

This is MONEY

A daily guide to your Personal Finance

- Savings
- Travel
- Debt & Borrowing
- Utilities
- Managing your Tax

Money Matters

with Nimi...



Should you bring your children into the family business?

are they dismissed or only grudgingly "accepted" as "oga's" child? Underperforming or dysfunctional family members being allowed to wander through the business without accountability, is very demotivating for other hardworking staff. This can be very damaging for morale and the prospects for a successful transition may be bleak.

When should you introduce them to the business?

Preparation with the next generation should start early. Skill development starts early with a very young child visiting the office with a parent during holidays, vacation jobs and internships. Have you given them room to grow in the company, or have you held on to the reins so tightly that have not been able to express themselves, or develop their decision-making or leadership skills?

Should they join the business straight from school?

There is a school of thought that suggests that children will benefit from maturing and gaining confidence working outside the family business rather than internally as the children of the boss. Cutting their teeth outside the family business, issues such as punctuality, accountability and credibility are important. The knowledge and experience they garner outside the business should help prepare them to take on responsibilities in the family business having

proved that they are capable.

There are generational differences

The next generation tend to have a different life and work style than the business founder and entrepreneur who built the business from scratch with blood, sweat and tears. In some instances, they may have been over-indulged; as a result, they often do not share the same drive, commitment or passion of the founder of the business. On the other hand, their work style is not an indication of a lack of commitment to the business. The older generation has much to learn from the new way of working.

Embrace Change

Family businesses are dynamic in nature; as members of the younger generation learn from their elders, so too must the older generation be flexible enough to embrace the skills and ideas of the youth to innovate, embrace technology and explore new opportunities. This is crucial for a firm's long-term survival as it embraces change and seeks to remain relevant. Founders are often reluctant to embrace change and resent new ideas to the detriment of the business.

Are you being fair?

Particularly in a patriarchal society like ours, many families assume that the eldest son or child will take over the business. Of course, the owner can make a decision to pass leadership to

the child of their choice, but it can be a challenge to try to balance fairness in employing certain children or even grandchildren in a family business with various skill levels, compensation levels and ownership levels as opposed to others. This "natural" choice may not necessarily be ideal if the candidate has not earned the respect of family members or employees for that particular position. This could build up resentment, jealousy and envy that may bring an outstanding company to its knees.

Mentor your successor

Mentoring can take several years, even if your successor has worked in the company. It is a good idea to have someone who isn't a family member but works successfully in the business, serve as the mentor. Carefully evaluate your successor objectively and with input from stakeholders including Directors, investors, managers and employees. Even after handing over the reins, one should continue to assess and stay connected as you gradually disengage.

Deploy a professional selection process

In choosing your successor, you should seek to identify the best person positioned to move the company forward both internally and externally. The more objective and transparent the process of bringing in the next leader into a business, the smoother the transition and the more likely is the success of the exercise. Successors should be ranked based on key criteria including, educational background, past work experience, prior leadership positions, interpersonal skills, problem solving and decision-making ability and so on. Their personality and their professional and leadership abilities should be of paramount consideration and is of far greater importance than blood ties.

Seek professional advice

Family businesses have a greater need for

formal communication in order to resolve a host of other pressing family and business issues. Sometimes volatile topics steeped in emotion make it difficult; a third-party facilitator will make discussions constructive and less emotive.

What are the other options?

If you are still at the helm of a profitable business and see no real prospects of your children moving it forward, there is the option introducing professional management, of selling a stake, or the company in its entirety. Your heirs can then eventually inherit the proceeds; you can achieve this without them being directly involved in the running of the firm.

Smooth succession planning takes time. With careful objective planning, the transition of a business from one generation to the next, or to a non-family leader, has a better chance of long-term business success and sustainability. The earlier the planning starts, the better.

Instagram and Twitter: @mmwithnimi, Facebook and Google+: 'Money Matters with Nimi'.

www.moneymatterswithnimi.com, or send us an email info@moneymatterswithnimi.com

Nimi Akinkugbe has extensive experience in private wealth management. She seeks to empower people regarding their finances and offers frank, practical insights to create a greater awareness and understanding of personal finance.

For more personal finance tips, contact Nimi:

Email: info@moneymatterswithnimi.com
Website: www.moneymatterswithnimi.com

Twitter: @MMWITHNIMI

Instagram: @MMWITHNIMI

Facebook: MoneyMatterswithNimi

Family businesses are the backbone of any economy and Nigeria is no different. Indeed, family-owned businesses have long been part of Nigerian business life and history, yet so many of the prominent businesses in the early 50s and 60s are no more. What happened to them?

Family businesses face unique challenges. In fact, statistics show that only one-third of all family businesses are successfully transferred to the next generation, and only about 10-15% are transferred onto the third generation. These challenges include difficulties in managing conflict among family members, unclear boundaries between business and family, effective planning for the transition, and preparing heirs to be able stewards of the business.

Below are some tips on effectively bringing children into the family business:

Don't assume that they are interested

A common mistake that business owners make is assuming that your children want to follow in your footsteps. They may not have the inclination or the desire to join the business and may want to follow their own life path and not yours. It is one thing to want to be involved in the family business, and quite another

