If you are the incumbent CEO, one whose retirement may be in sight and who is diligently bringing along your successor(s), you will want to do everything in your power to turn over a healthy organization. One of the marks of a healthy organization is the ability to change. And you, as the senior-generation CEO, have a great deal of influence on whether or not your family business has that ability.

It is a fortunate successor who takes over leadership of a company that has already made change its tradition. Even if it has not, you still can do much to ready the organization for change and to support your successors in the changes they must make when they rise to leadership.

One of the greatest gifts you can give to your successors and to your business in the time you have left as CEO is to take some steps that will help prevent crises as the transition from your generation to the next generation takes place.

Ideal Incumbents

• See themselves as responsible for creating and maintaining a climate of change.

• Challenge, encourage, and empower the next generation to introduce change (while maintaining their judgment and power to veto inappropriate change -- using counsel of the Board). Use their experience to guide change rather than resist it.

• Believe the company can survive without them and discourage being perceived as “heroes.”

• Recognize that a successor’s job is to build consensus around change and to forge a team.

The first step is to arm yourself with knowledge about change. If you are in your 60s or 70s or even in your late 50s, you come from an era that represents the winding down of the Industrial Age. This was a time of greater stability. Things changed, but not nearly so fast as they do now. People in their 30s, perhaps your sons and daughters, represent the Information Age and the New Economy. The world has changed so much that it is simply not realistic to expect that they can or ought to run a business the way their parents have run it. By understanding this, you go a long way toward preventing conflicts over how the business should be run and the changes the next generation will bring. If you are the business’ founder, it’s very likely that
you lead in a strong, entrepreneurial style, one that is forceful, assertive and decisive. A member of the next generation, however, more likely will concentrate on building teamwork. He or she may be understated. That may not look like leadership to you, but it is. And it’s a style of leadership that works very well for successors in a family firm.

A second step, and a particularly challenging one if you are the founder, is to avoid presenting yourself as the “hero” of the organization. Founders are almost always regarded as heroes—you are probably no exception. And it’s gratifying to be regarded that way. But others in the family, particularly key non-family executives and family members who are not in the business, may have doubts and fears about the company’s ability to continue successfully once the hero retires. You can do much to calm these fears and pave the way for the future by downplaying any heroic role attributable to you and giving your successors increased responsibility, visibility and recognition.

Most important, however, is to encourage, challenge and empower your successors to bring about change. We held our breath at one family business retreat, when siblings of the successor generation presented their vision for the future. Their fathers could be extremely critical, but when the presentation was done, he stood up with a smile and said, “It’s a new day.”

Another way to support your successor is to prepare your key non-family executives for change. Some of them have no doubt been with you for many, many years and are deeply loyal to you. The transition to a new generation of leadership may be eased for them if, well ahead of your retirement, you support, in their presence, the new ideas that the next generation is bringing into the company. Gently but firmly and continuously make it clear to non-family managers that you embrace change and that it is part of their job to do the same.

Similarly, as the incumbent CEO, you can help prepare family members for change by discussing the need for change and giving it and your successors your blessing at family council meetings and in everyday conversation.

One delicate subject is the tenure of the CEO. We find that, if it’s too long, it can be a hindrance to change. Only you can decide whether to retire sooner rather than later. Many CEOs in their 60s and 70s will say, “Gee, I still have something left in me.” That is not necessarily the standard for staying on as CEO. Using the familiar analogy of the relay race, our experience suggests that the baton is best passed when both runners are going at full speed, not when the first has stumbled and fallen and has nothing left to give.

“I’ve challenged myself to build a life largely apart from the business,” John Bitzer, Jr., the former ABARTA CEO recently said about his own process of letting go. “It’s my observation that this is the toughest part for a lot of people in this situation—to sustain a sense of personal worth without the trappings of the job and the business. This is why many stay around too long. . .and it’s not a good reason to do so.”

One more thing. Nearly every family firm we know eventually has to dramatically redefine the business it’s in. It will suffer and perhaps fail completely if it sticks to the notion that “Granddad founded a widget company and we’re still going to make widgets,” when the world’s need for widgets has diminished.

If you are the founder, it helps enormously if you convey the message that the family firm is not in the business of making the product or delivering the service that you started out with. Instead, we encourage you to adopt and convey a mentality that says, “We are a family that pursues new ideas,” instead of “We are the widget family.” By doing so, you relieve your heirs of any guilt they might feel in not pursuing your dream and give them the permission and the freedom and the opportunity to make decisions that will enhance the health of the company.

In short, you can best foster change in your family business by thinking of yourself as a change agent. Take responsibility for change yourself by encouraging the next generation, perhaps as a task force of siblings or cousins, to develop a vision for the business based on their view of the future. Be open to their ideas and, as appropriate, encourage them to implement change.
Remember how much power you have, even informally, as a parent, and use that power wisely and well. Be a supporter, not an impediment.

As one CEO told his thirty-something children, niece and cousin, “I’ll be glad to hand over the business as soon as you can tell the Board to its satisfaction what you hope to do with the business, and how you plan to go about it.” They did, and he did.