

Unsticking Succession: Common Obstacles and a Path Forward

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This article arose from a specific question from a family enterprise leader: “I know that I have to plan for succession and I know everything I should be doing, but I’m not making any progress. How do I get unstuck?” Succession planning remains a critical focus for many family firms. We hope this review of a fundamental family business concern sparks some new thinking and some positive momentum to kick off your planning.

The following case is a composite based on our client experiences.

Carl is a robust, energetic man in his early 70s with a booming voice and raucous laugh. For the last 40 years, he’s led the company that his father founded through steady organic expansion, reaching into new regions, building new facilities, and growing the family’s brand. Carl and his wife Melinda have dedicated their lives to the business and are proud of what they’ve built. They plan to pass it on to their three children, now in their 30s and 40s, who followed their father into the business. The siblings are starting to ask questions about the future, especially around Carl’s personal plans, his vision for their contribution after his retirement and what they need to be doing to prepare themselves.

Carl’s own father died suddenly and relatively young, leaving him to step in and figure out how to fill his father’s shoes at the ripe old age of 32. Carl doesn’t want to leave his own children in the lurch, but feels too young and engaged in the business to begin to contemplate his exit. “Besides,” he tells himself, “the kids still have a way to go before they’re ready to take over.” But all

three children grew up hearing stories from both their parents about the difficult challenges their father faced when he had to suddenly step in to lead the company. They have no desire to repeat history.

To Carl, their questions feel like pressure and he wonders if they are showing signs of entitlement. “What’s your hurry?” he thinks. “You have a long way to go before you are ready.”

Why Some Leaders Avoid Planning for Succession

Carl understands better than most the risk of continuing without a succession plan, yet he alternates between not wanting to “open that can of worms” and not knowing where to start. Leaders like Carl often cite day-to-day business obligations as being badly timed with any potential succession planning efforts, yet time may be the easiest obstacle to overcome.

Sometimes the real hurdle is simply a sense of the task being too complex. This often shows up in three common themes:

Readiness of Successors

As a business grows, its leadership needs change. The leading generation often sees a business that is much more complex and challenging than when they took the reins, and wonder whether the next generation will be able to step into ever-bigger shoes successfully. Conversely, the next generation questions how they can be better prepared for the future without a solid plan in place that ensures it. What will it take for their

parents to feel comfortable enough to give them more experience and responsibility in the enterprise?

Family Expectations

All family members, both leading generation and next generation, bring some expectations to the table such as ideas about how the next generation will engage in the business. These include whether career paths will be offered, how those paths will be nurtured, who might be a future enterprise leader, under what terms ownership will be available, and so on. Many leaders avoid these kinds of conversations because they sense a mismatch in expectations that could be uncomfortable for all involved. Some even use their own discomfort as an excuse that the next generation “isn’t ready to lead.”

The Leader’s Personal Vision

Beyond planning for the future of the business, family business leaders also must contemplate their own future after succession. But sometimes, envisioning the impact of a well-executed succession Succession Mindset plan on what the leader generation wants in “retirement” is easier said than done. Founders may find this personal aspect of succession planning to be particularly challenging, but any leader will feel resistance around planning for their own exit unless they have a compelling vision of their life beyond their current role.

A Different Point of View

For some leaders like Carl, the very term “succession” carries a misconception of one person in the next generation being selected for some kind of genetic “coronation” regardless of fit or readiness. Because of these challenges, we have found it helpful to include the concept of continuity into conversations about developing robust and transparent succession plans.

The roadblocks of succession planning can be more easily broken down by shifting the focus from executing a series of legal and financial changes that accompany more traditional succession and ownership transitions to one of preparing the business and the family to be able to respond well to any future change. With a goal to move towards a clearer state of readiness, this approach allows the family and the business to be more nimble and respond to changing conditions. It also opens up a new set of questions that can form the basis for a more holistic planning process.

These broader questions help shift the focus from a somewhat limited mindset of Who and How approach traditionally associated with succession to the What, Why and When of a broader planning process. Together, both mindsets can play important roles in helping to build a roadmap to successful transitions within the family enterprise.

Succession Mindset	Continuity Mindset
Who will take over leadership of the business? How will he or she prove to me that they know enough?	What are our expectations of the next generation as owners, and how do we help them succeed in meeting those expectations?
How will I divvy up shares in my will?	Why is it important to us for the next generation to lead effectively? Why should we be preparing the next generation now for future leadership roles?
How will my estate be handled by my heirs?	When do we move on our roadmap? What benchmarks will we establish to help guide our timeline and progress?

What = Vision

Successful family firms are driven by their vision of the future or simply: together, what we want. Developing clarity around a family’s deeply held vision can help overcome internal resistance to a succession planning process by creating a sort of roadmap to making the shared vision reality.

