

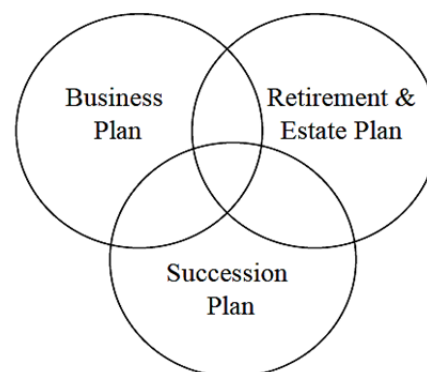
## Planning Your Exit from the Family Business

— Foundations Consulting

Retirement from family business is an important phase in the lives of both the retiring family business leader and the family firm. It may bring changes to all three constituents of a family business - a) **Management** - Strategic or operational changes in the way business is managed b) **Family** - Changes in roles and responsibilities of family members and c) **Ownership** - Any change in ownership rights within or even outside the family.

Therefore, the family business leader's retirement is a process that needs to be planned very well to ensure smooth transition of the business to the successor. On the other hand, it is also crucial for the retiring member to redefine and adjust to his/her new role. Thus, it is essential to develop a structured process for this transition to take place. Family businesses that are to undergo this evolution process due to retirement of the family business leader are advised to develop a three-pronged transition plan bearing the following components -

a) **Business Plan** - In order to maintain the strategic focus and improve the overall value of the business, the strategic business plan must incorporate the changes needed in future business strategy. The retiring member and successor must together give shape to this plan considering the important strategic moves required to achieve business objectives in future.



b) **Succession Plan** - The succession plan must bear the details of how business will be owned and managed in future. It must include – who will own the business (i.e. family members or trust or external investors etc.), management roles of family members/professional managers etc., recruitment criteria for family and non-family managers, performance evaluation criteria, remuneration terms, mechanism for resolution of disputes – between family and non-family managers and among the family members.

c) **Retirement and Estate Plan** - It is important for the retiring family member to have a clear post retirement roadmap. This must include details about - the retiring family member's ongoing role in business/family council, what new role/responsibilities will the person take up (for instance - mentor/advisor to business, family philanthropy or other social causes), how the family estate is to be managed and what will be the sources of income needed to support his lifestyle and healthcare needs.

This comprehensive planning will ensure a smooth transition for the business, the family and the retiring family member.

*Source: Foundations Consulting, Australia (<http://www.foundationsconsulting.com.au>).*