



**SUFABU**

SUCCESSION IN FAMILY BUSINESSES

# FAMILY BUSINESS SUCCESSION STORIES

## COLLABORATION ACROSS GENERATIONS



## INTRODUCTION TO THE THEME



Growing up in a family business, family members are socialized into both the family and the business. In her PhD dissertation, Kajsa Haag [1] views succession as an ongoing practice in family businesses, a continuing flow of activities embedded in everyday life of business families rather than a moment where the ownership and leadership responsibility are passed on from one generation to the next. She suggests a shift in mindset from “taking over” to “being part” of a family business.

Business owning families that identify with Kajsa Haag’s perspective on succession, will include and integrate the next generation in the family business, and collaboration across generations comes as a natural consequence. It is easier for enterprising families with ownership in operational companies and with family members fulfilling operational roles to include the next generation to be part of the family business, than it is for investment companies with possibly less tangible assets and brands connected to the family name.

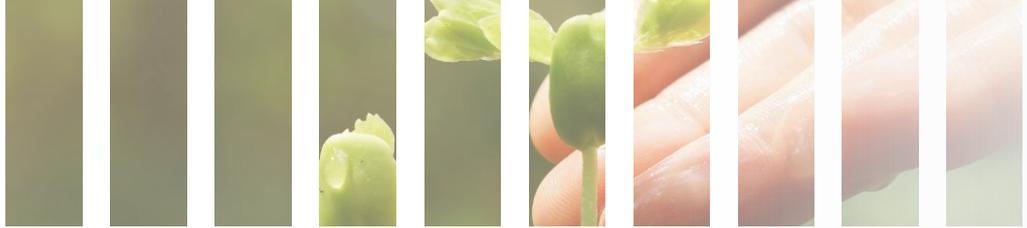
The next generation can be included from an early age, for instance, through family office visits. This can create an awareness of the family business with its products and/or services. In addition, such visits also establish emotional ties and a sense of pride. Family members could also be invited to company sites or on visits to suppliers or customers. This can be done as a family event, which strengthens the feeling of unity. Visits to suppliers or customers, also builds supply chain awareness. If suppliers or customers also are family owned, the visits become even more relevant.

Through this continuing flow of activities and through dinner table conversations, the next generation will overhear business conversation between parents and grandparents. Family business surroundings can contribute to business knowledge, industry knowledge, sense of responsibility and belonging.

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## 5.1 Gilles

### CATEGORIZATION



Nationality:	<b>UK</b>	Succession option:	<b>Mixed Management</b>
Company size headcount:	<b>&lt;250</b>	Company size turnover:	<b>&lt;€50m</b>
Generation:	<b>4<sup>th</sup> to 5<sup>th</sup> generation</b>	Industry:	<b>Transportation and Storage, Wholesale and Retail Trade</b>
Interviewed:	<b>5<sup>th</sup> generation</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Gillies originated in Dundee at the height of the Jute trade in 1895, providing upholstery and furniture services to the growing wealth in the area before moving into other areas including removals, auctioneering, cleaning and funeral services. In 1920, James Gillies (junior) returned from war service and joined his father and founder James Gillies (senior) in the family business. Four years later, the company was renamed James Gillies & Son, and a true family business was born.

At the time of writing, the business is in the middle of bringing in the 5<sup>th</sup> (fifth) generation into the fold, however due to the number of transitions within the business history, Gillies fully expect this to be a smooth process. There is a distinct understanding of the difference between ownership and leadership within family businesses, and they follow a process of allowing the future generations to take leadership roles within the business before ownership on any scale is forthcoming. Indeed, the younger generations who wish to join the business, are tasked with working for the business whilst they are studying; seeing the company from the bottom rung as they clean the warehouses and carry out a wide range of hands-on roles to understand both all aspects of the business, but also to show existing staff they are not just being 'parachuted' into senior positions.

Ownership and Leadership are well distinguished within the business; indeed, the current shareholding is split over three generations of the family. Whilst those 5<sup>th</sup> generation family members are being integrated into management and leadership positions within the business, the shareholdings they are granted aren't large thereby splitting the ownership and leadership aspects of the business effectively.

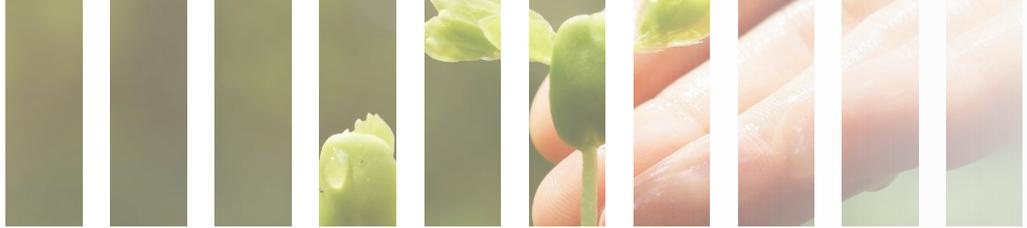
At present, there are many family members within the business, holding senior and managerial positions, and including both 4<sup>th</sup> and 5<sup>th</sup> generational family members. Whilst generational transitions are smooth, there are some family members starting to think about their retirement, who are showing some reluctance to reduce their workload, purely down to their passion for the business.



