



WHY SHOULD DAUGHTERS

miss out?

Hordern & Sons, Richards & Sons, Smith & Sons, Son & Sons ... Don't these people ever have daughters? Gayle Bryant looks at what a girl's got to do nowadays to stake her claim in a family business.

Traditionally, it was the son who was groomed to take over a family business and while attitudes have improved, a bias against females is still strong. So how can daughters make sure they are given the chance to take the top job?

The good news in Australia is that more daughters are now being considered as the successor to run family businesses, according to a study by Pitcher Partners and Swinburne University in Melbourne.

The study, *Succession Reset: Family Business Succession in the 21st Century 2014*, which looked at family enterprises in more than 50 countries, identifies

how succession attitudes are changing. In it, owners of businesses were asked whether their next top executive was going to be a daughter or a son. In Australia, 20 per cent of owners said it would be a daughter, while the figure for the rest of the world was 14.9 per cent, and for the US it was only 10 per cent.

"Our research showed sons are more than twice as likely to be a top executive, but if we track against the rest of the world, then we in Australia are actually doing well," says Dr Richard Shrapnel of Pitcher Partners.

Dr Shrapnel says that because the research was so widespread – across

56 countries and nine languages – it provided a very good perspective around cultural and country diversity.

"The information we got back showed us that there is still a bias towards sons, but the bias has shifted quite significantly," he says.

One reason for the shift, he says, is "the complexity of business today with globalisation, the internet and digitalisation, and the changing landscape of consumer preferences". This means it is crucial that the right person is chosen to succeed, whether that person is the son or daughter.

Dr Shrapnel says it's becoming evident now that sons are no longer



viewed as the natural heir. "There is an openness to daughters coming in and more and more daughters are taking up those positions."

If a son does get the top job, he says, there is a rationalisation behind it. "For example, the owner will say, 'My son's working in the business, but my daughter isn't, so I'll give my son the business and sell a property, and give the cash to my daughter.' But this decision still represents equality."

Rural property is one area where ownership is traditionally transferred to the sons rather than daughters, but Dr Shrapnel says this, too, is changing. "We have seen a number of farming properties where there is this shift towards daughters taking over," he says.

"But again, if the son is going to work the farm, the owners look to see if there is something they can sell to give their daughters a fair share."

WHAT DAUGHTERS CAN DO

David Harland, the Managing Director of FINH, which advises family businesses, says when it comes to succession planning, too many families skirt around the issue. It's almost a taboo topic.

"Often, there's a code of behaviour that the last generation repeats," David says. Better communication is needed and "if women can be the one that sow the seeds that get families communicating better, then the better it will be, as the world is changing rapidly."

To achieve this, "they could perhaps add some formalised structures and processes around their communication, particularly when it comes to the family capital," he says. "When they do that, conversations can be had with certain boundaries around them."

"Whereas if those conversations take place in an informal context – the way families have always communicated – they are not going to get a lot of traction."

David says when it comes to working out succession, especially if

Do you have **DAUGHTERS** working in the business?

- ▶ AUSTRALIA **22.7% SAY YES**
- ▶ REST OF THE WORLD **18.7%**

Do you have **SONS** working in the business?

- ▶ AUSTRALIA **28.9% SAY YES**
- ▶ REST OF THE WORLD **34.8%**

Is your next top executive going to be a **DAUGHTER**?

- ▶ AUSTRALIA **20% SAY YES**
- ▶ REST OF THE WORLD **14.9%**

Is your next top executive going to be a **SON**?

- ▶ AUSTRALIA **40% SAY YES**
- ▶ THE REST OF THE WORLD **41.7%**

SOURCE: Pitcher Partners.

it's a patriarchal business, then typically you need someone from outside the family who is independent and can remove the obligations from the patriarch to steer the conversation.

"Patriarchal systems are in many cases clearly successful, but once they get to that maturity point, if they don't change their behaviours, then it is the beginning of the end," he says.

"It's recognition of the need to change behaviours and they can't do that themselves."

David says he would typically suggest the daughter finds mechanisms, perhaps with the help of an adviser, which will get the father and the rest of the family together to discuss the succession issue. "This can be difficult," he says.

Dr Richard Shrapnel adds, "As a daughter, if you want the top job, then you've got to turn around and say, 'How do I claim my rightful share of wealth?'"

To do this, Dr Shrapnel says, daughters must ask themselves whether they are actually interested in the family business and if they are, there is no reason why they can't become the next top executive, provided they make their interest known to their parents beforehand, so it can be properly considered.

WHAT IF YOU FEEL WRONGED?

If a daughter feels she that hasn't received her rightful entitlement, what are her options?

Dr Shrapnel says if everything has been settled, then she has probably missed the boat a bit, as she should have spoken up when the process was occurring. "As a daughter, you need to participate in the estate planning process and make sure you have your say," he says. "Whether you can make a claim depends on the business structure."

Within Australia, Dr Shrapnel says many businesses hold their wealth in a trust structure, so a daughter would be a contingent beneficiary, the same as the son would be.

"My layperson's response is that daughters have an equal entitlement, so they should put their hand up and claim that equal entitlement," he says. "If it's not given to them, there may be a basis for them to make a claim in the courts. It depends on the structure, but you really don't want to go down the path of trying to make a claim on a deceased estate."

Dr Shrapnel advises daughters and sons to engage more with their parents about the succession plan. "Have an active voice and don't be shy," he says. "Children have a right to claim their entitlement, so you should not be shy about asking if it's going to be a fair and reasonable allocation."