationship, actions to resolve a conflict, etc.

Governance

Good corporate governance and family governance can be helpful if an incident occur and the family face an unplanned succession. It is a good rule to evaluate the governance on a regular basis. Any new documents to develop to further strengthen the governance? Existing document that should be reviewed? Any new meetings or arenas that should be established for the family members?

Separate family from business

Avoid including business discussion in every family dinner. Create separate arenas or meetings for the family to discuss business.



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 [2] Renato Tagiuri and John Davis, Harvard Business School (1978), (online 22.9.2020) Retrieved from: <https://johndavis.com/three-circle-model-family-business-system/>



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