



**SUFABU**

SUCCESSION IN FAMILY BUSINESSES

# FAMILY BUSINESS SUCCESSION STORIES

## SPOUSES INCLUDED IN SUCCESSION

## INTRODUCTION TO THE THEME



One of the most important relationships we have during our lives is the one with our spouse. There are many different ways to include a spouse in a family business especially during a succession. Options range from keeping a spouse informed on the family business to a spouse being an equitable partner.

There are many companies founded by couples. Either both parties are actively in charge with the company, or spouses can have different roles, one as the face of the company and one is a supportive role. Historically, several male founders were supported by a housewife, who did administrative tasks from home while also taking care of the children and household duties. In certain industries, such as farms, restaurants and hotels, it is common that the owners are a couple working as a team. One incumbent owner stated that “to own and lead this business is such a dominant part of life that it is better to do it together as a couple”. In rural areas, the family business might offer the only solution for employment of spouses, if the next generation live in the location of the business.

There are several benefits of including a spouse in the family business. Being able to share such an integral part of life with your spouse can be a bonding experience, and it is valuable to have a partner that understands what it takes to run a business. The spouse can bring new skills, valuable input and ideas that the family business can benefit from. They can also help with the succession process, and if anything were to happen to the current owner, the spouse could help represent the owner's equity or position in the company.

There can also be challenges to including your spouse in the family business. Having one more set of opinions and interests can add confusion and slow down the decision-making process. It can put pressure on you to choose a spouse that the entire family would be happy with including in the family business. It can also put strain on the relationship, as it can be difficult to separate work and private life. If you end up separating from your spouse it can be more complicated to end the relationship while also thinking about the family business, and whether they would still be included.

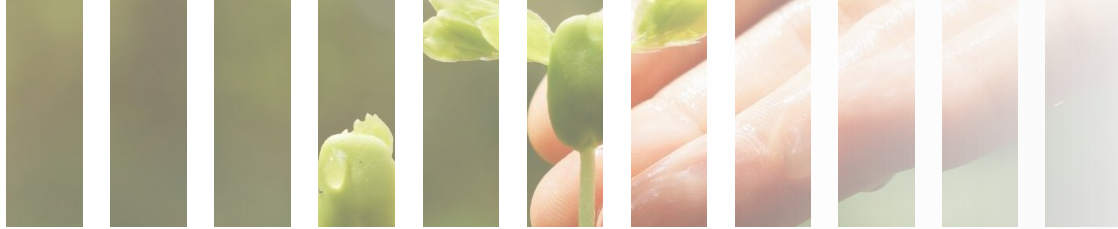
Whether or not to include spouses in the family business can be a challenging and frustrating decision to make. Whether this is the right decision for your family depends on your individual circumstances. Whereas some couples might enjoy sharing a professional life, others might have a greater need for autonomy and prefer to make a greater separation between work and private life. Regardless of what is the right decision for your family, it is crucial to communicate well and make sure that everyone's needs are met.



### List of stories:

- 4.1. Studio Seven: Power couples in two generations
- 4.2. LIKO-S: From entrepreneur to family business

p. 3  
p. 5



## 4.1 Studio Seven: Power couples in two generations

### CATEGORIZATION



Nationality:	<b>Malta</b>	Succession option:	<b>Family Succession</b>
Company size headcount:	<b>&lt;50</b>	Company size turnover:	<b>&lt;€10m</b>
Generation:	<b>1<sup>st</sup> to 2<sup>nd</sup> generation</b>	Industry:	<b>Information and Communication. Arts, Entertainment and Recreation</b>
Interviewed:	<b>2<sup>nd</sup> generation Sue Pisani</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



Studio Seven is an audio-visual and production hub in Malta specializing in AV solutions for Conferences & Events, Video Production, Exhibition Stands and Systems Integration.