One example showed a senior 4<sup>th</sup> generational family member who decided to reduce their days of work per week, only to increase their hours per day in order to carry out the same amount of work – the psychological effect of reducing involvement in a family business that has taken up the majority of their working life is difficult for many.

Whilst Gillies is a true family business, they do recognise that a family containing all the skills, talent and expertise to run a successful business is rare. With this in mind, they do have non-family members within the managerial and leadership levels of the project, who fill specialised roles that family members cannot – such as Finance Director. In addition, and to ensure that board meetings have an externally based view integrated into the decision-making process, they also have an external Chairman with no links to the family. One of their key roles is bringing multiple sides of a discussion from different family members together, to remove any friction during key leadership meetings and board meetings.





## 5.2 Beznoska

### CATEGORIZATION



Nationality:	<b>Czech Republic</b>	Succession option:	<b>Mixed Management</b>
Company size headcount:	<b>&lt;250</b>	Company size turnover:	<b>&lt;€50m</b>
Generation:	<b>2<sup>nd</sup> to 3<sup>rd</sup> generation</b>	Industry:	<b>Human Health and Social Work, Professional, Scientific and Technical Activities</b>
Interviewed:	<b>3<sup>rd</sup> generation</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Beznoska is a limited liability company focused on the production of joint replacements and implants. The company is one of the players in a field of scientific innovations in prosthesis and owns several patents, among others they developed a unique growing endoprosthesis that saves the feet of paediatric patients.

The company was founded in 1992 by Mr. Stanislav Beznoska. From the beginning, both of his daughters were involved in the company. His daughter Stanislava worked as his assistant, while his daughter Alena and her husband Petr occupied director's positions. The company is now under the management of the 3<sup>rd</sup> generation with mixed ownership among all 3 generations. Stanislav's grandson Petr Jr. started working for the company in 2006, followed by his younger brother Pavel who joined a few years later.

The cooperation amongst family members was not particularly smooth at all times. Stanislav and his son-in-law Petr were both hot-tempered individuals, resulting in several instances where Petr quit and was fired, at some point even establishing a competing company. Similarly, Petr Jr's time at the company was not always stable, after disagreements he left and worked for a competing company for 4 years.



Such unstable leadership leads to consequences in the company's performance, in 2012 the founder, Stanislav, realized that he needed to react. He convinced both Petr and Petr Jr. to come back and work together.

The succession from the 1<sup>st</sup> generation to the 2<sup>nd</sup> was never planned and happened after Stanislav passed away. After his death, his wife and her daughters inherited the ownership shares, even though his wife had never worked at the company. Petr, his son-in-law, never owned any shares in the company even though he worked as General Director for several years.

In 2016, Petr decided that he wanted to retire and without thorough planning he succeeded his management role to his sons Petr Jr. and Pavel. No arguments amongst the brothers occurred and they divided the positions according to their different natures, the former becoming the new General Director, and the latter becoming Marketing Director. The management succession took an incredibly short amount of time and was completed within 5 months.

Apart from the family, there are two people external to the family in management positions. Petr still helps the company as an advisor and has weekly informal meetings with his sons.

Even though no one from the 2<sup>nd</sup> generation currently works for the company on a daily basis, there were no visible intentions or efforts from them to succeed the ownership to the 3<sup>rd</sup> generation. With all the stress from company management, Petr Jr. felt underrated and felt frustrated about not being a formal owner. Eventually, he gave an ultimatum to the family - either transfer of partial shares of the company to the 3<sup>rd</sup> generation or he will leave. Luckily for him and the company, things did start moving and after 3 months of negotiations, his aunt sold him some of her shares who also succeeded some shares to her daughter. Moreover, Petr Jr's mother Alena succeeded some of her shares to her sons too. The ownership succession resulted in 6 family members from all 3 generations and 2 sides of the family now owning the company shares.

Petr Jr. himself currently achieved owning 9% of shares and his vision for the future is to gain the majority. That is, however, not planned in any specific timeframe right now.

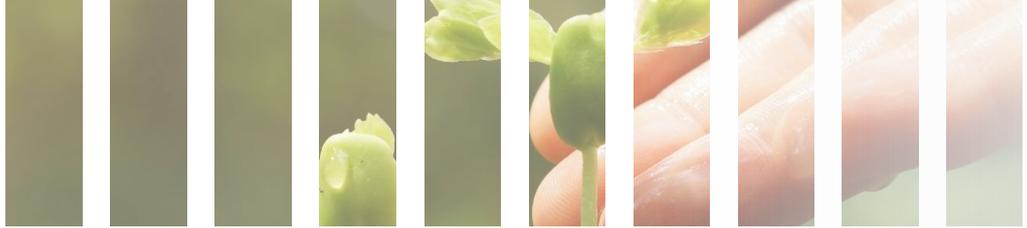
The negotiations were not always smooth, but eventually all family members realized that both management and ownership succession is necessary for the company's successful future. During General Meetings, where the whole family meets on a semi-annual basis, they now discuss the need to establish a family constitution as both families are growing in numbers.



## REFLECTION QUESTIONS



- The potential successor should ask himself if it is worth it to take over the company. In doing so one has to consider all the pros and cons. Petr Jr. originally thought that being a Business Manager would not be that different from being General Director, but he soon realised how wrong he was. Being General Director proved to sometimes be quite a lonely and very stressful position, bearing the responsibility for not only the company but the family as well.



