



SUFABU

SUCCESSION IN FAMILY BUSINESSES

FAMILY BUSINESS SUCCESSION STORIES

SIBLING SUCCESSION

INTRODUCTION TO THE THEME

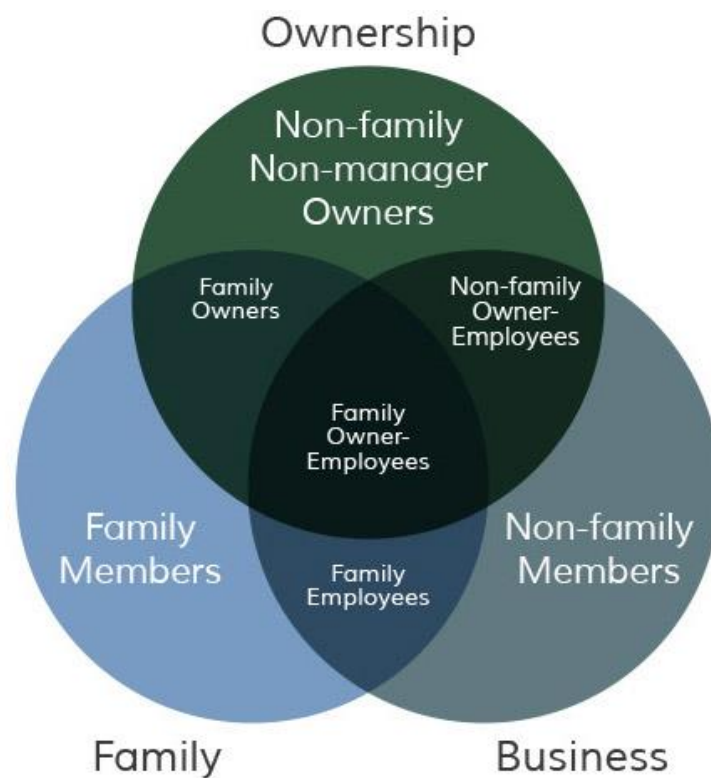


Strong family relationships are essential for siblings working together successfully, and for sibling succession to even be a possibility. There is so much history and complexity in sibling relationships, that friction constant disagreements will inevitably harm the business and threaten its longevity. This is not only the case for the owners, but all family stakeholders, including spouses.

It is important that the sense of ownership goes beyond purely financial assets. Installing an emotional ownership in the next generation can give them a feeling of togetherness as they work towards the common goal, being the success of the family firm. Emotional ownership will also translate into active stewardship which will help the business thrive.

It can be difficult to differentiate between the role one has in the family and the role one has in the company. Problems can arise when these roles get confused or are not respected.

It is important to create clear organisational boundaries, and business-related issues should go through proper channels, like the board of directors. To formalise the roles, it could be useful to write down an employment agreement. In 1978, Harvard Business School professors Renato Tagiuri and John Davis developed a Venn diagram to help families understand the different roles one can have in relation to the family business.



Renato Tagiuri and John Davis, Harvard Business School (1978) [1]

In his book *“Your business, your family, your legacy”*, George A. Isaac argues that the roadmap for success can be composed into the following 5 C’s:

Consideration

It is of critical importance that the owners understand and respect the needs of all family stakeholders. The overall structure should be developed in a way that meets the needs of both the family members and the needs of the company. This creates a positive family dynamic, which will in turn be good for business.

Communication

Thoughtful communication is important to ensure that the emotional and financial needs of all family members are respected. This is an ongoing process influenced by factors like age, family status and lifestyle.



Connectivity

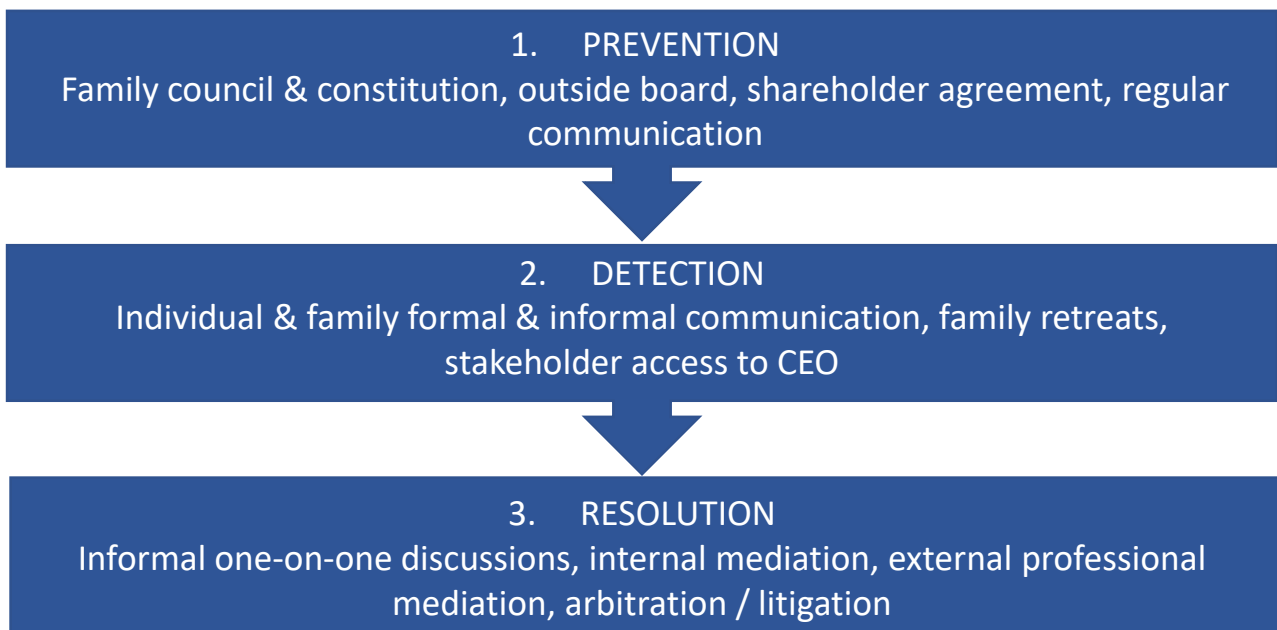
This point relates to emotional ownership, and the idea of creating a sense of family identity tied to the business. This can be developed through shared education, family gatherings or philanthropic endeavours.

