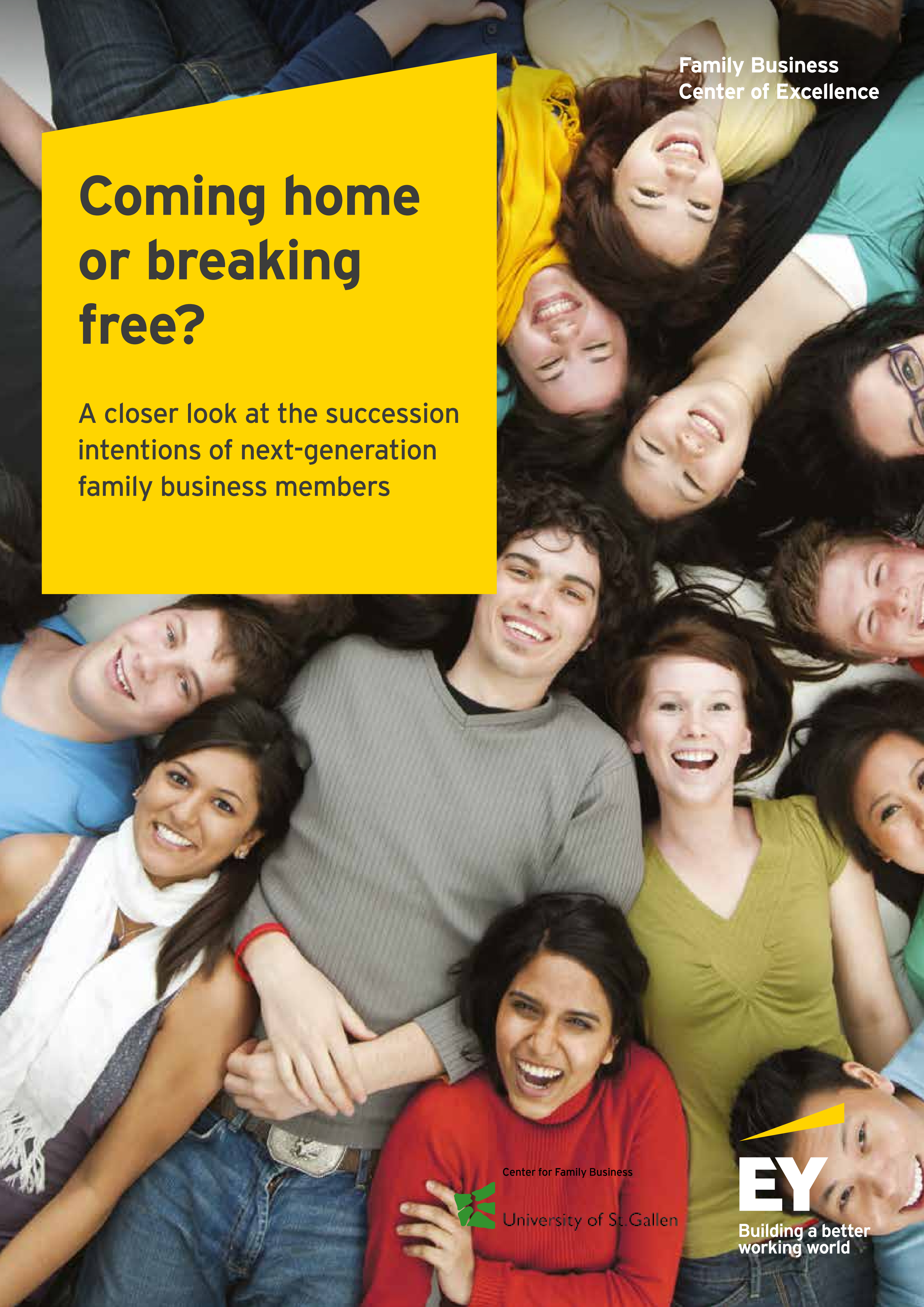
Family Business
Center of Excellence

Coming home or breaking free?

A closer look at the succession intentions of next-generation family business members



Center for Family Business
University of St.Gallen

Building a better working world

Introduction

Dear reader,

Family business owners have a strong desire to keep their company under family control across generations. But who is best suited to take over, and which factors encourage succession within the next generation?

In our previous study, *Coming home or breaking free? Career choice intentions of the next generation in family businesses* (2011), we explored what motivates students to pursue a career in the family business. In this study, we continue that exploration of succession intentions but with an even broader international scope.

Some of our more interesting findings include:

- Only 3.5% of all next generation members want to take over their parents' firm directly after college graduation; 4.9% plan to do so five years later.
- The pool of potential successors who are generally open to becoming a successor is much larger (19.8% of all students with family business background).
- Since 2011, succession intentions have been decreasing; we estimate a decrease of around 30%. Likely causes include a more attractive job market and potential successors developing deeper insights into what it takes to assume control of the family business. While fewer next-generation members intend to become successors, those who do may be more motivated and better prepared.
- Female potential successors have weaker succession intentions than their male counterparts.

In addition, we identify different important drivers of succession intentions on the cultural and institutional level, the individual level, the firm level, and the family level.

We hope that you find the study a worthwhile read. We very much look forward to engaging in a dialogue with you.

Yours sincerely,

Prof. Dr. Thomas Zellweger
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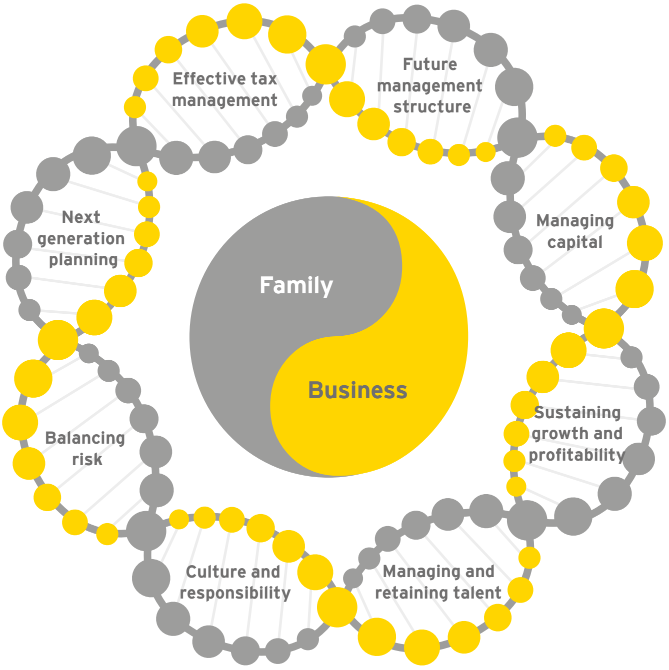
Peter Englisch
EY Family Business Center of Excellence

About the EY Family Business Center of Excellence



Running a family business successfully is a balancing act between the strategic issues related to your family and those connected with your business; it also means steering the company successfully between the forces at work in the marketplace and within the family.

