

FAMILY BUSINESS SUCCESSION PREPARATION

- 1** Build emotional connections
- 2** Develop responsible stakeholders
- 1** Establish clear rules and career paths



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FINE-TUNING FAMILY BUSINESSES PREPARES THE NEXT GENERATION FOR SUCCESSION

Presentation Overview

Family Businesses did especially well in riding the rising tide. Family Businesses were the particular beneficiaries of three decades of favorable global economics. Propelled by fast growth in the emerging world, the share of Family Businesses in the global Fortune 500 grew from 15% in 2005 to 19% in 2013. Five years ago, founders or their families owned 60% of emerging-market companies with sales of \$1 billion or more. By 2025, an additional 4,000 companies may join the list. Family-owned businesses would represent 40% of the world's large enterprise.

However, despite the growing power and influence of Family Businesses, executives and investors have a poor understanding of the unique attributes providing the edge. It is difficult to parse the DNA of Family Businesses. It is a complex mix of family, management, and wealth creation, all overlaid with a rolling ownership dynamic that claims all but 30% of them. This 30% is claimed by the 3rd generation.

The number one worry of family owners is the challenge of developing the next generation as motivated and responsible shareholders. Addressing this concern is critical to the long-term sustainability of Family Businesses. It calls for both technical and interpersonal focus.

A key component of Succession Planning for Family Businesses is also preparing the next generation to take over. This presentation provides 2 critical elements in preparing the next generation for Succession.

1 The 3-prong Approach to Maintaining Entrepreneurial Spirit

2 The 3 Principles in Engaging the Next Generation

Having a good grasp of the 2 critical elements will give Family Businesses the impetus to drive the next generation's continued success in leading the organization.

This deck also includes slide templates for you to use in your own business presentations.

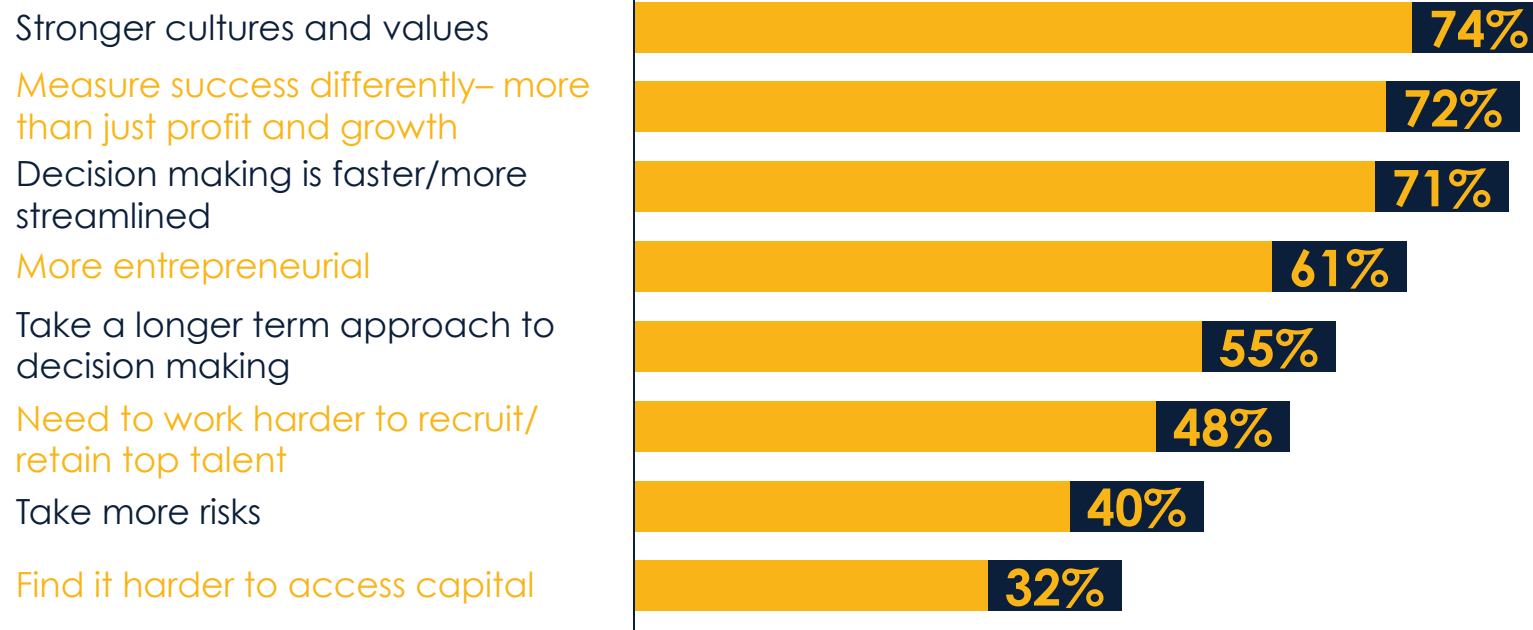
Gearing the next generation for Succession increases potential of Family Businesses to outperform competitors during an era of expanding profitability.

