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SPRING FAMILY BUSINESS LEGACY AND SUCCESSION HANDBOOK

Succession Planning and Regeneration
In Family Businesses for new Growth through
an innovative training programme SPRING

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**Foreword by Jesûs Casado,
Secretary General European Family Business Association**



In the end, one only listens to those who tell us what they think, and especially when they know what they are talking about. Peter Jenner and Salvatore Tomaselli do just that in this handbook: they say what they really think and know. Between the two of them they have a cumulative experience of more than 50 years helping and serving family businesses throughout Europe.

They do pragmatically and practically, always with underlying desire to help others. This handbook is full of practical recommendations for all those who need and want to learn more about the challenges associated with the very complex process of succession in the family business. The handbook is above all, grounded, simple and to the point. From seasoned veterans to relative novices, this guide has something for everyone.

The European Commission estimates that 450,000 enterprises, representing two million jobs are transferred yearly in Europe. There is clearly a huge importance for society that these transfers are managed successfully so that Europe's businesses can continue to thrive. To ensure that we give the next generation the best chances of succeeding, we need these business transfers to occur in the smoothest possible way.

In 2015, the European Parliament recognised, 'the transfer of business ownership, together with the transfer of management from one generation to the next, is the greatest possible challenge facing family businesses'. Indeed, ownership is not a liquid asset but something which is built up and developed by the family over generations, including values, traditions and know how.

As the academic research has proven and examples from the most successful family businesses have shown, a transfer is not a single event, but a process that must be planned in advance in order to succeed. Early planning is needed to ensure that the successor has the necessary skills and motivation to continue the business.

Unfortunately, we know that family businesses all too often do not have access to the expertise that is required to prepare and initiate a transfer. Through its Erasmus+ programme, the European Commission has recently funded two projects on the Transfer of Business process to help solve this challenge: SPRING and SUFABU, where EFB has been one of the leading partners.

This handbook by Peter Jenner and Salvatore Tomaselli is the introduction to the SPRING project which contains a series of modules that addresses, in depth, all the topics related to succession.

This handbook does not address the complex issue of succession on a purely theoretical level, its objective is more concrete and, without a doubt, more difficult: To turn the entrepreneurs, the readers of this book, into the leaders of their own succession plan, as well as offering them the examples of concrete cases that make them take an introspective look into their own situation and the challenges they face.

With a positive and practical mindset, always offering solutions and lessons to learn from, this handbook is designed as a guidance tool for busy leaders of family businesses, detailing the choices that need to be made and challenges that need to be addressed. In a few words, it aims to make the succession process clear to all, identify challenges and more importantly, suggest solutions. It is not however a substitute for the individualized advice that may be provided by qualified family business consultants and trainers.

The book talks about the different layers of succession like a pebble in a pond, about strategy, ownership, governance, the sense of urgency or family values.



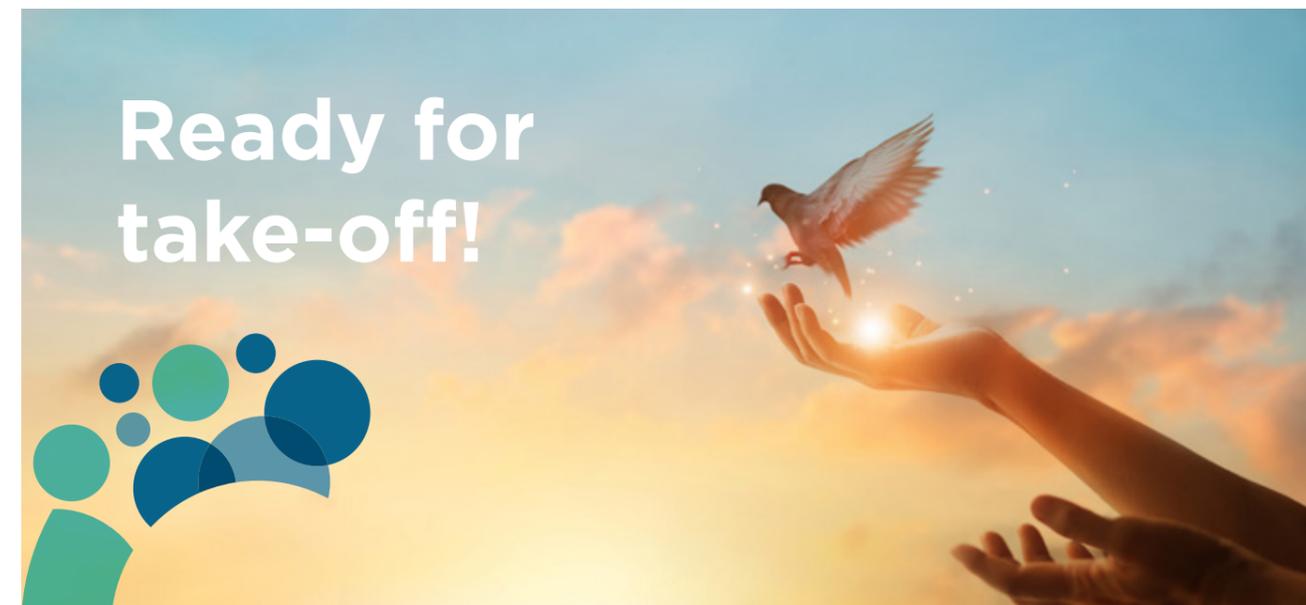
They mention the five “Rights” that are essential for the successful completion of any succession plan: *to find the Right Person for the Right Job, with the Right Skills and Right Attitude all at the Right Time!* or one of Gandhi’s seven deadly sins: “wealth without work”.

