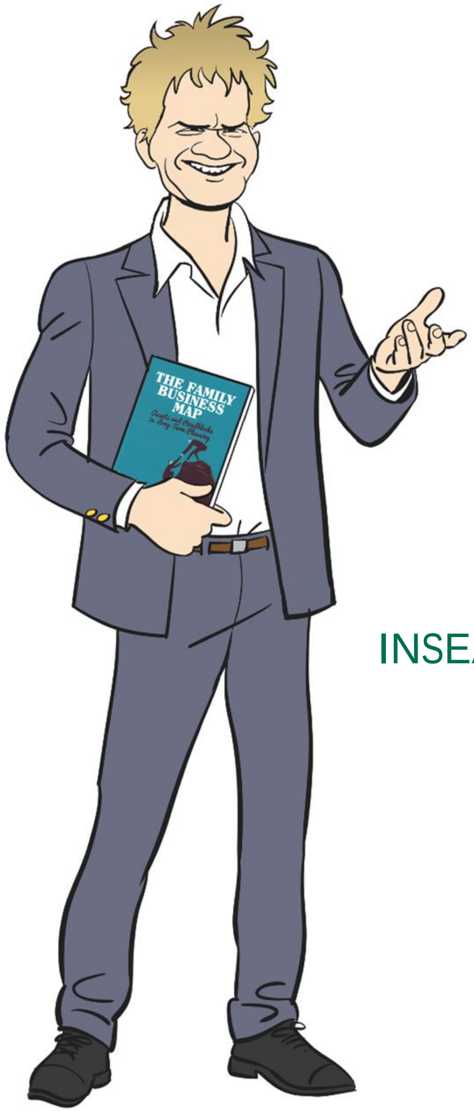
Navigating the Family Business Succession Conundrum



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The Family Firm Challenge

Value Creation in Family Firms:

- Long term vision
- Value based leadership
- Loyalty
- Potential to have a broader agenda that target global and local challenges

The challenges Family firms face today:

- Long Term Transition/Succession Planning
- Agile and resilient business strategies
- Weaker governance system implies less checks and balances
- Over time engagement becomes entitlement

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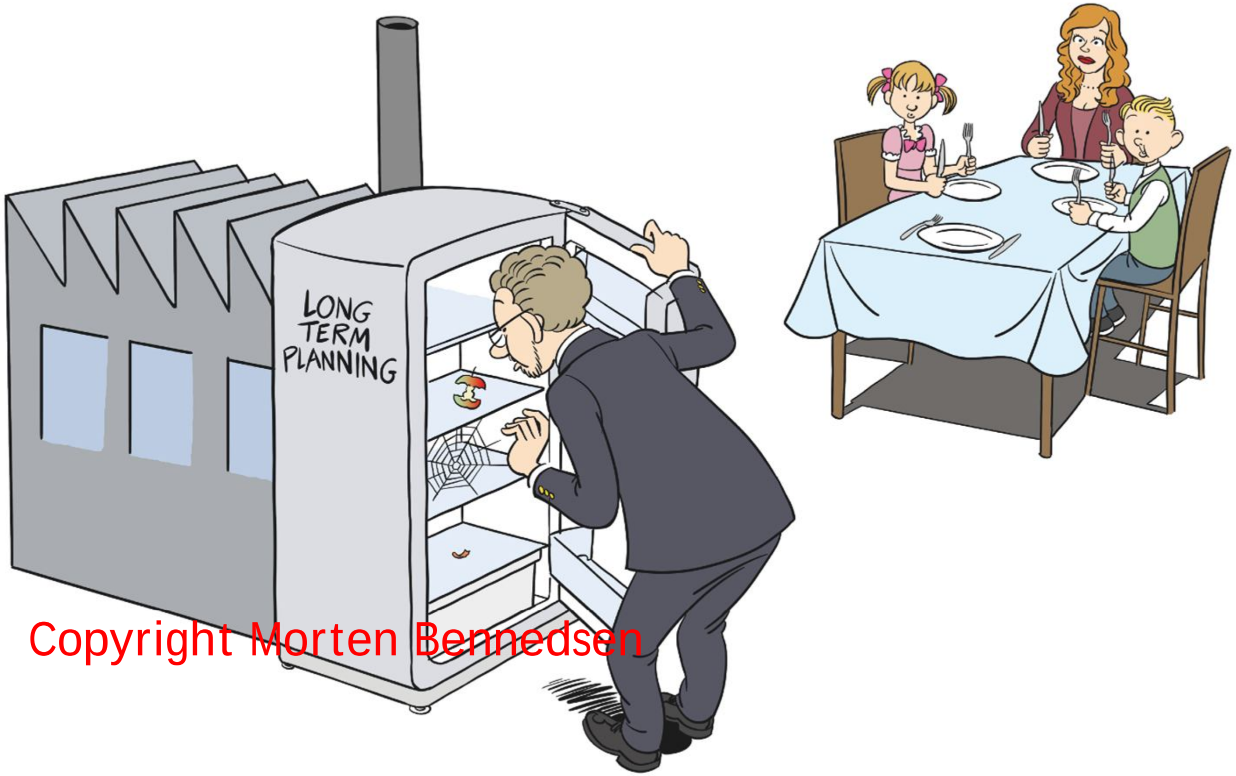
=> The Urgency Of Long Term Transition Planning



