



Media Release

FBCN Assists Business Associations to Develop “White Label” Succession Solutions for their Members

Tuesday November 4, 2014. Family Business Consultants Network (FBCN) Chair - Jon Kenfield, says there's a 'ticking time bomb' that threatens the future of many family-owned SMEs, and the families and employees that depend on them. This arises through their widespread reluctance to develop appropriate succession / exit plans, along with sensible legal and tax structures, to help successfully transition their businesses to the next generation – whether that's within, or outside, the family.

Kenfield notes that too few professional and industry associations, including many with high proportions of mature age members, are responding to the danger by developing “in-house” trustworthy succession advisory and planning services for their members.

“Surveys, experience and industry reports estimate that the average age of Australia's SME owners and leaders is 60+ and that an alarming 76% don't have formal succession plans or transition strategies in place to ensure business continuity. And this is despite the fact that most owners need to transition profitably out of their businesses to fund their retirements – whether through family succession, sale to management and staff, or some other form of disposal”, said Kenfield.

“Another serious complication occurs when owners don't have well-structured asset ownership, a problem that's often matched with little or no wills and estate planning. In an increasingly litigious society, the old joke has become a sad fact, that: “where there's a will there's a relative!”, and all too many families are finding themselves drawn into protracted, costly and destructive disputes that rarely produce any real winners”.

Kenfield says that, “Many business owners who trusted to markets and luck have already discovered, to their cost, that failing to make the right plans and arrangements in good time leaves them vulnerable to issues such as: (a) there are many more sellers than buyers in the market; (b) access to capital remains difficult for smaller businesses and (c) the only hungry buyers out there are “hoovering” consolidators. The unfortunate consequences may include having to dispose of assets at fire sale prices, or having to close the doors and walk away with little more than memories from a lifetime of hard work”.

Many parents in family businesses fear that either their children: (a) don't have the ability to love and run the business as well as they did themselves; (b) don't have access to enough finance to buy the business so as to give them an adequate retirement nest egg; (c) shouldn't have to sacrifice themselves to the business the way their parents did. They also don't regard their employees as serious candidates for taking over the business, either alone, or in partnership with their children.

Owners often respond by reducing investment in their businesses, mainly to get more cash out for themselves while they still can. This causes a domino effect on systems and morale that adds up to reduced competitiveness, profits, value and viability. As the prospects for the business become more grim, the best staff start to seek other employment, and so the flood begins

The broader economic impact is also quite chilling: many Australian business owners will not be able to adequately fund their retirements and will not be able to enjoy the quality of life they have worked so hard to deserve. Increasing numbers of privately held Australian businesses will find themselves owned by foreign companies, and large numbers of Australians will find themselves out of work, as these consolidators “right-size” their businesses.

According to Kenfield, some industry specific associations are facing the very real prospect that their membership ranks could drop to less than 10% of current levels as their private business members retire without replacement and there’s nobody other than consolidators and multi-nationals absorbing their distressed businesses. “The overall number of independent business members has been falling significantly for more than 10 years” says Kenfield, “and many of these trade and industry organisations are wringing their hands in despair, rather than doing anything proactive about it”.

Kenfield explained that FBCN helps organisations to establish “White label, industry specific succession planning advisory services and programs as a ‘value add’ benefit to members, and as a strategy for their own survival. An interesting component of these programs is the involvement of members who have successfully exited their own businesses, who are willing to act as mentors throughout the process”.

FBCN works well in these sorts of environments, as its collaborative working model and broad spread of member skills enables it to partner with professional, trade and industry associations to provide new and innovative solutions for major challenges.

“In the case of associations with a large base of mature age business owner members, FBCN can provide invaluable support services to help members make smart choices about their own futures, and the futures of their families, businesses and employees – and do it from within their own industry associations. Everyone’s a winner with that system”, Kenfield concludes.

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