It is therefore worthwhile reading this handbook. It is also worthwhile to follow the path proposed by its authors and participate, without mental reservations, in the game of committed questions that they ask, by answering them with sincerity. It is, without a doubt, a book specially designed for those entrepreneurs who have never raised the problem or who have raised it but have never dared to face it seriously. But we must also add that it will be useful for any reader interested in the subject because it tells us about concrete ideas that should always be refreshed and updated, and provides useful suggestions to implement and think about. It is a book in which many things are discovered that we tend to ignore and forget, and it gives us concrete recommendations to face the challenges that we often tend to leave for later.

The Covid 19 pandemic has increased the speed of the succession process for many businesses globally. This is for a plethora of reasons, including death of founders and liquidity issues for businesses. Therefore, the timing of this handbook is more important than ever. As a continent, Europe needs to recognise that the transfer of business represents a huge opportunity for growth, resilience, and recovery.

The next generation of business owners are ready and willing to take over and are prepared to drive the sustainable and digital transition that our continent needs for the future. The next generation will drive the recovery. These are the entrepreneurs that will create the jobs of the future and commit to the inclusive, sustainable growth that Europe needs.

Handbooks like Peter’s and Salvatore’s are especially welcome in this endeavor. There are no impossible tasks. There are no unattainable goals. Family businesses EU wide have the capacity to make a real difference in the recovery, by investing wisely for the future and building frameworks for succession. They are an essential part of the solution to face the long-lasting challenges that this pandemic has left us with.



Succession within family business has been compared to the analogy of a plane in flight. The most dangerous time is at take-off and landing! Succession is like landing and taking off again with a new pilot at the controls!

Few people appreciate the demands and pressures of being the owner / manager and leader of a family business. The role is a way of life, rather than a job or profession, it means both a total personal and professional commitment. To lead a family enterprise through both good and bad times and, from creation through survival to success and eventually succession, is a major leadership challenge.

The stress of fulfilling multiple roles, leader, strategist, technical expert, ambassador, and arbitrator is singularly demanding. Add to this the imperative to protect your legacy, prepare the business for succession and select and develop worthy successors, it is fully understandable that many owner / managers put this off because of the already crowded demands of their role.

The most dangerous time for any family business is the time of “passing the baton” at the point of succession, selecting the next leader and potential owners. It is a monumental task and getting it wrong could fatally damage the family business and jeopardize the legacy.



Succession is more of a process than an event.



Getting the right process in place and in good time are essential ingredients in successful succession.

Succession is the **Third Leadership Challenge**. It requires a different set of skills from those needed to address the first leadership challenge of creating and nourishing a start-up business. Or the second leadership challenge, helping a business to create structures for a maturing business with sustained growth. This, the Third Leadership Challenge, requires the design of solutions to not one, but a whole range of different and simultaneous challenges. This handbook aims to offer a comprehensive “one-stop-shop” solution for the survival through succession into future assurance of security and success of your family-owned business.

