



Media Release

‘Fossilised’ business owners jeopardizing family and employee futures

Monday September 1, 2014. Family Business Consultants Network (FBCN) Chair Jon Kenfield believes the number of older generation business owners that have stayed at the helm of their enterprises well beyond the time when they should have facilitated a successful ownership transition is a significant problem that now poses serious challenges and risks to prospective future family owners and loyal employees.

Kenfield observes that the effects of this “fossilisation” are already becoming apparent throughout our economy - in the form of increasing business closures and job losses. He believes this will continue to impact commercial capacity and financial resources, and should be stimulating the Australian business community, and government, to do far more than they’re currently doing to meet the threat.

Commenting further, Kenfield says that this is another outcome of the GFC that has yet to be fully understood, but the ramifications are being felt in family owned businesses across the country, and around the world. “As a result of depressed economic conditions, business owners were forced to put their sale and exit aspirations on hold. Now, these owners are becoming too old to wait any longer, because their health, commercial capacities, and their businesses have diminished with age. These *‘rusted on or fossilised’* versions of what were previously dynamic business leaders are making increasingly poor or no decisions at all. This leads to increasingly frustrated family successors; confused and leaderless employees; anxious suppliers, and more demanding financiers. As if that weren’t enough, investment in the business also halts; some of the best staff leave as an act of self-preservation, and customers start seeking alternative relationships as quality, price and service levels suffer. This *‘perfect storm’* erodes confidence, shrinks revenues and profits, and further depresses business values. It’s a desperate downward spiral.”

When a business starts to decline, the momentum can cause exit options such as family succession, IPOs, trade sales, acquisitions and mergers, or buyouts by management and staff, to disappear quickly.

Many business owners need to sell their businesses to fund their lives in retirement. The stark reality is that many of them have already missed the boat and will not be able to find buyers willing to pay what they consider an acceptable price (or what they need to get) for their life’s work. Their diminished businesses also look far less attractive to family successors than they once did, due to years of decline and frustrated confusion.

An inevitable and tragic final outcome, at least in the worst case scenarios, is that these owners will be forced to turn of the lights, lock the doors and walk away. The business owner loses out; their family fails to transition the business to their next generation; local jobs are lost, and our business capacity takes another hit.

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