Compensation

Finances can be the root cause of disagreements in a family business, as everyone has their own idea of what is fair. It is essential to bring sensitivity and objectivity to discussions related to salaries for family employees and compensation for shareholders and try to come up with a compromise that everyone experiences as somewhat “fair”. It could be useful to have a shareholder agreement.

Conflict resolution

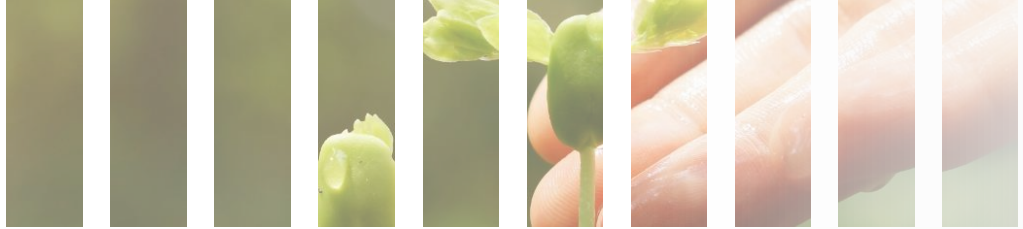
It is important to tackle disagreements before they develop into major disputes that can divide the family. In his book George A. Isaac identifies a three-phased approach to conflict resolution.



Isaac, G. A., *“Your business, your family, your legacy”*, page 66. [2]

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3.1 Sibling succession in DELFY



CATEGORIZATION

Nationality:	Czech Republic	Succession option:	Family succession
Company size headcount:	<50	Company size turnover:	<€50m
Generation:	1st to 2nd generation	Industry:	Construction
Interviewed:	1st generation Ing. Petr Chýle	Anonymous:	No



SUCCESSION STORY

The family business DELFY s.r.o was established in 1994 as a limited liability company by Mr. Petr Chýle and his business partners. The main focus of DELFY was on exporting building materials from Czechia to Germany. However, during the first few years, Petr became the only owner and founded a new division of the company with a focus on accounting and tax advisory services.

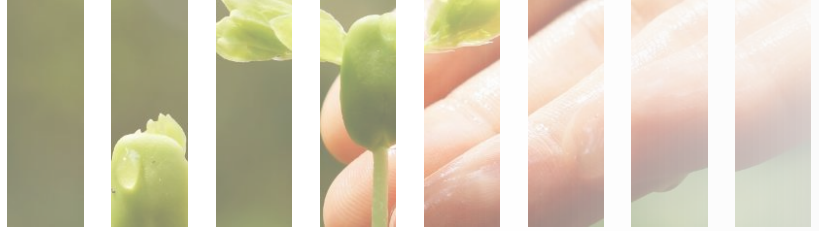
Currently, the business is owned and managed by the founder’s sons, Petr, Pavel and Michal. The founder still works for the company, only his role transformed to being a mentor to his sons and providing financial and economic supervision. The succession of the company was not planned in advance, rather it happened spontaneously as things were moving forward and as each of the successors proved that they were interested in the family business and worthy of their shares.

The three sons joined the company at different times. The eldest, Petr, joined the business already in 1996. Without previous experience, he learned the job as it went but soon proved his skills and became head of the building division. The founder, impressed by his son’s performance, started focusing his energy and work on the tax-advisory division and succeeded 1/3 of the company’s ownership to Petr.

A few years later, the middle son, Pavel, started working for DELFY as a warehouseman. Slowly rising up in his position, he worked as a seller and later became the head of Sales. Eventually, Pavel came up with an idea of his own business project and presented his vision at a family council. The father, pleased with his son’s own entrepreneurial initiative but not that happy about seeing his son leaving, explained the benefits of family connections and proved that by pulling together they could achieve more than each one individually. To motivate his son to realize the project within DELFY, he offered him 1/3 of the ownership’s shares, as he did with his first son.

Pavel’s vision proved extremely successful and annual profits of the company skyrocketed almost five times within the next two years. Although in 2006 a huge crisis hit the construction industry in Czechia, DELFY run by two brothers was able to expand even more.

At that time, the third brother Michal joined the family business. His starting position was the same – a warehouseman. Gradually, he became the head of one of the local branches and advocated expansion into another town. In 2018, Michal felt the need to grow again and with his new expansion idea managed to double the profits of his branch. That led the father to pass on the final 1/3 of the company shares to him.



Despite the constant growth, all three brothers focused their work solely on sales. The company itself was managed intuitively and, in fact, all decision-making processes were purely random. Occurring problems were solved rather with greater commitment than professional discussion and strategic moves. The managing positions of three brothers slowly started to shape into what the company needed - to current positions of Technical Director - Petr, Sales Director – Pavel and Warehouse Manager – Michal.

During these years, the father let his sons be initiative and go-ahead with their own plans, only providing consultations in the economic issues. The transfer of shares was gradual and solved according to their merits. It was not only the father that decided about succeeding the shares, it was necessary that the eldest son also agreed with the transfer to his younger brothers and that he recognized his brothers’ success and potential. Even though the succession may appear ideal, the communication was not always smooth. Petr recalls times when the family members met only over business matters and not in their personal lives. The wives of his sons had different ideas about the company’s progress and felt the need to interfere in company matters. It took some time for everyone to calm down. Currently, all three brothers meet on a regular basis. No family constitution is in practice but with a growing number of kids in 3rd generation, they are starting to consider it.