The **SPRING Family Business Succession Handbook** aims to be accessible to everyone, “no management speak” or the use of words or terms that are not plain every-day language.

The purpose of the handbook is to help owners / managers of family businesses develop their own succession plans for their individual enterprises. Putting you in total control of the process of managing the legacy and securing the future of the family business through succession. The handbook is designed as a guidance tool for busy leaders of family businesses, detailing the choices that need to be made and challenges

that need to be addressed. It is about planning and designing successful succession structures that will secure the future of the business and equally important, maintain the unity of purpose within the family. This handbook is the introduction to the SPRING project which contains a series of Train the Trainer modules that addresses in depth, all the topics related to succession. These have been written by leading academics and representatives of business support organizations.

Family business – The core of the nation’s economy.

This project has been funded under the European Union’s ERASMUS programme in recognition of the vital importance of family businesses to the health of the whole EU / UK economies. Family businesses are recognized as core to the health of local, regional, national, and transnational economies. According to the DTI report of the UK Government in 2004, sadly hundreds of thousands of family businesses fail each year EU / UK wide and that before the pandemic and recession. This is a situation that cannot be allowed to persist in economies that need to take clear and positive action to recover from the pandemic.

Succession within family businesses can be described as like the impact of a pebble being dropped in a pond. Each of the concentric circles that result represents a facet of succession. When designing a succession plan, each circle needs to be taken in turn, challenges addressed, and solutions developed. The additional consideration being that each circle can interact with the others. This handbook aims to make the succession process within family business clear to all and identify challenges, but more importantly suggest solutions. Beware, anything worthwhile, and this topic is one of the most worthwhile in a family business, requires dedication and tenacity.

But the results are profound and worth the effort, in output terms of family cohesion and business legacy. Succession has been described as “passing the baton” as in a relay race! The interesting reality is that in the twenty first century the relay race has been transformed into a triathlon! Yesterday’s skills are frequently not those needed for the successors of tomorrow!



Family business is the backbone of the economic wellbeing of local, regional, national, and multinational economies. These businesses are embedded in their communities and are engines for good, in terms of economic, social and environmental sustainability.

This handbook is a combination of fifty years of practical experience and of making mistakes, in supporting businesses through the journey of succession by the two authors. Mistakes are very often underrated; they often contain more deep learning than successes and they are definitely more expensive!

The Third Leadership Challenge of legacy and succession which is the topic of this handbook, is one of the greatest issues that you as an owner / manager will face. We assure you that if you follow this handbook faithfully and diligently, then you will find the results well worth the effort.

Authors: Peter Jenner and Prof. Salvatore Tomaselli



Peter Jenner is an Alumnus of the US Government's prestigious International Leadership Programme awarded for his work in developing sustainable solutions for business. He is a Chartered Engineer with a Masters in Energy Engineering.

Peter has devoted his professional life to applied research for the development of practical business transformation change programmes that deliver practical solutions and guides to complex business problems that deliver high growth and substantially increased profitability. This through releasing the creativity of the entire workforce.

He has written four UK Government Environmental Guides for Business including Cutting Costs and Boosting Productivity and Profits through reducing Waste, Engaging the Workforce for Product and Service Innovation and Environmental Supply Chain Partnering for profit. He has also developed six other handbooks for business as the output from major EU funded R&D projects.

He has twenty-five years of making mistakes and transforming business and delivering high growth with succession.

He is still learning.



Salvatore Tomaselli, Ph.D. is Professor of Business Administration at the “Università di Palermo” (Italy), where he currently teaches Family Business Strategy and Governance, Business Administration, and Control Systems. He has been invited visiting professor of Family Business Strategy and Governance at the Beijing Institute of Technology (2015) and is currently visiting professor of Entrepreneurship and Family Business at Zagreb University for the period 2017-2023. A Ph.D. in Business Administration from IESE Business School, Barcelona, Spain, he is one of the pioneers in the field of family business over Europe.

He is a founding member and fellow of IFERA, where he served as a board member from foundation until 2011. He has been Vice President for Finance in the Board of EURAM from 2015 to 2017. In 2021 has been co-opted as a member of Familias Empresarias Iberoamericanas, network of Family Business Experts in Latin America. Since 2016, he is co-opted Ordinary Member of the *Real Academia Europea de Doctores* (<http://raed.eu>), Barcelona, Spain.

