

Family businesses must bridge three gaps for clean succession

A study conducted on family business succession found that family firms must take care of three critical gaps to ensure smooth succession. The first one is the generational gap, as an intergenerational transition is a potential 'make or break' change that can significantly affect the family business. Citing generational gap as a big challenge, the study mentioned that globally, only 12% of the family businesses continued to the third generation, whereas only 1% of them reached the fifth generation. According to the study, many Indian family businesses are grappling with generation gap and must take steps to address the intergenerational differences for a smooth succession.

The second gap is the credibility gap. Next generation members are trying hard to prove themselves to the family and non-family executives. The study found that 88% of gen-next members surveyed have to work harder than others in the business to prove their worth to family members, colleagues and customers. Most of them cited that gaining respect of co-workers was among their biggest challenges.

The third gap cited by the report was the communication gap. The communication channels between the current generation (which owns or manages the family business presently) and the next generation (potential successors) are not quite open. The study found that 22% of the next generation respondents were concerned about the family dynamics and working with other family members.

The study was conducted by the consulting firm, Price Waterhouse Coopers (PwC) through a survey of more than 200 next generation family members who are potential successors of their family businesses.

Source: Business Standard, April 15, 2014