As a family, the Pisani's brought in an external advisor to guide their parents on the questions that needed to be answered in order to plan the way forward for the business. The only two siblings were both involved in the business together with their husbands therefore it was natural to have a plan prepared for the succession.

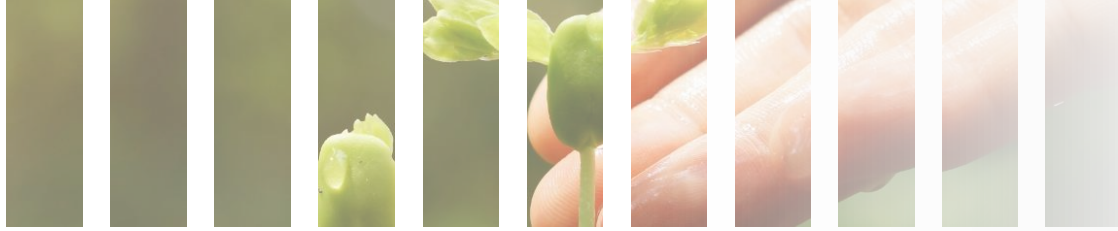
The parents decided how the company ownership would be handed over and accordingly the important decisions were respected. The decision was a 50/50 donation of shares, keeping the business within the family and spouses. The time frame decided was within 5 years from the plan being established.

The communication with the advisor around the table was clear and they were able to easily discuss the goals of the process, along with the values and legacy the parents wished the children to follow in taking over the business. All situations during the process ran smoothly and enabled the succession to take place with as little conflict as possible.

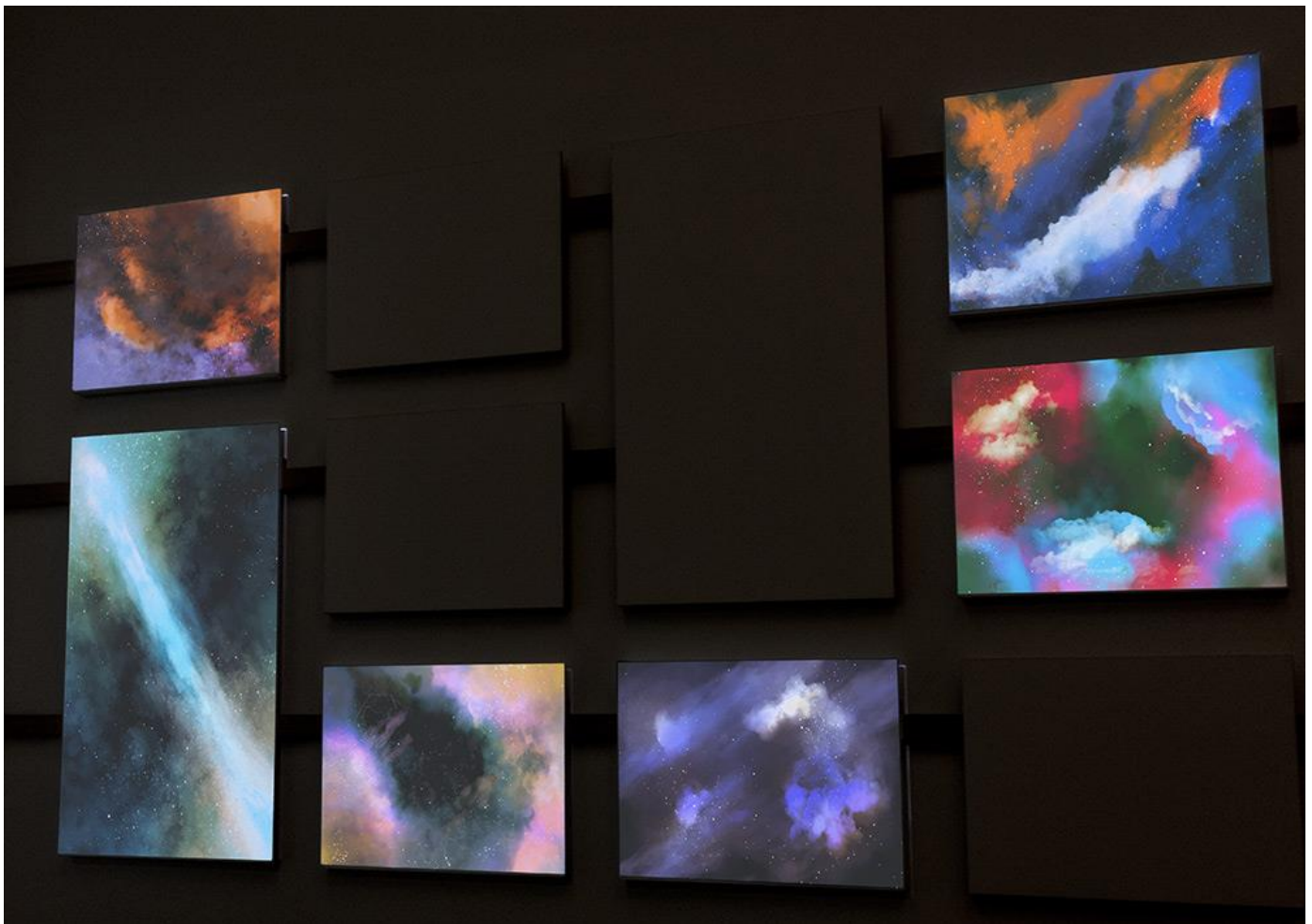
The overall performance goals of the business changed following the succession process. The business has become more financially driven into making sure the right decisions are made and that these made financial sense. Alongside this, the services have also increased over the years following the succession process.