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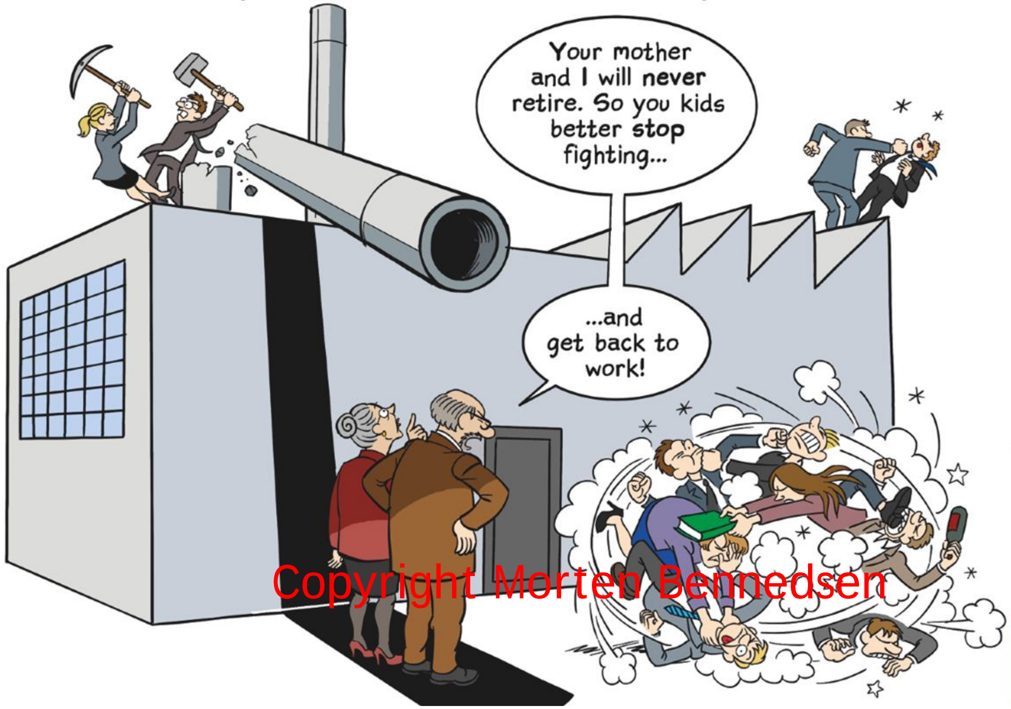
Why?

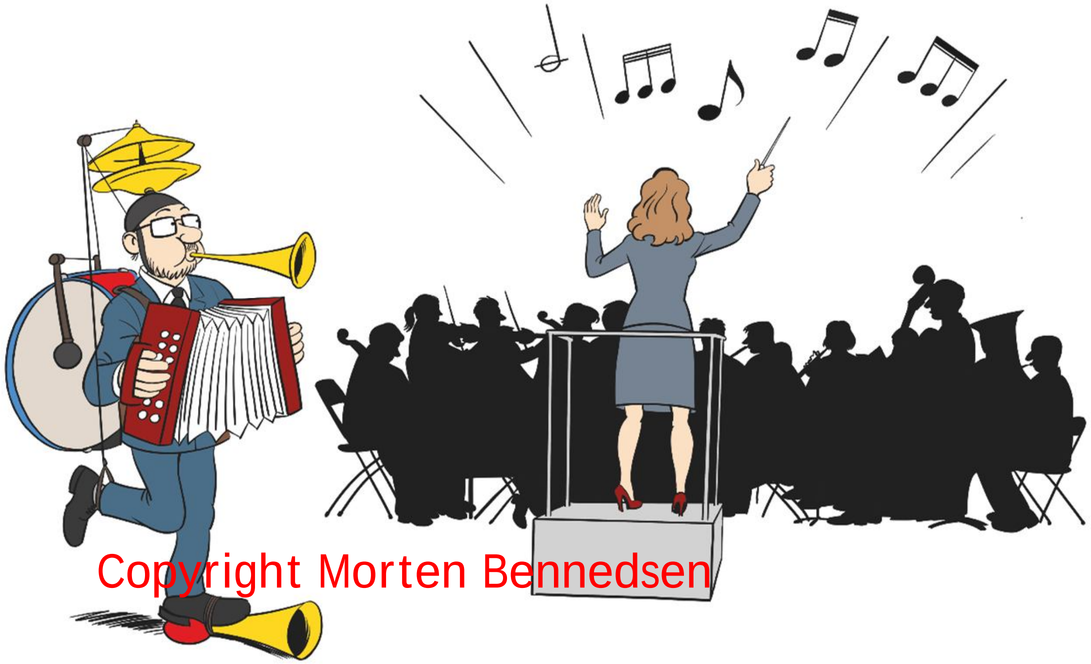
- **Lack of long term planning have severe consequences**
  - Destroys businesses because of wrong decisions and/or lack of real entrepreneurship
  - Reduces firm value by increasing key personal risk
  - Increases the economic cost of family succession
    - Increase the likelihood of family fights after (or even before transition)
    - Makes the next generation pursue other paths
  - Makes management and other stakeholders more likely to pursue other options
  - Makes it harder / more expensive to find external capital



