

Family Business Success: Succession Planning for Next Gens



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How does one start a conversation about succession?

These conversations can be extremely difficult — discussing the end of a career, end of a life, or passing the baton from one generation to the next — and emotions can run very high. The next generation (Next Gens) needs to learn to listen to what is causing the procrastination.

There are at least six reasons for procrastination when it comes to succession planning — especially succession planning for owners of a family business. Almost all procrastination is some form of avoidance behavior that can come out in sentences that may sound like the following:

1. I'm never going to die.
2. I don't have enough assets to worry about.
3. I'm too busy, and it's too expensive.

4. I don't want to make decisions that would result in people being mad at me.
5. I can't choose between my children.
6. I don't have anyone I trust to take care of the business after I'm gone.

When beginning succession planning, current leaders have a lot of questions to consider:

- Where do you start?
- What is the right time?
- What needs to be discussed?
- Who needs to be included in the discussions?
- Where do you want to go?

Next Gens can help current leaders with succession planning by asking the difficult questions first.



Where to Start

When helping current leaders with succession planning, consider the following:

- Talk about what the family business means to him or her. Talk about legacy. Talk about plans, dreams and bucket lists.
- Ask some of the hard questions:
 - Are you comfortable with my management style?
 - Are you comfortable with my leadership style? Work ethic? Knowledge?
 - What else should I be learning to make you feel more comfortable?
 - What can I do to let you know I am ready?

Develop a strategic plan for your first three to six months to present to the leader who will be passing on his/her torch to you.



Discuss Goals

As the Nash and Stevenson's book, *Just Enough* discusses, one must weigh the importance of specific needs (enough for now) while calculating what is necessary to have enough left over for tomorrow, and anticipate what is enough for the rest of your life.

Leaders often have difficulty realizing they have enough — especially considering unknown medical requirements. Oftentimes, the discussion with the leader will start to focus on Maslow's Hierarchy of Needs:

- Are the leader's physiological needs, such as food, water, clothing and shelter, sufficiently provided for?

- Are his or her safety needs, such as security, employment, health and well-being, provided for?
- What about the leader's social needs — which are emotionally based — such as love, friendship and support?
- Finally, are his or her needs relating to esteem, such as self-respect and achievement, provided for?

When analyzing "enough" in the context of succession planning, it is clear one would want to have "enough" to take care of all physiological and safety needs and some for social and esteem needs.



Start the Journey of Succession

The next conversation to start with the current leaders should focus on what you can do to help with the ancillary, but vital, parts of succession: succession of leadership, management, authority, relationship, values and knowledge.

As the Next Gen leader, try to take over and assume responsibility for specific areas of the family business,

such as payroll, estimating, financial planning and human resources. Determine what you can do to help come up with ideas and solutions.

As you proceed down the succession journey, be mindful of the “Three Cs of YES” from Voss’s book on negotiation, *Never Split the Difference*.



The Three Cs of Yes

#1 COUNTERFEIT

In this scenario, the owner says “yes” to the question “will you now start to discuss succession planning?”

In reality, the owner wants to say “no, please leave me alone.” He or she will say “yes” just so the person asking will leave the room. The owner is agreeing that succession planning will occur “someday,” but not today and probably not tomorrow.

The “yes” is counterfeit — an attempt to appease the person asking the question and move on with the next discussion. This type of procrastination can be dangerous to the family business. It is time to bring in reinforcements.



#2 CONFIRMATION

The owner says “yes” but means, “I hear you.”

The owner is listening and nodding his/her head but does not intend to start succession planning any day soon (because of the procrastination reasons set forth above). He or she may not mean to be procrastinating and may have good intentions. However, the confirmation “yes” is merely a recitation that the owner is listening and has heard the words but does not agree to start the process.

To move the owner towards action, a meeting with a person who has expertise in estate planning for family business may be helpful. Since 90 percent of family business owners want to have the family business succeed to the next generation, it may be helpful to “hear that only 50 percent do something about it. dangerous to the family business. It is time to bring in reinforcements.



#3 COMMITMENT

When the owner says “yes” to the discussion of starting estate planning, action steps are decided and implemented.

The owner and his or her estate/succession planning attorneys should get together to plan and begin

the process. Easy decisions can be made at the outset to make the process easier. Succession planning should be neither expensive nor time-consuming.



Starting the conversation with the senior generation in control of the family business is usually difficult but persistence is the key! Once started, the Next Gens need to keep the ball rolling by taking the appropriate follow-up steps.

Don't give up! Once the process is completed, control of the family business will successfully move to the next generation and the family business and family legacy will continue.



About Conway Center for Family Business

The Conway Center for Family Business is a membership-driven, non-profit organization providing educational programs and resources to help central Ohio's family-owned businesses grow and transition to future generations.

Our Mission is:

- To help family businesses be profitable and successful;
- To assist family business owners with the transition of their business to the next generations;
- To celebrate the accomplishments of outstanding family businesses within our community; and
- To increase awareness of the positive impact family businesses have on the central Ohio economy.

Family businesses comprise 80 to 90 percent of all business enterprises in North America — and 62 percent of total U.S. employment — yet nearly half do not have succession plans. Family businesses face unique challenges and opportunities in today's economy and the Conway Center can help!

Members enjoy meeting other like-minded family business owners and employees at our educational programs, networking events, annual awards program, peer groups, and more.

Learn more at familybusinesscenter.com.



About the Author

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Bea Wolper is a co-founder and serves as an Advisory Board member of the Conway Center for Family Business. She facilitates the Conway Family Business Center's Women's Peer Group, a series of interactive sessions that discuss issues and opportunities unique to women who own, lead or work within a family business and the Conway's Succession Planning Peer Group, which provides a forum to discuss all aspects of succession planning.





The Conway Center for Family Business provides educational programs and resources to support the growth and success of central Ohio family businesses.

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