As an organization focused on entrepreneurship, with a dynastic will to build a stronger business generation after generation, EY relates to, and understands, the issues faced by family businesses.

Our Family Business Center of Excellence, the first of its kind, is designed to support family businesses and their owners wherever they operate in the world. The Center brings together advisors from across the EY global network to share knowledge and insights that will address family business challenges and provide seamless service for internationally based family-owned companies.

The EY Family Business Center of Excellence builds on our history of working with private companies and family businesses. The Center also coordinates research investments, sharing leading practice insights with our clients.

We know that each family business is unique, yet successful family businesses have much in common; understanding these success factors and taking advantage of that knowledge underpins what we call the "growth DNA of family business." Our bespoke family business services, based on this growth DNA model, support both the personal and company performance agenda of family business leaders, and aim to help you succeed for generations.

For more information, please visit **www.ey.com/familybusiness.**

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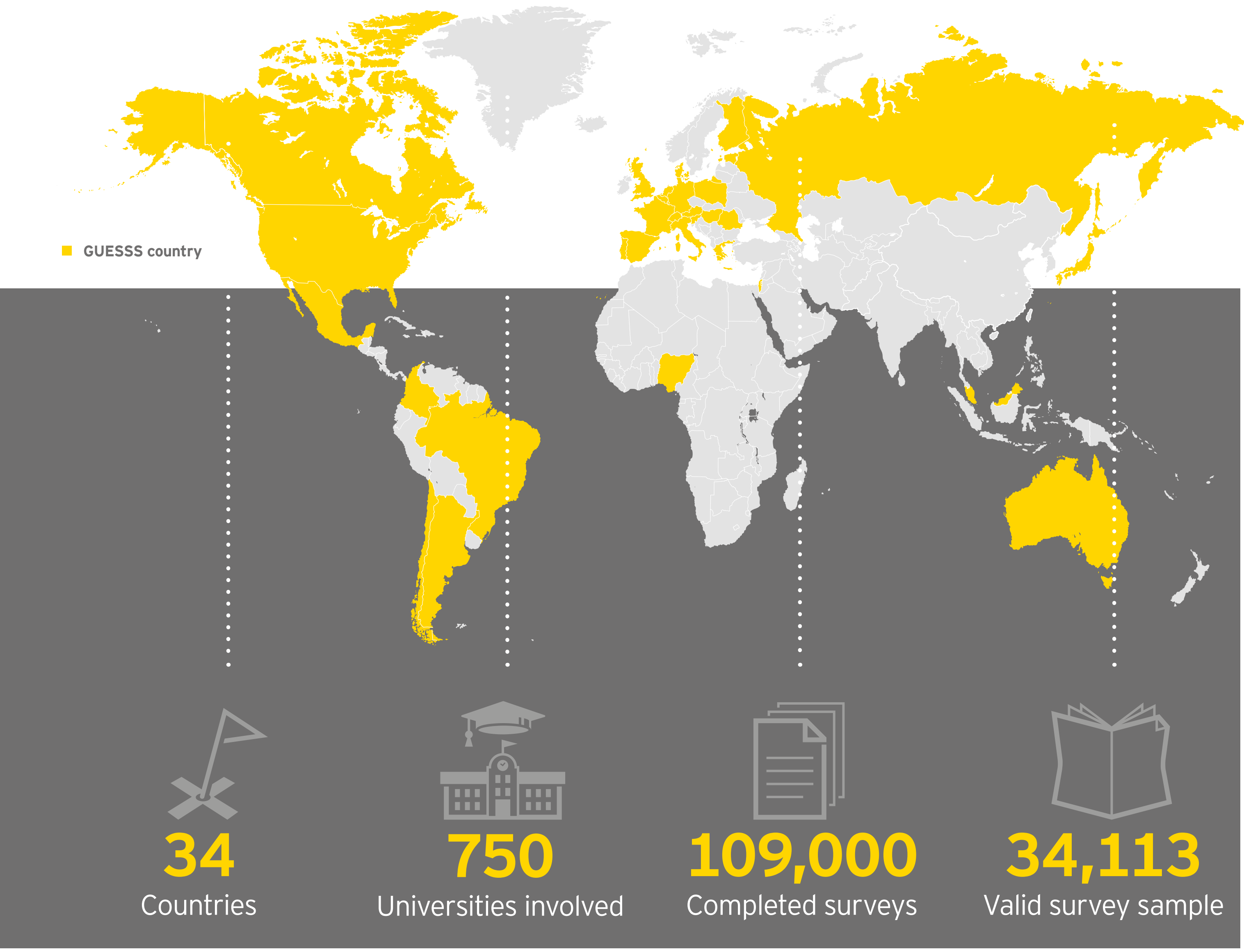
About the Center for Family Business at the University of St. Gallen (CFB-HSG)

The center is committed to providing family-owned businesses with long-term support. To this end, the Center has established itself as an internationally active expert in family-owned businesses in the areas of research and outreach programs. The Center's work involves initiating, managing, promoting and running training and transfer programs, research projects and executive courses. See also the Global Family Business Index on **http://familybusinessindex.com/** **www.cfb.unisg.ch**

01 The study's basis: the GUESSS project

This study is based on data collected by the GUESSS project (*Global University Entrepreneurial Spirit Students' Survey*), which is supported by the EY Global Family Business Center of Excellence. GUESSS investigates entrepreneurial intentions and activities of students across the world and also explores succession intentions in family firms.

Between October 2013 and April 2014, GUESSS collected data from 34 countries. More than 750 universities were involved, and 109,000 surveys were completed. Our study is based on the responses from 34,113 students (31.3%) with a family business background (one or both parents are self-employed). More information about the characteristics of the sample can be found in the Appendix.