The Chýle family

REFLECTION QUESTIONS



- One should consider if the succession is the best solution for the company, meaning that not everyone is destined or equipped for leading a company. It is thus crucial to find out whether your successors are willing and able to run the company. There are plenty of possibilities (succeeding, selling, hiring external management and to succeed only ownership to your kids, etc.) and it’s up to everyone to consider them, discuss them among the family members and find the one that suits the family as well as the company.



3.2 Sibling succession in D’Eclair

CATEGORIZATION



Nationality:	Czech Republic	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	<€2m
Generation:	1st to 2nd generation	Industry:	Administrative and Support Service Activities
Interviewed:	1st and 2nd generation Milena Radová & Jiří Rada	Anonymous:	No

SUCCESSION STORY



In 1998, Milena Radová founded D’Eclair company. The company originally operated as a modelling and production agency. In 2005, the main focus of the company started changing and Milena specialized more and more on a complete provision of reception services with trained staff. Since then, the company grew, new subsidiaries were established and the portfolio of services has expanded to other B2B services, from catering to outsourcing non-stop emergency elevator lines to even a non-profit organization helping the unemployed.

Milena has two children, a son Jiří and a daughter Milli. Both children grew up in an entrepreneurial atmosphere and it was therefore natural for them to work part-time jobs during their teenage years, helping their mother collecting dirty dishes at catering events.

The succession was not planned well in advance, rather it gradually resulted from the long-term interest of both kids and their natural involvement in the work process. Nevertheless, their involvement in top management was not ensured from the beginning. There were times when Milena considered other succession alternatives. In case her kids would not be interested in taking over the company or if she could not trust their performance, her backup plan was to appoint one of her employees (outside of the family) to the top management of the company.

Luckily for her, both kids proved their interest in running the company and showed their skills in different company positions, from PR to management. To help the customers and business partners to adjust for the upcoming change in company leadership, Milena started introducing her kids and involving them in business meetings over the course of six years. By doing so, she made sure that her clients would not be shocked by the generational exchange and stay loyal to the company.

Meanwhile, her daughter-in-law joined the company and worked as a project manager and her son-in-law, although not directly employed by the company, worked as an advisor and contributed to family discussions. Milena’s husband works in the company as an accountant specialist.

Although more family members are involved in the company, the Board of Directors is formed only by Milena and her two children. A family constitution was never created and is not currently on the list of priorities. During the succession, Milena decided to use external help and discussed the legal side of succession with a lawyer as well as a notary.

Jiří and Milli understand the succession as a form of reward for their hard work for the business over the years. The kids expected to take over the management of the company, what they did not expect was that the mother would succeed them equally the ownership as well – each sibling with 50% of the company shares. All the family property is also a property of the company so by succeeding the company shares, the kids were handed over the family property as well. Even after the succession, the company profit is divided equally among all three family members (mother, son and daughter) and the majority of the profit is invested back in the business.

The pleasant surprise of succeeding the ownership, however, provoked some unexpected envy from their acquaintances including extended family members and it took some time for the relationships to return to normal. Luckily, the relationship between both siblings is strong and healthy. Not only do they work well together as a team at work, but they also spend time together outside of the company. Their children are at similar age and their spouses get along well which help to maintain a strong relationship. In case a problem or disagreement appears, Jiří and Milli count on their mother to play the role of a mediator and she helps resolve the situation.

In mid-2017, the succession was successfully completed and Milena feels that by showing her kids that she trusts them in leading “her” company, her kids are now even more motivated and enthusiastic about the company. The company thrives and expands under the new leaders. Milena is still part of the company, working as an executive and advisor and attends meetings with new clients. Jiří admits that in his younger age, getting new clients who are often from older generations is not an easy task, therefore he is thankful for Milena's help and expertise.

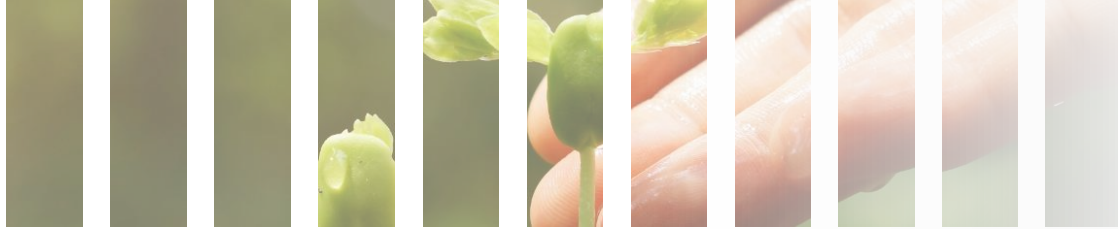


The Rada family in the middle

REFLECTION QUESTIONS



- Are your children really interested in taking over the company?
- Do the next generation have the skills and capacity for taking over the company?



3.3 Sibling succession in EMCO

CATEGORIZATION



Nationality:	Czech Republic	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	>€50m
Generation:	1st to 2nd generation	Industry:	Accommodation and Food Service Activities
Interviewed:	1st generation Zdeněk Jahoda	Anonymous:	No

SUCCESSION STORY



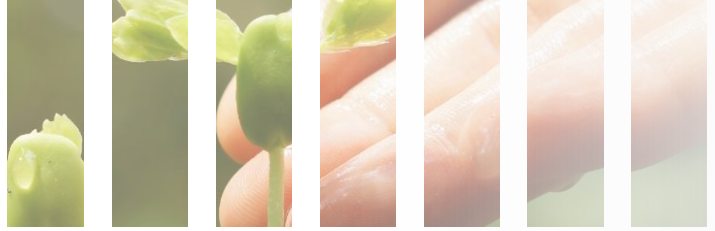
In 1990, the company EMCO was established in the Czech Republic. Originally, the company focused on importing high-quality food, especially cereals, from Germany. In 1994, the founder Zdeněk Jahoda started selling cereals under his company name and in 1998 he decided to produce his own cereals. The company has been expanding ever since, now exporting cereals, porridge, biscuits etc. to 40 different countries. EMCO currently has 2 divisions, one for production, the other one for distribution.