Salvatore has reviewed for the Family Business Review, the Journal of Family Business Strategy, the International Journal of Entrepreneurial Behaviour and Research. He is a member of the editorial board of familybusiness.org. In 1993 and 1999 received the FBN Award for the best research paper presented at the FBN Annual World Conference. He is a frequently invited speaker at international conferences, workshops, and seminars with presentation and lectures in over 55 countries over the 5 continents.

He has advised several family businesses in Europe, Latin America (Mexico, Guatemala, Honduras, Costa Rica, Colombia, Ecuador, Argentina), Asia (China, Indonesia, Myanmar, Taiwan), Middle East (Jordan), South Saharan Africa (Nigeria, Ivory Coast), Australia.

Salvatore has served in the board of directors of several companies, both private (family and non-family owned) and non-private. At present, he serves as a board member in Grupo ESLA S.A. (Family business, poultry industry. Aguascalientes, Mexico); Grupo MAS (Family business, Retail industry. Seville, Spain); Gruppo L’Arcipelago (Family business, Retail industry. Palermo, Italy). This handbook is not intended as a comprehensive reference work on family business succession. Nor is it a substitute for the individualized advice that may be provided by qualified family business consultants and trainers. This handbook does not include legal, tax and accounting frameworks since these will be different within each country. Owners and managers are encouraged to seek professional advice within these areas after you have developed your framework succession action plan.

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Next generation EU.

This project aims to assist in the fulfilment of the European Commission's aspirations for the next generation EU, through application of the content of this handbook in implementation of both the “Green Deal and the Industrial Strategy, within each of the 14 European Commission's Business Ecosystems”. This will be assured by identifying and supporting the leaders of the next generation of family businesses, to seize the opportunities and overcome the challenges of the next decade. These next generation successors of family-owned businesses who are the backbone of the EU / UK economies will be guided by the values of a free society and being an influence for economic, social, and environmental good in their local communities and the world at large.



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INTRODUCTION
The pebble in the pond.



As a matter of principle, it is easy to make a topic appear complex, and in the case of succession within family business the issue is complex! The goal for any handbook or guidance on this - or any other topic - must be to take a complex subject and make it accessible and practicable for action. Succession within a family business has many layers, just as when you drop a pebble in a pond. This handbook aims to take you through the five layers of succession and help you to design a succession strategy that is just right for your business.

Start at the end!

It can be encouraging to start the story at the end of the relay race of “passing the baton” down the generations which is succession within family businesses.

At the end of this story, your family is united to be true to the legacy of the business founder(s) and fully supportive of the business through the crucial period of succession. Each family member and senior manager knows his/her role, and together they are committed to the journey and the “rungs on the ladder” that combine to become your strategy for succession. Each



person is enthusiastically committed to designing and participating in building a sustainable future for the business and is actively looking for what she or he can do to contribute towards its continued success. The business is a place of happiness and confidence in the future. Each colleague involved in the business, from the bottom to the top of the structure of the company, looks forward to coming to work and wants to actively preserve the precious legacy of the past. Their combined enthusiasm where brilliance and hard work are recognized as the route to advancement, encourages the team to have strong personal, and collective commitment to secure the future success of the family business.

This is because the family business is the home for new ideas, that work to strengthen the enterprise and retain and enlarge the customer base. This goal is linked to the commitment of everyone, to delighting your customers by delivering outstanding products and services. Your business rewards constructive criticism, where problems are presented together with solutions, that turn challenges into opportunities and advantages, through a deep understanding of customer needs.

The family business is a place where there is more talk about responsibilities rather than rights, and the lessons of family history form the values and “rudder” for the next adventure! Together the family and the business “surf the waves” of change in the twenty first century and secure their futures through being proactive.



TAKE YOUR TIME AND COMPLETE EACH OF THE SELF-ASSESSMENT QUESTIONS THAT RELATE TO THE SITUATION WITHIN YOUR FAMILY BUSINESS NOW!

- TIME OUT -

NOW USING THE APP, OR IF YOU ARE USING THE PAPER VERSION, TRANSFER YOUR SECTION SCORES TO THE MATRIX.