A FAMILY BUSINESS IS AN ENGINE FOR CHANGE AND INNOVATION, REQUIRING A LONGER HORIZON OF EXECUTION

How Family Businesses Differ

Family businesses are unshackled from the quarter-to-quarter pressures of non-family firms.

Family firms can invest for the long term. They allow good ideas the time needed to prove themselves.



A Family Business is a classic example of “patient capital” and an invaluable counterbalance to the short-termism of many non-family businesses.

Source: The Missing Middle, PwC, 2016

RENEWAL IS A STRATEGIC IMPERATIVE FOR FAMILY BUSINESSES

Maintaining the Entrepreneurial Spirit – Overview

Maintaining an entrepreneurial edge has become evidently critical for long-term survival. Creative destruction constantly churns the rankings of companies in the S&P 500 index of the largest US companies.

Many close-knit Family Businesses have the ingredients to retain the entrepreneurial edge.



- ✓ An innovative founder that leads through some of the company's most dramatic growth years
- ✓ A strategic long-term thinking and vision
- ✓ Strategic Investments and portfolio strategies

But as Family Businesses grow through the generation, barriers to entrepreneurship and innovation creep in. Family Businesses are careful with their capital.

- They are not willing to dilute the family's equity stake.
- They are risk averse about leverage.

This does not suit an era of profit constraints when advantage is shifting to nimble, idea-intensive sectors evolving around R&D, brands, software, and algorithms.

The challenge of renewal calls for breaking with long-held interests.

ADOPTING A 3-PRONG APPROACH CAN RESTORE ENTREPRENEURIAL ENERGY AND INNOVATION IN FAMILY BUSINESSES

Maintaining the Entrepreneurial Spirit – Approach

Family Businesses use a 3-prong approach to maintaining entrepreneurial spirit.



The 3-prong approach results to speedier decisions, diversity of managers, performance, business cultures, and new opportunities that lead old line businesses to the future.

Source: Fine-tuning Family Businesses for a New Era

DEVELOPING, ENGAGING, AND MOTIVATING THE NEXT GENERATION OF FAMILY LEADERS IS THE BIGGEST CHALLENGE

Preparing the Next Generation – Overview

Family owners want to keep the next generation involved. This is a key component of Succession Planning for Family Businesses.

It is important to keep the next generation involved for a number of important reasons:

- ✓ To maintain the business as a source of family pride.
- ✓ To preserve the founders' legacy to keeping it within the family.
- ✓ To better maintain the family's values and image in society.

There are 3 important principles essential in engaging the next generation and preparing them for Succession.