From the beginning, Zdeněk worked at the company alongside his wife. After 8 years, when she got pregnant, she stopped working for the company. Together they have 3 kids, the eldest daughter Lucie, the middle son Martin and the youngest daughter Tereza. None of the kids was intentionally pushed to join the company, luckily for the parents, Lucie and Martin decided to study the University of Economics and showed interest in the family business.

Lucie and Martin, did not start working for EMCO immediately after finishing their university studies. The family agreed that it is crucial to gain experience and knowledge elsewhere before being seriously involved in the family business. Both kids, therefore, worked for competing companies for several years. Lucie has joined EMCO first but later got married abroad and is not involved in the daily run of the company anymore. Prospects for the future are, however, for her to be possibly in charge of foreign departments.

When Lucie left, Martin was asked to join the family business. He hesitated for a year as he was involved in his own entrepreneurial activities. Eventually, circumstances calmed down and he joined EMCO in a special position created just for him to connect export and marketing departments and learn how they both work. Retrospectively, Martin sees this era as the “trial by fire”. As part of the training for taking over the company one day, he continued working as the Director of the Marketing department for two years and Director of the Export department for one year.

Zdeněk sees the succession of management and succession of ownership as “two sides of one coin” - one cannot think about management succession without considering the ownership succession as well. As part of the preparations, Zdeněk talked with other family entrepreneurs and discussed their experiences with them. He also read a book about family succession.



Originally, Zdeněk considered succeeding each kid 1/3 of company shares to ensure that 2 siblings can always overrule the third one if a collision of opinions happens. Later, he realized that this solution is not suitable for his company and he decided to appoint one successor who will have the majority of shares but will also have the responsibility for the whole company. Considering both of his older kids as potential candidates, Lucie solved the dilemma by getting married and moving abroad. Selling the company was never an option.

At the beginning of 2020, the process of succession was finished. The timing was set to this year on purpose as EMCO celebrates 30 years of existence, Zdeněk celebrated his 65th birthday and Martin celebrated his 40th birthday. The succession also plays a symbolic role in the family and company life. At the same time, Zdeněk succeeded his son not only the management but also 52% of company shares. He explains: *“It is important for the self-confidence of the successor and for the bravery of his decisions to know that the company is his and that nobody else can terminate the company or do something unexpected with it.”* Lucie received 24% of shares and the final 24%, now owned by Zdeněk, are waiting for the youngest daughter who is still studying. Her involvement in the company will be solely her decision.

Moreover, a few years ago, Zdeněk wrote his will in which he specified the shares that his kids were supposed to get in case of his sudden death. Luckily, the will was not needed and the succession has been fulfilled naturally.

Once every 3 months, the Board of Directors meets, involving both elderly kids and other shareholders and managers. The issue of discussion is now the future involvement of the next generations. Zdeněk already has six grandchildren and the future succession is expected to have a more complex course. One of the discussed possibilities is to establish a company foundation.

Zdeněk now works as an Executive as well as a consultant to his son in financial matters and other “hot potato” issues. Martin, being the General Director and Executive, now focuses the company’s portfolio in a healthier direction without added sugars and continues with export expansion.

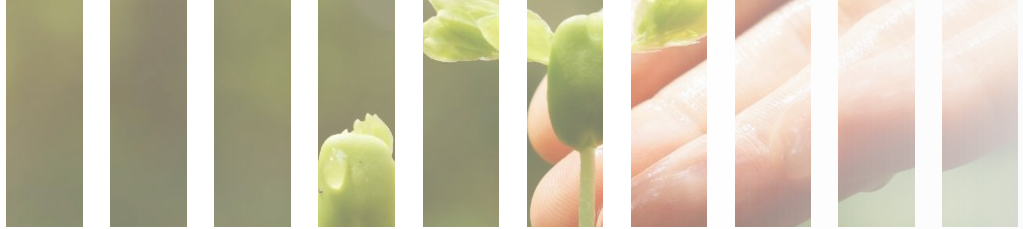


The Jahoda family

REFLECTION QUESTIONS



- Is your successor ready for leading the company?
- Has he gained enough experience from somewhere else? .



3.4 Sibling succession in Ideal Baltic

CATEGORIZATION



Nationality:	Estonia	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	<€50m
Generation:	1st to 2nd generation	Industry:	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
Interviewed:	1st generation Urmas Isok	Anonymous:	No

SUCCESSION STORY



Ideal Baltic was founded in 1990 by Urmas Isok following the independence of Estonia from the Soviet Union. The business trades, rents and repairs cars and other motor vehicles, and has grown from Estonia, throughout the Baltic States. The business was originally not developed as a family business until Mr. Isok bought out his Swedish partner in 2007. In 2007 Mr. Isok's son became CEO of the group of companies through an informal succession process without a succession plan and after that, Mr. Isok started to develop it as a family business. Mr. Isok created a family constitution, signed by all of his family members, laying out roles, rules and responsibilities.

His son started to work for the company during summer holidays from the age of 16. Originally after graduating, Mr. Isok wanted his son to work elsewhere, but he didn't want to. His son was extremely interested and motivated to work for the family business. His son has now been working there for 25 years.

The business is very complicated according to Mr. Isok. Mr. Isok's has been the only owner whose ownership hasn't changed in their business area in the Baltics in the last 30 years, all other competition has gone from one owner to another. From that point of view, it has been a challenge as there has been no real routine, but this has been good for development.

When his son took over in 2007, Mr. Isok had external managers managing operations in Latvia and Lithuania. This is still the case, with day to day operations carried out locally, but his son is a board member in those companies. Mr. Isok does not think the CEO always has to be a member of the family. He believes it is good for his family to get alternative work experience, whilst it is also good to have external hires in the company to gain a fresh perspective. He has taught his children about how to govern a family business, not how to manage.