You will see that this will clearly demonstrate where your family business is positioned, in which quadrant for each section of the process. You can now see plainly the gap between your current position and quadrant 4 which your family needs to attain for successful succession. This is then your driver to read and apply the handbook with diligence.



Succession Planning and Regeneration in Family Businesses for New Growth Through an Inn

SCORE	LEGACY & ASPIRATIONS	VISION, STRATEGY INTO ACTION	SELECTING & DEVELOPING SUCCESSORS	GO!
GOAL	<p>16-20</p> <p>YOU AND YOUR FAMILY'S ASPIRATIONS ABOUT THE FUTURE OF THE FAMILY BUSINESS ARE CLEAR VALUES ARE REAL AND THE RUDDER OF BEHAVIOURS.</p> <ul style="list-style-type: none"> THE BUSINESS IS STRUCTURED TO COPE WITH SUDDEN DRAMATIC EVENTS INVOLVING TOP MANAGEMENT SUCCESSORS HAVE BEEN IDENTIFIED ON MERIT, THEY ARE UNDERTAKING APPLIED LEARNING AND ARE PROVING THEMSELVES. FUTURE SHARE ALLOCATIONS HAVE BEEN DISCUSSED, PLANNED AND RESOLVED WITHIN THE FAMILY 	<p>THE FAMILY, BOARD AND MANAGEMENT HAVE A SHARED VISION AND STRATEGY TO ENSURE THE FUTURE OF YOUR FAMILY BUSINESS</p> <ul style="list-style-type: none"> SUCCESSION MANGEMENT IS FULLY INTEGRATED WITH THE STRATEGIC PLAN. THE COMPANY HAS PROMOTED SUCCESSORS ON MERIT FOR KEY FUTURE ROLES TO DELIVER BUSINESS STRATEGY SHARES TRANSFER TO THE FUTURE GENERATION HAS BEEN RESOLVED AND ALLOCATED TO PROTECT THE BUSINESS 	<p>THE SELECTION AND DEVELOPMENT PROCESS OF SUCCESSORS ON MERIT HAS BEEN PROPERLY PLANNED AND COMPLETED</p> <ul style="list-style-type: none"> THE BUSINESS STRATEGY HAS BEEN USED TO IDENTIFY FUTURE SKILLS NEEDS. POTENTIAL SUCCESSORS HAVE BEEN SUBJECT TO RIGOROUS ASSESSMENT OF PERFORMANCE AND POTENTIAL SUCCESSORS HAVE EACH BEEN GIVEN A KEY BUSINESS OBJECTIVE THAT THEY WILL BE TRAINED AND SUPPORTED TO DELIVER PRIOR TO EVALUATION 	<p>A SOUND GOVERNANCE STRUCTURE IN PLACE FOR THE BUSINESS AND THE FUTURE GENERATION</p> <ul style="list-style-type: none"> THE BUSINESS STRATEGY HAS BEEN USED TO IDENTIFY FUTURE SKILLS NEEDS. POTENTIAL SUCCESSORS HAVE BEEN SUBJECT TO RIGOROUS ASSESSMENT OF PERFORMANCE AND POTENTIAL SUCCESSORS HAVE EACH BEEN GIVEN A KEY BUSINESS OBJECTIVE THAT THEY WILL BE TRAINED AND SUPPORTED TO DELIVER PRIOR TO EVALUATION
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As mentioned in the introduction, succession is like the result of a pebble being dropped in a pond! If each ripple is taken as a level, then the core challenges for each section are:

**Chapter 1: Rudder and power
Challenges of values and ownership.**

**Chapter 2: Good strategy and context for the succession plan
Challenges of direction, process and pace.**

**Level 3: Selecting and developing leadership and management successors
Challenges of The 5 R's, deployment of strategy, and merit based succession.**

**Level 4: Governance
Challenges of structure, clear Roles, transparency, communication and taking hard decisions regarding family welfare and business imperatives.**

**Level 5: Transition ladders – The succession plan.
Challenges of managing change, designing strategy ladders and delivering results with feedback to other levels.**

Succession Planning?



Admit it! You have not yet given that topic much thought, because there are far more urgent issues. But without a family business succession plan, you, your family, your joint shareholders, your workforce and their families and the company itself are at risk! At risk from what?

What if I do not have a family business succession plan?

