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TIPS ON CHOOSING A SUCCESSOR IN A FAMILY BUSINESS

Leadership, drive, connections, and technical expertise are some of the qualities that founders of family businesses possess. These qualities are not easily replaced and yet, these founders often fail to plan for their succession, thereby depriving the business of essential management assets. Succession planning involves more than just passing the leadership baton to assure continuity of the enterprise; it also requires ensuring the harmony of the family.

A business needs a leader who possesses competence, maturity, good judgment, good character, and other qualities to assure that it is operated in a professional manner. However, the family business is often the economic "watering hole" for many family members. Consequently, selection of a successor requires consideration for the dynamics of that leader within the family unit.

Tip #1 - Founders (or later-generation leaders) should view, as their *final test of greatness* (title of a book by Dr. Craig Aronoff), the role of *facilitator* of the succession planning process. This benefits the community as well as the family and the business.

Tip #2 - The successor should be a "unifying agent" rather than a "divisive force". This fosters continuity of the family as well as the business.

That does not mean selection is a personality contest. Instead, this person should be viewed with respect and trust by family members in the business. Sometimes, this person may not be as "gifted" as another successor candidate in all the desired qualities; yet this person is more likely to gain the cooperation and support of family members to create a harmonious and productive family team.

In working with family businesses to identify, select, and coach potential successors, it becomes apparent that trust and respect of family members in the business is critical to a smooth transition.

Sometimes, the founder chooses the person who seems to be more "business savvy", more assertive, or is older. However, that successor candidate may not have the same trust and respect of family members in the business given to another candidate. This can create significant problems.

Tip #3 - Choosing successor candidates is no easy task and it would be a mistake to expect that you "pick" one as though you were hitting a bull's eye on a dartboard. Identifying potential successors is a *process* – not an *event*.

It should involve multiple *tests* conducted over as a long a period as is reasonable. Part of the process involves "grooming" candidates and seeing how they perform.

Sometimes what is discovered is that the candidate "most likely to succeed" does not wish to be the successor leader. This can occur for many reasons. Sometimes, that person does not wish to stay in the family business (e.g. other career interests) or may have personal life situations that may preclude them (e.g. supporting their spouse's career ambitions in a location away from the business).

Tip #4 - Some founders have children in the business that do not seem to possess the ability or interest to serve as the successor leader. It is not always wise to place them into a leadership position.

These businesses are faced with the challenge of either selling the business or bringing on nonfamily managers to serve as "caretakers" of the business for the benefit of family members (a real, but challenging option). This option requires careful consideration and expert guidance to assure success. Too often, this results in terrible consequences because the process was not managed properly.

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Tip #5 - Begin grooming your successor candidates as soon as possible.

The first step starts as the family members are growing into adults. Make sure they (usually the children) have a chance to experience what the business is all about. This means that they must hear the good as well as the bad (since children are often only exposed to the bad side at the dinner table). As they mature, they need to be given exposure to as much of the business as they can (not just filing, digging holes, or cleaning tables). Besides getting a good education, they need to work outside the family business. The rule of thumb is that they should not be admitted to the family business until they have demonstrated some "success" working for other businesses during adulthood. This might be five years or more.

It might be demonstrating that they moved up a notch on someone else's corporate ladder.

Tip #6 - Use objective measurement tools to assess the *readiness* of candidates.

Many businesses administer a personality profile test to assess whether a candidate possesses the types of personality traits suited to a particular job. A recent study by an international polling organization was the subject of a book that contends that people are more likely to succeed if placed in job roles more suited to their personality. This would seem to make sense. After all, it would not seem prudent to place into a leadership position someone who is indecisive, inarticulate, and unable to deal with complex issues (no offense intended to those founders for whom these might be personality traits). Therefore, successor candidates go through reliable and meaningful personality profiling to determine their natural characteristics.

Fellow family members may believe they know these characteristics from years of personal experience; however, they are often wrong or biased (as children learn how to "play" their parents at a young age). An independent consultant, can see potential successors in a different light. There are often *diamonds in the rough* that simply need *polishing*.

Tip #7 - Give each candidate similar opportunities for leadership challenges and see how they handle these situations.

Sometimes, the founder views the most outgoing personality as the best suited when the quieter, more levelheaded individual may be the better leader. Some children may appear to be "brighter" (i.e. they easily learn and memorize facts) while others are more able to think on their feet under pressure, be more decisive, be more nurturing, and ask better questions – in other words, are more street savvy!

Tip #8 - Do not assume that you need to select only one candidate.

While some family businesses believe there should be only one strong leader at the top (sometimes the visionary), many companies have a strong *management succession team* consisting of two or more family members (often siblings) who operate the business as a *unit*. While daily operational roles for each member of the *unit* are clearly defined, the *unit* makes all strategic planning decisions together (sometimes by majority rule and sometimes by total consensus).

Tip #9 - Accept the reality that you are going to someday die - usually before you expected!

It takes at least five to ten years to properly develop and implement a solid succession plan. Most founders try to do it in as little as a few years (from their graves) due to late planning. This can be catastrophic to the value of the business.

Tip #10 - Read Tips #1 - #9 and ask yourself, "What am I waiting for?"

If you are among the more than 75% of founders who have not developed a succession plan, perhaps this article will stimulate you to begin the process. The rewards can be enormous not only in monetary terms but also in the pain that you will avoid putting your family members through.

For additional information choosing successors, contact Stanley I. Simkins at (518) 369-7101 or visit the website:

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