The business is made up of four entities:

- The General Assembly of the Family: made up of all family members with all their spouses or partners of 3+ years invited.
- Family Council: made up by all shareholders of the family business.
- Business Council - represented by family shareholders and professionals. This is rather limited but currently an external lawyer is the Head of the Business Council.
- Board of Directors – This currently features just one member, Mr. Isok’ son.

Mr. Isok is currently a Non-Executive member of the family business.

For Mr. Isok, it has been a transformative process. When he started the Association of Family Entrepreneurs, Mr. Isok also created his family constitution of 50 pages. This document was not only created for one generation, it has generally been well accepted by family members who have willingly signed it.

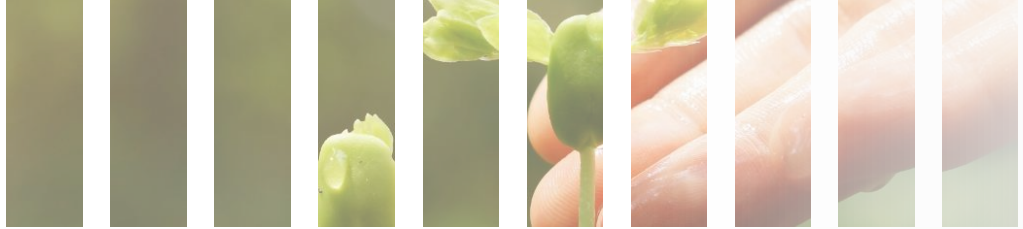
Mr. Isok could have sold his business, but he wanted to keep the family business to offer opportunities for future successors. It provides successors with a good opportunity to take responsibility for something, and Mr. Isok’s children have taken this responsibility very seriously. In relation to this responsibility, the family constitution is unique as the ownership will only be transferred when successors turn 40 to avoid them ending in the “comfort zone”. They must earn the right to be active owners of the business in their 30s, which he says are the most productive years of a person’s work. If they are not interested in earning the right of active ownership, he believes it is best to let the family members go and work elsewhere and be a passive owner of the family business.



REFLECTION QUESTIONS



- How can you as an incumbent demonstrate for your next generation the opportunities that the family business represents?



3.5 Sibling succession in Pleva

CATEGORIZATION



Nationality:	Czech Republic	Succession option:	Family succession
Company size headcount:	<50	Company size turnover:	<€2m
Generation:	1st to 2nd generation	Industry:	Accommodation and Food Service Activities
Interviewed:	1st generation Lukáš Pleva	Anonymous:	No

SUCCESSION STORY



The company, Pleva, was founded right after the revolution in 1989 by Hana and Milan Pleva. It emerged from a hobby of beekeeping and turned into the production of bee products. The company now takes care of 60 bee hives and produces various natural honey products like ointments with propolis, propolis tincture and candles. In 2018, the company was awarded the “family company of the year” in the Czech Republic.

Hana and Milan Pleva have three kids who were included in the company from an early age. As kids, they helped with candlesticks, rolled out candles, put together boxes, assembled ointment’s cups and helped with sales at various markets. The company became their fourth sibling.

As the company grew it became increasingly busy for the parents, which resulted in the business taking up a lot of family time. This was especially notable around the holidays, as this was the busiest time of year with the greatest sales.

In 2007, after finishing high school, the youngest son Martin officially joined the company. In 2014, the middle son Lukáš joined the company after finishing his university studies. Both started as regular employees and both decided to work for the company themselves. The eldest daughter, Petra, used to help in the company but after getting married her life path went elsewhere. One of the daughters-in-law also helps in the company, by preparing product catalogues and raising her own bees.

Nowadays, Martin and Lukáš are both executives of the company. Martin is in charge of production, raw materials and suppliers, whilst also operating all machines and supporting employees in the production manufactory. Lukáš took over the whole marketing and website development and deals with sales representatives, business offers and export. Both parents work as advisors and are happy that their kids still consult them and confer about the future of the company.

The succession of the company was not planned, it all happened intuitively. It was important for Hana and Milan to see whether their kids would actually approach the business with their heart, and not just view it as a money-making machine. The managerial tasks were succeeded to the kids gradually. As they had been involved in the business from their early childhood, they were familiar with the roles and responsibilities involved in running the company. Nevertheless, both sons took the initiative to ask for more decision-making powers as their parents on certain occasions did not realize that it was time for them to take a step back.

The parents are no longer involved in the management, leaving the two sons running the company together with equal responsibility. Because of the smaller size of the company, they never appointed a Board of Directors or a CEO. The family has regular meetings where all decisions are made together. The parents still participate at the family meetings and they are still the owners of the company. The sons were given minority stakes in the company; however, the full ownership succession will be discussed once the family constitution is prepared, agreed upon and signed.

The family constitution is currently in the process of creation, and the three children are encouraged to comment on the contents. The goal is to design a constitution that is not only relevant for the current situation, but also for future generations. The plan is to create a Supervisory Board, a position of a General Director and positions of Directors of individual company sectors. The constitution will also include the process of succession as the family already has nine grandchildren.

Although Hana and Milan did not seek help from external advisors for the succession process, they regularly visited round tables organized by the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic. At these round tables, family entrepreneurs gathered and discussed their stories and difficulties with the process of succession. This helped the owners to avoid making basic mistakes and motivated them to start preparing a family constitution.

The younger generation constantly brings new ideas to the company; anything from turning a home garden into a meadow to provide rich pasture to the bees, to eco-friendly solutions in the area of packaging. After the succession, the company also increased its product portfolio, gained new business contacts as well as customers.



