



bridge leisure management



## Succession Planning

### The biggest challenge facing family owned businesses?

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Deloitte, the leading accountancy firm, calculates that almost three quarters of UK businesses fail to recognise the importance of succession. Their 2008 survey revealed that more than one third of such businesses are simply waiting for an opportunistic approach from a third party and have no other strategy. Similarly, research from PricewaterhouseCoopers shows that even in businesses which anticipate a change of ownership within the next five years, less than half of owners have a clear succession plan and only 30% have nominated a successor.


In many ways this is surprising since a good exit from the business represents the reward for all your endeavours and, if well planned, should mean you have plenty of time to enjoy those rewards safe in the knowledge that the business you grew is in different, but safe hands.

For family owned businesses the problems are amplified. The emotions, ambitions and expectations of different family members can prove insurmountable and it is no surprise that so few family companies survive into second generation ownership and beyond. In the park industry there have been some very public and painful succession problems but there have also been some triumphs, with parks handed from generation to generation with the business strengthened rather than weakened or lost. The difference between the two is planning.

Owners who attended the recent BH&HPA conference in Blackpool will have heard that prices for parks are considerably lower than in recent years. This could make selling your park an unattractive option - all the more reason to think carefully about your eventual exit from the business and to devise a plan for what happens to the business you have grown.

In this special briefing we will consider the practical, operational and legal issues involved in preparing for the future. We will offer some simple advice to help ensure that your park stays in the family and the family stays together. We have not included any advice on the possible tax implications as these will vary from case to case. However, any transfer of ownership of your park may create a capital gain and may also have implications for inheritance tax, and you should seek expert help from an accountant or solicitor once you have an idea of what you want to do.

In an ideal world businesses would have two succession plans - one fully thought through with the long term interests of the family and business properly considered, and a second 'stepping in front of a bus' strategy. We are here considering the former only.



It is worth starting with a reality check, this can involve some uncomfortable questions but the longer they are left the more uncomfortable they become. Of course the first question is do you want the business to stay in the family rather than selling it outright? Assuming the answer is yes, you need to think through the following:

- How much longer do you want to work at your current rate?
- What are the expectations of other family members in terms of ownership and involvement in the business?
- Is your business large enough to split between different family members, and if not, is there a sensible way to involve more than one of them? Be realistic and always remember that splitting something small serves only to make all the recipients unhappy.
- Are there family members who have the necessary ability, skills and knowledge to run the business? How often is the phrase 'like father like son' borne out in reality?
- Are there family members who really want to be involved in the business and are they following their own dreams or yours?
- Would it be better to appoint a non-family member to run the business while the family enjoys the fruits of ownership?
- Do you want to keep an involvement in the future or are you ready to walk away? If you want to stay involved how will that work with your successor(s), can you cope with seeing your work changed?
- What happens if you leave your park to a married son who is then divorced by his wife who is, in theory, entitled to half his assets?
- In most cases it is best to involve an outsider as early as possible. The presence of an impartial third party can help ensure discussions remain focussed and not too emotional. Ideally this should be someone with a good understanding of park business, but resist the temptation to ask a friend to help, as this will not deliver the vital independence required for the role. The two issues most likely to spark problems in any family businesses are the performance of relatives actively involved in the business and the strategic direction of the business. Any consideration of the succession options for your business is likely to include both, so your independent advisor plays a key role in keeping things calm and, in that context, can help in several ways:
  - Keep a focus on the business to ensure its needs are not sidetracked while the family works its way through the issues.
  - Take an impartial and business oriented view of the succession issues.
  - See the best in all parties' opinions.
  - Act as honest broker and a conduit for communication.

In some cases it may be helpful to ask a professional manager to look after the park while succession is considered and agreed. This gives a guarantee that the business will not suffer during the process and can allow time for family members to gain experience and skills from elsewhere before they take on the family business. Similarly, arranging for family members who are taking on more responsibility to have an independent professional mentor can help them learn about the park business in their own way without the risk of friction between the generations; it also gives you confidence that the business is in good hands while the next generation learns the ropes.

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As is often the case, these issues are much less difficult than one might expect once they are addressed.

From a practical point of view these are our six rules for successful succession planning:

1. **Don't delay** - even if you want to carry on working for several years, you, your business and your family will benefit from a clear plan that everyone understands and agrees. The worst you can do is ignore the issue until you bump into succession without the time to properly address it.
2. **Be realistic and honest** - about your own wishes, your business and the skills and aptitudes of family members.
3. **Get help** - independent, professional help from someone who understands your business, has the strength to offer proactive assistance and who is accepted as impartial by all the family.
4. **Keep focussed on the business** - don't let succession issues divert you from running your park. If necessary get help from outside to run the park while succession plans are put in place.
5. **Make a plan and stick to it** - ensure everyone knows and understands what is happening, that way you can avoid uncertainty, distraction and unfulfilled expectations.
6. **Enjoy the fruits of your labours** - when succession happens don't interfere, leave well alone and enjoy the rest you have earned.

Bridge Leisure Management can help with your succession issues. Our team has more than fifty years' hands-on experience running and developing holiday parks. We can provide professional, impartial and business focussed advice to help you find the right succession plan for your park and your family. We can also take on the management of your park while you resolve succession issues or if you want to stop working but have no suitable successor and do not wish to sell. Naturally we can also assist with any operational or development challenges you face.

To find out more go to [www.bridgeleisure.com](http://www.bridgeleisure.com) or contact Andrew Howe on 07970 148607 or [andrew.howe@bridgeleisure.com](mailto:andrew.howe@bridgeleisure.com).

And if your plans are already further advanced and you have reached the point where you have decided what needs to be done, and the time has come to deal with the legal complexities of business transfers, shareholding adjustments, the creation of a corporate structure, the formalisation of a new partnership, or the writing of wills which put into effect your decisions, then you really would be best advised to come to the acknowledged industry experts.

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