

Bringing in Management Beyond the Family

It's fast approaching - that time when you pass your business onto another generation of the family. This is what you've planned for from the day you first set up your business.

So, the next generation - who are they? Are they capable of taking over the reins? Do they even want to? While you may have planned for another family member to succeed you, do you actually have someone to fit the bill?

If the answer is 'no' ideally you would have already modified your succession plan to reflect the situation. What then are your alternatives?

Naturally you could sell the business or hire a new Chief Executive. Perhaps most challenging, however, is the situation where you have a willing successor who is just not yet ready to take up the top job.

In this situation a temporary manager from outside the family could be brought in to bridge the transition gap between the founder and the next generation. The outside executive can act as coach and mentor and assist in the development of other members of the management team, both family and non-family.

This training and mentoring can be vital. Far too often family businesses do not survive through to the second or third generation because the successor does not have the necessary skills or the interest and enthusiasm to do the job properly.

Most often the problem lies in a lack of planning. A 1998 survey suggests New Zealand businesses do not pay nearly enough attention to succession planning. Results of the survey (*"A survey of family and private businesses in New Zealand, 1998"*, by Peter Evans) showed only 17.3% of businesses had a written succession plan in place.



"The best [succession] systems provide a continual stream of challenging opportunities as well as candid and constructive developmental feedback on performance and potential. An effective system can enable highly talented people to move on a faster, or at least, more appropriate track."

Growing Your Company's Leaders, Robert M. Fulmer and Jay A. Conger



www.temperton.co.nz

INDEX

When you Need to Hire an Outsider _____	1, 2, 3, 4
Next Steps - Plan Before Recruiting _____	2
Family Fact File _____	2
What is News? _____	3
Be First, Be Different _____	4

Bringing in Management Beyond the Family Cont'd

Be prepared to let go of the reins

But bear in mind that bringing in someone else to run your business, and possibly groom your successor, is not always easy. Once you've decided to go down this route, you'll have to accept this person is likely to do things differently. Just because you've done something the same way for years shouldn't mean they need to continue with it. They bring to the job their own skills, fresh ideas and, potentially, current thinking, which can be a positive way forward for the company.

You'll need to develop some ground rules, including a detailed job description for the new executive. Then get out of the way and let the person get on with the job of managing the business. Don't confuse the scene by having two CEOs running the business. Draw up a set of rules, agree on a monitoring system and then get out of the way.

If you're planning to still have some involvement in the business, you need to define your role before the new person comes on board.

- How much time will you spend in the business?
- What is your role to be? Perhaps you'll still be involved in strategic planning in a non-executive capacity, but attend Board meetings and review management reports.

A successful transition is unlikely if you, as the principal, are still involved on a day to day basis.

Plan to avoid disaster

Unless there is proper planning and forethought, the employment of an outside executive into a family business could be a disaster. Define the duties and the responsibilities. Then select the person and, prior to the start date, agree on your expectations of the position and what your ongoing role will be.

Make sure you don't forget the team. This will be a big change, especially for other family members who may not be happy about someone else taking over what they may have considered their role. You need to prepare everyone for this new phase of the business and make the handover of responsibility very public and very clear that this person is now in charge.

The transition process can take time, so don't expect miracles overnight. But if properly planned and implemented accordingly, you should be in for a smooth ride.



Next Steps - Plan in detail when hiring outside management

- Define the skills you're looking for
- Define in detail what you want the person to do
- Conduct thorough interviews and reference checking
- Write out a full job description, which establishes clear lines of responsibility
- Define what your role will be
- Prepare the team and explain why you are bringing in a new person
- Prepare yourself for handing over day to day responsibilities
- Make sure the new person understands the business and their responsibilities
- Once they're on board, give them space. Don't intervene unless it's vital.

Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.

Family fact file

Of 500 New Zealand companies surveyed with turnover of over \$1 million:

- 55% plan to sell rather than pass the business on to the next generation
- 40.5% plan to pass the business on to the next generation
- 17.3% have a written succession plan
- 60% have non-family members on their board of directors
- 3% have no family members on the board
- 87.3% have family members in senior management
- 57.7% have non-family members in senior management
- 38.2% had sales growth of 20-49% from 1995 and 1997. Average sales growth was 20.3%

Median number of employees: 24
Average age of owner: 50

Source: Taken from world wide web, www.unlimited.co.nz, *Unlimited Magazine*, Issue 39, Saturday, 1 June, 2002. From "A survey of family and private businesses in New Zealand, 1998" by Peter Evans in partial fulfilment of a Master of Business Administration.