The Pleva family



REFLECTION QUESTIONS



From Milan Pleva (the successor):

- Do I really want to take over, run and continue the family tradition?
- Am I capable of running a company and ready for it?
- Do I want to commit my time to the company?
- Am I ready to communicate with my parents who may still tend to advise me and say how I should work and how they would do it?
- Am I able to communicate with all employees even with the ones older than me?
- How far am I willing to go in the effort of my spouse to influence the company run? Will it be appropriate to involve my own family members in company activities, and if so, in what managerial or ownership positions?
- How will I lead my own children to "love" the company?



3.6 Succession from 1st to 2nd generation in Belgian family

CATEGORIZATION

Nationality:	Belgium	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	<€50m
Generation:	1st to 2nd generation	Industry:	Financial, Insurance and Real Estate Activities
Interviewed:	2nd generation	Anonymous:	Yes

SUCCESSION STORY

With their succession process being seen as a longer-term process, the company decided to go about their succession with two succession plans in place:

The first part of the plan was a longer-term process exploring the Human Resources side. This process analysed the capability of certain family members to certain positions and was a longer-term process of placing them correctly before the transition. For the business, it was vital to make sure that the people with the right skills from the family are put in the right places. This process has been going on within the business for over 10 years. It has largely been informally planned, but as people from the family have been constantly joining and leaving over a number of years, it quickly became clear who would take the lead of the business following the conclusion of the process, who will not work for the company and be a non-participating member, and who will be working for the business in a less significant role.

The second part of the business' succession plan has been the formal and legal side. This process has been taking place for around 2 years, in which they have been exploring and planning the transmission of the equity and legal rights of the business. For this side of the process, they received assistance from legal and financial experts to ensure that they properly abide by the law and the process runs as smoothly as possible.

The situation within the company has changed due to the generation change. This has mainly been on a working level with newer, younger people who have new ways of working. This has included updating the businesses use of IT and software as well as their relationships with staff. According to the person interviewed, "It feels like a jump 30 years ahead".

The company is entirely owned and run by the family. There are no external shareholders however they do have two external, independent advisors who sit on the board so that the business takes into account external perspectives. The current formation of the Board is split between five family members and two independent board members. Within the business, there are non-family members, however these are not in positions of senior influence.

With this being the first succession process that the business has been through, they have learnt many lessons, however these lessons have been focused on the legal side of the business and the succession process.

The interviewee expressed several positive takeaways from the process of succession. The company was able to create a formal statute and properly define all the roles in the business. These formalities will help avoid future disagreements and could threaten the business in the future.

Overall, the interviewee believed that the process has been smooth and that as a business, they would not have done anything differently. The main recommendations from the interviewee over their succession process would be to talk things through and to not leave anything unsettled or unspoken as this could come back to hurt the business in the future.

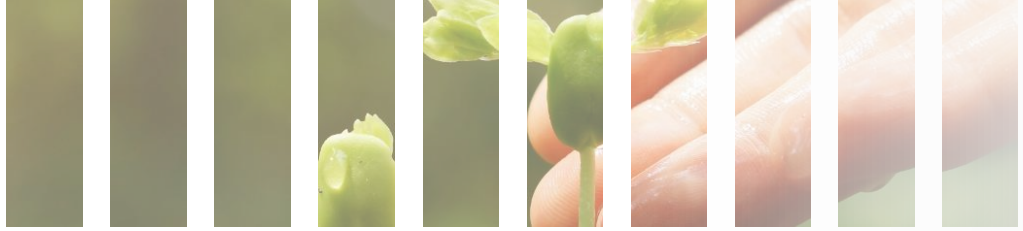
The key reflection from the interviewee was that it is important to have a third-party person that can come in and orchestrate the process. It made the process a lot simpler as it was easier for them to talk to a third party who can synthesise everyone's different opinions and mediate. Without this, they argued that there is a risk that the previous generation's ownership, and in this circumstance the original entrepreneur, can be strong minded and unwilling to accept compromise therefore it is challenging to discuss certain issues with them.



REFLECTION QUESTIONS



- What profile should a third-party advisor have in order to support the succession process in your family?



3.7 Sibling succession in Darégal

CATEGORIZATION



Nationality:	France	Succession option:	Family succession
Company size headcount:	<250	Company size turnover:	<€50m
Generation:	4th to 5th generation	Industry:	Financial, Insurance and Real Estate Activities
Interviewed:	4th generation	Anonymous:	No

SUCCESSION STORY



Darégal is French-owned and run family business based in Milly-la-Forêt, France. The company was founded in 1887 and has been run for over 4 generations through the Darbonne family. The business specialises in plants and herbs and is currently the world leader in frozen aromatic plants and herbs. Its' culinary herbs boast around 70% of the global market.

The latest succession within the business has been the transition from the 4th to the 5th generation. With the family already having been through several transfers of business, there was already a solid succession plan in place. The key priority for Darégal when looking at a succession plan was to ensure that the company would still be well run following the process.

Prior to the latest succession process, the company was split in two between the previous owners (brothers). This enabled one side of the business to focus explicitly on nursery plants, including strawberry plants in which the company are the number 2 in the world, and culinary herbs, where, as previously mentioned, they own 70% of the market. According to the interviewee, Mr. Luc Darbonne, owner of the culinary herb side, the business was easy to split, which was finished 10 years ago. The sales and profit have been good in both companies following the split and the process has been seen as a real success.

In terms of the succession process, it took part in 2 main steps. First, Mr. Darbonne bought out the shares in the business owned by French banks, equating for around 24% of the business, handing 10% of the shares to staff of the company for free. Each of Mr. Darbonne's 3 children were then given the rest of the 90% of the shares, split equally in blocks of 30%. Despite this, Mr. Darbonne still owns 90% of the revenue of the shares, with the other 10% revenue gradually being given to his son, Charles, who is now President of the Company.

Next, for the second step, Mr. Darbonne handed over the Chair of the company to Charles and then later left his role as Director, again to Charles. In their succession plan agreement across the generations, the family had a general rule that a family member must give up the chair of the company when they reach the age of 65, and then the role of Director when they reach 70.

