



# Succession & Governance

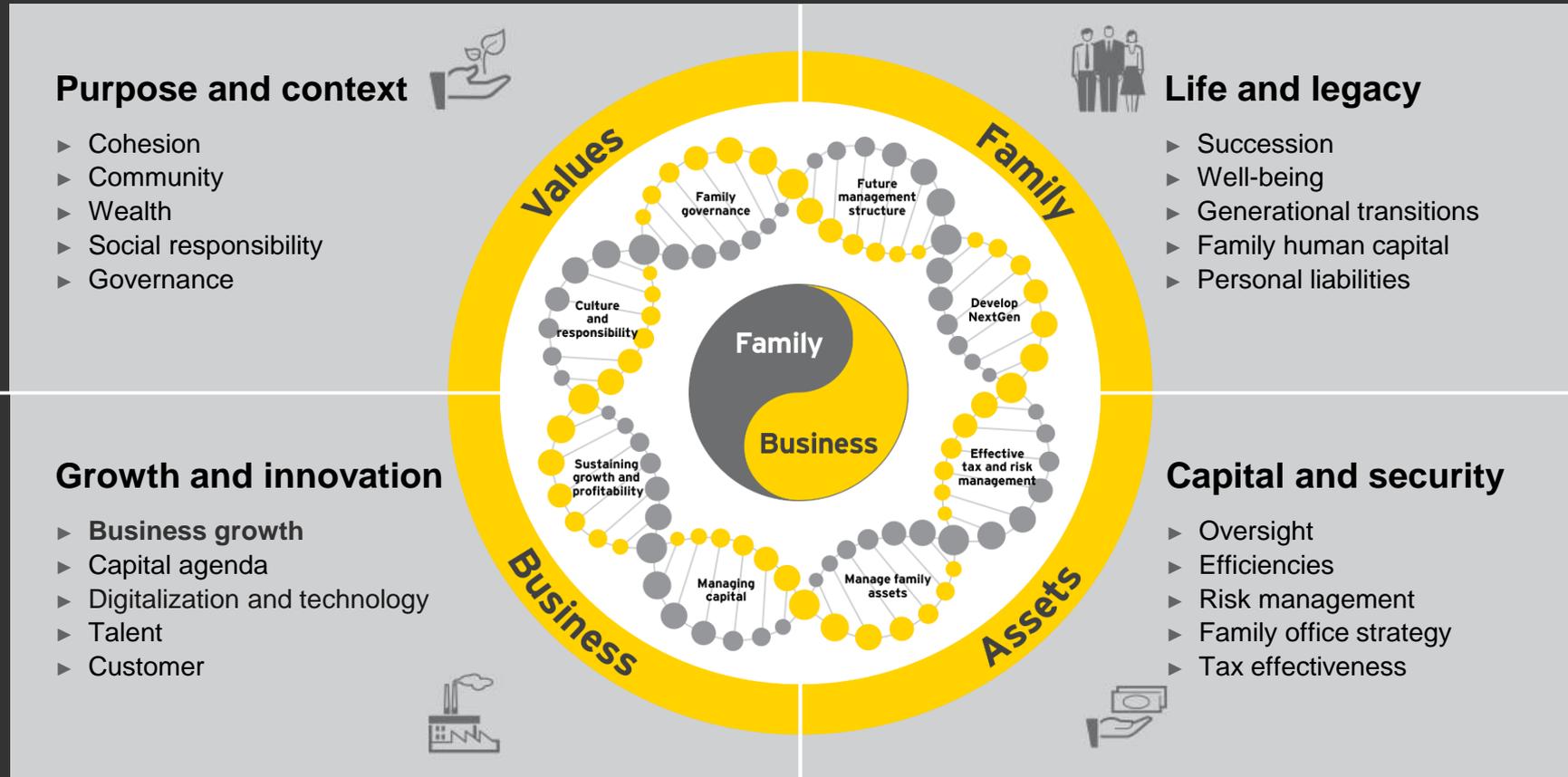
Global Family Business Trends  
and Challenges

Athens, November 13, 2019

**EY**

Building a better  
working world

# EY DNA Growth Model for Family Enterprises



# Global Issue: Governance & Succession Planning



# Factors that lead to failure in succession

60%



are attributable to  
**how successor family  
members interact**

25%



were caused by  
**inadequately  
prepared heirs**

Why do only 3%  
of all family businesses  
remain in business  
past the third  
generation?

12%



were due to lack of a family  
mission or purpose that clearly  
**defines use of family's wealth**

3%



or less were caused by  
**incompetent advisors,  
lawyers and accountants**

# Investing in family

Generation	G2(8)*	G3(7)	G3-4(7)	G4(12)	G5+(4)
<b>Family Governance</b>	%	%	%	%	%
▶ Family Council	63	71	100	85	100
▶ Family Constitution	25	43	71	96	100
▶ Next Gen Education	13	43	71	75	100
▶ Exit Policy	0	43	43	85	100
<b>Enterprise Practices</b>					
▶ Independent Board	25	71	85	96	100
▶ Non-family CEO	25	28	43	25	100

\* Represents generation number and (brackets) are number of families in study - Total 38 of average \$200million wealth

Jaffe , D with Flanagan, J. (2012). Three Pathways to Evolutionary survival: Best practices of multi generational family enterprises.