## 5.3 Savio Firmino

### CATEGORIZATION



Nationality:	<b>Italy</b>	Succession option:	<b>Family succession</b>
Company size headcount:	<b>&lt;50</b>	Company size turnover:	<b>&gt;€50m</b>
Generation:	<b>2<sup>nd</sup> to 3<sup>rd</sup> generation</b>	Industry:	<b>Manufacturing</b>
Interviewed:	<b>3<sup>rd</sup> generation Cosimo Savio</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Savio Firmino is a third-generation family company specialized in the production of furniture and furnishing accessories. Founded by Savio Firmino in 1941 in Scandicci, the company has reached important dimensions over time while maintaining the know-how of the past and the added value of craftsmanship. Today, Savio Firmino exports furniture all over the world keeping the Made in Italy value high. We interviewed Cosimo, Firmino's nephew, who works as marketing manager of the company and together with his father Guido, his uncle Amedeo, his brother Gregorio and his cousin Michela who runs Savio Firmino.

The Cosimo's family was originally from the province of Udine in Northern Italy but has since moved permanently to Florence. It was here, in the midst of World War II, that Firmino, Cosimo's grandfather, decided to found the company in the same name. Guido, the second son, had not yet graduated (he graduated from the State Art Institute of Florence in Porta Romana in 1959) but eventually joined his father's business in 1955; Amedeo instead would start working in the family business in 1967, after Firmino's death in 1963.



The first company changeover was therefore "forced", with Guido already present in the company and Amedeo joined later to take over the reins of the company. Guido dedicated himself to the creative aspects of the company while his brother Amedeo concentrated on administrative aspects. Savio Firmino has grown over time working mainly in the American, British, and South African markets. Year after year they have specialized in various different markets (from Russia to China) to become an important company in the Florentine production landscape while maintaining the characteristics of the artisan tradition.

The third generational transition is still in progress. It began very slowly in the 1980s with the entry into the company of Michela, Cosimo's cousin, now in charge of production. In the 90s, Cosimo himself joined the company together with his sister Costanza, followed by his brother Gregorio who is now in charge of the commercial area. A few months ago, Federico, Michela's son, who graduated in Economics and Commerce from the University of Florence, also started working for the company.



The company is entirely owned and run by the family. Cosimo, Gregorio and Michela are now the heads of the family business together with Amedeo as President and Guido as CEO. All the members of the Savio family started to work in the family business from an early age, at the encouragement of their respective families who have always wanted to give their children a working knowledge of the family business. This is an extremely relevant aspect for a family business as it allows the incumbent generation to observe the successors as they develop their talents and passion for the company.



## REFLECTION QUESTIONS

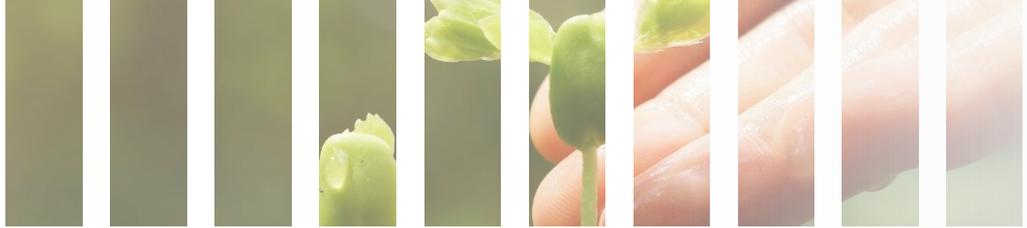


- **Is the next generation convinced of becoming entrepreneurs?**

The next generation should ask themselves whether they really want to live an entrepreneurial lifestyle. To be an owner of a company includes both positive and negative aspects. One has to be willing to devote a great amount of time to the company, as well as be willing to take on a great decision-making responsibility.

- **When multiple families are involved in the company, who could help maintain harmony?**

It is essential to ask oneself if the family has the right tools and numbers to be able to lead the company together and to live in harmony. It is crucial to separate the family sphere from that of business activities.



## 5.4 Monnalisa

### CATEGORIZATION



Nationality:	<b>Italy</b>	Succession option:	<b>External management</b>
Company size headcount:	<b>&gt;250</b>	Company size turnover:	<b>&gt;€50m</b>
Generation:	<b>1<sup>st</sup> to 2<sup>nd</sup> generation</b>	Industry:	<b>Manufacturing</b>
Interviewed:	<b>1<sup>st</sup> generation Piero Iacomoni</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Established in Arezzo in 1968 by Piero Iacomoni – the current Chairman of the Board – Monnalisa designs, manufactures and distributes high-end children’s wear for 0-16 years, under its own brand name, through multiple distribution channels. The company’s philosophy has always combined entrepreneurial activity, innovation, the search for new markets, original styling, and particular attention to the development of business resources and expertise.

The history linked to Monnalisa’s succession covers a rather long period. Thanks to the success of the company, Piero is often called upon by Italian universities to tell the story of Monnalisa. Already on these occasions, Piero was able to see how succession planning is a crucial aspect for the fate of a company and, consequently, has begun to reflect on the possible succession options of his company. The first hypothesis was that of a family governance or of entrusting Monnalisa to his two children: Dimitri and Diletta. This perspective, however, did not have the opportunity to materialize because Dimitri was not interested in joining the company while Diletta, like her mother, preferred to devote herself to the creative part of the business.

