



## Making the right choice for a family successor

*The decision can be consultative and collaborative without being democratic.*

ONE OF THE CALLS I receive most often as a family business consultant comes from a patriarch who wants help with a momentous choice: determining who will succeed him as leader of the business. The CEO wants assurance that he is making the right decision. He believes that assessment tools can take away some of the risk and help him determine the right person, or ratify the selection he has made. But while such tools may indeed reveal important information, they cannot predict the future.

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Often behind the request lies a family dilemma. One business leader faced the following choice: He had a son who had entered the business after college and worked diligently but was not very outgoing or expansive; the son assumed he would take the reins. The CEO's daughter, who had gone to a top business school and was a partner at a leading strategy consulting firm, had been challenging him with ideas about how the business could expand into global markets. And there was also the company's operations guru, a talented non-family executive who had crafted the firm's production and supply chain, and seemed indispensable for the future. Would he want to work with the CEO's son, or should he be

considered for the leadership post?

The CEO handled this challenge in silence. He discussed the succession issue only with his wife. Meanwhile, each of the three candidates felt avoided, deserted and confused. Finally, each one sought out the CEO privately and gently voiced concern about the future. The business leader didn't want to hurt his son, though if he took his daughter's or executive's concerns seriously, that would be the outcome. His solution was to hire an executive coach for his son. When he announced this, the son felt undermined and confused; he didn't know

what his father had in mind. The coaching went nowhere.

Succession is a quandary unlike any other. In many cases, each previous business challenge has been one a CEO can handle directly by himself. (Family business leaders on the verge of retirement are still generally male, though in recent years that has been changing.) But trying to determine a successor unilaterally sows the seeds of disaster. The patriarch must recognize that he cannot control the outcome; he must learn to let go.

### Facing the facts

A family business patriarch must face some facts about the future that may make him uncomfortable.

First, the business that the next-generation leader will manage will be very different from what it is today. Globalization, business growth, competition, new technology and changing demographics will all have a bearing on the future of the company. If the CEO picks someone who pledges continuity with the past, or assumes that he or she can run the business as it has been run previously, the company stands a good chance of failing. In many cases, the leader must recognize that a consequence of his success is that the business has outgrown even his formidable skills.

The new leaders must take the organization to places it has never been before. Who is best prepared to do that? This question puts the potential candidates in a new light. Loyalty to tradition and continuity are not the best qualities for the new leader. Questions arise in most industries about whether the business can compete on its own, or whether it needs to be part of a larger entity or coalition. This may mean that the family business will be absorbed and may no longer be controlled by the family. Or the company itself could expand, but that might mean bringing in new partners who will want a say. Who is best prepared to manage those changes? Who has the courage to make tough choices?

To lead the family business, the successor will also have to lead within the family. A founder does not face this sort of challenge—he is the unquestioned leader. A next-generation business leader, however, will

be answerable not just to himself or herself, but also to the whole family. So, in addition to vision, courage and skill at navigating in a global environment, the successor must have diplomatic skills to gain the agreement of the family shareholders. Can these two sets of qualities lie within the same person? Or does the family need to select more than one kind of successor—perhaps one to lead the business and another to steward the family? In a family company, succession involves more than just the business, so a single leader may not be enough. Simply naming a business leader and forgetting the family shareholders could lead to self-destructive conflicts like those that have brought down several high-profile enterprises.

The patriarch must also consider his own future. With today's life expectancy extending close to the century mark, the founder must ask: What role will I take in the family if I give up control and select new leaders? Many retiring CEOs fear they will become irrelevant. They must find a constructive mission that is different from the role they have become comfortable playing.

Jeff Sonnenfeld of Yale University, who studied business leaders' departures, found that some retired CEOs meddle in company politics from the outside. But others move on to other activities or find a way to advise the company without stepping on the new leader's toes. Some stay on for a while as chairman of the board or help the family pursue other entrepreneurial activities like real estate or new ventures, leaving the core business to their heirs.

### Moving toward openness

Some leaders, stymied by the succession question, avoid making a choice, put it off, or keep their own counsel, to the frustration of those around them. The patriarch often feels this isn't something that can be discussed. This situation leads to great difficulty for the family and its business.

Instead, the patriarch should start

addressing the issues openly with those in the business and in the family. While it may be true that the final decision will be made by one person alone, that doesn't mean that a number of interested parties shouldn't be invited to help deliberate, plan and explore different avenues. The decision can be consultative and collaborative without being democratic.

Relatives, family and non-family executives, and outside advisers should be engaged in the process of inquiry into the future—each in different ways. A large family with a complex business might convene several task forces for the future. A family task force could assess where

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the family is going, and a business task force—maybe including outside advisers with business experience that family members lack—could look at the future of the business and external forces that affect it. There might also be a succession task force to consider how future company leaders are being prepared. These are not one-time meetings, but rather an ongoing process that may be punctuated by reports, conclusions and action steps at key choice points.

With these mechanisms in place, the patriarch is no longer alone with the choice. His decision now will be much more informed. While the future cannot be predicted, certain general trends can be highlighted. The various groups can each define the environment that the family and the business will be facing ten or more years out. By starting with the future, they can then ask what leaders need to do right now to prepare for those conditions.

The CEO who sets up such a pro-

cess will have accomplished two things. First, the whole family business system will have gotten the message that facing the future is part of their current responsibilities. Second, the discussion of who will be "picked" to lead will be located within the broad context of the future environment. A family or non-family member who seeks leadership will have to demonstrate his or her ability "by participating in one or more of these task forces. These groups will offer multiple opportunities for people to demonstrate leadership skills and make themselves visible.

If the business leader mentioned earlier sets up such a system, he can

invite all three candidates to work together to chart the future, instead of trying to decide—in his head—who should be the successor. His daughter's task force service might convince him that she is the best leader. The son, seeing his sister in action, may realize he lacks the skills to deal with the issues the business will confront. Or they may become a team, with the daughter as chair and the son or key executive as CEO.

In any case, the issue of who will be the successor will take a very different form. Many voices will have been heard, and many people will have stepped up to envision the future. And by seeing what others can do, the patriarch will have greater trust that a new generation can take the family and the business where they need to go. 

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