Prior to the succession process, both daughters and their husbands were working in the company, and following the process, they are all still there.

In terms of governance, Studio Seven has a board, of which 2 out of 3 members are family members, with one member representing each sibling to ensure successful family management of the company as well as a certain degree of objectivity through an external member.



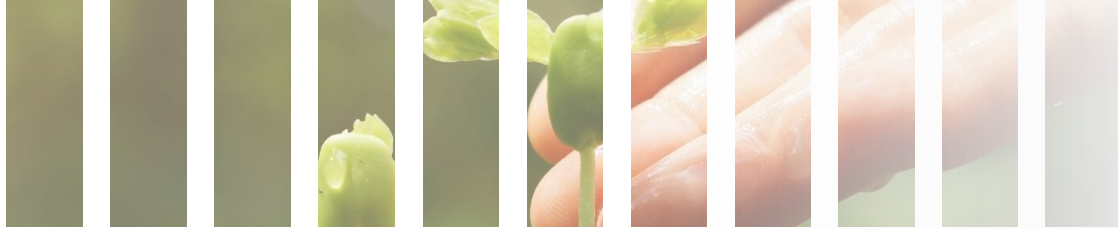
Alongside the board, a transfer of shares agreement is in place complimented by a full family constitution. These ensure that the roles and responsibilities of family members are clearly outlined and respected to ensure the effective governance of Studio Seven.



## REFLECTION QUESTIONS



- A key reflection from the process was that working with your family is not easy at all unless all roles are clearly defined. If this is not the case, then there are likely to be many confrontations within the process. Ms. Pisani added that if she could, she does not think she would repeat this.
- Are the roles defined for the family members active in your business?



## 4.2 LIKO-S: From entrepreneur to family business

### CATEGORIZATION



Nationality:	<b>Czech Republic</b>	Succession option:	<b>Family Succession</b>
Company size headcount:	<b>&lt;250</b>	Company size turnover:	<b>&lt;€50m</b>
Generation:	<b>1<sup>st</sup> to 2<sup>nd</sup> generation</b>	Industry:	<b>Manufacturing, Other services and activities</b>
Interviewed:	<b>1<sup>st</sup> generation</b>	Anonymous:	<b>No</b>

### SUCCESSION STORY



The family company LIKO-S was established in 1992 as a manufacturing and construction company. Since then, the company has evolved, grown and been divided into 4 divisions. Now LIKO-S focuses on range of activities from installation of partition, sliding walls and acoustic mechanisms for office interiors to assembling “Living Buildings”, green facades and walls with plants.