Meanwhile, a research company estimated Monnalisa brand equal to 29 million. It was further confirmation for Piero on the need to plan the future of his company. This recognition pushed him to evaluate and identify a way to keep the company going outside the family, through, for example, the establishment of a Board of Directors that carried out his ideas but which, at the same time, also called them into question.

Having discarded the family hypothesis, Piero told how he managed to find the right figure to lead the company. The opportunity came when the University of Florence (Faculty of Economics) invited him to attend a lesson to tell his entrepreneurial story. The course was attended by more than two hundred students and was taught by a young thirty-year-old assistant, Christian Simoni.

Piero was struck by the attention that the latter managed to capture in his students and decided to offer him a collaboration contract, limited to a weekly consultation, in order to understand if Christian could be the right person to take over the reins of the company.

Confirmation of having found the right person came soon, thanks to the skill shown by Christian in managing and solving some problems within the company and one in particular.

*"At the time, the company had two figures who worked in the commercial part: one dedicated to Europe and one to the rest of the world. My idea was that they would work better in reversed roles and for a long time I tried various ways to get them to change, but without success. So I decided to entrust the task to Simoni and although I still do not know how he did it, in just eight months Christian succeeded."*

– Piero Iacomoni

This episode definitively convinced Piero that he had found the right person to lead his company. On 11/11/2011 at 11:00, in front of 101 employees, Piero Iacomoni announced the appointment of Christian Simoni as CEO of the company and his new role to support this figure.

To date Monnalisa is a company where the family plays an important role (Piero is the Chairman of the Board of Directors and the wife and daughter, take care of the creative part of the company which, in the fashion sector, is a crucial activity), but Piero was also able to recognize the lack of those managerial skills that would have been necessary to guide the company in the future and to look for them outside. Led by Christian Simoni – the CEO, the company is now owned by a holding company that refers back to the founding family. At a consolidated level, Monnalisa has more than 300 employees and a 2018 turnover of 51,1 million euros, divided between the domestic area (57%) and the overseas area (43%), with an export value equal to 67% of the total production.

The domestic market includes 17 European countries, while the overseas market includes Eastern Europe, Russia, Asia, the Middle East, and the Americas.

Since 2016 it has established subsidiaries in Russia, China, Brazil, the USA, South Korea, Taiwan and Turkey in addition to the Hong Kong subsidiary, which is already operational. To these we can add three branches, in Spain, France and UK. However, if innovation is the competitive lever par excellence, to be preserved and enhanced as one of the key elements of the company's intangible heritage, creativity is at the heart of the production process. Heading the team of 30 people is the Creative Director Barbara Bertocci and her daughter Diletta Iacomoni, Fashion Coordinator.



Iacomoni family

## REFLECTION QUESTIONS



- **Are your children completely convinced in becoming entrepreneurs?**

An owner of a family business should ask himself if their children are really interested in taking over the company and if not, identify in advance an external figure who can lead the company.

- **Is the generation in charge ready to step back?**

The owner should also be ready to step back about the decisions that will be taken by their successors.

## 5.5 MiniConf

### CATEGORIZATION



Nationality:	<b>Italy</b>	Succession option:	<b>Mixed management</b>
Company size headcount:	<b>&gt;250</b>	Company size turnover:	<b>&gt;€50m</b>
Generation:	<b>1<sup>st</sup> to 2<sup>nd</sup> generation</b>	Industry:	<b>Manufacturing</b>
Interviewed:	<b>1<sup>st</sup> generation Giovanni Basagni</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Miniconf s.r.l. is a childrenswear company born in 1973 in Ortignano, in the Eastern part of Tuscany, a place rich of mountains and hills. Since its foundation, MiniConf has been characterized by a constant growth passing from about 1 million euro to 35 million in 1980s, 45 million in 1990s, up to 75 million in 2010s. At the beginning, MiniConf was known for its shirts sold to other companies at national level (it was a B2B player with a long distribution channel) but today, the company is present with its own brands (Sarabanda, Minibanda, Dodipetto and iDO) selling its products worldwide via mainly retailers, multi-brand stores and online via its corporate website and through marketplace, having gradually abandoned wholesalers.

The founder of the company is Giovanni Basagni (today President); his brother Giuseppe and their cousin Loretta Mazzetti joined the company after few years. Giovanni has been mainly dealt with general management, marketing and sales, Giovanni's brother with logistics and production, and their cousin with the design. Each of them has a child. Today the company is organized around a general management and 3 main functional areas represented by (1) the Chief Financial Officer who is dealing with finance, administration, human resource management; (2) the Managing Director who is also responsible for marketing and sales (national sales, international sales, design, retail and marketing services) and (3) the Chief Operating Officer who is responsible for delivery and logistics.

MiniConf is an interesting case since it has shifted its business model from a model focused on production to a model focused on the market. This turnaround, required by the market changes and the higher competition, has had an impact on the whole family business that revised its organizational structure in a careful and not suddenly manner.

Today, the company is towards the end of both a *business transition* and a *generational transition*, but these transitions have taken many years of planning. Aware that MiniConf's top management as well as lot of the key employee would have been retired thus putting a risk many competences and key roles, about ten years ago, the Basagni family started to planned the succession process and to identify those additional competences that could be important for the business growth. Therefore, multiple actions have been adopted.