When we think about corporate vision, we may think of scripted corporate-speak that articulates a company’s goals in the marketplace. In family firms, vision is more nuanced and compelling, involving much more than a singular corporate statement. It also contains answers to the following questions:

- What do we want for the future of this business?
- What do we want in terms of our children working in the business?
- What do we want to see around our family’s ownership in the future?
- What does ownership mean for the health of our family?

Once these answers are articulated, you have a definition of what you want to achieve through your succession process: the protection of all that you've built and the achievement of all you hope to build. Motivation becomes more tangible when you think about succession as a critical activity in support of achieving your vision.

Carl knows he wants this business to continue with his family name on the front of the building. He's seen the teamwork that his children are building as co-workers and future leaders, and the idea of them continuing to build this business together is exciting for him. Is that what they want? He's not so sure. Although they've expressed interest in advancing their careers with the company, he realizes that they may not understand the responsibilities of ownership. For them to become business partners, they will need to share a common vision as well. Carl begins to see there are some conversations that must be had — and learning for his kids that must occur — before a succession plan can be devised.

Why = Values

One of the reasons that family businesses succeed is a strong basis in values, or what is most important to them. Entrepreneurs typically build businesses that reflect their value system, and their successors carry those values forward as the bedrock on which the company's brand and culture are built. Asking these kinds of "why" questions sheds light on the values that drive the way we do things:

- Why is it important that we treat our employees and customers the way we do?
- Why do we give back to the community?
- Why do we want the enterprise to be led by the next generation?
- Why is it important that we keep our family connected to each other?
- Why do we view wealth the way we do?

Thinking about these important "why" questions can help open the conversation to clearer continuity and succession planning processes by inviting the family to identify and ratify the family's values for themselves and for the business as they move into the future.

Carl's children see the world differently, and this makes it harder for Carl to envision the future of the company under new leadership. What Carl and his children have in common, due in no small part to Carl and Melinda's efforts in their upbringing, is a deep appreciation and sense of responsibility for the business and all it brings to their family and the community. Grounding discussions about the future in these shared values increases the chances that all involved find common ground.

When = A Timeline

One of the toughest questions leaders need to answer is: When is the right time to exit? In fact, trying to plan an exit date in a vacuum or without deeper conversations with family members can place unnecessary pressure on the family and limit the planning process. By the same token, answers to "when" questions that are met with defensive answers like, "when I'm good and ready" or "when they carry me out feet first" are dismissive and do not instill confidence in an ability to lead a planning process.

In deciding the right time to exit, leaders draw from their own financial needs, business cycles, strategic plans, personal readiness, successor readiness, ownership transition planning, and more. And yet, the absence of a target date sometimes means that there's no felt urgency, and that the planning process can be deferred indefinitely until the "right" time. For this reason, it can be useful to think forward and imagine when might be an appropriate time to exit. This target date is not an absolute, but instead can help you envision what sorts of activities need to happen to make the transition successfully, and on what timeline these smaller activities should occur. This simple strategic planning approach is also key to creating a roadmap that can be easily followed by everyone involved in the planning process or impacted by it.

While Carl remains engaged in the business, he thinks that within five years his level of involvement in the day-to-day operations is likely to change. This tentative five-year target prompts some questions that will advance the planning process, stemming from the primary question: "If I were to retire in five years, what would need to happen before then so that we can maintain our vision (what) and values (why)?" Because Carl worries

about his children's readiness to lead, he begins to think about what can be achieved in their development over the next five years and how to begin that effort.

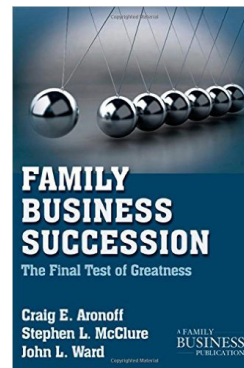
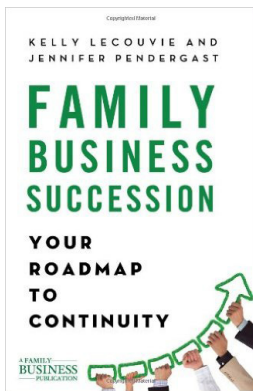
As he continues to think through "If I were to retire in five years..." in consideration of the various aspects of a succession plan — financial planning, ownership

transition, key customer and vendor relationships, board governance, and so on — more natural action steps emerge. These action steps form a holistic plan for the future of the business that includes and exceeds the plan for succession.

For more reading on effective succession planning and how to move forward, we suggest the following books available on our website, Amazon.com or Palgrave.com:

**Family Business Succession:
Your Roadmap to Continuity**
by Kelly LeCouvie and Jennifer Pendergast

**Family Business Succession:
The Final Test of Greatness**
by Craig Aronoff, Stephen McClure and John Ward



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