1

Build emotional connections

2

Develop responsible stakeholders

1

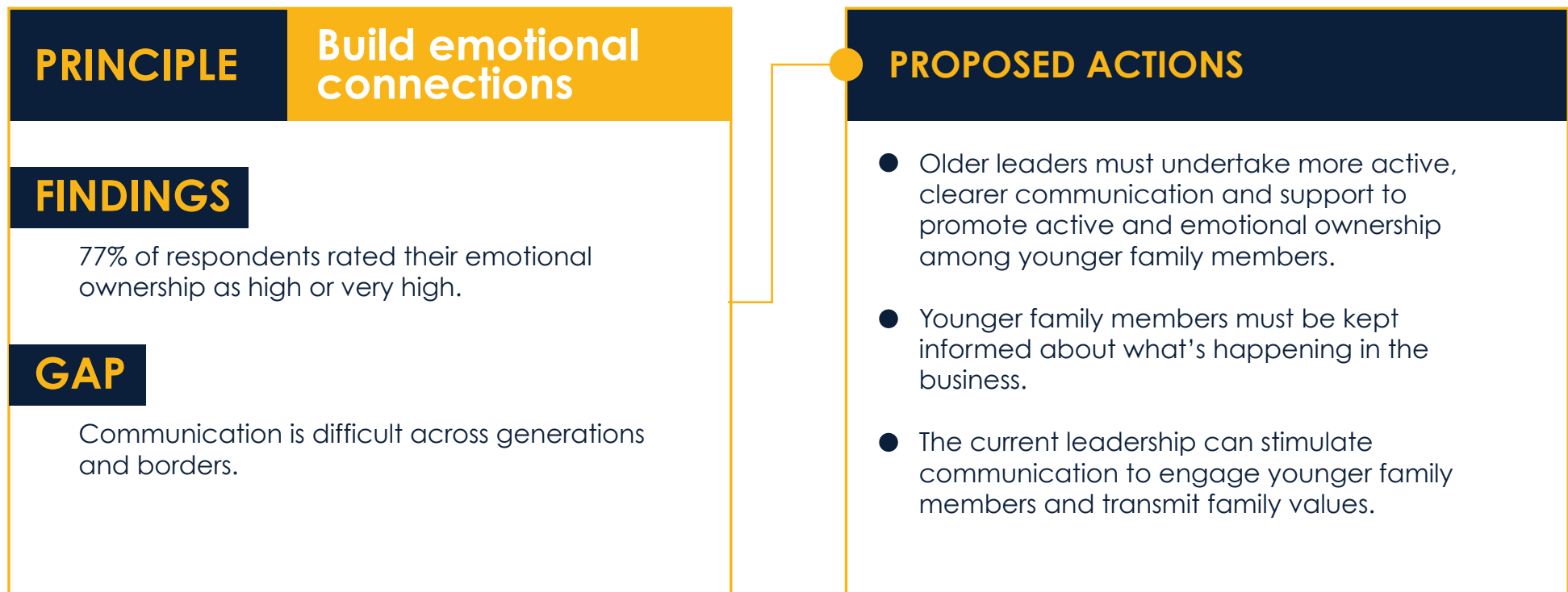
Establish clear rules and career paths

Conducting generational transition is a challenging task during a period of swarming new competitors and tighter profit growth.

