

Having “The Talk:” Navigating the Family Business Succession Conversation with Your Parents

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“We need to talk.”

These simple words can send a shiver down our spines in any relationship. Similarly, the moment our parents address us by our full name, we brace ourselves for a potentially challenging dialogue. In family businesses, few conversations are as formidable and emotionally charged as discussing the transition of leadership. Just as these phrases evoke a mix of emotions, so does the prospect of initiating a succession conversation with your parents — the founders and custodians of the family business.

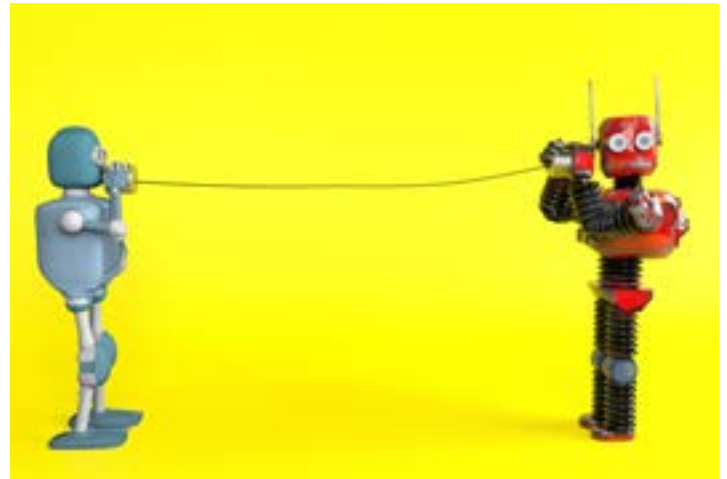
Family businesses transcend financial stability. They are legacies woven with generations of dreams and dedication. Yet, addressing the transition of leadership often involves navigating uncharted emotional terrain. Although broaching this subject with your father or mother may feel intimidating, it is an essential step toward ensuring a seamless evolution and the enduring success of the business.

In this article, we explore four easy steps in the art of approaching the topic of family business succession with your parents — a discourse vital for safeguarding the business's future while maintaining the unity of your family.

1. Start with Preparation, Timing and Location

Initiating the conversation of family leadership continuity demands careful consideration. For many rising-gen family members, this topic has either come up reactively on the heels of some form of crisis, has been carefully avoided (often triangulated) or not addressed directly. To set the stage for success, it's essential to consider some foundational elements such as preparation, timing, and location.

Shifting the focus of this conversation from reactive to proactive is crucial. To achieve this, many rising-gen family



members are initiating discussions through educational means. Bringing parents to attend academic courses, webinars or family business conferences can prove to be incredibly effective. For many families, a pivotal moment arises after participating in educational conferences on family business, where key concepts take center stage. Families learning from other families is powerful. Often, listening to other family business leaders share their successful strategies for navigating similar transitions can be truly enlightening. Some rising-gens also choose to make a difference by sharing relevant articles or books on planning for family businesses continuity. (You can find a complete library of family business resources to share at www.thefbcg.com.)

Keep in mind that fresh off the heels of a tense business meeting or after a crisis are never good moments for strategic conversations. Conversely, while family dinners are often cherished times of togetherness, there might be better venues for this vital discussion. The dinner table may create a casual atmosphere that doesn't match the seriousness of the topic. Instead, opt for a more private

and neutral setting where everyone can be fully present and focused. It's essential to ensure that the chosen time and place allow for an uninterrupted and relaxed dialogue, emphasizing the importance of the topic.

Certainly, successful discussions about family business succession vary based on the dynamics of each family and the nature of their business. However, we can draw a few commonalities from successful catalysts such as Mary Johnson, a next-gen owner of a thriving timber business.

"I had recently earned my MBA and learned how crucial purposeful succession planning was for the success of our family and company," explained Mary. "I leaned into my 'oldest daughter' role and talked to each family member one-on-one, emphasizing the significance of this impending discussion. After gaining unanimous support, we intentionally selected a weekend at our family's tranquil lake house when everyone could participate free from the work pressures that often consume our lives. Being surrounded by the calming beauty of water and nature helped set the right mindset for our conversations."

The next-gen siblings of the Pereira family agreed that it was time to understand the future of their father's winery business. In this case, they decided to speak "with one voice" to Dad and agreed that their countryside vineyard would be the perfect place. One Sunday afternoon at the end of a successful harvest season, the family gathered around the outdoor deck. With wine glasses in hand, they sat down to "start dreaming about the future."

In the electronics business, Alex from the Wang family invited his relatives to a family governance conference at their local family business institute. After the meeting, Alex proposed having lunch at the hotel, where he felt that a neutral space fresh from shared learnings would ensure objective discussions.

The settings and timings vary, but the emphasis remains on a place where open dialogue can flourish, away from daily distractions. The critical aspect is recognizing the need for such a discussion and tailoring the approach based on the family and business dynamics.