First of all, in 2011 the top management team realized the need to *codify some rules* for the entrance of the second generation in the company. Everyone could enter the company, but only those who really merit could reach a managerial position. Additionally, the founders have decided that only their children, and not the relatives, could access top management position roles.

Therefore, today only Giovanni's son, Leonardo, is in the top management team. He has studied in the USA and he worked for 3 years in one of MiniConf's branches in Spain. After 6 years of experience (he has been responsible for export and e-commerce), he is now Chief Financial Officer. Giuseppe's daughter and their cousin's daughter have decided not to enter the company and be a company's employee.

In 2014, MiniConf has organized a workgroup with the aims of delineating an organizational model from a family structure to a new professionalised structure, with also new external managers. There was the need of contamination: *"the transition might be seen as an opportunity for change, not as a threat"*, says Giovanni who was delegated by the top management team to lead this transition.

In the next couple of years (even if we should say that MiniConf has taken part also in the ELITE project by Borsa Italiana since 2012), the family business has invested a lot in training. Two groups of employees were selected and a dedicated training program about goal-orientation, team management, strategic marketing, finance, and other core topics, was provided.

Then, MiniConf started searching for the new experts' profiles. In 2018 the new Chief Global Markets & Brand Officer and today's Managing Director, Simona Luraghi (formerly General manager at Clinique-Estee Lauder), joined the company. In 2019 it's the turn of the new head of Operations and Logistics.

MiniConf has continued investing in its employees through the *MiniConf Academy*, that also involves retailers that involves 2 groups of employees that are trained. MiniConf has adhered to the Elite project. Today, MiniConf has completed the organizational shift and it is ready to face the new market challenges.

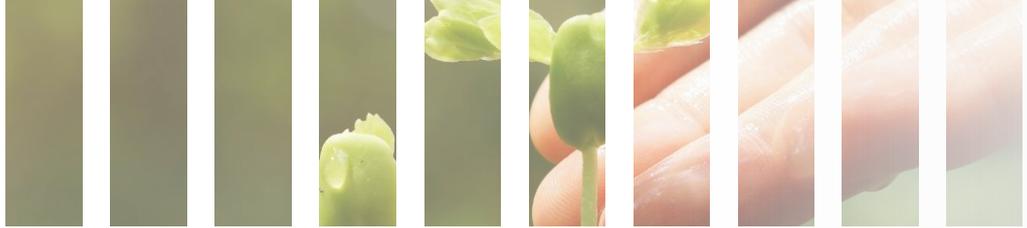


*Giovanni Basagni*

## REFLECTION QUESTIONS



- When the family firm is founded by multiple siblings/relatives, do they codify rules for their next generations' involvement?
- Should the family members do it by themselves or should they involve external professionals?



## 5.6 Viticultures Mesa

### CATEGORIZATION



Nationality:	<b>Spain</b>	Succession option:	<b>Family succession</b>
Company size headcount:	<b>&lt;50</b>	Company size turnover:	<b>&lt;€2m</b>
Generation:	<b>4<sup>th</sup>+ generation</b>	Industry:	<b>Agriculture, Forestry and Fishing</b>
Interviewed:	<b>Successor Angel</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



It is difficult to say how many generations of viticulturists there has been in the Mesa family. Though it is certain that the family has been working in and owning vineyards for at least 4 generations. The current generation mainly manages multiple smaller plots under one hectare rather than a single contiguous vineyard. Part of the reason for this was the breaking up of properties between heirs when land has been passed down. At the moment, the primary grape produced is Palomino which is entirely sold to the local cooperative winery.

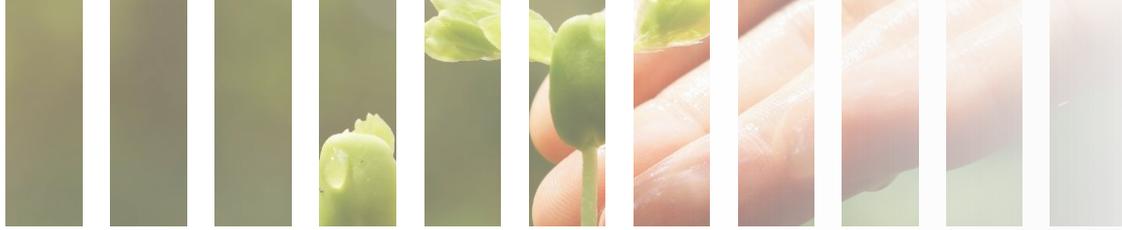
Like many of his peers, Angel, in his mid-thirties, one of the youngest generation currently working in the vineyards, didn't study any subjects related to viticulture. Nevertheless, the historical knowledge of grape growing and a lifetime of practice has helped him to develop his own style of handling a vineyard. Angel has worked alongside his father since childhood and now owns a vineyard of his own. They all manage the plots together along with his father's current holdings and his sister who is currently studying medicine and does not have time to devote to grape production.

In a region dominated by small, family-run farming businesses, local farmers like the Mesas often struggle and face challenges in maintaining their hold in an industry now dominated by large national and international players. At the moment despite their holdings, it can be difficult supporting the business and family year after year due to fluctuations in yield and in demand for local products. While Angel's father has been able to maintain himself working solely in grape growing and agricultural work, Angel has needed to supplement his income over the last ten years by working in construction. Despite this, it is clear that the family takes great pride in the work they do and the resulting wine and intends to continue on its course despite the odds.