Source: Fine-tuning Family Businesses for a New Era

BUILD EMOTIONAL CONNECTIONS IS THE 1ST PRINCIPLE TO ENGAGING AND PREPARING THE NEXT GENERATION FOR SUCCESSION

1. Build Emotional Connections – Overview

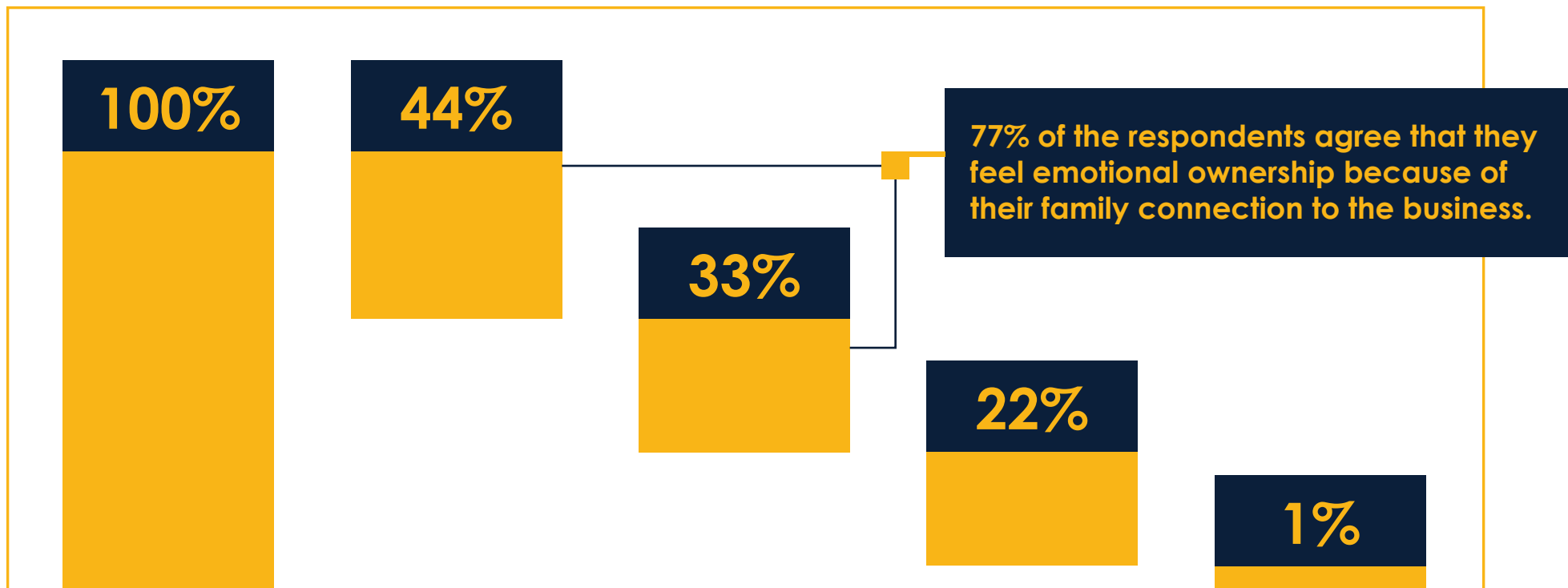


Older leaders play a vital role in bridging the gap in communication and engagement with younger family members.

EMOTIONAL OWNERSHIP FOR THE NEXT GENERATION IS HIGH

1. Build Emotional Connection – Emotional Ownership

The McKinsey Family Business Practice survey revealed high levels of emotional ownership in the presiding family group and the next generation.

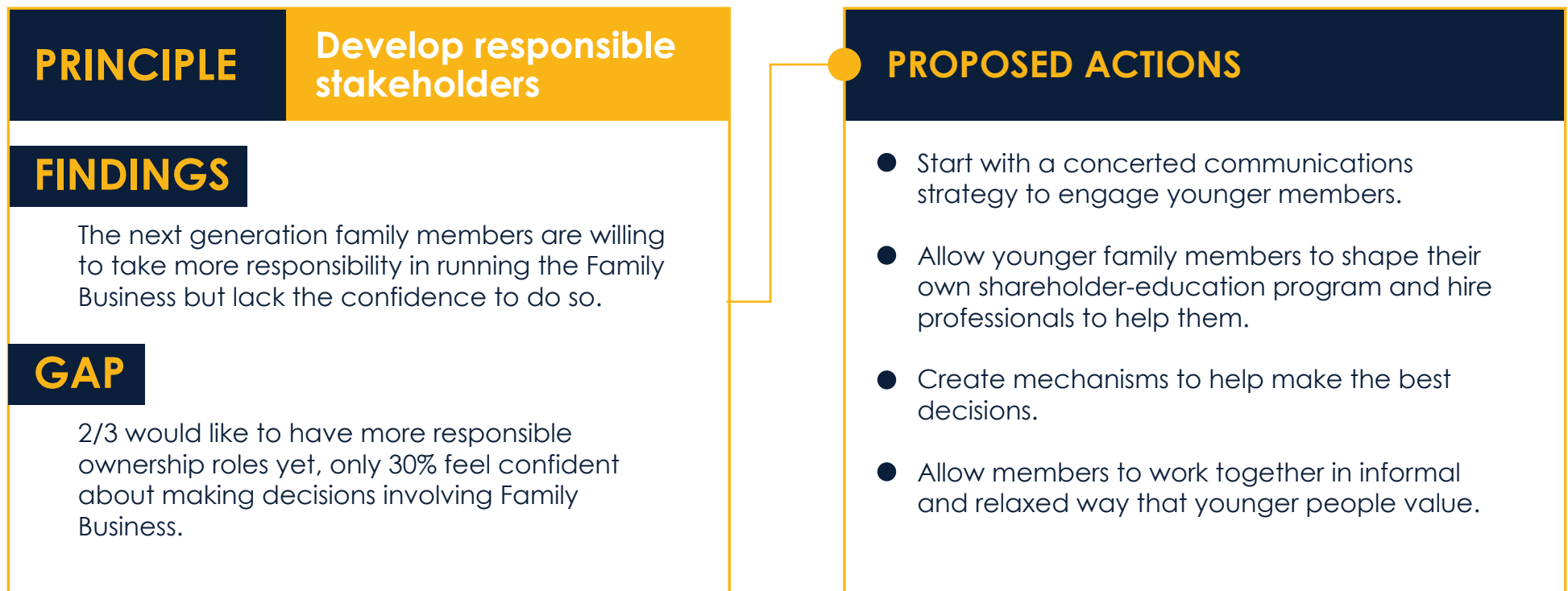


Only 1% disagree or strongly disagree that the emotional ownership of family group and next generation is high.