02 Talking about the next generation

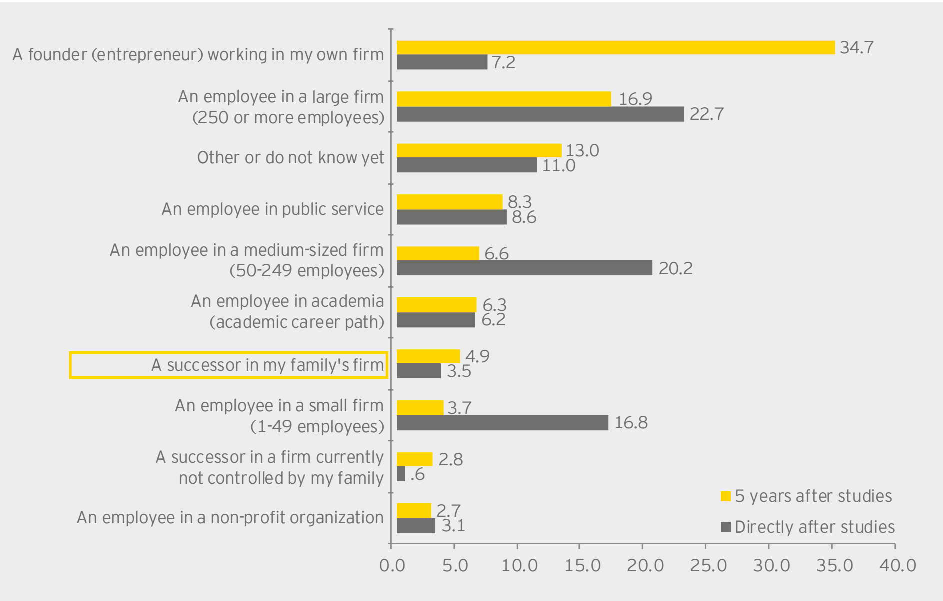


Figure 1: Career choice intentions of students with family business background (percentages %)

Only 3.5% of the students whose parents have a family firm intend to become a successor directly after studies. The appeal of becoming a successor increases slightly five years after graduation, when 4.9% intend to take over.

How many want to become successors?

The students we surveyed had wide-ranging career aspirations, from working at a nonprofit organization to starting their own company. However, relatively few students plan to join the family business. Only 3.5% of the students whose parents have a family firm intend to become a successor directly after studies. The appeal of becoming a successor increases slightly five years after graduation, when 4.9% intend to take over.

Right after graduating, students are much more likely to see themselves working at a small, medium or large firm: nearly 60% plan to do so. But working for someone else becomes less likely five years after graduation. More than one-third of the participants would like to found their own company, revealing that it's not a lack of entrepreneurial spirit or motivation preventing the next generation from joining the family business.

Succession intentions vary across countries as well. Survey participants in Mexico, Belgium and Slovenia have the strongest intention of joining the family business five years after studies, with those in the US, Israel and Denmark the least likely to follow in their parents' footsteps. In most countries, the succession path is more attractive five years after graduation, which indicates that some next-generation members plan to gain professional experiences at other companies before joining the family business.

Country	5 years after studies	Directly after studies	Country	5 years after studies	Directly after studies
Mexico	11.5	9.5	Spain	4.5	4.7
Belgium	8.9	4.9	Portugal	4.4	0.0
Slovenia	8.5	8.5	Germany	4.2	0.8
Japan	8.1	1.5	Estonia	4.2	2.6
Liechtenstein	8.0	8.0	Netherlands	4.1	1.7
Hungary	7.6	4.7	Luxembourg	4.0	4.0
Australia	7.4	4.8	England	3.9	1.3
Canada	6.5	3.9	Colombia	3.9	4.2
Russia	6.4	7.6	Switzerland	3.9	0.9
Italy	6.2	5.4	Singapore	3.8	1.1
France	5.8	0.8	Argentina	3.7	4.6
Malaysia	5.6	4.7	Finland	3.5	2.0
Brazil	5.1	4.1	Austria	3.4	0.9
Romania	5.0	0.0	Scotland	3.1	1.0
Greece	5.0	6.7	Denmark	2.5	1.2
Average	4.9	3.5	Israel	2.4	1.2
Poland	4.5	6.3	USA	1.2	4.8

Percentages of intentional successors across countries

Even though relatively few students explicitly plan to take over the family company, the pool of potential successors is larger than indicated. When participants were asked how strongly they agreed or disagreed with six statements that capture their general willingness to become a family business successor, nearly 20% tended to agree, which means that there is a reasonable likelihood that they indeed become successors one day. (see Figure 2)

Succession intentions over time

Although the pool of potential successors is more encouraging, it has shrunk since our last study. In 2011, it was 22.7%, and it dropped to 19.7% in 2013–14 for a decrease of approximately 13%.

The decrease is even more dramatic when confined to 29 universities that participated in both data collection waves. The average share of intentional successors in the 29 universities (five years after studies) was 6.78% in 2011 and 4.82% in the current analysis, for a decrease of approximately 29%. (see Figure 3)

This decline in succession intentions may be a result of improved labor markets in many countries. When jobs are more plentiful, next-generation members can find more attractive career options, reducing the appeal of the family business.

Educational changes are another factor. Over the past few years, universities and private institutions have been offering more options related to entrepreneurship and family businesses. Students now can gain in-depth, realistic insights regarding what it means and requires to become a successor. Of course, some students may explicitly decide not to pursue a career in the family business based on what they learn in such courses. They may find other options more attractive or believe they can better use their skills in another occupation.

However, those students who intend to become a successor after learning more about what it entails will likely be more motivated, as well as more capable and skilled. In other words, while the share of intentional successors seems to have decreased, the quality of those who intend to do so is likely to have increased. **This "quality over quantity" phenomenon is good news for family firms.**

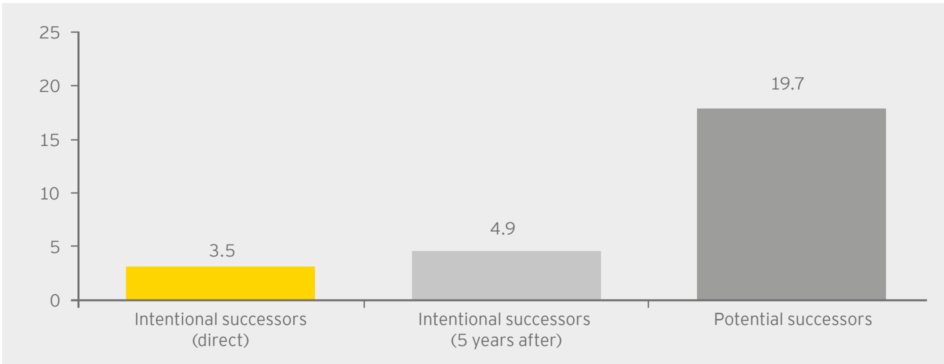


Figure 2: Intentional successors and potential successors, in % of all next generation members

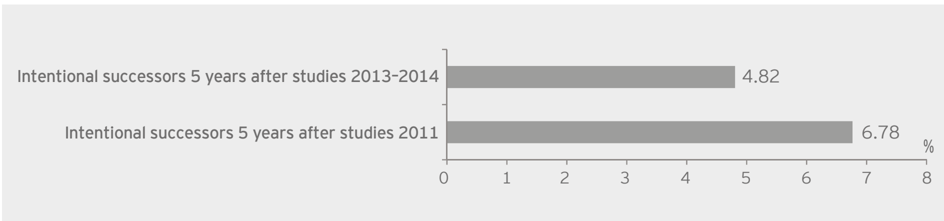


Figure 3: Intentional successors five years after studies in 29 universities

When jobs are more plentiful, next-generation members can find more attractive career options, reducing the appeal of the family business.