- Risk of closing or damaging the business.
- Inexperienced people may assume roles beyond their capabilities.
- Family rivalry and conflict.
- Key members of staff could leave because of uncertainty about their future.
- Customers could lose confidence and go to competitors.

But encouragingly, the converse is also true.

What if I do have a family business succession plan?

- The business will be prepared for the next generation of leaders.
- Personal and family wealth will be maintained and enhanced.
- Shareholders' interests will be protected, the right people will be selected as future leaders and managers.
- Building trust and openness, so that the family will be united in the succession planning process.
- Competent and inspirational leaders will be identified and developed.
- Business and family governance structures will be established or strengthened, so that everyone is clear about their role, and the business leaders are "better together" and can all reach their potential.
- The local and regional economy will be strengthened.

The Third Leadership Challenge - Succession:



Nothing worthwhile in life is gained easily, and succession within family business is more demanding than most topics. This SPRING Family Business Succession Handbook will present you with a series of challenges. They will not be "sugar coated" they will be stark and essential to the future security of the business. Like most good things in life, you will get out of the process in proportion to effort that you put in!



This handbook aims to answer the following questions:

1. *Why develop a family business succession plan now?*
2. *How do I ensure that family unity is maintained whilst building consensus on a succession plan?*
3. *How do I develop strategy on the future direction of the business that must be the vital context for the need for succession?*
4. *How can I create succession structures within the family business that ensures that the business will be made ready for the next generation?*
5. *What do I need to do to select and develop worthy successors from within and outside the family, based upon merit and the needs of the business going forward?*



A meeting that the author conducted with the German Chamber of Commerce in Berlin, identified the fact that a significant minority of owners of family business who retain operational control of their enterprises are around 75 years of age! The reasons for this situation include many of the key issues outlined in this handbook. Succession planning is therefore the **Third Leadership Challenge** that this handbook is designed to solve, by providing structure and answers to the challenges our colleagues in Berlin stated on this subject.

The authors' intent is that this guide shall be a concise and practical description of essential family business succession frameworks that need to be considered to create an overall succession plan. This handbook aims to be:

- *Practical, "hands on,"*
- *Useful, and relevant,*
- *With specific details of "WHAT" needs to be done,*
- *And most of all "HOW TO" tools for practical application.*

The content of this handbook is challenging because it is vital, and we do not want your family business to be one of the 600,000 businesses lost to the EU / UK economies due to lack of succession planning each year! This before the impact of the pandemic!

Getting it right can save precious family relationships, potentially double the value of a family business, and dramatically improve its prospects. This guide is here to help you ensure the widest application of these practical principles that build towards the creation of an individualized succession action plan for your family business.

Family businesses constitute the world's oldest and most dominant form of business organizations. In many countries, family businesses represent more than 70 percent of the overall businesses and play a key role in economic growth, and workforce employment.

The role therefore of family business in driving economic recovery following the pandemic is critical. It is not a question of survival and recovery alone, but both with succession and growth in mind!

Family businesses range from small and medium sized companies to large conglomerates that operate in multiple industries and countries. Some of the well-known family businesses include Benetton, and Fiat Group in Italy; L'Oréal, Carrefour Group, LVMH, and Michelin in France, Samsung, and Hyundai in South Korea, BMW, Miele and Kärcher in Germany, Clarks in the UK.



Large family businesses have their own issues and can afford professional advisors on the range of succession challenges. This handbook has been designed to address the needs of the small to medium sized family business, but the principles are core to any succession process, within a family business, small or large! Succession is deemed by some to be a depressing topic, equivalent to planning one's own demise! There is the similar attitude that many people exhibit when they sit down to write their will! The sad thought of asking the question of what happens when I am no longer here? But when you are resolved, to taking this step, making a will is easy! It consists of the following steps:

- Consider what do you possess in terms of material wealth, the result is often surprising when you add it all up!
- Who do you love and why?
- What do you want to leave them that will be good for them?

In the case of the final question, why do you have to wait to help them until after you are dead? ***In short making a will can be liberating!*** A way of saying what is my legacy to my family and others? In the time that I have left, since we all live “unfinished lives,” and do not know when they will end, you may ask, what can I do to make a positive difference in the lives of loved ones now?

