




FOUNDATIONS OF SUCCESSION PLANNING



SUCCESSION PLANNING IN FAMILY FIRMS

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- ▶ Family business succession planning is the process of preparing for the seamless transition of leadership and ownership within a family-owned business.
 - ▶ It is a deliberate and strategic process designed to ensure the continuity of leadership in a family business across multiple generations.
 - ▶ It involves aligning leadership transitions with the long-term objectives of both the business and the family.
 - ▶ This process focuses on equipping the next generation with the skills, knowledge, and mindset required to lead effectively.

When done right, it lays a foundation for stability, longevity, and continued growth.

WHY DOES IT MATTER ?

- ▶ Family businesses play a vital role in the global economy.
- ▶ Family businesses across the Middle East will pass AED 3.67 trillion (\$1 trillion) to the next generation in the coming decade.
- ▶ Research shows that 70% fail to successfully transition to the second generation.





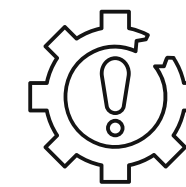
IMPACT OF POOR SUCCESSION PLANNING

Family disputes and stakeholder misalignment



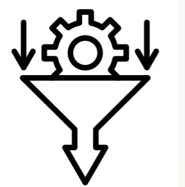
can emerge without clear succession plans, leading to power struggles and conflicting visions.

Loss of agility and competitiveness



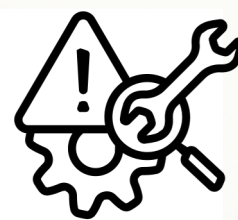
when future leaders are not prepared to respond to evolving business needs.

Strategic Discontinuity and Leadership Bottlenecks



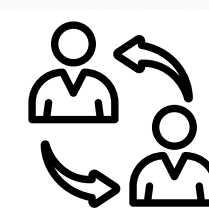
hindering decision-making, growth, and continuity.

Erosion of Core Values and Culture



can result from transitions not anchored in shared principles.

Diminished Legacy and High Turnover



weaken long-term family involvement and reduce employee retention and morale.

Operational and Financial strain

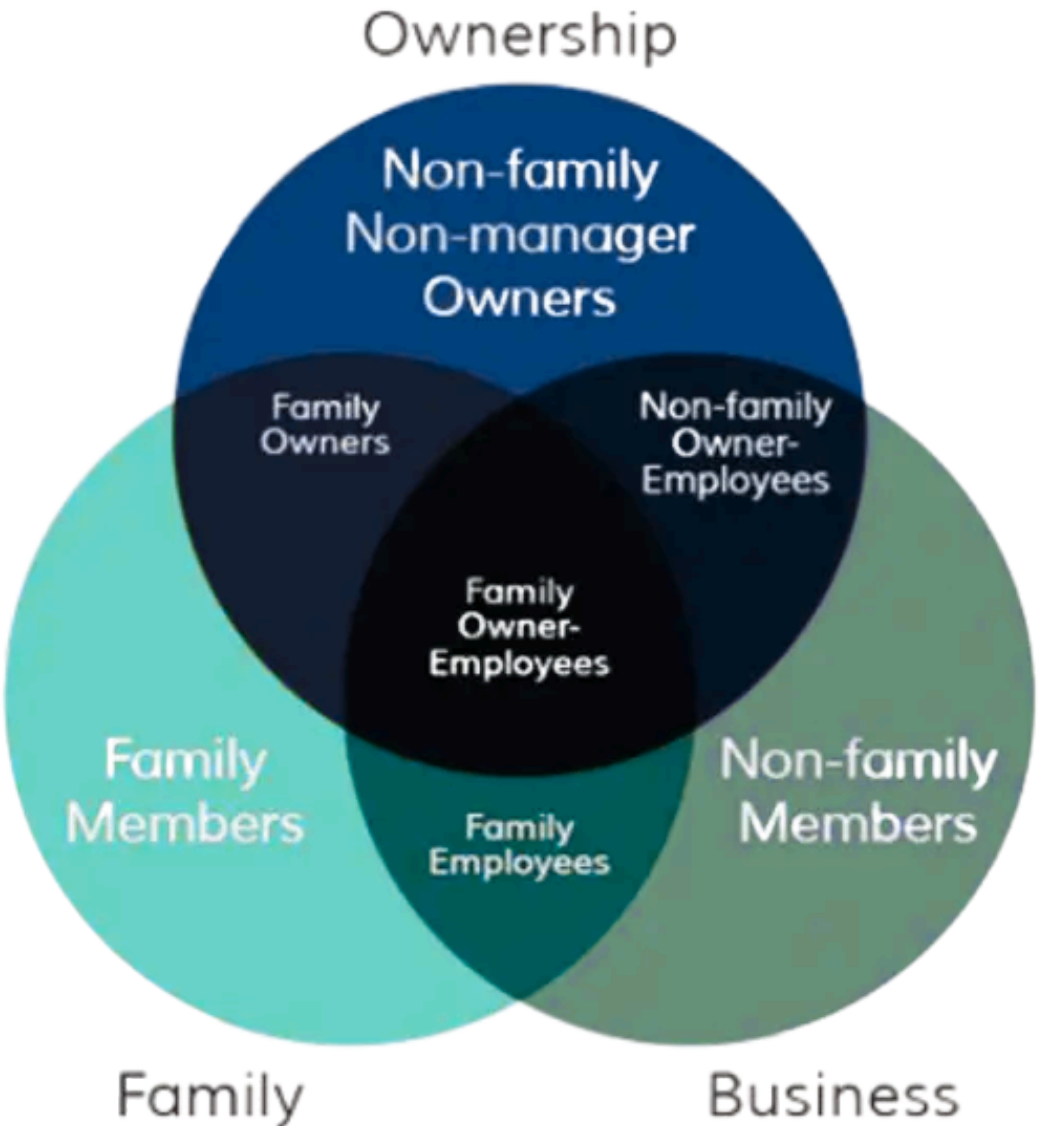


may arise due to inefficiencies, unresolved conflicts, and lack of crisis readiness.



THE THREE CIRCLE MODEL

The Three-Circle Model of family business, developed by Renato Tagiuri and John A. Davis in the 1978 provides a clear framework for understanding the complexities unique to family enterprises.



01

It defines three overlapping yet distinct circles: family, business, and ownership. Together, these circles illustrate how different roles and interests intersect within a family business system.s

02

This model emphasizes the need to manage the distinct interests and interactions of these groups, each occupying one of seven unique spaces.

03

This model highlights the importance of robust governance systems to navigate the challenges specific to each group and ensure alignment across the family business system



ROLE OF CORPORATE GOVERNANCE

A well-structured governance system is fundamental to effective succession.

1

It provides clear decision-making structure, delineates roles and responsibilities, and outlines the process for leadership transitions.

2

Governance mechanisms, like boards and family councils, help manage expectations, and conflict and institutionalise strategic alignment.

3

Succession planning should include documented processes for decision-making, conflict resolution, and long-term goal setting.



EARLY PLANNING LEADS = LONG TERM SUCCESS

- ▶ Succession should be viewed as an ongoing process rather than a one-time event.
- ▶ Starting early allows families to explore different scenarios, build consensus, and gradually introduce successors to leadership roles.
- ▶ It also provides time to address competency gaps, mitigate risks and adapt plans to evolving needs.
- ▶ Regularly reviewing and updating the succession plan in response to internal and external changes reinforces strategic agility, ensures business resilience, and strengthens family cohesion.





Thank You

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