03 What drives succession intentions?

The next generation's desire to take over the family business can be affected by a number of external factors. The wealth of a nation, taxes on succession and a variety of cultural forces can draw people into the family business — or push them away. Within the family itself, gender and birth order have an impact, and the family firm's size and success — or lack thereof — can make a difference.

The institutional and cultural context

The wealth of a nation

A country's gross domestic product (GDP) per capita has an interesting U-shaped effect on the strength of succession intentions (measured on a 1 to 7 scale, with 7 indicating very strong succession intention). In poorer countries, succession intentions are strong due to necessity – attractive alternatives in the job market are rare. As wealth increases, succession intentions become weaker because alternatives are more numerous and more tempting. In very rich countries, financial aspects become less important. Family firm successors are instead motivated by status, reputation and self-actualization – all of which can be satisfied by taking over the family business.[1]

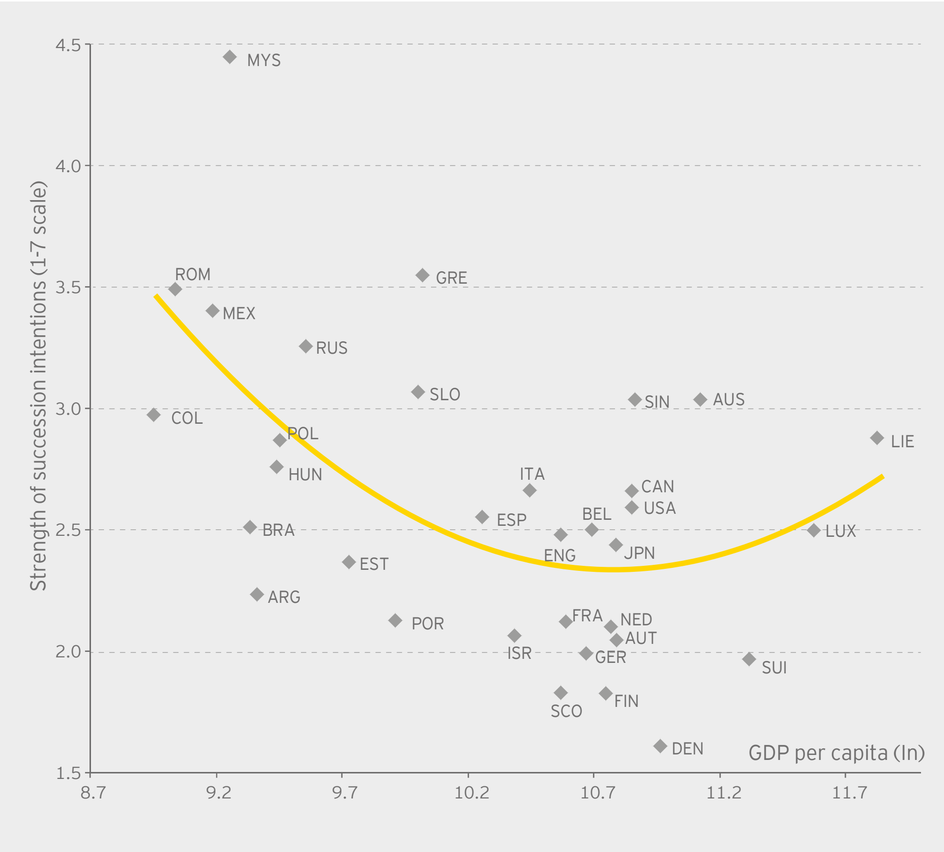


Figure 4: The U-shaped relationship between GDP per capita (ln) and strength of succession intentions

> In cultures where people express a lot of pride, loyalty and cohesiveness in their organizations or families, succession intentions are stronger.

1. Nigeria was excluded due to a lack of usable cases.

Taxes on succession

Taxes, especially inheritance or gift taxes, can influence the attractiveness of taking over the family firm. To explore their effects, we examined the average tax burden in European countries[2] that applies when a typical family business owner hands over the firm to one child. We found that a heavy tax burden makes succession less appealing.

Cultural drivers

Culture matters, too, from degrees of loyalty to respect for authority. To assess the relevance of cultural drivers, we asked students how they perceive different cultural aspects of their society.

In cultures where people express a lot of pride, loyalty and cohesiveness in their organizations or families, succession intentions are stronger. Taking over the family firm allows successors to demonstrate loyalty and to express pride.

When people rely on social norms to reduce risk and uncertainty, succession intentions are stronger. Going into the family business is seen as a safe choice because well-established family firms offer job security and financial stability.

And the more a community accepts and endorses authority, power differences, and status privileges, the stronger the succession intentions are among next-generation members. For example, those who strive for compliance with powerful authorities such as their parents are likely to exhibit a strong desire for intrafamily succession. They also may strive for authority, power and status themselves. Becoming a successor allows them to exercise power and enjoy their status as a family business leader.