For Mr. Darbonne, this allowed him to see Charles work for the business and earn his own name and reputation first, working for the company firstly in the USA then in France. It also provided him with the opportunity to help his son through the process and provide any advice when it was needed. On his return to France, his son Charles worked for 9 months directly under Mr. Darbonne, but this proved to be tricky and almost lead to his son leaving the business. Mr. Darbonne then decided it was best for the company for him to leave and to give Charles the shares, with the Board deciding that he was ready to take over. Both were anxious about not following Mr. Darbonne's pre-planned succession agenda so this was respected and the process was undertaken slowly.

To begin this process, a transition board was created with Mr. Darbonne and his successor choosing 1 non-family member each to oversee the process legally and ensure that family emotions were kept aside. Since his takeover, Charles has doubled the profit of the company. After 6 months of this transition board, everything turned out positively and 1 year on, everyone is very happy.

The business still has a large element of family governance. Mr. Darbonne allowed his children to decide what they wanted to do and never pressured them into being part of the family business. Charles is the only one who still works directly within the business, with his daughter based in the USA and his other son acting as a "sleeping partner". Despite their lack of involvement, they are still present at the family meetings which take place twice a year.

These family meetings are currently organised by the board and President of the company. The President also hosts the meeting; however, Mr. Darbonne is keen for this to transition into being his daughter so as to ensure other family involvement.

In terms of governance, the business also has a Board of Directors. Under Mr. Darbonne, the board used to include himself, his son and 3 other external members. Charles' board now also has a makeup of 5, with 1 of the former Directors remaining, along with 3 new External Members. Whilst Mr. Darbonne does not sit in the Board, his son asks him to meet each Director informally once a month.



REFLECTION QUESTIONS



- What is fair in a succession process?
- Do all family members have the same perception of what is a fair process?



LEARNING POINTS



Work experience

It is important for the next generation to learn and gain experience in different areas of the company. Let them find out what they like and are good at and make succession-related decisions based on their performance.

Petr from DELFY saw benefits in giving his children time and space to prove their skills. This way, he could see if his successors were strong and courageous enough to lead the company themselves.

Work experience in competing companies

According to Zdeněk from the story 3.3, there are benefits in gaining work experience in competing companies. By doing so the successor can bring new ideas and approaches to the family business. He believes that starting to work in the family business immediately, can narrow one's views and opinions. Mr. Isok from Ideal Baltic also holds this view, as he encourages family members to work 1 to 2 years in a similar company to gain experience.

Through our interviews we learnt that there are diverging ideas on this point, as another person we interviewed believed that the successors should start in the family business straight away. This probably depends on the circumstances in the family as well as the area of business.

Let there be room for mistakes

There should be room for the successors to make mistakes which they can learn from. The successors may never meet the incumbent owners' standards, but it is important to let them learn and grow whilst the incumbent owner is still around to help and guide them. The alternative is where the incumbent owner can run the business until he dies and does not pass any responsibility or provide any oversight for the next generation.

Trust

Milena Radová from D'Eclair acclaim the successful succession to her trust in her children.

Communication

Create a healthy environment and good interpersonal relationships between generations, including partners of the family members without quarrels and resentment. Even if the communication gets stuck sometimes, it is important not give up. The key is to be open, share your visions for the future, not to exclude family members and ask them about their opinions, visions and needs. It is also important to listen to the next generation.

It is important to communicate changes in advance, as sudden changes can spark friction. It is also important to maintain good and healthy relationships among siblings outside of the company.

Do not cling on your personal experience and opinions

The methods of the incumbent owner are not necessarily the best and most efficient. Do not force the next generation to do everything like you.

It is crucial to start thinking about succeeding the company in time

Leading the company until the age of 90 and then wanting to succeed the company to kids who are already in their 60s makes no sense at all. Remember, people are most productive in their 30s.

Fair process

Mr. Darbonne in the story 3.7.FR learnt the necessity of a fair process. During the process, he realised the need to share everything with all the stakeholders in the company, something which he realised and organised very early on in the process. Today, he sees all his kids and they are very happy to do a yearly meeting and follow the company and keep the capital in the company.

Involvement

In the story 3.7, a negative experience from the initial succession meetings was shared. At the beginning, Mr. Darbonne decided to share meeting with everyone including partners and spouses. This turned out to be difficult as it created more voices in the process, some not entirely connected to the idea of the family business. It meant that the process threatened to lose the fact that 1 family member is 1 voice. Correcting this quickly, Mr. Darbonne soon realised it was better to have only future shareholders at the meetings.

Include additional stakeholders than future owners in the succession process

The key recommendation for other families with succession ahead of them from Mr. Darbonne in the story 3.7 was to not be alone in the process. For the leadership succession, the board chose his son, Charles, not just Mr. Darbonne, and this gave the confidence to the business and workers because they knew that he was supported by the board members and the business, not just his dad. For Mr. Darbonne, it is essential to remember that business is business, and family is family.

ACTIONS TO CONSIDER



Introduce the successors to the clients and business partners

In order not to lose clients, it is clever to introduce the successors to business partners and clients and involve them in business meetings on a regular basis. That way you prevent your clients and partners from losing trust in your company.

Create a family constitution

The family constitution should break down all possible scenarios, problems, conflicts and crises that successors may encounter. The constitution should be designed for the next generations, not only for the current situation. The Pleva family from story 3.5.CZ encourages all children to participate. Their views are discussed and, if agreed on by the majority, included to the constitution.

Write a will well in advance

It is better to be safe than sorry - the owner should write a will well in advance with the decided succession steps and how the shares should be divided among the family members.

Seek professional help

Use specialist third party experts, like lawyers and notaries, to facilitate the process in order to prevent financial and legal mistakes during the succession.

Use your network

To gain different perspectives on succession, Zdeněk from Story 3.3 recommends talking to members of other family businesses about their own succession experience and reading available materials on the topic. Attending round tables or specialized seminars are also really helpful for getting an insight into a situation one has never been in before.