2. Begin by Acknowledging Legacy

As you move forward, consider how respect and gratitude are foundational for this delicate conversation. Begin by expressing appreciation and reflecting on what your parents have built. There are many ways to express and

honor the past:

- **The First Deal:** Reflect on the first significant deal or client the family business secured. A son might say, "Every time I negotiate a contract, I remember the story of the first major deal you closed. Your tenacity and dedication in those early days inspire me during every negotiation."
- **The Old Office Chair:** Perhaps the founder always used a well-worn chair in the office. A daughter might express her appreciation by saying, "Every time I see that old chair, I think of the countless hours you've spent making decisions that shaped our company. It reminds me of the dedication it took to build this legacy."
- **Lessons from Tough Times:** Every family business faces challenges. Reflecting on those, a family member could acknowledge, "When we faced that economic downturn, I saw how you navigated through it gracefully and resiliently. It's a lesson I carry with me every day."
- **Values and Ethics:** Many businesses have core values or guiding principles. A son might share, "You've always emphasized the importance of integrity in our dealings. Every decision I make, I try to uphold your high standard."

By sharing these tangible moments and memories, the younger generation can effectively convey their deep respect and gratitude. Doing so paves the way for discussing how cherished traditions coexist with innovative ideas, forming a balanced blend of heritage and progress.

3. Foster an Open Dialogue – Tools for Effective Communication

Effective communication is paramount for emotional conversations. Empathetic listening that interprets emotions and intentions is crucial. Consider these techniques as you guide the narrative towards a constructive, open dialogue:

- **Reflecting:** Summarize or paraphrase to ensure understanding. E.g., "So what you're saying is, you're worried about how the transition might affect the long-term reputation of our business?"
- **Validating:** Recognize emotions, even if you disagree. E.g., "I can see why you'd feel that way given all the

hard work you've put into building this."

- **Asking Open-ended Questions:** Encourage elaboration. E.g., "How do you envision the transition process?"
- **Avoiding Interruptions:** Allow the speaker to finish their thoughts without interrupting or finishing their sentences.
- **Showing Genuine Interest:** Making eye contact, nodding and leaning in all convey that you're fully engaged and care about what they're saying.
- **Acknowledging Their Feelings:** Recognize emotions to diffuse tension. Sometimes, just acknowledging someone's feelings can diffuse tension. "I can see that this is making you upset. Let's take a moment."
- **Taking a Break:** Take a short break if emotions run too high. "E.g., Let's take a few minutes apart and regroup. I value this conversation and want to ensure we're both in the right state to understand everything fully."

Empathy is the capacity to see the world from another's perspective. To feel what they might be feeling. It's vital when discussing the delicate topic of transitioning leadership within a family business. Understanding the potential anxieties, apprehensions and emotions the senior generation may be experiencing is pivotal for the rising generation:

- **Loss of Identity:** The identity of many founders or long-time leaders can be deeply intertwined with their businesses. Stepping back might feel like losing a part of themselves, a role that has defined them for decades.
- **Fear of Irrelevance:** There's often a concern about becoming obsolete or feeling out of touch with the day-to-day operations of the company they built. They might worry about being sidelined or ignored.
- **Financial Security Concerns:** Depending on the business's financial structure, there might be worries about the economic implications of transitioning out. Will their retirement be secure? Will the new generation make decisions that could jeopardize financial stability?
- **Concerns about the Future:** They've poured their heart and soul into the business. Naturally, there may be concerns about its direction under new leadership.

Will the values they've instilled remain integral? Will the business's reputation be upheld?

- **Change in Daily Routine:** Transitioning out of an active role can significantly shift daily routines. The idea of not going to the office every day, not meeting with teams, or not being involved in decisions can be daunting.
- **Emotional Attachment:** Over the years, they would have developed emotional connections not just with the business but also with employees, clients, and suppliers. The idea of not interacting with them can be heart-wrenching.
- **Legacy Concerns:** How will they be remembered? Will the next generation uphold the Legacy and take the business to greater heights, or will there be a decline?

To help you navigate this conversation, here are some questions the rising generation might ask their parents:

- What are your hopes for the future of the business?
- How do you envision your role as part of the transition?
- Are there particular challenges you foresee in this process?
- What values or principles do you believe should guide the succession?

4. Align Towards the Next Step

"So where do we go from here?" Getting outside help to plan and execute is crucial for many families facing their first transitions. Setting a regular meeting schedule, committing to a learning program and agreeing to speak to advisors are positive next steps.

One invaluable method to understand the complexities and emotions tied to family business succession is speaking to others who have traversed the same path. These seasoned individuals can provide firsthand insights into their experiences, pitfalls, successes and lessons learned.

For those families who find their conversations consistently leading to conflicts, unresolved issues or past grievances, it might be beneficial to involve a therapist. A family therapist can be instrumental in addressing deep-seated feelings and providing tools and strategies for healthy communication.

Final Thoughts

In conclusion, the transition of a family business is a journey filled with emotions, uncertainties, hope and aspirations. With proper guidance, families can ensure that their legacy remains intact, growing stronger and richer with each passing generation.

A successful transition requires a multidisciplinary team that combines legal, financial and family business expertise. Make sure the business's success and your family's well-being are at the forefront of the plan.

On a lighthearted note, remember that when you initiate this conversation, do not lead with: "Dad, you're fired!" After all, we're aiming for a smooth transition, not a sitcom plot twist! The road to succession is paved with empathy, respect, and thoughtful dialogue, ensuring that the legacy you carry forward is one of collaboration, not comedy. So, when you're ready to approach this vital discussion, put your best foot forward and save the firing jokes for the punchline of a different kind of conversation.

Client identification has been protected. The names have been changed and examples have been recreated for purposes of illustration based on past client experiences.

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