



# Overcoming the challenges of succession planning in family-owned businesses



Building a business that stands the test of time is no easy feat. And much of that challenge lies in passing it on to the next generation.

As it so often goes, “failing to plan is planning to fail”. Drawing on an insightful conversation with **Mieke Dhoore** and **Bart Delaleeuw**, Partners at Hoffman and long-time advisors to family-owned businesses on succession planning, this post explores **why these companies should take extra care** when it comes to their legacy – and **how Hoffman can help** ensure that lasting impact.

## Succession planning: a strategic imperative for businesses

For businesses, staying in the game and securing growth is a multi-faceted challenge that demands strategic foresight. While there are multiple ways to **build a future-proof organisation**, one stands out as obvious. Any business, large or small, must be adequately prepared to guarantee operational continuity and limit disruption in the face of unanticipated events or **leadership changes**.

The key to maintaining **business continuity** lies in carefully identifying the most critical roles and then creating plans to have the right people ready to fill them. This process is known as **succession planning**.



***Not every business faces the same challenges when navigating the obstacles of leadership transition. Adding to the complexity, ownership structure can further complicate matters.***

Bart Delaleeuw



## An even more pressing challenge for family-owned businesses

Belgium's economy owes much of its strength to SMEs and **family-owned businesses**<sup>1</sup>. A whopping 70% of companies nationwide are family-operated, contributing up to 55% to our Gross National Product<sup>2</sup>. However, the **generational erosion of such ventures** is quite marked with only **64% of businesses reaching a second generation** ... and just **13% making it to a third**. This dramatic drop-off serves as an ominous warning for this vibrant business ecosystem in need of stability.



***We are now entering a critical and sensitive juncture as many of these businesses emerged in the 1950's and 60's and are today facing the transition challenge to the third generation.***

Mieke Dhoore

Now is the time for **third-generation** entrepreneurs to rise up and carry them into tomorrow, meaning that **succession planning** should be seen as an **urgent priority**. But crafting an effective strategy for family-run businesses requires a specific approach that takes into account the unique leadership dynamics at play.

## What sets family-owned businesses apart: “it’s handing over a legacy”

Family business leaders stand out. They boast an impressive average tenure of 20–25 years, far surpassing conventional business leaders' shorter-term limits of 4 to 5 years<sup>3</sup>. Additionally, owners often shoulder more responsibility than their peers as they tend to juggle multiple roles.

One thing is for sure: they have **a strong emotional attachment to their business**, usually seeing it as a child they have nurtured and grown over the years. If you are a business owner yourself, you know how hard it is to entrust someone with the culmination of years of hard work. And making the call on when it is time to step down takes a healthy dose of courage and sound judgment.

With years of experience assisting family-run businesses, Mieke Dhoore, Bart Delaleeuw and the other partners of HOFFMAN (see overview on page 3) understand this better than most – they know that the real challenge lies in striking the balance between heart and head where **personal ties** come into play.

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<sup>1</sup> While there is no single definition of a family-owned business, two criteria generally apply: (1) there are at least two or more relatives involved at the operational level and (2) at least half of its shares are controlled by members of the same family.

<sup>2</sup> Instituut Familiebedrijven (2008), Witboek Familiebedrijven, 11-12. [online] <https://publicaties.vlaanderen.be/view-file/4916>

<sup>3</sup> Hohaus, Harvey, “Preserving a legacy through succession planning”, IIC Partners.

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# What Hoffman can do for you: insider's perspective, outside expertise

At Hoffman, we are committed to moving our clients through even the toughest of transitions and complex business scenarios. With a long track record of helping family companies with their succession planning, whether it is transferring leadership to the next family generation or to non-family leadership, we are here to provide fresh insights and assistance.

**A three-step approach.** From forecasting for contingencies to onboarding, we make succession planning seamless and effective with a bespoke approach inspired by the following 3 steps methodology:

- **Step 1. Assessment.** What do you need to drive business growth now and in the next 5 years? We work with you to identify your core business challenges and develop a strategy that zeroes in on the critical roles essential for success, focusing on key skills and knowledge.
- **Step 2. Evaluation.** Which members of the company and/or the family have the potential to become proficient managers or access the company's executive committee, and what do they need to get there? With the right support and training, high-potential employees can rise to the challenge. We map out talents and launch external searches if need be.
- **Step 3. Development.** Going one step further, what critical skills and knowledge should you protect and transfer? We help you capture the expertise of departing team members while growing a solid talent pool to fill critical roles with targeted development strategies.

**A safe space for discussion.** Transitioning a business to new leadership comes with emotional turbulence, especially when vested interests are on the line. As a team of external experts, Hoffman provides an unbiased environment for challenging conversations to take place, giving you clarity on how to move forward effectively.

**The right people, in the right roles.** Family business owners usually wear many hats over an extended period of time. Succession planning, therefore, often involves reassessing, splitting, and updating leadership responsibilities. Our HR professionals have the expertise to strategically revamp key roles in your organisation, and headhunt to secure the perfect fit.

**Hoffman's guarantee.** 96% of appointed talents are still in office after one year. We stay in touch to make sure you have the right people thriving in the right roles, charting a path to long-term success.

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## Get in touch with us today to learn more about how we can help you prepare for the future

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