The founder, Ing. Libor Musil, and his wife Jana were the only owners of the company and both worked in the company management. Engaging the next generation of LIKO-S into a family business was not originally planned. Their children, daughter Hana and son Jan, were encouraged to focus and study within their field of interest. Hana decided to move to the USA and study hotel management while Jan chose his studies at a high school in the UK. After Jan’s return in 2011, he started working in the company, getting familiar with the organization and processes. In 2014, Hana returned from the USA and with her new husband Orraine joined the company as well.

There was no plan prepared for the succession of either management or ownership of the company.

***“Ten years ago, family succession was not a common or known concept, it may sound weird now but nobody in family businesses in Czechia ever talked about succession. After the fall of communism, entrepreneurs started their companies and up until the last few years they kept thinking they will do business forever. For a long time, there was no support or education which would tell you to think about succession.”***

– Libor Musil, 1<sup>st</sup> generation owner

Libor started considering succession approximately in 2010 when he realized that his children are already in full productive age. He was lucky enough that both of his kids wanted to work for the company themselves and were interested in the possibility of taking it over in the future.

As an entrepreneur himself, he knows that owning a company motivates you to work and taking care of the business. Therefore, succeeding the management of the company without succeeding the ownership to his children was not an option. The first was to pass the management to his children and teach them how to cooperate together to avoid any division of the company which could be fatal. Currently, the children are in the process of taking over the top management positions. Jana, the mother, gradually delegated all of her responsibilities in the HR department to her daughter Hana. Jan started specializing within the construction division and today is the director of that division.

Jana is not involved in the daily run of the company anymore but still works as a member of the Board. Libor works as an Executive and Chairman of the Board. Daughter Hana is the HR Manager, member of the Board and member of the Supervisory Board, son Jan works as the Director of INTERIOR division and Deputy Chairman of the Board. Finally, the son-in-law Orraine works as the Director of Development and Marketing and a member of the Board. Other top management positions are covered by employees external to the family.

After finishing the process of fully succeeding the management, which is planned to be done at the latest by 2023, the process of ownership handover should start. The ownership is planned to be transferred by 2028. Even with the knowledge of handing over the whole company in the near future, Libor does not have a detailed plan or timeline prepared yet.

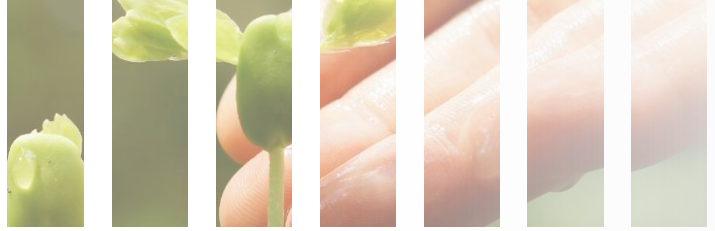
***“We are now talking about it at regular family council meetings. We hired a family counsellor who helps us to manage relationships in the family, and of course we have a family lawyer who will help us with the preparations for ownership succession. When the time comes, I will consider hiring another external consultant.”***

— Libor Musil, 1<sup>st</sup> generation owner



On his own initiative, he also attended specialized seminars organized by AMSP ČR and reads literature to become better prepared.

The family communication is rather smooth. Conflicts, when they appear, are considered part of life. The biggest clashes which occur in Libor’s family are usually connected to different generational views on management styles. Nevertheless, he admits that the company is considered a family member itself and therefore everyone’s goal is to find a way which everybody will agree on. To secure the smoothness, the board meetings and supervisory board meetings happen once a month, the family council usually meets once every three weeks and on top of that, the family meets operatively when necessary.



