

Addressing the Fears that Come with Succession

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While it may sometimes feel like succession is a topic that gets too much attention in the world of family business writings, it is a hurdle that most businesses still fail to clear, and is sufficiently complex as to merit review.

Generational transitions in a family business are not a one-dimensional challenge. In fact, the process of succession affects the business, the family and the ownership. As has been frequently highlighted, the needs or priorities of each of these different spheres in the overall system are not always in alignment. For example, in a succession, the business wants the “best person” for the job—whereas the family may want to make a selection that will ensure long-term harmony between siblings. While this alone creates tensions and challenges, what is sometimes overlooked is that the family and the business are systems comprised of individual stakeholders who may themselves have varying hopes, dreams and concerns around the whole succession issue.

So, who is a “stakeholder?” A stakeholder is any person who has a stake in the overall family business system, from the incumbent leader, an employee, the incumbent’s spouse, the successor’s siblings, the bank holding the company’s loans, a key supplier, etc. Each stakeholder in the system may have some apprehension about succession that could impact how the process plays out. For example, a supplier may feel more comfortable dealing with the current leader of the business, as he or she is a known quantity, the trust is there—whereas “Junior” might still be seen as the goofy kid who 20 years ago used to caddy for dad at the company golf tournament. While the “kid” may have grown up, the supplier may not be as comfortable with the younger

generation and could consider reducing credit terms, or otherwise creating business challenges that could have an impact on succession.

While that is fairly straightforward, individuals who are closer to the system may have more complex feelings. One emotion that affects many of the stakeholders in a succession process is the feeling of ambivalence. When you feel ambivalent about something, you may experience wanting it and not wanting it at the same time. For example, many stakeholders may perceive that it is “time for a change” (time for succession), while at the same time they fear the unknown, as the status quo has been good and they may not really want to see the succession process move forward. Interestingly this can affect successors who on the one hand feel very ready to take on the mantle of leadership while at the same time may be quietly apprehensive about their ability to fill the shoes of their predecessor. Holding these opposing feelings is confusing and can lead people to engage in “approach and avoid” behavior—where it seems they are taking one step forward and two steps backward all the time. When the successor exhibits this kind of behavior, it may cause the incumbent to wonder if the successor is really ready, maybe feeding into their own ambivalence about this whole succession thing.

While some incumbent leaders feel ambivalent about the notion of retiring or letting go of their ownership control, others are very clear that they DO NOT want to do either! They may be experiencing pressure from many sides to let go—but at the same time may be having too much fun, be worried about their financial security, or may fear what will become of them if they have no professional role, among many other worries. My point is that a lot of the “hanging on” is driven by

fears—many of them real. Can the business survive without me? Sadly this is often a legitimate fear (which is not a good sign for the long-term survival of the business), or it can be an ego issue—at some level we all want to believe we are irreplaceable. Another big fear of incumbents is that the family will not survive the turmoil and difficult decisions that may need to be made through the succession process.

In addition, there are the existential fears—mortality, loss of power and control, loss of identity, loss of purpose and feeling adrift. These are topics that are sometimes taboo or otherwise uncomfortable to discuss, so they may not be spoken of out loud, but it is helpful if all stakeholders in the system recognize that these fears may well be present and playing a role in the process. While there are many prospective successors who are frustrated that this process takes so long—if they can build a little empathy for the emotional load this “simple business issue” carries for their parent, they could do a better job of addressing the fears and as a result truly move the ball forward, for the benefit of all.

Of course, it is not only the incumbent who is faced with fears and anxiety about succession. The senior managers, in particular those who may have grown up with the “old man,” may share many of the anxieties of the incumbent. The prospect of their contemporary retiring may bring up their own fears about retirement, mortality and financial security. In addition, they may worry they will lose stature in the organization—if they are used to being the go-to person, they may worry that with Junior at the helm, they will not have as central a role in the company and will therefore lose some authority. In addition, if the newer generation is bringing in new processes and approaches to business, they may worry about their continuing relevance as the business and markets continue to grow and change with increasing speed. All of these fears may lead some key executives (consciously or sub-consciously) to seek to sabotage, slow down or derail the succession process.

The broader family may also feel the strain of the succession process. One subject that is often not spoken of out loud is the incumbent’s marriage. While we find many family business leaders are in long-standing marriages, when you scratch below the surface, some

of these husbands and wives have drifted apart over the years and may really fear that they will have nothing in common when it comes time for retirement and spending lots of time together. Unwillingness to face this fear may lead some to resist the succession process altogether. In addition, some spouses also relish the prestige that comes with being married to the CEO and may not be eager to lose this social identity, and this may impact the extent to which they encourage their husband to take the steps needed to plan for the future.

The children may also have some fears—they may want to be given the chance to take on leadership but fear the responsibility (there is that ambivalence). They may love and trust their sibling but still have some fears about that person’s ability to manage an asset that represents the vast majority of their future wealth, and not know how to address these fears without making their sibling feel attacked. In addition, as pushing one’s parents to plan for the future around questions of business leadership and ownership allocation necessarily involves contemplating the mortality of one’s parents—it is NOT a fun topic to address, and it makes people uncomfortable to bring it up. Yet it is critical to have these discussions because the hopes, fears and desires of the future generation should be a key consideration in any succession planning that is done.

While the fears in the system are real and numerous, planning and honest conversations based on mutual empathy can go a long way to alleviating these concerns. As I don’t want to leave you just with all this free-floating anxiety, I would propose some suggestions for concrete steps you can take to address these very natural fears:

- 1) It cannot be said enough: succession is a process, not an event. It is never too early to start having discussions on this topic and to start to get comfortable addressing the complex issues it raises for all stakeholders.

- a) If the emotions are high in your family, it may be worthwhile to get a family business advisor to facilitate these discussions—to bring out the hopes and fears in a way that feel safe and that promotes honest sharing.

- 2) Insist that the senior generations start to take steps to “get ready” well before it is time for them to retire.

This may include:

- a) Encouraging them to take a pay raise—or take other steps to reduce their financial dependence on the business.
- b) Insist that whatever plans they have on how the succession process will happen get put in writing, or at least shared in a public forum that involves all other relevant stakeholders. Transparency of process goes a long way to diffusing anxiety, aligning all stakeholders, promoting accountability for progress, and getting the plan put into action.
- c) Helping them make concrete plans about their personal life after the business. Just saying “we’ll travel and hang out with the grandkids” is not enough. In fact, the very exercise of planning for the future can be a great way for a husband & wife to reconnect on shared passions and interests.
- d) Clarify a role for the senior generation once they have relinquished management and ownership control. Are they going to be an informal advisor to the new CEO? Will they sit on the board? How can they contribute without getting in the way or otherwise damaging the authority of the new leaders?

3) Successors must also get themselves ready and be vigilant about demonstrating their readiness to lead and collaborate with all relevant stakeholders.

- a) Successors must remember that no one is entitled to respect—it can only be earned through hard work and keen listening.
- b) Earning the respect of the business leaders is not enough—to be a successful successor, you must earn the trust of the family and all shareholders.

4) Ensure your governance structures are adequate to the new level of complexity of your business, your family and your ownership group.

It is my hope that this article provides food for thought around planning for succession, and builds some empathy and understanding between stakeholders to help all appreciate the emotional complexity that overlays this process. Go get the conversations started in your family, proceed firmly to addressing these difficult topics, but approach one another with loving kindness and patience.

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