*"We're a community, we help each other, and we learn from each other."*

– Angel

He also highlighted how important the entire family was in keeping things going. Since it is not possible to make ends meet by hiring outside help the family leans on each other, and every year they bring in siblings, cousins, uncles, and even in-laws and their families to keep the tradition alive - especially during harvest.



***“Agriculturists without a succession plan are in an even more vulnerable position.”***

– Angel

Without agreement between family members on what to do with the vineyards, *“they will be left without hands to work them and they will end up being lost or sold for nothing.”* Angel adds that, in his family’s case, succession has always happened in a natural way and without conflict – from father to son. However, aside from his father’s, he has not yet had time to consider his own succession and the next generation. He has two young daughters that are not even in school yet. Traditionally women have been excluded from work in the vineyards in his region however things are changing. He will need to see if they are even interested when the time comes.



## REFLECTION QUESTIONS



- All families face the same issues when going through succession. In order not to fail, you need to understand your family’s history, values and set common goals. And always continue to learn.

## 5.7 Sobrina de las Trejas

### CATEGORIZATION



Nationality:	<b>Spain</b>	Succession option:	<b>Family succession</b>
Company size headcount:	<b>&lt;20</b>	Company size turnover:	<b>&lt;€2m</b>
Generation:	<b>5<sup>th</sup> to 6<sup>th</sup> generation</b>	Industry:	<b>Accommodation and Food Service Activities</b>
Interviewed:	<b>6<sup>th</sup> generation</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



The land encompassing Medina Sidonia, in the Province of Cadiz in the southern part of Andalusia, was once home to the Moors. It left a mark on Spanish culture that can be seen in its local traditions and cuisine. For three Spanish sisters more than 150 years ago it became the perfect place for their sweets and pastry making confectionery.

“Sobrina de las Trejas” is one of the most famous patisseries in the Province of Cadiz and has won numerous prizes for the quality of its products. They are the reference in the elaboration of the typical sweets of Moorish tradition in Medina: Alfajores, Polvorones, and Turrones, but they also have their own very renowned specialties such as their chocolates (truffles) and bread.

From the very start, this was a family-run business. The genealogical tree of Sobrina de las Trejas began with the Trejo sisters Micaela, María de la Concepción y Josefa Jiménez-Trejo y Sidón in 1852 when the company was founded.

Later, the company would pass on to Teresa, one of the sisters’ daughter, and then to her son José, the grandmother and father of the current owner of the patisserie respectively.

Management is now in the hands of the fifth-generation of the family by way of Fermín Mesa and his nephew. With the death of José Mesa, the company was inherited by Fermín and his sister Pepa in equal shares. Pepa, who passed away due to sudden illness, left a son who became the owner of the family patisserie alongside Fermín. With the nephew still studying in college, Fermín is the current manager of the family business. Two of his daughters also work at the bakery, one of them – Julia studied confectionaries – which made for necessary studies to form a base to assume the family’s specialized knowledge and practices in pastry making.

Years ago, the three sisters had no succession plan, and it was left to the next generation in a natural way – to their children with equal shares, says Fermín. As the current owner, Fermín shared that this “natural succession” has been the way the company was handed over during the previous decades and there is no intention to change the course of things.



When asked about challenges on the transition to the next generation, Fermín pointed out that the secret for a successful and harmonious succession lies in keeping family traditions alive.

*“We have learned - parents to children.”* he says proudly.

He feels strongly that children should be able to make their own choice and look for the right opportunities for them. In other words, they cannot inherit an automatic role in the business. But instead, it is very important to be still in love into the family business when children are young, let them engage in daily work and learn the value of the family working together. He used his own example, whereby he started working there very young – his first job was being a “human doorbell” – sitting in a small chair by the door the little boy’s job was to welcome and announce new customers.

For the moment, the future of the patisserie Sobrina de las Trejas is secure. The sixth generation is proactively on board and taking an interest in the bakery, with both daughters directly involved in the production and marketing process, areas where they already have skill and interest. Over the next few years, Fermín’s nephew and daughters will eventually assume ownership of the family business.



*“We would love for our bakery to be multigenerational, but if their hearts are not in it, we can’t force that.”*

## REFLECTION QUESTIONS



- The most important ingredient for a successful succession is ensuring the next-generation’s love for the business: He’s made it clear to his two kids that they should step in to run the bakeries only if they have a passion for both business and pastries.



## 5.8 DC Thomson

### CATEGORIZATION



Nationality:	<b>UK</b>	Succession option:	<b>Family succession</b>
Company size headcount:	<b>&lt;250</b>	Company size turnover:	<b>&gt;€50 m</b>
Generation:	<b>3<sup>rd</sup> to 4<sup>th</sup> generation</b>	Industry:	<b>Arts, entertainment and recreation</b>
Interviewed:	<b>3<sup>rd</sup> and 4<sup>th</sup> generation</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



DC Thomson is a major media company in the UK with its base in Dundee, Scotland, but also with offices in London's famous Fleet Street. The company history starts with William Thomson becoming the owner of the business who published the Dundee Courier and Daily Argus newspaper. David Couper Thomson established DC Thomson in 1905 after taking over the publishing business in 1884 and the firm expanded from this point. Indeed, DC Thomson become the third J in the famous summary of Dundee; 'Jute, Jam and Journalism'.

