

TRANSFER FAMILY BUSINESS POWER TO THE NEXT GENERATION EFFECTIVELY

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Family businesses are more vulnerable to inadequate succession planning because, understandably, members of every generation involved with the business are likely reluctant to discuss, much less contemplate, the incapacity or death of the current leaders.

Fortunately, there are strategies and techniques to facilitate the discussion of succession planning among family business owners and stakeholders. The current leader probably has the continued success of the business as his or her priority, but must also take into consideration the capabilities and intentions of next generation relatives.

Family business principals may have children or other next generation relatives who want to take on a leadership role or non-family long-time employees or managers who can take over. Family business owners who do not have these candidates tend to sell

their business.

Why does a family business need a succession plan?

Many family-owned and run companies pass the business to the next generation, but those without a formal succession plan often leave their business in chaos with no clear heir or heiress trained, capable and willing to take over.

A considered plan of succession provides a seamless transition of power and management in case of unexpected illness, incapacity, or death of the current leader or leaders, protects the company's reputation, and serves the interests of all family members, whether they wish to take on a leadership role or not. Those reluctant to have this discussion should consider the ramifications for the continued success of the business if they do not.



While the eldest generation may be preparing members of the younger generations for a leadership role, they must not assume those younger family members want the same level of responsibility and involvement in the company as their forebears. A discussion or series of discussions is needed to flesh out everyone's intentions so that the current leadership can plan accordingly.



How to select a successor

All family members involved with the business should have a frank and full understanding of expectations on all sides to avoid unintentionally thrusting an unwilling family member into a leadership role, which would invariably harm both that individual and the business. Selecting and then training a willing successor over months and years ensures continuity and instills confidence in investors.

There may be no next-gen family member who wishes to take the reins. In this case, if the family retains ownership of the business, they might look to hiring a non-family outsider for the chief executive role, grooming a non-family manager within the business to take over eventually, or selling the business entirely.

These options should be presented at a formal family meeting of owners and stakeholders. Possible future leaders should be notified beforehand that they must make their intentions known at that meeting so that the older generation can plan accordingly.

Current leaders should consider that next-gen family members can remain involved in the family business in a number of meaningful ways besides taking over. They may just own shares, or may serve on the board, or may be involved in the family business' philanthropic activities. Encouraging next-gen family members to remain connected and contributing to the family

business supports the brand and continuity.

How to prepare an heir or heiress

A leader in a family business should be working with a next-gen member or non-family manager who is willing, capable, and available to take control over several years to ensure a smooth transition. This period of mentoring creates relational capital between family members working within the company, non-family employees and the successor well before the transition occurs and ensures the heir or heiress will be accepted and viewed as competent.



The current leader should include seasoned non-family employees in the mentoring process. For the successor to take instruction and guidance from a non-family member signals a willingness to learn and work with whoever is best suited to the job, fostering employee buy-in to both the succession plan and the core values of the business.



How current leaders choose to exit

Current leaders may be willing to retire entirely from the business eventually, but many remain passionate about their work and the success of the business they or their forebears founded. In the latter case, the current leader might craft a different role for themselves, perhaps an advisory role or membership on the board. This too will ensure a smooth transition from one generation to the next.

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