You Don’t Have to Retire (But is Hanging On Worth the Price?)

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“This is my business,” insists Arnold, the 75-year-old founder and CEO of a family-owned manufacturing company. “I love running it: why should I quit?”

If you’re one of those family business leaders who say they’re never going to retire, that’s okay. You’ve got lots of company. Like other CEOs, you’ve devoted your career and the best part of your life to building and sustaining your enterprise and you’ve done it for the sake of your family. Running a family-owned company is such an intense experience and so consuming that the business may seem like a beloved child to you. It may have become such an obsession to you that leaving it may seem akin to dying.

But even if you think you’ve made a firm decision never to retire, maybe it’s a decision worth reexamining from time to time. Just as we said you have the right to do what you want with your business, you also have the right to change your mind about not retiring. Along with those rights comes the obligation of communicating with family members and others involved, letting them know where you are in your thinking and giving them an opportunity to discuss it with you. Constant communication over time is essential to the letting-go process, whatever direction it takes.

Arnold, the CEO mentioned above has a son and a daughter working in the business. They are both in their 40s and each is capable of running the company, but they have finally come to accept the fact that Dad won’t let go. While Arnold has tremendous passion for the business, his children have learned to distance themselves psychologically while fulfilling their job responsibilities in the firm. After all, why should they invest themselves so fiercely in the business without being able to effect its direction? They do their jobs competently, but more and more, they have come to regard the business as a financial asset rather than a family legacy. They see it as Dad’s toy, and when he can no longer play with it, who knows what will become of it? Arnold’s children no longer have a strong emotional stake in keeping it in the family. When Dad is gone, they will probably sell.

Sometimes hanging on is a necessity. There may be no one in the family available to take over, or the anointed successor dies prematurely or becomes incapacitated. An incumbent CEO who can stay on or step back in from retirement for a short period can offer stability to a family firm in unfortunate circumstances. But such situations do suggest that the incumbent has not faced the need to groom a non-family successor on a timely basis, or that depth of management has not been sufficiently developed so that someone is available to step in if the first choice of successor cannot do so.

The hazards of hanging on far outweigh letting go.
Your adult children become frustrated and bored. They feel that they have energies and ideas that are being wasted because they can’t be applied. Because they need a challenge, the most competent offspring may leave the business that you say you so much want them to inherit. The least competent will stay because they have no other option. Your children become angry and may even become alienated from you. Still under your thumb, they feel they’re not treated as adults and that they’re still being told what to do by their parents.

Your business begins to suffer. Deprived of the full range of knowledge and skills that the next generation of leadership may have to offer --strategies stagnate and performance erodes. The younger generation, after all, is often more in touch with changing trends, developing markets, and shifts in technologies than the older generation is.

Why Aren’t You Letting Go?
The reality is that most CEOs of family businesses need to ask themselves just why it is they intend to hang on. What keeps them from letting go? A business owner may state some reasons on a conscious level and be very sincere about them. Underneath the surface, however, there may be other reasons that he or she has been unable or unwilling to articulate, or that may even be unrecognized.

Below are reasons that business owners give for not letting go, as well as reasons that family business consultants perceive. Examining them and considering which apply to you should be helpful in considering the extent to which you can separate your identity from the business and see each as a different entity.

I’m having such a great time! Business leaders who make this declaration really mean that they don’t know what they would do with themselves if they retire. They haven’t figured out ways of having fun or finding meaning in life outside the business. And while they may indeed be enjoying themselves, it is likely that they are obstructing an orderly transition of the business to the next generation.

I can’t afford to retire. In the case of certain small businesses, this may actually be true. The business owner needs to continue to work in order to live. But many times, this statement does not reflect reality. Despite having built more than adequate wealth, they still feel financially insecure, or perhaps, the business owner considers the business’s financial security more important than his own and will not take resources from the business to fund a comfortable retirement.

This business would be nothing without me! From the perspective of the organization, if there’s no successor, there’s something wrong. That may not be an issue for the business owner who has essentially built and developed a company in response to his own desires, needs or beliefs about what needs to be done. His view may be: This is my business and whatever’s left is for my family to deal with. But the owner who does not tend to the needs of the organization is not creating a business. He or she is just self-employed with a lot of helpers. I’ve seen such circumstances where the helpers ran into the hundreds. With such individuals, there is no sense that I am creating something to last beyond myself. And when they say, Without me, this is nothing, they are, sadly, absolutely right.

What will I be without the business? While a business owner may have convinced himself that the business will be nothing without him, he may also worry more quietly that he will be nothing without the business. He fears losing power, losing prestige in the community, losing the friends and connections that the business affords him and even losing the respect of his family.

I have no successor. As suggested above, this can be a legitimate reason for staying on when a successor is suddenly not available as a result of death or disability (or because he changed his mind). This reason can buy time for the incumbent CEO to do what needs to be done to find the management needed to carry on the business. Unfortunately, this is too often an excuse by CEOs whose motive is not to find new leadership but to hang on.

I want to stay in control of the kids. This is not a reason that a CEO is likely to admit. Entrepreneurs characteristically have a propensity toward control. It helps them do what they do as business creators and builders. But when they try to control their adult children by maintaining control of the business, particularly if it is for his or her own ends and desires, it becomes a
serious problem. Some owners disguise this dark desire by saying they’re worried their children won’t get along without the parent still at the helm.

I’ll die if I retire. This statement is a favorite of older incumbents. They’ll tell you about all the people they know who have retired and died within six months. They don’t tell you about the people they know who have retired and are still alive and well and happy. What this comment suggests is that the CEO feels he is engaged in an activity that is life-sustaining and that preserves his identity.

I need to look out for my loyal non-family executives. Family business CEOs commonly have fears about what will happen to their long-time, non-family managers once succession takes place. These people have taken care of us and we need to take care of them, many leaders say.

Business owners and the non-family executives often share a significant amount of mutual loyalty. In many cases, they have grown older together. The incumbent leader may worry that if she retires and names a son or daughter as the successor, good non-family executives may get upset at being skipped over. They might leave out of frustration or because they don’t want to work for the kid. Or the founder may be concerned that although the non-family managers worked well with her, they might not work well with the next generation.

Still another concern, in cases where the incumbent leader and his management team have grown old together, is that they all will retire at the same time, making it difficult for the next leader to maintain the business. Instead of planning for such an eventuality, the leader hangs on.

This business is my life! The hidden meaning here, perhaps inexpressible for the CEO, is that leaving the business means going home to a marriage that can’t survive with both spouses in the house. A number of CEOs throw themselves into their work because they lack other satisfactions in life, including from their spouse and family. They become passionately devoted to their business and it becomes their mistress. Retirement will have serious consequences on other parts of a CEO’s life. In some cases, it can result in such a traumatic shock to the marital system that the CEO’s marriage does not survive. CEOs who recognize this as their own situation may keep on working because they don’t want to face the probability of a divorce. This sadness and loneliness can be reality to some.

The fortunate CEO recognizes such potential difficulties early in life and seeks help from a marriage and family therapist. Such problems are beyond the scope of this article, but if the prospect of your marriage collapsing is preventing you from implementing a succession in your business, you may want to consider seeing a counselor.

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