



# Succession PLANNING

EVERYTHING'S NEGOTIABLE

Recent research has found that one of the best ways to hurt the family business is to hand it down to the eldest son. But Ken Lee not only took over the reins of the electrical chain founded by his father Bing Lee, he has watched over its continued growth. *George's Michael Butler* decided to investigate.

It's a romantic notion. The family business, handed down from father to son, generation after generation. A safe haven in uncertain economic times and a source of family pride and identity. But in reality, the family business is increasingly a one-generation-only affair and many that stay in the family for more than one generation face a long, slow decline.

Of course, there are exceptions to rule. The Packer family comes to mind immediately. The multi-generational business founded by the grandfather (Frank), expanded hugely by the son (Kerry) now in the hands of a grandson (James) who shows every indication – some early stumbles before taking over the top job notwithstanding – of continuing the family company's growth and success.

If you've ever spent any time in New South Wales, chances are you're aware of another family business that has prospered after being handed down from father to son: electrical retail chain Bing Lee.

Founded in 1957 by Bing Lee and his son Ken, the chain has grown from a single store in the south-western Sydney suburb of Fairfield into a state-wide chain of some 35 stores, with 19 franchises.

It is a great success story but what makes it even more remarkable is the fact that, since Bing Lee's death in 1987 (aged 81), Ken has continued to grow the chain, and turn it into the successful business it is today.

Ken is well aware of the importance of succession planning. Over the years he has built a highly motivated and dedicated management team to assist in the running of the business. He has always treated his team as part of the Bing Lee family, and with his two sons Lionel and Greg forming part of his management team, the business success will continue long after Ken steps down.

#### IF YOU LOVE SOMETHING, LET IT GO

Let's back up a step. Why do family-run businesses so often face a decline as they're passed down through the generations? Business succession is too often neglected but it can hit family enterprises particularly hard, whether they're a corner store or a multinational conglomerate.

Monash University's Family and Small Business Research Unit (FSBRU) has found

that the complexities of passing down the family business from the founder to the next generation are usually ignored until the last minute – usually when the founder dies.

"Business operators need to take a holistic approach to succession planning," says FSBRU director, Associate Professor Rowena Barrett. "You can look at succession planning from the financial, taxation and legal points of view, but unless you also factor in the individuals, you are destined to fail."

The key is to understand the expectations of all concerned – management and other staff, family members and employees – and to balance these against the legitimate needs of the business.

All too often, however, there's a set of unspoken assumptions in place about who will take over the business. This causes uncertainty and can lead to big problems, yet succession plans are rarely documented or formally addressed.

These assumptions can affect the attitudes of staff and family, for example discouraging managers' ambitions and skill development, or even causing them to leave a business because they feel they must go elsewhere to meet their career and development goals. Similarly, family members may feel the business is theirs by birthright, or conversely that it will never be theirs. In either case, business and management skills may not be pursued, leaving the organisation short of expertise when the handover occurs.

This goes to the heart of good business practice. As any successful manager will tell you, the key to business success is to manage and maintain relationships effectively, with family, staff, clients and partners.

"There is no one, correct way to conduct family business succession," emphasises Dr Barrett. "Relationships include those between individuals such as the incumbent and the successor, as well as between other stakeholders in the business."

#### FATHERS AND SONS

Ken Lee would no doubt agree. He's well aware of his business' needs as he worked hand-in-hand with his father from the opening of the first Bing Lee store. In fact, they were working together well before then.