The Problems of Handing Over

Various surveys have found that one of the major problems of family businesses is the handing on to the next generation. Very often this is not done satisfactorily and very few businesses survive through to the second and third generation.

This is caused by a number of factors including:

- Lack of planning
- Non-viable business
- Family members not interested in the business
- The business dying out because of lack of new ideas and enthusiasm
- The owner hanging on too long and discouraging all of the family members
- “My way is always the best way” attitude from the owner - without encouraging any input from family members or staff
- Not moving with the times
- The product produced by the business being superseded by technology and other developments.



Sell Your News

What's new? What's different? What has changed? If your business has something to say, tell the media.

Getting a positive news story in the newspaper or on the radio is a major avenue of promoting your business. It hardly makes good business sense to ignore it.

But gone are the days when journalists had the time to seek out every piece of minor news and actively chase the people concerned. The advent of wire services and press secretaries has left most journalists office-bound, so unless the news of the day is placed before them it can be over-shadowed by other businesses who know how to use the media.

Plenty of newspapers, especially provincial or community papers are crying out for great news stories about local businesses. But you've got to get out there and tell them about it.

You won't always have a great story to tell but it's a good discipline to think about it regularly. Too often great news potential gets missed simply because nobody thought to tell anyone about it. And sometimes news turns up in unusual places. For example, taking on a new team member is unlikely to set the world on fire, but if there's something about that person that makes for interesting reading, then why not "sell" it. They might, for instance, be a leading light in their field, or have come to New Zealand with special expertise etc.

Likewise, ongoing sponsorship of a particular event is not news, but if you just put in more money and saved it from the brink of collapse - that's news.

Establishing a new export market for your product may not be big news if you live in Auckland, but if your business is in a small provincial town and you're the first to market overseas, then that is something to make a fuss about.

Get into the habit of asking yourself:

- What's about to happen?
- What has just happened?

Think about how the news might be interesting to other people.

An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

Temperton & Associates Ltd

Level 1
17-19 Seaview Road
Paraparaumu Beach
New Zealand

Phone: 04 298 6025 or 04 570 2991

Fax: 04 298 6205

accountant@temperton.co.nz

www.temperton.co.nz

Sell Your News Cont'd

Approaching the Media

If possible, it's a good idea to get to know your local reporters - radio, newspapers, TV (if relevant) and industry and trade publications - so that when a great story does take shape, you've already got a relationship with the key people. Don't overlook the business pages in the bigger daily papers. While it may seem they are only covering the big business stories of the day, they are always interested in the smaller business which makes a big break or secures a new market.

Tell them the news, either through talking directly to a reporter or by writing a media release. The media release follows a particular format, putting the salient points of the story up front, fills out and explains the news in the middle and gives the background information towards the end. You should also give contact phone numbers for the reporter to follow-up, although always call the reporter to let them know the media release is coming or has been sent.



If you've really got something to celebrate, especially if a small business hits the big time, for example, securing a lucrative overseas market, this may call for a media conference. Here, reporters from all relevant news organisations would be invited to attend and a key address would be given - if the news is good for the New Zealand economy, it could warrant an address by a key government figure. Local MPs and dignitaries would also be invited. You'd still need to hand out a media release as well as company information and other relevant background information which may be useful to the media.

Be First, Be Different

Being first to the market with a sought-after new product or service can be a potential money-spinner.

If you've done your market research and business planning, pitched the product at the right price, planned the launch and have been particular about quality service, being first to the market will undoubtedly give you a competitive edge.

The challenge however of entering a competitive market is working out when the product or service is ready to launch. You may have to go in at a satisfactory quality level, rather than waiting to achieve the final couple of percentage points of quality.

If you procrastinate and a competitor beats you to it, you would have missed the opportunity to be the "pace setter" in the market by being first with the product

Know what your competitors are doing

Standing out above the others and being different is another way of creating your competitive edge.

To compete in a market, you need to know what your competitors are doing and offer a better deal.

But don't compete on price alone. Instead, make customers believe your business offers better value for money in other ways, for example:

- After sales service
- More personalised service
- Value-added service
- Long guarantees
- Better than average quality.

A small service station, for example, might offer a free tyre check and windshield-cleaning service to customers, to compete with the bigger self-service, cut price petrol stations.

When you have your customers thinking your product or service is a better deal, even if it's just the way they interpret it, then you have created a Unique Selling Proposition (USP) for your product or service in the market.

But don't be a rip-off merchant. Wild claims and false promises will soon earn you a name for dishonesty.

If you want to make profits in your business, try to make your business look different from that of your competitors.

Dare to be different!