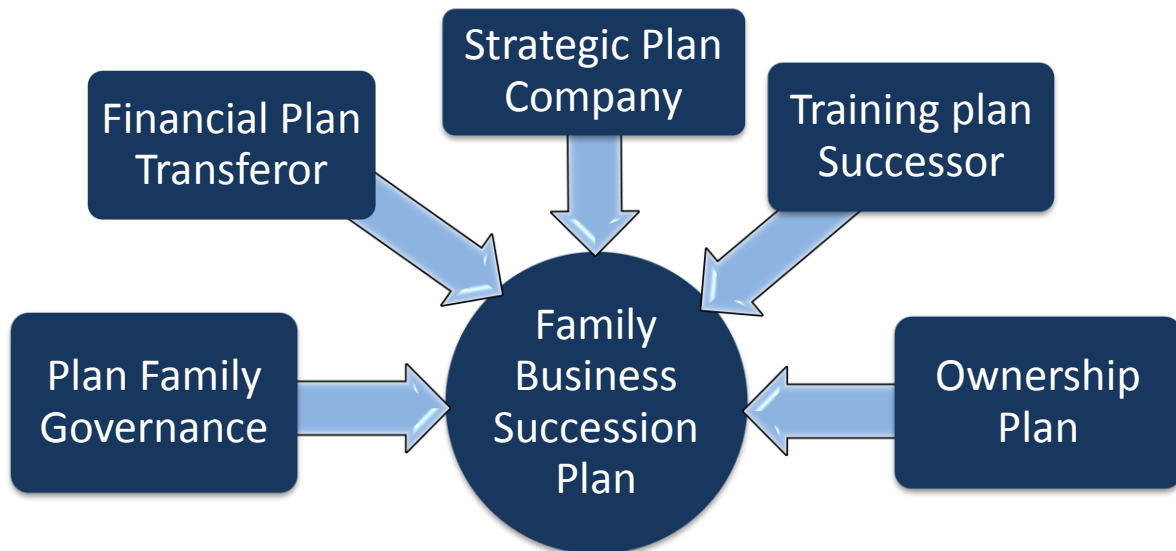


FAMILY BUSINESS SUCCESSION: HOW TO PROCEED ?



Draft a transfer plan

As an entrepreneur it is best to plan a family business transfer in time. The succession process is a gradual process that easily can take 5 to 10 years. A good transfer plan contains the following aspects.

1. Strategic plan company

Depending on the family context (suitable successor) and the economic forecasts of the family business different transfer scenarios may be feasible: internal family succession, maintaining family control with external management or sale to third parties.

As part of a strategic plan the strengths and weaknesses, risks and future opportunities of the company are identified.

The chosen strategy may result in a shared ownership vision and / or preservation of the family character.

- **Consideration of the different transfer scenarios**
- **A good business plan facilitates the financing for the successor**

2. Financial plan transferor

The transferor must translate the further interpretation of his life in financial terms.

Important parameters are the income that the transferor needs after the transfer, the capital the transferor has built outside the company or if the transfer of the company must provide in an income to compensate possible differences.

This will show whether the transferor has the means to assist the successor with the financing of the transfer, for ex. through deferred payment or granting of a loan.

Does the company generates enough cash flow to repay

the loan from the successor for the acquisition of the shares.

- **Define your personal goals after the transfer**
- **Define your financial goals**
- **Make a valuation of your company**

3. Training plan successor(s)

The transfer of leadership does not necessarily coincide with the transfer of ownership.

The choice may fall on a family member, an interim manager (until a family member is ready for succession), the current management or an external manager.

A good preparation of the (family) successor is crucial. Experience outside the family business can be useful: new ideas, growth of confidence and credibility with regard to the staff. Has the candidate successor the right attitude, knowledge and leadership skills?

A good relationship between the transferor and successor is essential.

- **Evaluate the ability of the successor(s)**
- **Provide a plan B**
- **Adequate communication about the successor: future plan, strategy, introduction of the successor to stakeholders, ...**

4. Plan (family) governance

The role of the family in the company should be determined.

The arrangements can be recorded in a family charter, for example regarding employment, compensation, etc.

The family council is the appropriate forum where family and business coincide and where conversations about the succession take place.

- **Discuss family tensions in time**
- **Installment of a family council**
- **Draft a family charter**
- **Strengthening of the corporate bodies: advisory board or external directors**

5. Ownership plan

The transfer of ownership requires a delicate balancing exercise between equal treatment of children and an appropriate distribution of control. To what extent would you, as transferor retain a certain control?

The transfer of ownership should be well prepared so that it does not lead to fragmentation of shareholdings, conflicts between children or unintended donations.

The succession should best be viewed in a wider perspective than the family business transfer.

Depending on the objective of maintaining control and the creation of liquidity of the shares of the company, the most appropriate formula of transfer should be determined.

- **Develop the appropriate legal and tax structures**
- **Draft a shareholders' agreement**
- **Secure the inheritance of your other children**



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