Professionalizing The Family Firm

What?

- The development of organizational structure that exploits all human resources for a common goal.
- The transfer of the ownermanaged business from the founder's solo instrumental performance to a well balanced symphony orchestra.



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When?

- Opportunities:
  - New business strategies, new areas
  - Growth, free creative ressources
- Threats:
  - Firm is doing poorly
  - Family fights
  - Lack of natural successor(s)

How?

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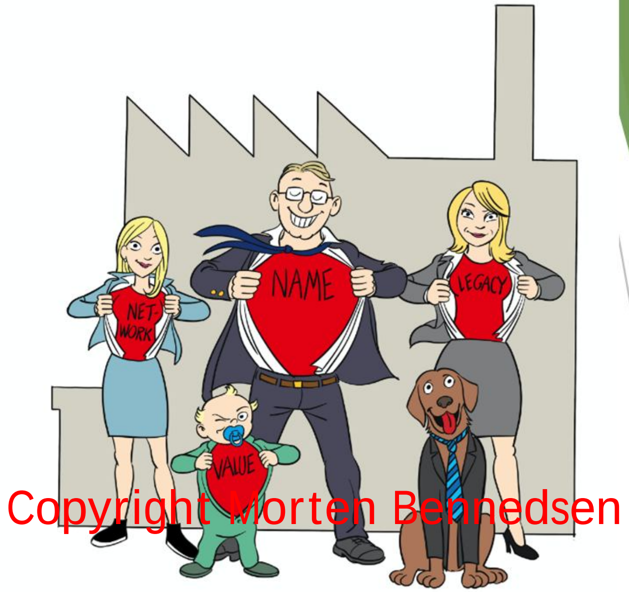
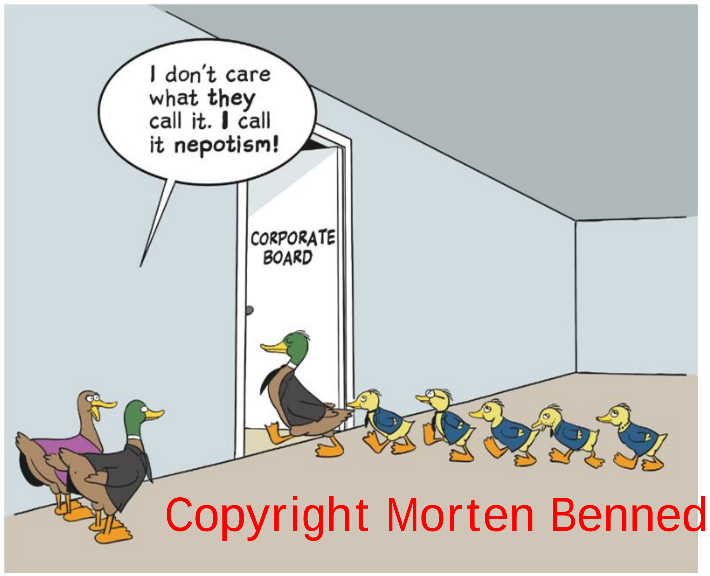
1. Develop long-term agile and resilient business strategies based on strong family assets.





2. Develop strong corporate governance systems to incentives and attract independent board members.

3. Finding, integrating and incentives the right top manager(s)
   1. Research shows that on average family succession on top management position is challenging: Are they competent, incentives and engaged?
   2. Research shows that on average external CEOs are doing well, but there is a very large variation: Finding the right person, integration and incentivizing.

Long Living Family Firms have Long Term Transition Planning in their DNA

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Thank You