Now with the 4<sup>th</sup> generation of family members involved in the leadership of the company, and the 5<sup>th</sup> generation working within the company, DC Thomson are a major media company with interests still in traditional media but with an expanding interest in digital opportunities and media as well as charitable trusts and philanthropy.

Well over 100 years into this large family business, both ownership and leadership have remained firmly within the family (100% of leadership and core governance, 90% of ownership). The board provides leadership and guidance to the company whilst ensuring that the company culture and the blend of existing culture and new ideas is balanced effectively. Their responsibility also encompasses ensuring consistency and continuity throughout the business.

Succession is based around competence and ability and it is the job of the Chairman to identify successors to the family business. Interestingly, the company now believes that the Chairman should be identifying their successors successor rather than their immediate successor – providing far more time for the succession process to be smooth, and to also ensure that succession is planned many years in advance.

The leadership of the business is also changing its focus. Previous generations of leaders may have been more from the 'command and control' school of leadership, however more recent generations have moved away from this more regimented and directly controlling structure with the current Directors seeing their roles more as providing strong governance rather than actually running the business. Similarly, Directors are now seen as 'coaches' within the business, providing guidance and advice across all the sectors the business finds itself in.





## LEARNING POINTS



### **Include the next generation**

Members of the next generation should be slowly integrated into the business by working hands-on across many roles whilst studying. This provides the future leaders and owners with an understanding of the actual work and roles within the business and shows the employees that their future managers are happy to sweep floors and learn from their peers.

One incumbent recommend that the succession process could comprise two phases: a first phase that we can name **“the involvement phase”** (should start early, when the potential successor is 18-19 years, and it is aimed at understanding whether the potential successor could be interested in joining the company), and a second phase that we can call **“training and evaluation”** phase (that is deserved to build the potential successor’s competence and then evaluate him/her on the job).

In one of the stories the incumbent emphasizes the importance of involving children who show no interest for the family business – there are several alternative ownership roles to develop into. Successors that don’t have ambitions of an operational roles, might still be consider a potential owner.

### **Integrate the succession process into standard operating procedures**

Integration of the succession process into standard operating procedures and looking to identify the successor 2<sup>nd</sup> in line (the successor’s successor), provides more consistency and continuity to the business. The succession process should be planned with a lot of anticipation: this is not only a matter of entrance to the firm, but also concern the key persons that could get retired (protection net).

### **Governance**

Have clear rules for managing the next generation. The family pact is important as a guideline for next generations who could enter the company but can take managerial responsibilities only under meritocratic conditions. The evaluation should be made from the family and, in case there is a conflict among family members, by an “external commission”.

### **Do not be afraid to employ external managers or board members**

It is important to understand that a family is unlikely to cover all the skills required to run a highly successful business. With this in mind, having external managers who cover the specialized areas such as finance to compensate for competence gaps within the family.

Having an external, non-family Chairman of the Board allows for efficient addressing of opinion differences and conflict between family members.

With regards to external resources, Cosimo from story 5.3 has experienced that the best resources knew both the business and the family. He highlighted the importance of identifying people who have a deep attachment to the company.

According to story 5.8, when directors become more involved in governance rather than in the direct running of the business, opportunities for more strategic and high-level views of the business and its future opportunities are provided.

### **Remain objectivity and keep a united front**

It can be difficult for family members to come to agreements on topics that will create change like a succession or the writing of a family constitutions. In these situations, it is important to remain objective. One incumbent describes it as “Biting your tongue” when you don't agree on a decision and having the ability to take a step back.

It is also important to remember that all family members most likely have the same goal in mind; for the company to be successful. Cosimo from story 5.3 suggests that one should focus exclusively on the interest of the company and the continuation of the business, putting aside personal needs.

### **Willingness to continue in an extremely determined manner**

When there is a generational change, it is necessary that the family has someone willing to face everything that a succession entails, including the burdens and disadvantages. With family ownership and leadership comes both privileges and responsibility, opportunities and challenges, wealth and expectations.

### **Create an internal market to buy and sell shares within the family**

The creation of an internal market for family shares provides opportunities for shareholders to release capital when required and it keeps those shares within the family ownership structure. This will require some rules and regulations to manage to internal market place, like dates to announce sale, rules of who can buy, price setting etc.

### **Innovation & new capabilities**

Some family businesses in the stories have experienced that new external management has brought new capabilities, innovation and strategy to the company. It is important to balance what is existing (in terms of human resources, but also the history of the family business) with what is new: “for the family is fundamental to maintain and defend the business hearth and soul, while also introducing new managers coming from multinational enterprises”. The power of multi-generational collaboration that can provide a better path for the business and the company has improved both in terms of size and financially.





