

## Who's taking over the business?

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All across London, thousands of baby boomer business owners are approaching retirement and looking forward to handing their business over to the next generation.

But they're not doing anything to prepare and that's inviting trouble, say experts in family businesses.

Consultant John Geddes, a London native now based in Aurora, says many boomer business owners simply refuse to plan for the inevitable.

"They think their business will go on forever and they assume the kids or someone else will take over in a seamless way," says Geddes, author of a new book, *Succession and the Family Business: A Road Full of Potholes or Paved with Gold*.

David Simpson, executive director of the Business Families Centre at the Richard Ivey School of Business, says it's also a touchy topic for the next generation.

"You create a mythology around your business and burden your kids to carry it on . . . because grandpa founded this firm," he said.

Simpson said some of his students are in business school to help out their family business and some are there to get away from the family business.

"But when I ask either side how many have told their parents about their plans, I get dead silence."

Henry Vergeer, founder and owner of CEM Specialties in London, is way ahead of most boomers. Now 55, he has three sons who could potentially take over the business. He's working on a succession plan in consultation with Geddes.

"I would like to see them carry on the legacy, but the interest has to be there," said Vergeer, who has 15 employees.

Founded in 1992, CEM has developed a solid market installing and servicing pollution monitoring equipment for major clients such as Ontario Power Generation.

Vergeer said his oldest son, 27-year-old Michael, has worked at the company and is interested in taking over. But he's serving with the Canadian Armed Forces and is committed for the next seven years.

Vergeer said he's working to get his company into good shape for whoever takes over.

He wants to avoid potential conflicts.

"Family politics and emotions can get into the game and really cloud the issue," he said.

Geddes said we should all care about the handover of family businesses because 80% of London's 6,640 businesses are family-owned or managed. Since only 30% of family businesses survive from one generation to the next, he said, the jobs of about 26,000 people employed by those businesses are on the line.

Geddes said the question will soon become urgent because the average business owner is 58 and planning for succession can take years.

"This is really a baby boomer issue. The transition is going to happen whether they want it or not," he said.

Geddes said handing down the business can provoke ugly family battles with children or between siblings.

"We often get called in after the family stops talking to each other."

Some high-profile Canadian businesses have wrestled with the issue. The handover of the Canadian Tire and McCain frozen food empires both provoked bitter and public family battles.

Closer to home, the sons of Mac Cuddy clashed with their father and with each other over control of the London-based poultry empire.

Simpson said only about 10% of family businesses make it to the third generation and while that may seem low, it's better than the survival rate for non-family businesses.

"How many businesses last 70 years? The oldest business in the world are almost all family-run," he said.

Simpson said family-run businesses deserve support because they're much more rooted in their communities. New Brunswick's McCain family, despite their internal battles, are a good example, he said.

"There are no oranges growing in Saint John river valley. But it has the largest orange juice processing in North America because the McCain family lives there," Simpson said.

The crucial question for family-owned businesses is whether there's a child or family member willing and competent to take the business over. Unlike previous generations, boomers typically only have two or three children, lowering the odds one of them is willing to take over.

Geddes said it's an issue loaded with emotional baggage.

"Blood is thicker than water and harder to see through. They may not realize their family member does not have the skills to manage."

The children may think they're entitled to the business and aren't willing to pay for it and provide the retiring parents with a comfortable retirement.

"The children sometimes think the business is an ATM -- it just finances their lifestyle."

Geddes and Simpson both said it often makes more sense to sell a family business to a long-term employee or senior manager.

Simpson said it's better for entrepreneurs to pass their skills on to their children and think in terms of a business family, rather than a family business.

He said it's a good idea for the children of entrepreneurs to get a good business education and spend a few years working outside the family business.

They then have to decide whether to take over personal control of the business, turn it to professional managers or sell it outright.

Simpson said the retiring business owner also has to make a commitment to give up control.

He said one prominent London business family, who he declined to name, agreed the founder would not set foot in the main office after the son took over the business.

Geddes said the goal for his succession plans is to find an arrangement that works from a business and personal level.

"I am working to make sure they can still have Thanksgiving dinner together and it doesn't destroy the family relationships and the business."