Identify passions and strengths to find the right position for each sibling

The exercise below can be helpful in identifying which role would be the most suitable for each sibling. In the first column you can list your passions and interests, and in the third column you can list your strengths. This will hopefully help you realise how you can use your passions and strengths to add to the company, so that each sibling ends up in the role they are most suited for.





Passion

What do you enjoy doing?
What excites you?



Strengths

What are you good at?
What are your talents?



Passion	Why?	Strengths



Mission

How can you combine your passions and strengths to give the company something it needs?

Which problem in the company can you help solve?

What does the company need?

Wheel of Life [5]

The wheel of life can be a great tool to start conversations that may not be natural to have on a daily basis, and it can foster conversations about sensitive subjects.

This exercise can be carried out prior to, or during a family meeting, and then discussed together as a group. The circle is divided into 8 fractions that represents the different aspects that together make up your life in its entirety. In each fraction there are ten lines that are supposed to indicate how satisfied you are within the specific area, with 1 being deeply dissatisfied and 10 being completely fulfilled. When carrying out the exercise you are supposed to draw a line through the number that represents how you feel about the given aspect of your life.

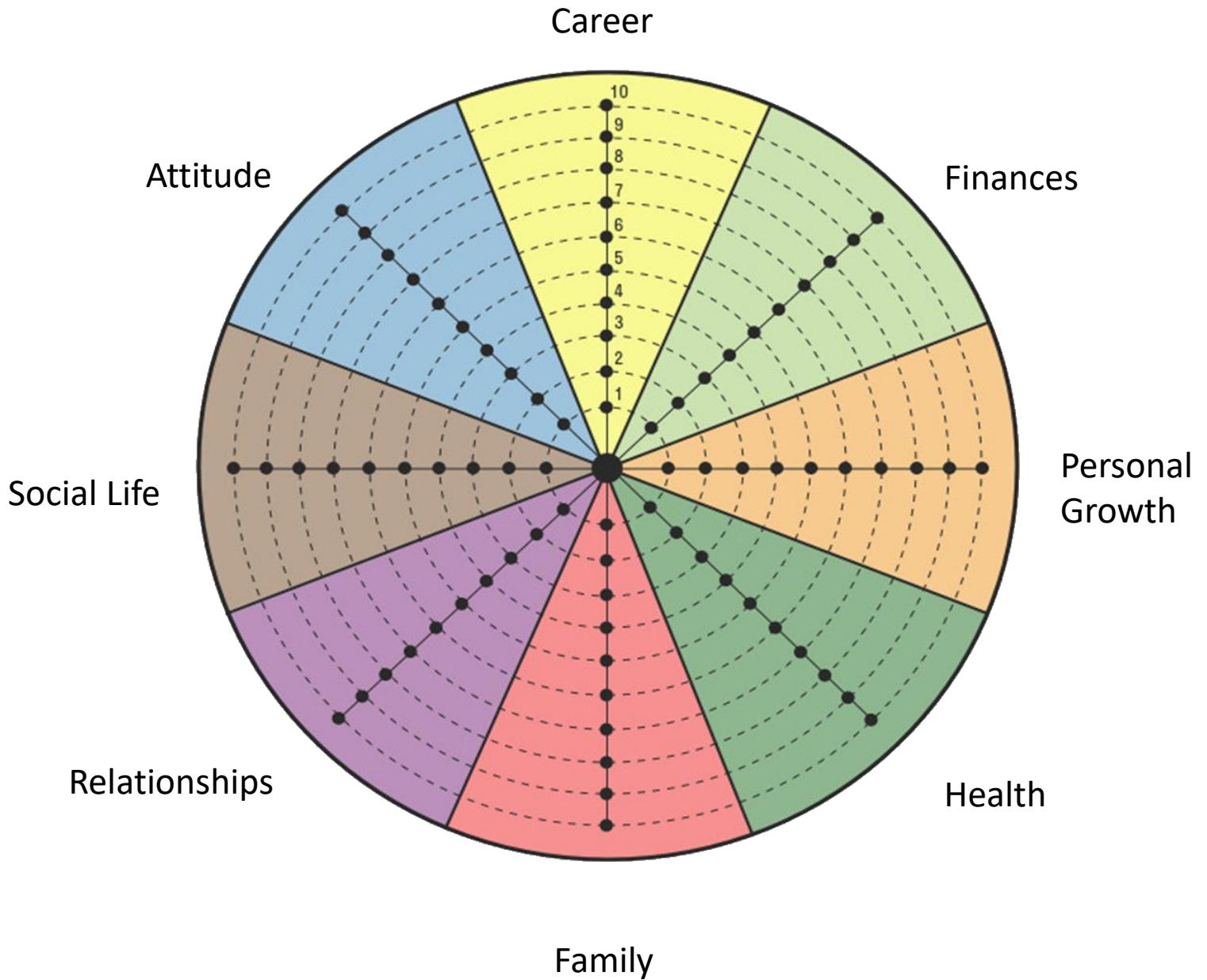
This can help you and your siblings to realise each other's financial needs, how content you are with your careers and whether there is something in your emotional or family life that might affect your contribution to the company. This exercise can be conducted in three steps:

1. Evaluate your level of satisfaction in each of the 8 areas from one to ten.
2. What is your goals for each area the next year?
3. What are your actions to reach your goal?

Some topics may be less relevant, and you do not have to talk about all of them in a family meeting. To the preparation defined in the three steps above individually and share the areas that are relevant for your siblings as business partners.



Wheel of life:



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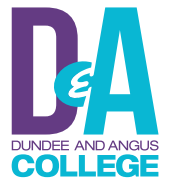
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**Association of Small and Medium-sized
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Ms Kristýna STRNADOVÁ
Sokolovská 100/94
186 00 Prague 8
Czech Republic
strnadova@amsp.cz



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