

Passing the Baby

The 8 Must Haves of Successful Continuity Planning

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The notion of planning for continuity in a family business may feel like preparing to pass a valuable, delicate creation to an unprepared relative. Figuring out where to begin might be equally disconcerting.

Imagine standing at a family party with your newborn daughter, Sarah, in your arms. You and your wife have just lived through a whirlwind of morning sickness, mood swings and strange cravings. But as you peer into the face of your firstborn child, you know the result was well worth the sacrifice.

“That’s my baby, my little girl,” you mutter, as parental visions begin to float across your mental movie screen—her on the gold medal podium at the Olympics, accepting the Nobel Peace Prize, becoming President.

Your daydream is interrupted by Cash, your 7-year-old nephew. He tugs on your jacket and asks if he can “hold yer baby.” Your eyes widen and you stutter a response, “Pardon? What did you say?” You understood his question, but the very idea that you would hand your delicate creation over to a chocolate-smudged Oompa Loompa has left you dumbfounded and aggravated.

As your mouth begins to form the words, “No way! You’re too young. You’d probably drop her, now scram,” Cash’s mother Charity (your sister) walks up. She waves excitedly to your mother and yells, “Come see this! Cash is going to hold Sarah.” Soon half a dozen cheerful relatives gather, anticipating a magical family moment.

Sweat beads begin to form on your forehead. You feel sick to your stomach. “Isn’t there a shiny truck or video game around somewhere that can distract this kid?” you wonder, almost out loud.

But no matter how desperately you want to avoid it, you know you’ve got to pass your baby.

Finally resigned to the inevitable, you bend your knees, hold your breath and ever so gently place her in the outstretched arms of your ill-prepared nephew.

The Challenge: Continuity Planning

Planning for continuity in a family business may feel like preparing to pass a valuable, delicate creation to an unprepared relative. Figuring out where to start might be equally disconcerting. Why do only 30 percent of current family business owners have a written continuity plan? Business leaders procrastinate on this planning for a number of valid and predictable reasons, including:

- They care deeply about their company and loyal employees and fear that they may be hurt in the process;
- They do not believe the next generation is prepared to take over;
- They have not adequately prepared for the financial ramifications of retiring;
- The economy is weak and they may believe that it would be wiser to wait until conditions are more stable to pass the business;

- They feel too young and energetic to consider slowing down;
- They want to avoid the psychological and emotional strain that is a part of continuity planning;
- And, as they have never done this before, they don't know where to begin...

The goal of this article is twofold: to motivate you to begin planning for continuity (regardless of your current age); and to provide guidance by offering tips and suggestions about how and when to start the process.

Not knowing where to start can feel overwhelming. Let's face it; reading about successful intergenerational transitions is much easier than leading them. So what's a well-meaning, legacy-minded, continuity-procrastinating business leader to do?

The first and most important of all steps in continuity planning is to simply begin the process. Take five minutes now to block out a one-hour window within the next two weeks to begin crafting your plan. Do it now. Open your calendar on your phone or computer, pick a day, pick an hour—preferably in the morning—type in “begin continuity planning effort.”

A warning: you will have natural resistance to the changes that you must make as part of this process. It will be an emotional and difficult journey. However, keep in mind the idea that this will be your last true test of leadership—defining, protecting and passing on your legacy.

In an effort to help you start and continue the process, the following are “Eight Must-Haves of Successful Continuity Planning.” These are stopping points on the map that represents your Continuity Planning journey. They don't represent final destinations, but areas that will require considerable thought and work as you make important strides toward defining, protecting and passing on a legacy you will feel proud of.

The Eight Must-Haves of Successful Continuity Planning

1. A Legacy Statement: How Do I Want To Be Remembered? Consider answering the following questions on your first day of continuity planning: When I've been faced with tough decisions, what guiding principles have I relied on? What are the ones

I want my children and grandchildren to follow? What achievements, philosophies, causes, movements or rules of thumb are important to me? When my kids and grandchildren think of me, what is the first thing I hope they think of?

