



Where Legacy Meets Evolution: 4 Critical Steps for Transitioning your Family Business to the Next Generation

Succession planning can be a complex undertaking for any organization; add in the unique dynamics of a family business, and the challenges tend to multiply. As an owner, you are tasked with determining how to protect your core values and legacy while also adapting to market changes. You are forced to balance what's best for your business with what's best for your family. And in some cases, you'll have extremely difficult choices to make, such as whether to bring in an outside CEO to bridge an age or generational gap, despite having never envisioned the role leaving family hands.

Succession decisions can be challenging and emotional, and that's certainly a primary factor in why 8 out of 10 family businesses report having no succession plan in place according to the *Boston Globe*. In the end, however, identifying, developing, and ultimately placing a future leader—whether family or non-family—is required to protect the longevity of any business. To help secure your organization's future, today we are sharing 4 critical steps for preparing the next generation to lead your family business:

Invite Them to Observe.

Long before successors take on a C-suite or board role, an important first step is to have them observe those who already serve in the position. By studying how various dynamics affect both operations and outcomes, next generation leaders are able to simultaneously hone their own leadership skills while also assessing where opportunities might exist to enhance the effectiveness of the overall business.

Enable Them to Learn.

When it comes to succession, there is no such thing as a “ready-now” candidate. To fully prepare a new leader requires more than just integration into day-to-day operations; it takes a carefully structured development program focused on becoming both a good leader and a good owner. *Harvard Business Review* suggests a program that covers five distinct topics: business ownership skills and competencies, family business principles and

practices, knowledge of the family business's assets, understanding the family history and values, and developing personal leadership competencies. Rather than just transfer knowledge from one leader to the next, this type of holistic program helps to actively cultivate the key leadership skills needed to drive the organization forward.

Empower Them to Lead.

According to *Family Business Center*, the tenure of leadership in a family enterprise is 4 to 5 times longer than their counterparts. When you consider the deep-seated emotional attachments that develop over that time, it's easy to understand why so many family business owners struggle to even begin planning for their departure. However, as *Entrepreneur* explains, "Reluctance to let go is one of the most significant factors in the failure of succession in family businesses." And while the experience of a former owner can be invaluable, his or her continued presence post-transition can be perceived as a lack of trust in their successor, which can shake employee confidence and needlessly frustrate the new leader. To give your successor the best chance of success, you must be willing to literally step out—first out of the room, and eventually out of the business.

Surround Them with Support.

Once identified, a successor should always be provided with ample support before, during, and after the transition period. This includes not only securing early stakeholder buy-in and leveraging tools such as mentoring and executive coaching, but also building out a team with complementary strengths and skill sets. As *Forbes* explains, "When boards take on succession planning, they often focus on the CEO role—the role that gets the most attention in the media and in the marketplace—to the exclusion of other positions. But the best succession planning really involves a constant assembly and reassembly of a leadership puzzle with many pieces."

So what does this all mean?

For family business owners, succession planning can feel like a daunting task. But to ensure your organization is poised to both survive and thrive long-term, careful thought and deliberate planning around future leadership is a must. At the end of the day, there is no benefit to delaying the inevitable, and an expertly-designed and well-executed succession plan will not only ease the transition, but also increase the chances that your business will deliver lasting value to you and your family.

Are you interested in taking active steps now to ensure the longevity of your family business? At RRG, our certified management coaches are experts in identifying and preparing high-potential leaders for succession, as well as analyzing and optimizing entire leadership teams to ensure talent is properly calibrated to your long-term strategy. To learn more, give us a call today at 708.738.5040, or visit our website at RRGExec.com