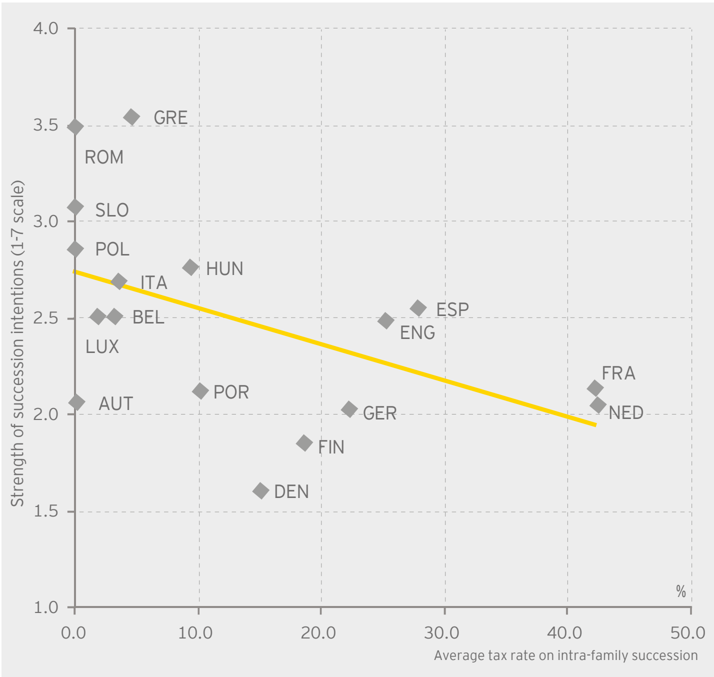


Figure 5: Average succession tax rates and strength of succession intentions

2. *Worldwide Family Business Tax Guide 2014*, EY.

Gender

Although our recent global survey of the world's largest family businesses[3] reveals that family businesses strongly welcome women in future leadership positions (with 70% claiming they are considering a woman as their next CEO), our survey here shows that female students with a family business background are less likely to want to become a successor compared with their male counterparts.

So why are daughters less likely to want to become successors? This clearly opens a very interesting debate — which needs further exploration — however this is what we observed.

The gender gap

The percentage of next-generation members who intend to become a successor five years after graduation differs considerably. Among men, 5.73% want to take over the family business; women, at 4.34%, trail by almost 25%. This gender gap prevails regardless of what subjects were studied in school, from business, economics and law, to science and medicine, to the social sciences.

The gender gap across countries

However, the gender gap varies considerably in individual countries. To see how countries compared, we looked at business, economics and law students from countries where there were at least 10 survey participants per gender.

The global gender gap was 26.7%, meaning that the share of intentional successors among women is 26.7% lower than among men (6.03% compared with 8.23%). Divided by countries, France had the largest gender gap (84.2%), followed by Colombia (70.2%) and Canada (67.9%). Interestingly, some countries, such as Malaysia, Liechtenstein, Finland and Germany, had a larger share of intentional successors among women.

Explanations of the gender gap

The gender gap may be due to a number of factors. Traditionally defined gender roles, a preference for firstborn sons, and career beliefs can each play a role.

Is it because of cultural norms? To determine the effect of traditional gender roles, we compared each country's gender gap with the society's degree of masculinity, which captures the distribution of roles between gender (Hofstede 2001). The stronger the degree of masculinity, the larger the gender gap. However, the relationship is only modestly strong, making masculinity in society a possible, but not very strong, explanation for the gender gap.

Is it because of primogeniture? Handing over the firm to the firstborn son may still be the most commonly chosen succession route due to the "rule of primogeniture," meaning the right of the firstborn male child to inherit most of the family assets, including the family firm.

To determine the effects of primogeniture, we turned to survey participants without any sibling. In this group, the share of intentional successors five years after studies among men is 4.63% and 4.07% among women — a 12.1% gap. Although this is smaller than our initial gender gap of more than 26%, it still persists in the absence of primogeniture.

Is it because men and women have different career beliefs? Overall, men have more confidence in their entrepreneurial skills and capabilities. Likely as a consequence, becoming a successor in general is also evaluated significantly more positively by

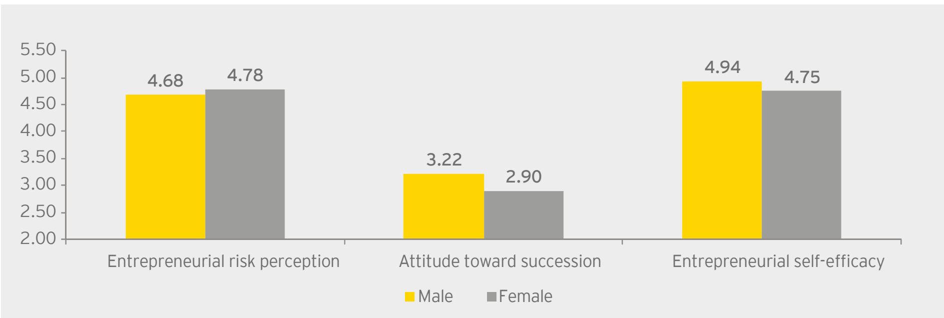


Figure 6: Strengths of career-related beliefs across gender

3. *Staying power: how do family businesses create lasting success?* A global survey of the world's largest family businesses, EY/Kennesaw State University's Cox Family Enterprise Center, 2015

men. Women perceive becoming an entrepreneur as more risky than men. The gender gap may thus be partly explained by differences in career-related beliefs.

The role of the family business leader's gender

Does it make a difference who owns the business? We compared three different groups: students where the mother owns a family business, where the father owns one, and where both parents own one.

Female students always have lower succession intentions than male students, independent of who controls the family business. Succession intentions of both sons and daughters are lowest when the family firm is only owned by the mother. The strongest succession intentions can be found among males when both parents own the family business. The lowest succession intentions, in turn, appear for daughters related to their mother's family business.

Interestingly, we cannot find a "gender fit effect" which would mean that succession intentions are strongest when parent and child have the same gender.

Birth order

When you're wondering if there's a place for you in the family business, siblings are an important factor. For the next generation, it matters how many siblings there are — and how many are older. Interestingly, the strength of succession intentions is lowest with three siblings and increases when more siblings are added to the mix. This pattern is confirmed when we consider the number of older siblings to explicitly account for birth order.

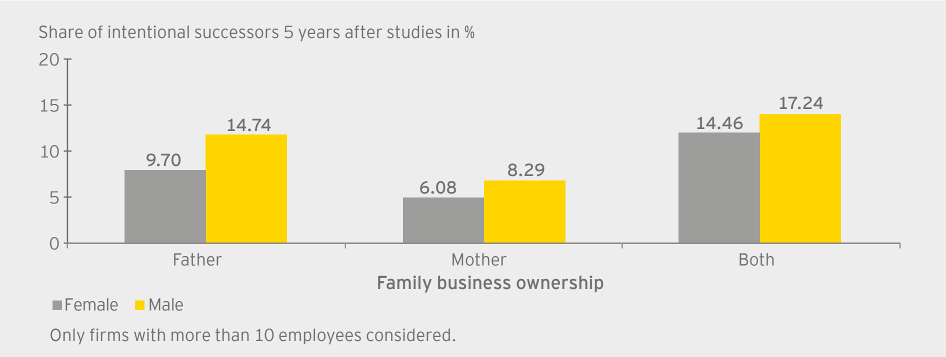


Figure 7: Parents' and children's gender and share of intentional successors five years after studies