No family constitution or family policy is currently in place. However, gaining new experiences with the whole succession process made Libor realized how complex the process is and how few mistakes it takes to negatively affect the company. Thus, LIKO-S family constitution is now in the process of creation.

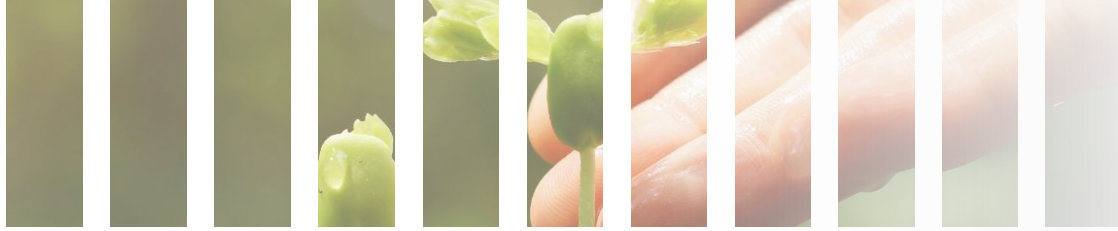
Even though the kids would be ready to take over the company's management now, the process of Libor's and Jana's entire exit cannot happen overnight. Libor admits that he has to think of his own destiny as well since he is not at the retirement age yet. After the succession is complete, he hopes that his kids will come and ask for advice from time to time.



## REFLECTION QUESTIONS



- The next generation should answer for themselves if they really want to live an entrepreneurial life. To be an owner of a company means a lot of responsibilities, it is time demanding and sometimes can be stressful. It has pros and cons of course, one is financially secured, gain some prestige but also has responsibility for the company's success as well as towards the family. If you are not a business-type kind of person and decide to go different pathway, then sure, but accept that maybe your siblings will take over and do not be jealous or nosy.



## LEARNING POINTS



### **The succession process takes time**

Studio Seven in the story 4.1 experienced that the process took a very long time to get where the company and its governance is today. Whilst the finer details still need polishing, the major milestones of the trust amongst the family members has been achieved, and all parties are happy with how the succession process has taken place. Ms. Pisani stated that the best tool to understand the way forward was clarity and helped the business to achieve their final goal for a smooth succession process. A negative about the succession process within their family was that it took too long to get to the end of the process.

### **Make a succession plan**

Biggest recommendation is to make a succession plan with a timeframe and schedule. If you do not have one, the kids (who are already in their 30s-40s) live in uncertainty and that affects their performance and motivation. Agree on feasible deadlines and meet them.

### **Flexibility**

To own and lead a company together as a couple offers flexibility in family life. Business tasks and family responsibility can be shared with efficient handover. For stakeholders like employees and customers the couple can be perceived as a strong unity with a large combined work capacity.

### **Give the next generation responsibility on journey from my company to a family business**

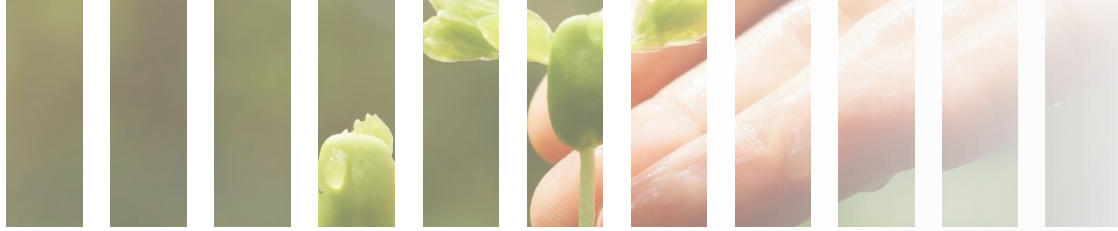
In the story 4.2 the company founder Libor led the company alone for 25 years. It is crucial to realize that when kids grow up and start working for the company, a founder has to start sharing what used to be only his/hers – responsibilities, management decisions, strategies, and so on. That is incredibly difficult for a founder to do but the company cannot move forward without it. If he knew earlier that he would succeed his company to his kids one day, he would motivate them to study entrepreneurship or business. One can see succession as an entrepreneurial project itself. As an incumbent, it is necessary to make sure that the kids are capable, to give them some responsibilities, see how they are doing and to be able to make the final steps of succeeding the ownership.