Source: Fine-tuning Family Businesses for a New Era

DEVELOP RESPONSIBLE STAKEHOLDERS IS THE 2ND PRINCIPLE TO ENGAGING AND PREPARING THE NEXT GENERATION FOR SUCCESSION

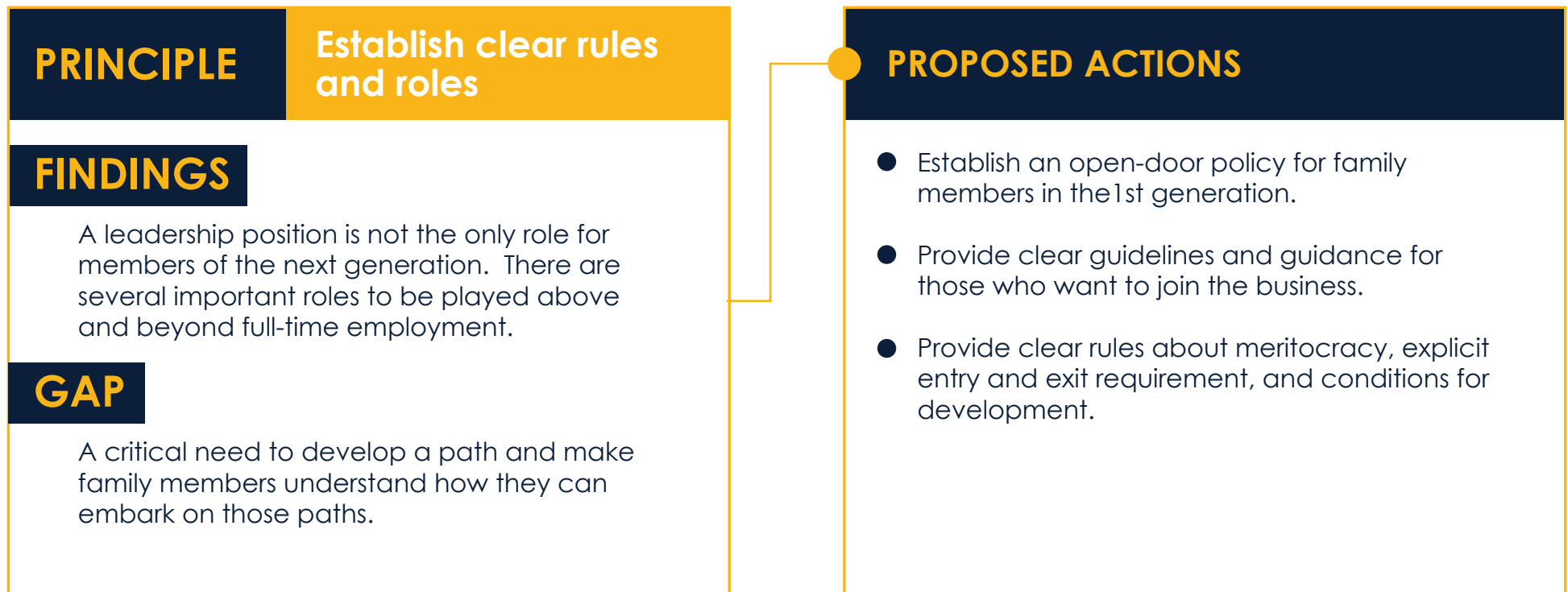
2. Develop Responsible Stakeholders – Overview



The best advances come when the next generation takes charge of its own personal development.

ESTABLISH CLEAR RULES AND ROLES IS THE 3RD PRINCIPLE TO ENGAGING AND PREPARING THE NEXT GENERATION FOR SUCCESSION

3. Establish Clear Rules and Roles – Overview



Establishing an open-door policy for family members provides a wide variety of career paths in the working world.

About Dawgen Global

Dawgen Global is an integrated multidisciplinary professional service firm in the Caribbean Region. We are integrated as one Regional firm and provide several professional services including: audit, accounting, tax, Information Technology, Risk, HR Solution, Performance, M&A, corporate finance and other advisory services.

Our Caribbean regional network covers Jamaica, Trinidad and Tobago, Bahamas, Bermuda, the Cayman Islands, the Eastern Caribbean (Barbados, Antigua, St Lucia, Grenada, and St Kitts & Nevis), the Netherlands Antilles (Bonaire, Curacao, and St Maarten) and Aruba and the Turks and Caicos Islands.