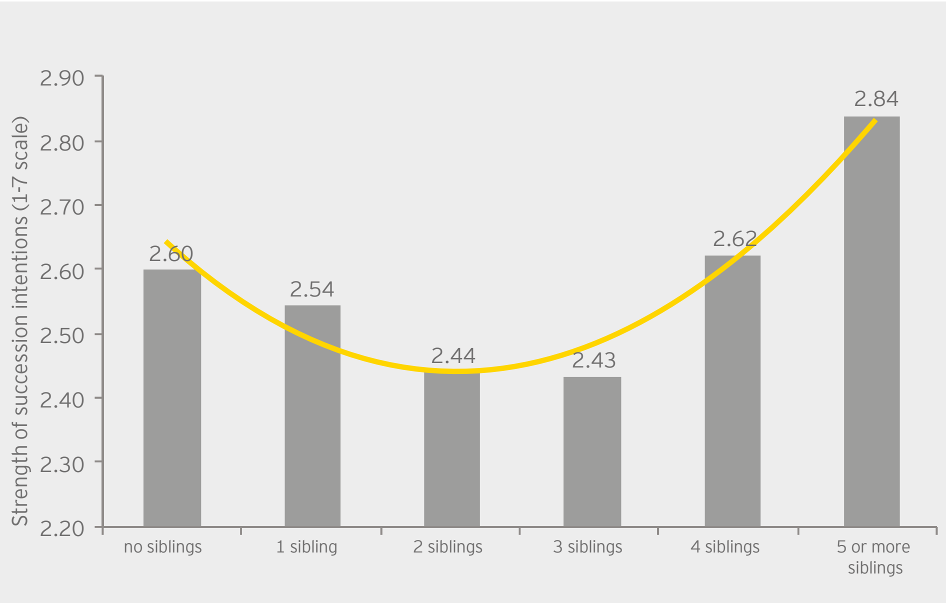


Figure 8: Number of siblings versus strength of succession intentions

An only child — the "crown prince" or "crown princess" — is the natural successor in the parents' business. This type of succession has been called "relay succession" (Minichilli et al. 2014).

As more siblings enter the picture, survey participants find themselves in the "family niche," where available spots in the business are already occupied or will be occupied by siblings born before them.

The largest groups of siblings form the "family club," where the business may have as its main aim the provision of jobs for family members. This could be particularly true in poorer countries where the average number of children is higher, family cohesion may be stronger and the previously discussed "necessity succession" may be more dominant.

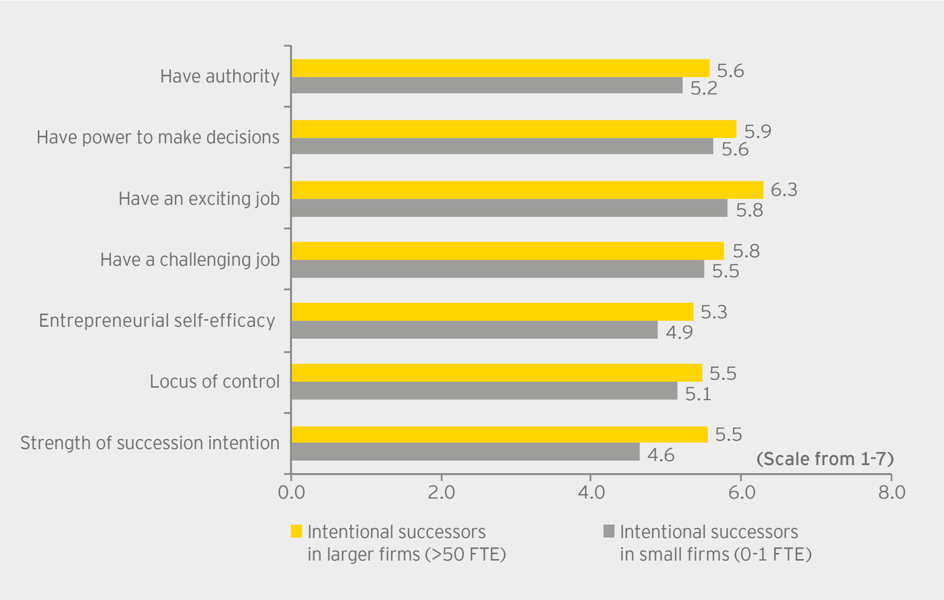


Figure 10: Successor characteristics depending on family firm size (all differences significant at 5% level)

Firm size and firm performance

The next generation wants to take over larger, more successful firms. Referring to five years after graduation, the share of intentional successors is 5.2% at firms with more than 2 and up to 5 full-time equivalents (FTEs), but it reaches 16.3% for family firms with more than 100 FTEs.

Students also were asked to rate the performance of their family's firm relative to its competitors over the past three years in terms of sales growth, market share growth, profit growth, job creation and innovation. The highest share of intentional successors went to high-performing firms, and that share grew with firm size.

Successor characteristics in small and large firms

Although larger firms are more attractive to the next generation, intentional successors need to ask themselves whether they have the necessary skills and motivations to run the company — whether it's a "mom and pop" store or a large, complex business.

Both types of firms seem to satisfy "traditional" entrepreneurial motives. We find no difference between intentional successors in very small firms (0–1 FTE) and in larger firms (>50 FTE) in terms of gender or attributed importance of career motives such as being independent, being one's own boss and realizing one's dream.

However, intentional successors in larger firms have stronger control perceptions and a higher level of entrepreneurial self-confidence, and they attribute greater importance to having a challenging and exciting job. In addition, having the power to make decisions and having authority in general are more important to them. This combination indicates that intentional successors in larger firms have the necessary skills and motivations to lead such a firm successfully.

04 Specific aspects of succession intentions

Succession dilemmas: the individual versus society

What happens when societal, cultural or family-related factors lead to norms, pressures and constraints that oppose the potential successor's own wishes and preferences? We explore three corresponding dilemmas in the succession context.

Dilemma 1:
The wish to control one's life versus societal pressures

The desire to live a self-determined life may be undermined in societies where hierarchy, authority and power of others are very important. In such cultures, parents may be able to exercise greater power and authority over children.

Our data shows that, when a potential successor desires control and self-determination, strong social pressure to obey authorities, such as parents, leads to even higher succession intentions. This could be because becoming a successor will allow next-generation members to exercise power and authority themselves. In that case, institutional and individual forces reinforce each other, pushing individuals toward succession.