2. Leadership Contingency Plan — In Case of Emergency

None of us likes to contemplate our mortality—never mind the idea that we may die suddenly in the prime of life. Sadly, sudden endings happen all too often, and as such, the business needs at least a stop-gap plan in place for such an emergency. Give direction to your heirs, the board and key management about what needs to be done for the business short-term if you were to die suddenly. Crisis situations like this are already so emotionally difficult that it will be an invaluable resource to all if there were some core and specific guidance in place.

3. Job Description of the Successful Family Business CEO

A specific, written statement that clearly defines what the CEO of your family company must do well in order to lead the business successfully. It must look beyond typical achievements (attaining an MBA or gaining technical training) and delve into leadership and the ability to manage complex, emotionally charged relationships between three organizations—your family, your business and its owners.

4. Develop a High-Potential Successor Pool

If you passed away today, who would be the five most likely successors? Resist the temptation to think of only family members, or those managers who are most like you. If you are committed to family leadership, but there is a large age gap between you and your most likely successor, consider using your most loyal, capable non-family manager to serve as a leadership bridge between the generations.

5. The Continuity Committee — Who Will Choose the Next Leader?

Picking a leader who, based on all available information at the time of succession, has exhibited more of the capabilities, skills, traits and qualities than any other candidate. Getting to this decision will be difficult and will require objectivity, critical thinking and wise judgment. To assist you in this task, choose a group of five to seven trusted personal and professional advisors. Make the expectation clear that you want them to work with you and each other to push beyond personal biases, hopes and genetic predispositions as

you make this important choice.

6. The Judgment Template — How to Assess High Potential Candidates

The completion of this step should rely heavily on step 3, Job Description of the Successful Family Business CEO. Use the list of skills and capabilities created by the outgoing CEO as the starting point. Have the Continuity Committee review, update (as needed), prioritize and create a template that rates potential candidates as very poor, poor, good, very good and excellent in each area. Bear in mind that the goal of this process is to objectively compare candidates to other candidates, not candidates to the former CEO. Some areas to focus on include integrity, character, decision-making, critical thinking, communication skills (especially listening), internal and external credibility, work ethic, financial skills, outside experience, technical knowledge and initiative.

7. Timeline — For Choice, Development, Mentoring and Succession

Thorough continuity planning processes take 7-10 years. The average tenure of a family CEO is a little more than 20 years, which means effective continuity planning must be a strategic initiative for almost half of the CEO's leadership. As a starting point, identify your retirement day, which provides an end point from which the continuity plan can be reverse-engineered. It is a good idea for outgoing CEOs to be around for a full year as an advisor to the CEO before moving out of day-to-day leadership. Also, I like to see the incoming CEO spend up to a year shadowing the current CEO. This means the Continuity Committee should choose the next leader at least two years prior

to the current CEO's retirement day. If the Continuity Committee is going to have 2-3 years to identify and observe high potential leaders according to the Judgment Template, it needs to be established at least five years prior to the current CEO's retirement.

8. A Plan for Honoring the Contributions of the Current Generation

While this is a task for your successor, it needs to be included in this list as it provides important symbolic continuity. One of the first responsibilities of the next CEO should be to honor and memorialize the contributions and achievements of the outgoing CEO. Don't steer away from this with false humility or to avoid having the spotlight! Allow your successor to capture some essence of your leadership (the legacy statement could provide a relevant guide) and honor this contribution.

Conclusion: Don't Drop That Baby

Let's face it; you love your business like it's one of your children. You nurtured it, taught it, sacrificed for it and made it what it is today. Doesn't it make sense for you to put a thorough, fair, careful continuity planning process in place rather than risk dropping your delicate creation?

Should you choose to avoid continuity planning, or approach it half-heartedly, you jeopardize the future of the business, your family's wealth and the stable employment of your loyal employees. Alternatively, excellent continuity planning can create a bridge of opportunity between two generations-giving one the chance to identify and pass on their legacy and the other the highest chance for continued success, growth and harmony.



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