### **Communication and involvement**

Ms. Pisani in the story 4.1 highlighted the importance of communication. Avoid leaving things unsaid, instead be honest with each other even if it is not the easiest thing to do. Libor in story 4.2.CZ also emphasizes to talk to your children about the business and involve them. However, the communication should have some boundaries. The conversations about business are different than talking to your kids about where to go on holiday.







## ACTIONS TO CONSIDER



### Experience transfer

Do not try to be a self-learner. In a business world, you can pay a high price for making a mistake which could have been avoided by learning from others experience. Actively seek experience from transfer business-owning families from industry associations, family business networks or business advisors.

### Document your progress

Ms. Pisani in the story 4.1 recommend documenting all decisions during the succession process. Recording of meetings or keeping minutes of meetings is useful.

### Personality Profiling Exercise

Completing a personality profile can help spouses and siblings to understand each other's strengths and weaknesses and learn what kind of communication and roles would complement the couple. By understanding more about their own and each other's personality, it can help to mitigate future conflict and frustration, as well as building a strong ownership team.

### Define roles and responsibilities

If the family members working in the company do not have a work description or role description, it is a useful exercise to get this in place. Awareness and transparency on responsibility, accountability and expected deliveries increase work satisfaction and reduce friction. One approach can be to first agree on a template. Then each family members individually write a suggestion of his/her role. The draft should be presented and discussed with other family members before finalizing. Example of heading in a template can be:

- Position/role name
- Purpose [*why do we have this position*]
- Responsibility [*what is the responsibility of this role?*]
- Deliveries [*list of expected deliveries*]
- Reports to [*reporting line*]
- Measured by [*how do you measure success in this role? List of KPIs*]
- Qualification [*List any formal or unformal qualifications necessary to fulfil this role?*]

After roles descriptions are in place, these should be subject on the annual performance appraisal.

## REFERENCES



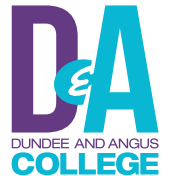
- [1] <https://hbr.org/2020/02/should-your-family-business-have-a-no-in-laws-policy>
- [2] <https://www.hg.org/legal-articles/do-i-have-a-right-to-a-family-business-in-divorce-37439>
- [3] <https://shiftyourfamilybusiness.com/2017/08/13/dealing-spouses-business-family/>
- [4] <https://www.lauramichaud.com/free-articles/Married%20to%20the%20Business.pdf>
- [5] <https://www.thefbcg.com/resource/should-spouses-work-in-the-family-business/#:~:text=Spouses%20will%20feel%20most%20included,can%20participate%20in%20family%20meetings>



ASOCIACE MALÝCH A STŘEDNÍCH  
PODNIKŮ A ŽIVNOSTNÍKŮ ČR



INSTITUT  
INPRO



EFB EUROPEAN  
FAMILY  
BUSINESSES



Family  
Business  
Norway



[www.sufabu.eu](http://www.sufabu.eu)



Association of Small and Medium-sized  
Enterprises and Crafts of the Czech Republic

Ms Kristýna STRNADOVÁ  
Sokolovská 100/94  
186 00 Prague 8  
Czech Republic  
[strnadova@amsp.cz](mailto:strnadova@amsp.cz)



Co-funded by the  
Erasmus+ Programme  
of the European Union



Erasmus+ Programme – Strategic Partnership Project n.: 2019-1-CZ01-KA204-061268 | Succession in Family Businesses | Training Model for Sustainable Succession Process in Family Businesses

The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.