Our regional focus is to improve services to local, regional and international clients. Through our affiliation and membership in other Global Networks and Associations, we offer a global perspective while maintaining our regional insight by seeking alternatives for you – we tap the power of both.

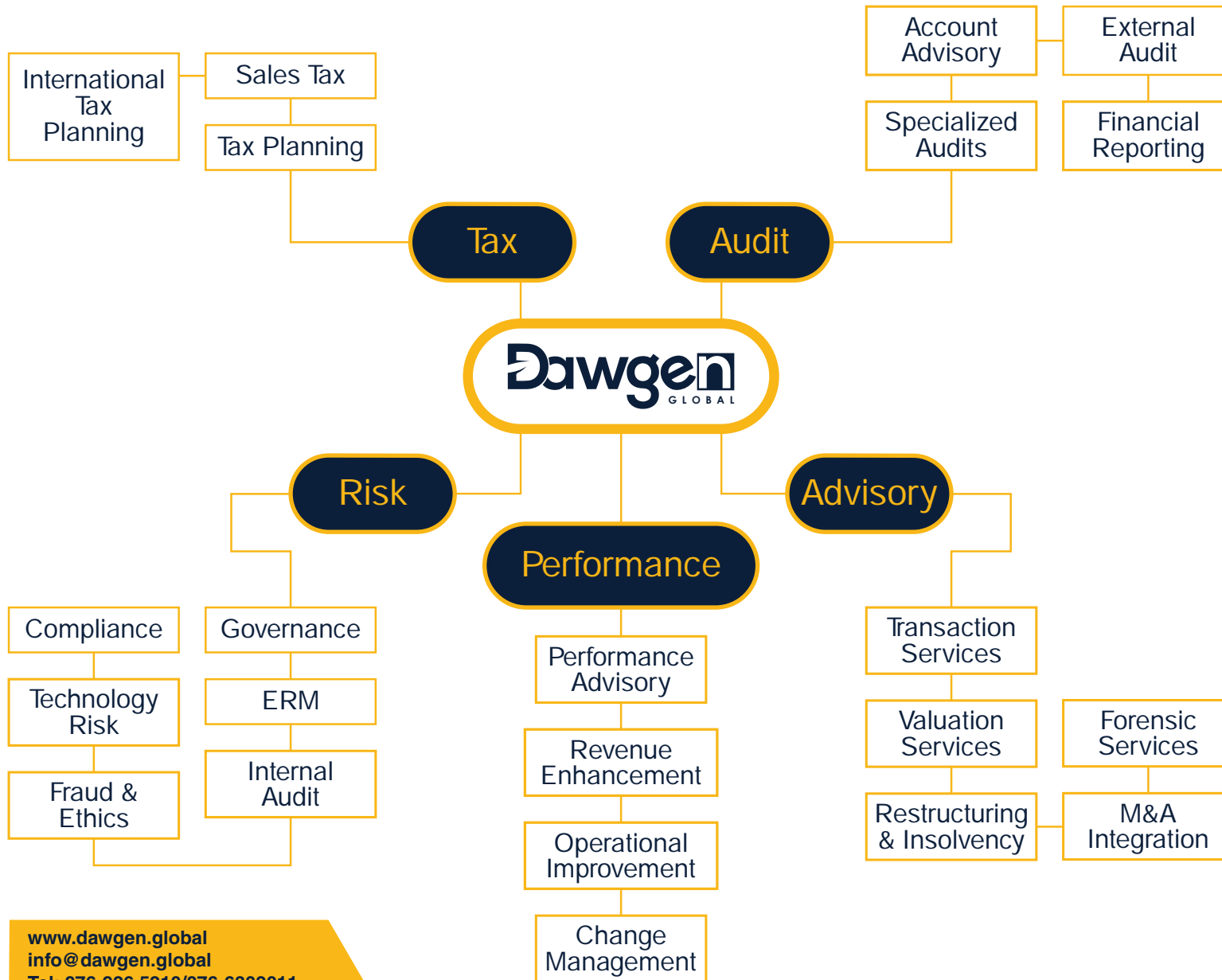
Our multidisciplinary teams of professionals leverage a wealth of industry-tailored, practical approaches to help you discover opportunities for your business. Whether your organization is strong and healthy, under stress or facing difficult choices, we work with you to find financial, strategic and operational solutions that improve your liquidity, financial flexibility and stakeholder returns. We're here to help you build a sustainable business – in the short and long-term.

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