

TRUSTED ADVISORS TO FAMILY BUSINESS

# FAMILY OWNED BUSINESS



Audit • Tax • Advisory



## BDO & FAMILY BUSINESS

Family business have many things going for them – they tend to be flexible, reliable and proud, they can think long-term, they have a strong culture and their people are committed. But they can also carry a daunting set of disadvantages – they can be rigid, inward-looking, and unresponsive to change and sometimes swamped with emotional issues. It's a fascinating and complex mixture of advantages and disadvantages, costs and benefits, strengths and weaknesses.

It is a surprising that little guidance is available on the unique and complex issues that these family businesses are facing... but we are here to help. BDO has been serving the needs of family business people, helping them to find a path through complexity and to balance the ambitions and needs of their business with those of their family.

All family firms are different – and there are no easy answers – which is why we at BDO offer jargon-free advice on the principles, processes and procedures that can help families to recognise and address the many diverse issues and conflicts that can arise within family owned businesses.



# 1

## UNDERSTANDING THE OVERLAPPING CHALLENGES OF FAMILY BUSINESS

### Family

Many family businesses face huge challenges coping with the dangerous overlaps between family and business systems:

- Organising responsible family ownership.
- Working productively with non-family members.
- Developing the next generation and future leaders, creating policies to manage roles.
- Remuneration and incentivisation of family members.
- Implementing successful generational transitions, and
- Establishing best practice family and business governance

### Business

Families running successful family businesses have almost always managed to find a solution to the one overriding family business issue, the relationship between the family and the business. They have been able to formulate and adopt policies that strike a balance between the best interests of the business and wellbeing of the family. These points may include:

- Introducing strategic management and processes, and
- Introducing systems for monitoring performance.

### Ownership

The passage of a family business from one generation to the next can be fraught with difficulties. The business must:

- Understand the difficulties of a change in leadership/ownership.
- Consider the emotional implications for the family/business.
- Consider the financial implications for the family/business

# 2

## CONFIDENCE TO ADDRESS THE CHALLENGES

A lot of family and entrepreneurial businesses have a tendency to preserve the status quo and to remain unchanged in their existing business model. This is precipitated, among other reasons by fear of the unknown, uncertainty over business growth and even to some extent by procrastination. The pressure to deal with the fear, the uncertainty and procrastination is most notable as the business transfers from one generation to the next. This transfer creates, however, challenges to reconfirm or redefine the direction of the business, improve its capability and to make choices about its ownership. Confidence will be key to addressing these challenges and to creating a plan for success(ion).

# 3

## CREATING A PLAN FOR SUCCESS(ION)

In an ever changing business environment, BDO believes it is important that businesses do not remain stagnant on how they operate.

We believe we have the expertise and experience to help businesses cross the line of confidence and to help them realise that their initial fears should not hold the development of the business back and that planning for a bigger future should be on every family businesses agenda.

## HOW WE CAN HELP

For the last 20 years, we have developed a wealth of knowledge and experience in dealing with every aspect of family business. Our services areas include:

- Managing succession – new generation, new systems and new culture.
- Family Business Dynamics – people and systems.
- Financial planning and advice – building security and relinquishing control.
- Taxation Services – ownership and succession.
- Growing the Family Business – leadership, governance and strategy.
- Improving Communication – unifying plans, processes and structures.

Our work includes facilitation to deal with specific current issues and working with large family shareholding groups to create long-term governance structures. We are committed to guiding and advising family businesses on how to reconcile the often conflicting needs of the family and the business, to providing a framework within which information and learning experiences can be shared, and to increasing understanding dynamics in the wider family business community and beyond.

The current economic conditions have presented opportunities and threats for family businesses. However, the situation has encouraged family business leaders and senior management teams to re-evaluate some of their previously unchallenged assumptions which has led to stronger and more effective organisations.

## OUR FAMILY BUSINESS TEAM



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