



Succession**Strength**

SCENARIO 1: Are we a match?

You will be guided on:

- How to have an honest discussion about interest in leading the business
- How to have an authentic discussion that strengthens your relationship even if the decision is not desired

Why is this key conversation so important?

We all carry assumptions about the people in our lives and presume to understand, to some degree, what they think and want. However, if we do not take the time to verify the accuracy of our assumptions, we are likely to find ourselves facing difficult and unexpected situations, especially during times of change. This is especially true when a business is involved.

The day to day needs of the business prevents many owners from proactively engaging in these conversations. However, without a prepared next step in succession, the viability of the business is at stake. Employees, family members, and customers are put at risk without a clear bridge to the next generation. Significant conflict can arise within the family severing relationships for generations if sons and daughters argue over roles and stake in the company. Most failed transitions are a result of a breakdown in communication within the family or inadequately prepared heirs. To maintain the health of the business and the strength of the family, senior leaders in family businesses should make succession conversations a top priority.

Even if the conversation was had informally years prior, when the successor comes of age, the conversation should be had again to confirm and align on the intentions of both parties. This is because plans that were first established when would-be heirs were young might likely no longer be as certain with the passage of time. What is more certain is that a person's personal and professional interests will change over time. An heir who may have expressed indifference towards the family business in their twenties could well discover a belated interest in it when they enter their thirties and forties.

In some families, members may find it difficult to express what they are really thinking due to cultural norms. However, it is important that explicit conversations about the future of the family business be had, and that these conversations encompass immediate as well as mid-term and long-term plans.

Taking over the reins of any business, particularly one that has been in existence for many years requires time and unwavering dedication. Unless a successor consciously agrees to undertake this effort, he/she may not have the passion or motivation to remain committed to the effort when things do not go as smoothly.

Consideration One: To what degree is there interest in the business?

Owner	Successor
<p>Consideration: Does my successor have a true and passionate interest in the business? If so, in what role?</p>	<p>Consideration: Am I truly committed to being the successor? If so, in what specific role(s)?</p>
<ul style="list-style-type: none"> <input type="checkbox"/> Am I prepared for the outcome? Am I prepared to accept whatever decision comes up without expressing undue disappointment or a sense of rejection? <input type="checkbox"/> Whatever the outcome, this conversation may impact and alter the power relationships in the family. How much power am I willing to give up? How much power am I willing to allocate? <input type="checkbox"/> If the answer is, "I don't know. Let me think about it", how much time am I willing to allow for a decision to be made? How many people am I willing to bring into the conversation? <input type="checkbox"/> If a negotiation situation should arise, how much leeway am I willing to build into the resulting agreement? Which areas are sacred to me, and in which areas can I be more flexible? 	<ul style="list-style-type: none"> <input type="checkbox"/> How much power will I really have? How much latitude will I have to remold the company according to my vision and goals? <input type="checkbox"/> Is there anything else that I would rather do with my life? <input type="checkbox"/> Temperamentally and intellectually, am I really capable of doing the work? <input type="checkbox"/> What impact are these plans likely to have on my siblings and other family members? <input type="checkbox"/> How much time do I have to make this decision? Can I take the time to discuss it with my family? Who else can or should I bring into the conversation? <input type="checkbox"/> Would it be possible to test this on a provisional basis and defer my final decision until a later date?
Owner's Approach	Successor's Approach
<ul style="list-style-type: none"> <input type="checkbox"/> I must be clear with myself about what is negotiable and what is not. If necessary, I should make a list and explicitly raise these points in the conversation. <input type="checkbox"/> If we can't come to an immediate agreement, then I need to be clear about the amount of time that can be allowed for the decision-making process and about who can be 	<ul style="list-style-type: none"> <input type="checkbox"/> I must be absolutely honest with myself regarding what I want out of life. I may not have another opportunity in future to change my mind once these decisions have been made. <input type="checkbox"/> I must listen, listen, and listen some more—without making any assumptions.



<p>involved in the discussion. I need to be explicit in demanding absolute confidentiality surrounding these discussions. If there are some aspects of the process that I simply can't or won't accept, I need to come to terms with myself about my likely response, and be prepared to understand and accept the consequences of that response.</p> <ul style="list-style-type: none"> <input type="checkbox"/> I must keep my thoughts to myself until I have had a chance to hold informal conversations with each potential successor about their future intentions and goals. <input type="checkbox"/> I must refrain from making verbal concessions just to avoid potential conflict in the conversation. 	<ul style="list-style-type: none"> <input type="checkbox"/> While conversing with the owner I can intentionally bring up relevant topics that I am unclear about to elicit helpful insights and information. <input type="checkbox"/> I must explicitly articulate my opinions and desires so that nothing will be unspoken or assumed.
Owner's Plan B: What can I do if the outcome is not as expected? What if none of the possible successors are interested in the business?	Successor's Plan B: What can I do if the outcome is not as expected?
<ul style="list-style-type: none"> <input type="checkbox"/> I must give myself time to think and not communicate on the spot any decisions that I won't be able to take back later. <input type="checkbox"/> I can always take a provisional stance for now and commit to following up with a more comprehensive response. <input type="checkbox"/> I need to keep the door open and honestly consider all possible alternatives. 	<ul style="list-style-type: none"> <input type="checkbox"/> I can be committed to keeping the conversation open. <input type="checkbox"/> I can be open to compromise and willing to consider alternative structures. For example, a two-phase transition could help to keep the business operational while a younger or less experienced individual prepares to step up.

Who else should be involved?

This conversation between owner and potential successor should be private. However, relevant members of the immediate family circle who are involved in the business should have an opportunity to express their opinions and concerns. In particular, siblings must be included in the conversation, especially when succession plans do not follow a traditional “order of birth” hierarchy. The transition period presents an excellent opportunity for defining or redefining current and future roles within the business. Particularly where business ownership is shared among family members, these definitions must be explicitly laid out.

Who else should be informed, and when?

With any succession, there are many relationships—both familial and professional—that need to be considered. Of course, any individuals or parties with a financial interest in the business must also be informed once a final selection and decision have been made. If there are outstanding debts, creditors should be kept apprised throughout the process, and investors must be reassured that business as usual will continue uninterrupted. Keeping vendors and customers in the loop is especially important, given the potential for business processes to be altered during the course of the transition, and to protect the long-standing relationships of trust and respect first established with the owner. Additionally, when the family business maintains a highly visible public profile, adequate resources must be allocated to manage the social presence of the business.