## ACTIONS TO CONSIDER



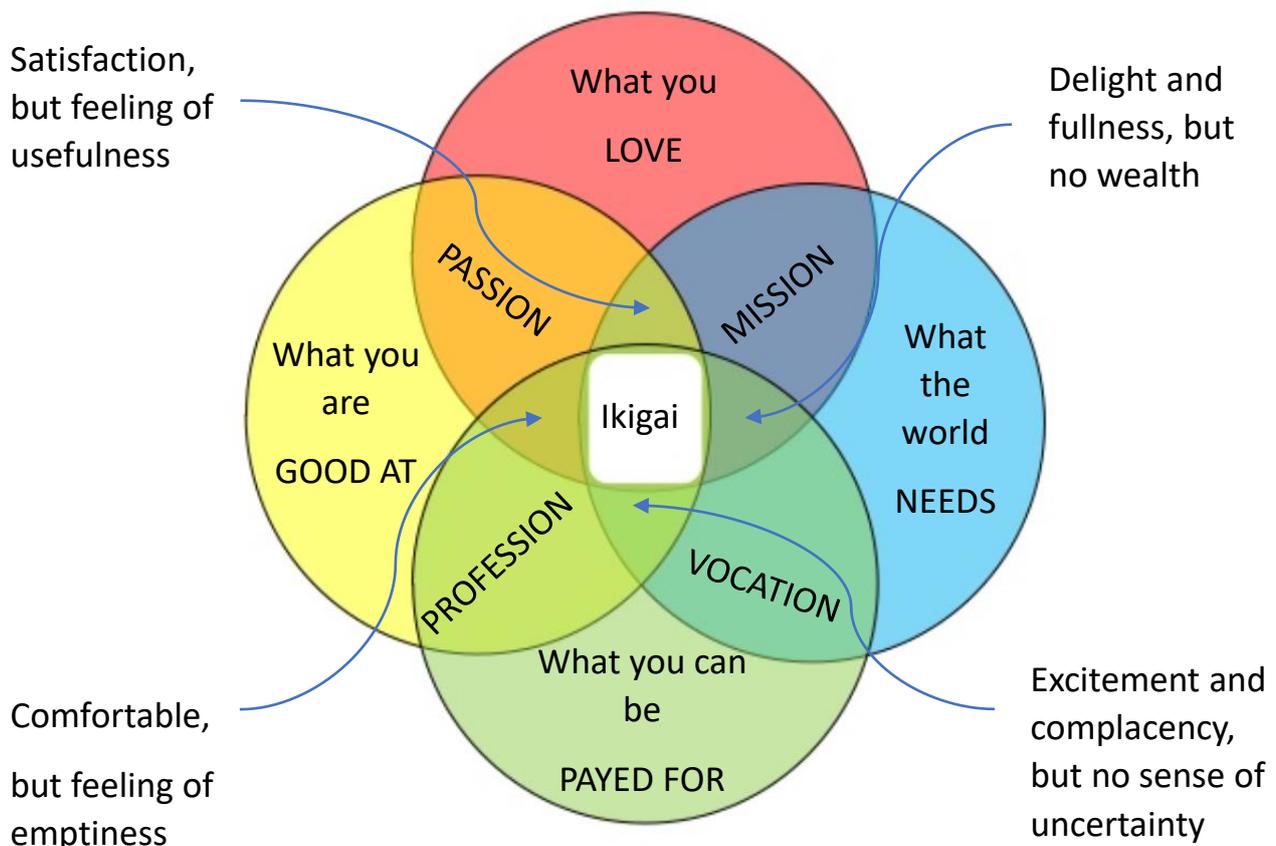
### Make sure that working in the business is the right choice for you

When we have asked both incumbent owners and successors to provide a reflection question for someone facing a succession process, a recurring answer has been *“do you really want to take over control of the business with everything it encompasses?”*

As a young person it can be difficult to know what you want to do in the future, and to answer such a big question can be challenging.

An exercise that can help you identify which direction you want to take with your career is the Ikigai model. The idea of “Ikigai” derives from Japan and translates into “reason for being”.

The model illustrates that there are different aspects that need to be in place to experience fulfilment. As such, financial motivation or sense of duty should not be the only motivating factor to take over the family company. Simply answer the questions in the model, and it might help you realise whether joining the family company is the right decision for you.



### **Coaching**

Consider engaging a coach or a mentor to support you in the succession process. With a long-unfulfilled promise of succession in ownership, Petr Jr. from the story 5.2 was afraid to bring up the topic for several years in order not to initiate conflicts. To increase his confidence on these matters, he hired a personal coach. Initially he was suspicious towards the idea of a personal coach, but he eventually considers this move very helpful.

### **Develop a training program for the next generation**

A training program where the successors are shadowing the incumbent owner/manager can be a valuable learning opportunity and a great way to realise what it takes to run the company. Internships or trainee positions can also be an excellent way for successor to get to know various business areas in the firm as well as the firm get to know the successor.

### **Make your new roles clear to the employees**

Petr from 5.2 emphasised the importance of communicating the shift in general management to the employees so they knew who to approach about business matters. To avoid any misunderstanding, Petr made an announcement during one of the regular meetings, that from this point all company matters must be discussed with Petr Jr. and that he no longer deals with the company's flow.

### **Talk about the succession early**

Talk about succession early on so it does not come as a surprise, leaving people in situations they are unprepared for or do not want.

### **Business model & change management**

Be open to reconsider the whole business model on regular basis (every 6-7 years) and to reframe the organizational structure: it is important to have a medium-long term plan. The ability to change and transform the business can be a vital capability in order to survive as family business over time. To be a family in business, but not necessarily the same business as the founder.

### **Hire young employees**

Cosimo from story 5.3 finds that young people have a great energy and innovative outlook, even if there is no experience. He finds it crucial for the company's survival to always have youthful employees that will bring new and fresh ideas.



## **REFERENCES**



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