Dilemma 2:
The risk of entrepreneurship versus uncertainty avoidance

How are succession intentions affected when a potential successor perceives becoming an entrepreneur as very risky, and lives in a society where avoiding risk and insecurity is very important? This is important because taking over the family business is a type of entrepreneurial career path.

We find that the more society wants to avoid uncertainty and risk, the stronger the succession intentions. This effect is even more pronounced when potential successors think that starting one's own company is risky. Then it seems to be a particularly safe bet to take over the family firm, at least in comparison with creating a start-up. Thus, there seems to be no struggle between institutional and personal forces.

Dilemma 3:
The independence motive versus collectivism

What if individuals have a strong desire for independence and autonomy but live in a society where group loyalty and cohesiveness, such as in families, are highly valued? What happens when potential successors want to "break free" but society expects that they "come home" and maintain strong bonds with their family?

We find that this scenario also strengthens succession intentions. Apparently, successors adhere to collectivism by joining the family firm, but at the same time, they are able to satisfy their desire for independence by becoming a future (family) entrepreneur.

How do you bring your children into the family firm?

How should business families introduce their children to the firm so that they might want to become a successor one day?

Should children work in the family firm pre-succession?

The strength of succession intentions for students with work experience in the family firm is higher than that of those students without that work experience. This shows that gaining work experience in the family firm is conducive to succession intentions.

At what age should children first work in the family firm?

Interestingly, we do not find a relationship between "age when first working in the family firm" and the strength of succession intentions. Bringing children in early or late does not seem to play a crucial role.

How much should potential successors work in the family firm?

We asked the students who have been working in the family firm (but have not taken it over yet): "Adding up, how many months have you been working there in total?"

While more work experience first leads to stronger succession intentions, there is a tipping point at around 65–70 months where succession intentions are the strongest. With even more working experience, however, succession intentions decrease. This could be because when potential successors work too much in the family

firm without actually taking over, they might perceive that their parents do not fully trust them to be capable successors; in fact, extensive screening and evaluation efforts have been found to scare off potential successors (Dehlen et al. 2014).

Family internal transfer prices: the expected family discount

A potential deal-breaker for family-internal succession is the price that next-generation members have to pay for the family firm. Recent studies, such as our first *Coming home or breaking free?* study, suggest that intrafamily transaction prices actually exist and that the next generation does not simply inherit the firm and thus get it for free. However, family successors are likely to receive a discount compared with an external buyer.

To shed more light on this question using this study's more extensive international data, we asked successors again: "Assuming that someone outside the family would have to pay an amount of 100 for the family firm's total equity. How much would you have to pay?" The answers were deducted from 100 to retrieve the "expected family discount."

Next-generation members expect that they have to pay around half the price for the firm that an external successor would have to pay (a family discount of 51.8%). The expected family discount differs considerably across countries, with the reasons to be further explored in future studies.

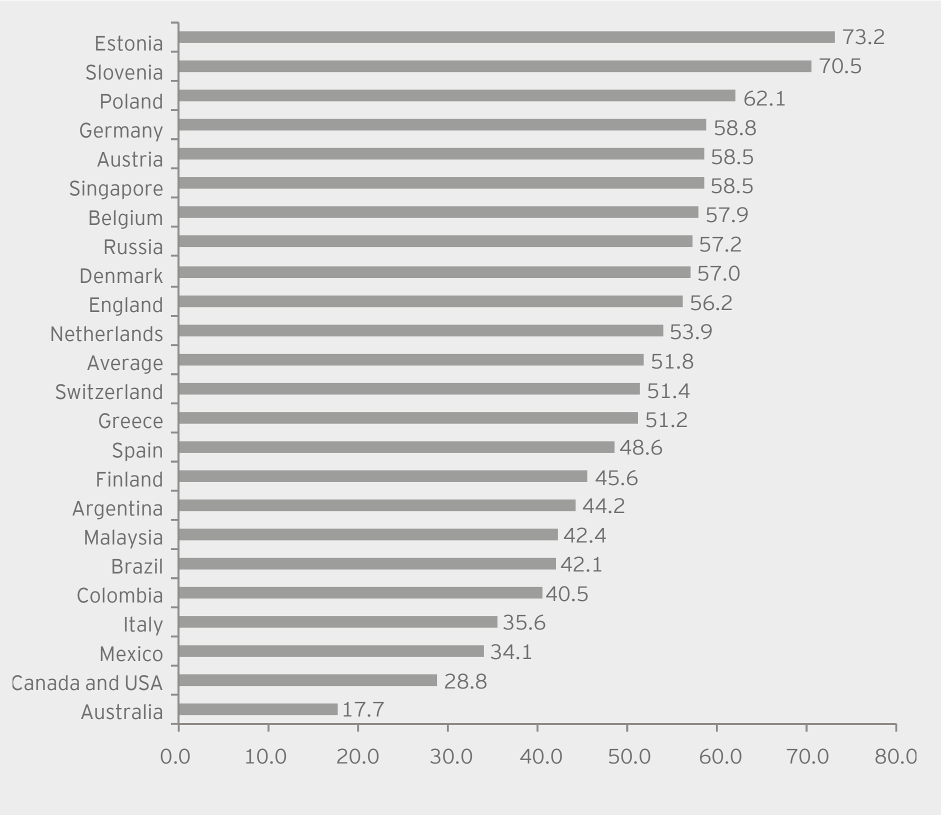


Figure 11: Expected family discount across countries (in %)

> A potential deal-breaker for family-internal succession is the price that next-generation members have to pay for the family firm.

05 Overview of our most important findings

Succession intentions	
Positive effect	**Negative effect**
Cultural/institutional factors	
▶ In-group collectivism in society ▶ Uncertainty avoidance in society ▶ Power distance in society	▶ Tax burden on family-internal succession
Individual factors	
▶ Studying business, economics and law ▶ Work experience in the parents' firm	▶ Successors being female ▶ Family firm owned by the mother
Firm-level factors	
▶ Firm size ▶ Firm performance	

06 Implications and conclusion

Implications for business families

- Don't assume that children want to become successors. The "competition" for the succession career is strong, as options are numerous and often attractive.
- Beyond the individual and the family, succession intentions depend on societal context, for instance in terms of cultural norms or the wealth of a nation.
- Business families should be sensitive toward gender issues. Are there societal and familial influences that may prevent daughters from becoming successors?
- Number of children and the successor's position in the birth order need to be considered. Is there a willing and capable successor whose succession intentions are hampered due to family structure, in particular birth order?
- Letting children work in the business is strongly recommended, independent of age. With increasing accumulated experience, there is a point where a succession decision has to be made because, afterward, succession intentions will fall again.
- Children expect that they have to pay for the firm; however; this transaction price is expected to be considerably lower compared with a sale to an outsider.
- Parents and children should engage in an open and constructive dialogue about all aspects of succession. This can help find the best solution for the individual, the family and the firm.

