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We are living in the midst of the greatest transfer of wealth in human history, with mill standing to inherit some $30 trillion as baby boomers increasingly give way to the Grin Reaper. Much of that wealth is in the form of closely held businesses that are being transitioned to a new generation, whether through familial ties or not. Most people do realize that.

What’s even less appreciated is how difficult succession planning is, and how often it fa
There are a number of common reasons, from the inability of the outgoing generation
go, to greed (on both sides), to starting too late (you should plan on up to a decade or

False hope can be a problem, too -- succession is a complicated process and it’s easy t
your head in the sand hoping an outside buyer will come along or that it will all someh
otherwise work out.

There is a thread, however, that runs through all of these reasons, and it largely goes unnoticed. Call it the relevance factor.

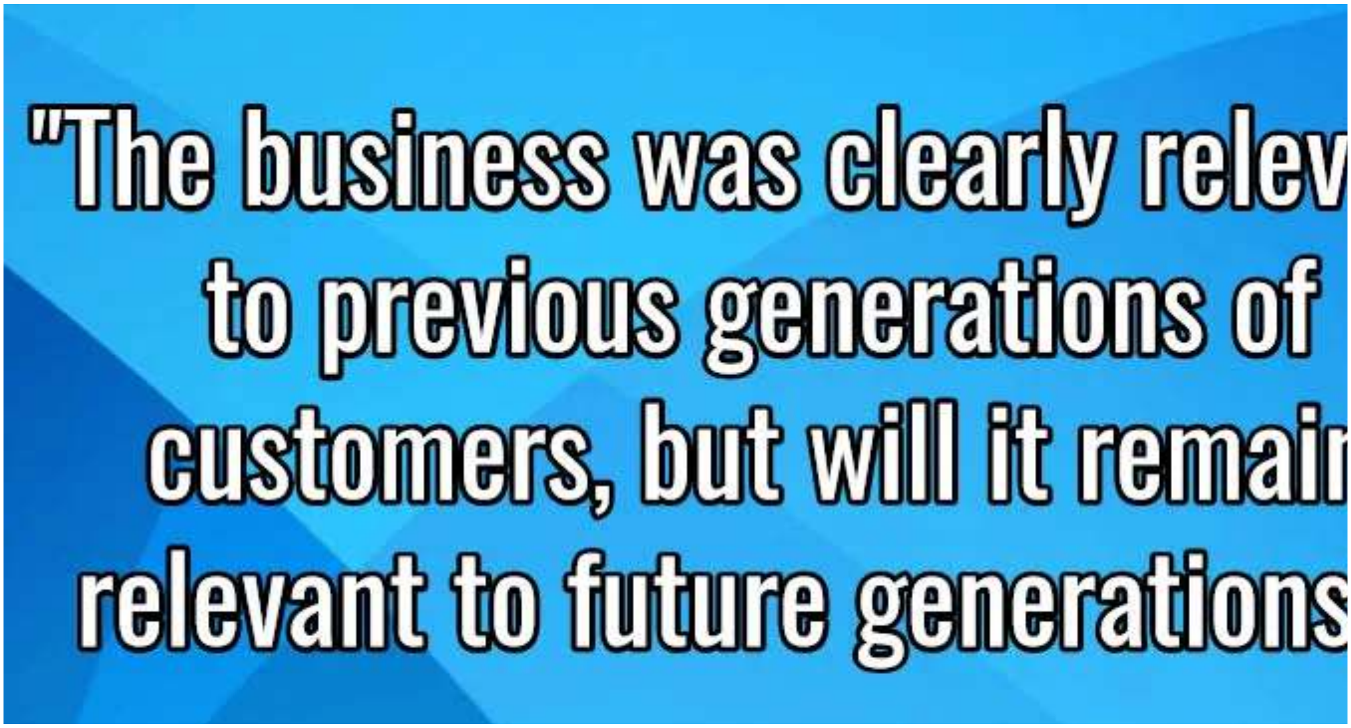
Many succession planners will tell you to begin the process by establishing the value o
business. But that’s often precisely the rub. The outgoing generation may have been ru
the operation for 30, 45 or even 60 years. The business has provided for their family, g
personal wealth, brought them career satisfaction, and is an asset they believe merits continuation and valuable consideration.

But the incoming generation is looking at the *next* 30, 45 or 60 years. They’re handicap
company’s prospects not by extending a straight line from the past but by projecting a
unknown (and largely unknowable) future. The business was clearly relevant to previou
generations of customers, but will it remain relevant to future generations? Is it losing relevance even now?

The answers to those questions are increasingly fraught with peril. Every business -- ev
industry -- goes through phases, from inception to acceleration to maturation to satura
commoditization. We call it The Disruption Cycle. Back in our grandparents’ day, you co
spend an entire career within one cycle, which meant that you couldn’t really apprecia
turning. Like the hands on a clock, it moved, but slowly, imperceptibly. That made trans
a company from one generation to another more straightforward.

Today, however, the Disruption Cycle is turning faster than ever. If a company and its c
are running out of gas at the same time, its value proposition is in need of rejuvenatio
its ownership team is turning over. Conflicting expectations are almost a certainty; whi
old guard is basing the company’s value (literally and emotionally) on what it took to g
point, the young guns are basing it on what it’s going to take to not remain stuck there

It’s this asynchronous view of time, value and relevance that throws an early wrench in succession plans, resulting in misunderstanding, mistrust and, too often, missed oppo



The relevance factor also explains why both sides may be tempted to accuse the other greedy, basing their value perceptions on different assumptions. It's the reason the ou generation has a hard time letting go of "the way we've always done things," sometime personal offense to the new team's desire for (and speed of) change.

It's why succession decisions can easily get put off because lack of alignment is the mo paralyzing internal dynamic that bedevils companies. And it's what makes blind hope a alluring alternative.

If the relevance factor isn't formally taken into account (because no one recognizes it a issue or even knows how to frame it), a succession plan has little chance of success.

The solution lies in both sides opening up their thinking to a simple proposition: Busin models are material, and material things die; business propositions are ideas, and idea eternal. How your company does what it does will and should continually change. Wha company represents to your customers, properly understood, can be relevant for ages

Most organizations hold tightly to their models and loosely to their value propositions just the opposite is called for. Especially during moments of transition.

There are plenty of lawyers and accountants who can furnish the formulas, set up the structure, process the paperwork and tabulate the taxes associated with transitioning

business from one generation to another. If your plan isn't working, however, what mig
missing is an understanding of how differing expectations arise, why they're all legitim
what can be done to reconcile them.

It's all about relevance. It doesn't matter how successful your company has been for th
100 years; what matters is how successful it will be for the next 100. Align both parties
that idea and it's amazing how quickly other issues can be worked out.

*Each month, **When Growth Stalls** examines why businesses and brands struggle and ho can overcome their obstacles and resume growth. Steve McKee is a co-founder of McKee Wa Co., a marketing advisory firm that specializes in turning around stalled, stuck and stale co The company was recognized by Advertising Age as 2015 and 2018 as Southwest Small Agen Year. McKee is also the author of "When Growth Stalls" and "Power Branding."*

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