# The four dimensions of succession

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1

## Succession in leadership

- ▶ Who should lead the business and who decides on a successor?
- ▶ Family employment and compensation?
- ▶ Working relationship and evolving roles of current and next generation?

2

## Succession in business ownership

- ▶ Who should own the business?
- ▶ How to handle exits in terms of process, value, timing, compensation?
- ▶ Company structure, governance and family shareholder involved?

3

## Family legacy and values

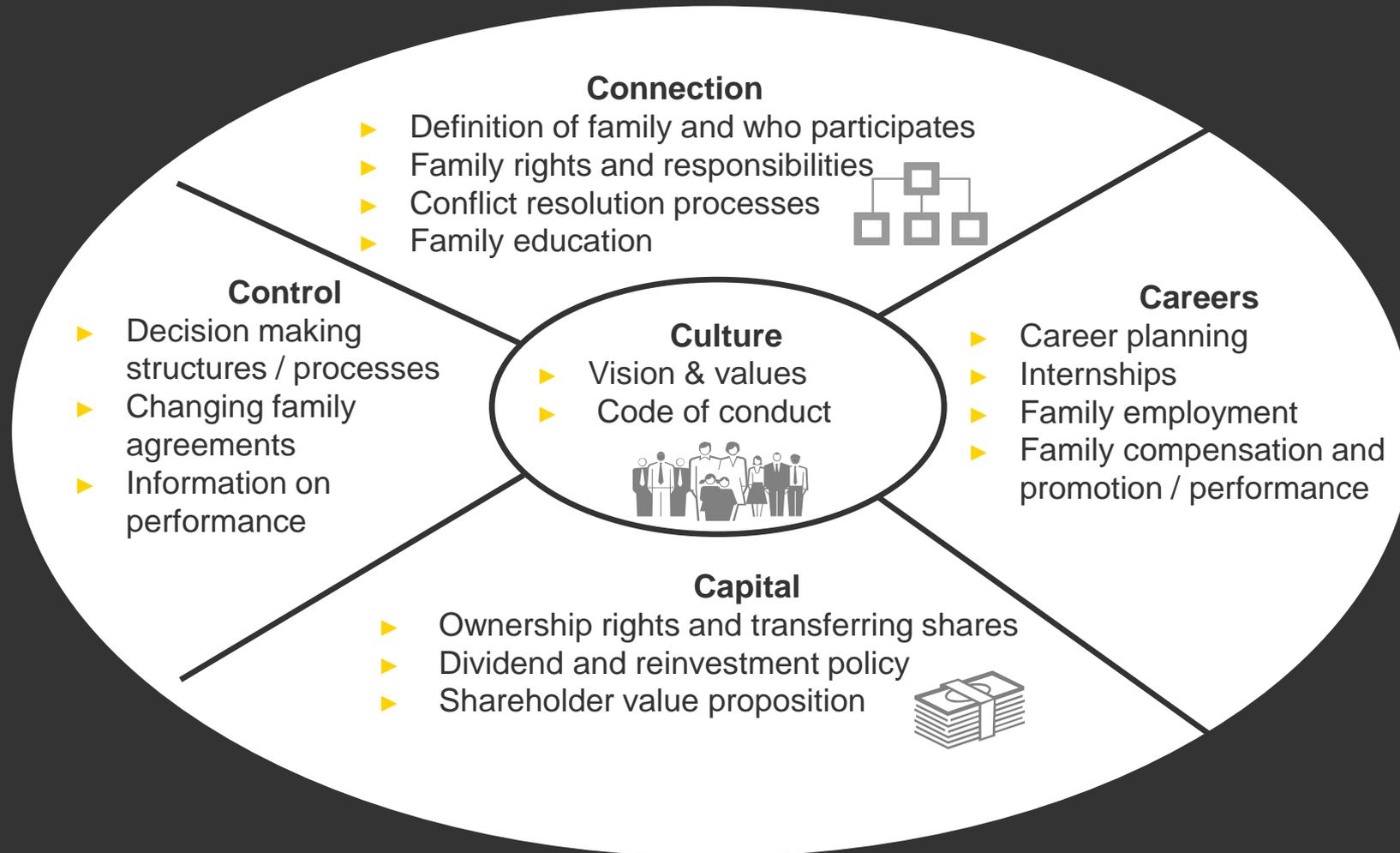
- ▶ Defined family history and values?
- ▶ How to maintain family values and avoid conflicts?
- ▶ What planning and support is required to ensure smooth succession?

4

## Managing family wealth

- ▶ How is the family wealth to be managed / separated from business?
- ▶ How should family wealth be transferred to the next generation?
- ▶ Need for contingency plan, financial agreements, estate planning?

# The 5 C's of the family constitution



Thank you!

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