Implications particularly for next-generation members

- They should keep in mind that becoming a successor is a viable career option with many advantages.
- They should carefully assess their own motivations and preferences. Societal, financial and familial forces might push them toward succession, but to be successful and happy in the long run, it has to be their own conscious decision.
- Gaining work experience in the family firm is strongly recommended. However, there should be a clear time line and process for taking over the leadership one day.

Conclusion

- The prominent wish of business families to assure control over the business across generations is perhaps the most intriguing aspect in the field of family businesses. **However, the succession intentions of next-generation members are low and are even in decline.** There are a variety of factors that influence whether next-generation members "come home" or "break free." This endeavor hopefully enriches, inspires and advises business families, next-generation members and family business advisors in the pursuit of long-lasting success of their firms.

07 References

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08 Appendix

Global characteristics of respondents

Average age

23.1 Years old

Gender

58.4% Female

Study level

76.1% Undergraduate

Most popular study fields

35.1% Natural sciences

34.6% Business, economics or law

Country	Number of universities	Number of students with family business background	% of students with family business background
Argentina	14	108	56.8
Australia	6	188	38.0
Austria	34	1,438	34.1
Belgium	16	123	30.6
Brazil	104	4,447	35.4
Canada	2	231	45.4
Colombia	22	406	50.7
Denmark	10	244	23.8
England	20	228	34.9
Estonia	23	383	27.5
Finland	12	201	28.6
France	14	121	36.4
Germany	44	3,246	30.7
Greece	8	180	41.4
Hungary	31	2,354	26.6
Israel	17	336	30.9
Italy	46	2,704	34.8
Japan	19	198	22.2
Liechtenstein	2	88	43.3
Luxembourg	4	50	32.7
Mexico	17	357	56.0
Malaysia	21	805	32.8
Netherlands	67	3,100	31.3
Nigeria	1	3	42.9
Poland	37	2955	24.9
Portugal	3	68	31.9
Romania	10	60	21.7
Russia	35	1,229	26.8
Scotland	11	97	34.6
Singapore	9	2,063	31.9
Slovenia	44	212	23.5
Spain	21	3,092	29.3
Switzerland	33	2,715	36.6
USA	2	83	33.9
Total	**759**	**34,113**	**31.3**

09 About the authors

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Thomas Zellweger holds the family business chair at the University of St. Gallen, Switzerland, and directs the school's Center for Family Business. He held visiting positions at Babson College, USA, University of British Columbia, Canada, and at the University of Witten/Herdecke, Germany. Thomas was a co-director of the STEP project, a global research initiative on transgenerational entrepreneurship in family firms. His research has been published in leading academic journals such as *the Academy of Management Journal and Strategic Management Journal*, among others, and has received several international awards. Thomas serves as a board member of family firms and advises family firm owners on governance and strategic questions.

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Alongside his extensive experience as an assurance and business advisory partner for national and international companies, Peter has served family-owned business clients for more than 20 years. As EY Global Family Business Leader, he is responsible for coordinating EY member firm partners leading family business and family office services in more than 90 countries.

Peter founded EY's NextGen Academy — a global program for young successors in family businesses — based on his experience and insights gained through supporting subject matter professionals and family businesses with their succession and growth strategies. He regularly authors publications about family business and middle-market companies, in addition to leading annual and other market surveys in conjunction with the Center for Family Business at the University of St. Gallen.

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A look forward: succession planning

Addressing the future now

Succession planning is the most effective tool family businesses have at their disposal to ensure the firm's longevity and long-term success. The EY Global Family Business Center of Excellence's main goal is to help family businesses succeed for generations. And we believe that a correct and finely timed approach to succession planning is a critical element to long-term success of the business and the family.

The right balance

Succession planning is not easy. Nor is it straightforward. For it to work, you need to focus on the intersection of three primary stakeholder groups – owners, families, and the business and investments – and each group's respective goals and priorities. Whether your transition is successful will depend on how well you address the following four dimensions in your plan.

Four dimensions of a successful transition

1 Succession in leadership
Who should run the business going forward?

2 Succession in ownership
How should the business be governed (e.g., shareholders, family office, management council)?

3 Building and creating legacy and value
How will you provide for an enduring personal brand and sustainable business growth?

4 Passing wealth to the next generation
An effective succession plan has been proven to be more important for the transition of wealth than an estate plan.

Potential barriers to effective transitions

Family businesses whose succession goals did not succeed cited these reasons:

60% are due to breakdowns in trust and communication within the family unit.

60% are attributable to how successor family members interact.

25% are caused by inadequately prepared heirs.

12% are due to lack of a family mission or purpose that clearly defines use of the family's wealth.

10% are attributable to transfer taxation.

Where are you on your succession journey?

The chart below provides an at-a-glance view of our approach to succession planning. We hope it will give you a chance to assess where are you on your journey into the future.

Effective succession planning

Purpose and philosophy

- Establish goals and objectives
- Align with family and business goals objectives
- Strategic alignment with wealth management
- Accurate personal administration

Explore options

- Leadership succession
- Controlling ownership
- Building and creating legacy and business and family value
- Passing wealth to the next generation

Planning

- **Prepare the plan**
  - Segment assets; leverage financial data
  - Planning, validating and testing
  - Transparency and reporting
- **Execute the plan**
  - Managing the transition; involve stakeholders
  - Reorganize assets and transfer assets

Revisit and update the plan

- Consider changes in purpose and philosophy
- Multigenerational family foundation
- Account for tax and business changes
- Incorporate life changes; align with risk profile

Effective succession planning will:

- Enable smooth leadership transition
- Maintain desired controlling ownership
- Create or maintain legacy and business value
- Successful transfer wealth to desired next generation

If you wish to speak to us about your succession planning needs, please see our area contacts on the next page.

EY Family Business Center of Excellence

The Family Business Center of Excellence brings together advisors from the EY global network to share knowledge and insight to address family business challenges and provide seamless service for internationally based, family-owned companies. Wherever you are based or whatever your needs, there is someone ready to help you to succeed for generations.

Visit ey.com/familybusiness for more information about our Family Business Center of Excellence.

Follow us on Twitter: @EY_FamilyBiz, #EYFambiz.

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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