Why not look at succession within your family business in the same way. A means of liberating yourself from the pressures of the business, creating more time to enjoy and build relationships with grandchildren if you have any, and making the business “grow up” to not be so dependent upon you!

The Third Leadership Challenge is then a leadership for legacy!

The preparation of the business for the next generation and equally important the preparation of the subsequent generations to handle the demands of a growing business and a much larger family. You can radically improve the chances of survival of your family business in the future by setting the right structures for succession, in strategy, and governance. Then you can reasonably expect successors to earn their place in the family business through merit and personal commitment with proven achievement.

This handbook is designed to be self-contained but greater insights into the topic contained herein, can be gained with reference to the individual SPRING Train the Trainer modules for succession planning within family business. These can be found on the SPRING website (www.euspring.eu) You as an owner / manager may wish to refer to these to aid in the design of your individual succession journey, or to signpost to your own professional advisors or succession consultant or trainer.

Each Chapter will contain:

- One or more **CHALLENGES**. These are issues that once resolved will make the succession process happen and maintain family unity.
- **TOOLS** are provided to help you consider your current situation.
- **SIGNPOSTS**: these are links at the end of each chapter to the Train the Trainer modules which have been designed under the SPRING project and are relevant to the topic that you are considering.
- **TRANSITION LADDERS** for each challenge will be available in chapter 5 for you to create an overall SPRING Succession Action Plan for your business.



Chapter 1: ASPIRATIONS FOR THE FUTURE AND BUILDING UPON THE LEGACY

Learning Outcomes from this chapter

When you have completed this chapter, you will be able to:

1. Recognize the importance of values and legacy for succession within family business.
2. Review the alternative succession pathways for succession and exit.
3. The need to establish a sense of urgency.
4. Recognize the strengths and weaknesses of family-owned businesses.
5. Lay down the responsibilities and decisions regarding future ownership.
6. Understand the succession structure and process.

Leadership in any situation but especially in the **Third Leadership Challenge of Succession**, is about making choices, taking informed decisions and most of all having the capacity to overcome the challenges and see the process through to the end.

KEY CHALLENGES



The key challenges of bridging the generations, addressed in this chapter are:

1. The Challenge of securing the legacy of values and culture to frame the future.
2. The Challenge of future ownership and power among successors.

FAMILY BUSINESS SUCCESSION - CASE STUDY 1 The Leadership Challenge. Peter Jenner



This much simplified case study is based upon practical experience of working with SMEs and Family businesses over twenty-five years. The aim is to illustrate the realities of not accepting the serious Implications of the Third Leadership Challenge, succession, firstly with respect to future shareholding.

FAILURE OF THE THIRD LEADERSHIP CHALLENGE.

A family business in the Heating, Ventilating and Air Conditioning (HVAC) field was founded by the father who was a Chartered Electrical Engineer, and he developed a device and registered a patent eighteen years ago for an optimizer / compensator, with local closed circuit zone control that minimized energy consumption and increased comfort conditions. Using this patent in a joint venture with a manufacturer in Sweden he sold the controller worldwide and he used the proceeds to develop his own specialized contracting HVAC company with bases in France and Germany.

The family business employs 35 people in the design and installation of HVAC systems for IT infrastructure within Banks and other critical installations. The turnover was € 14m, net profit of € 1.2m after investment in new generation devices and equipment. The business had been valued



at € 6.7m two years before the sudden death of the father at age 58. The father had made provisions under his will for his children to inherit the business but had not discussed this with his board, his senior managers or even his family. He and his wife had three children, a daughter aged 36, a son aged 34 and a second son aged 32.

CONTROL FROM BEYOND THE GRAVE!

After the funeral, the children and his wife assembled for the reading of the will. The lawyer stated that the will, regarding the business was simple. The father had left a 50 percent interest in the business to each of his sons, whilst the daughter would be given the inheritance of their small holiday home on the border between France and Switzerland, as compensation for not receiving any legacy from the business.

FAMILY FEUD.

The daughter said that the business was worth twenty holiday homes and she had been cheated and wanted nothing to do with her brothers. She was an Engineering Technician with a large power company and had always wanted to work for the business but had never been asked!

The eldest son who worked in the business as the Manager responsible for assembling control panels, said that he had always hated his job and his ambition was to own and manage a small restaurant. He would sell his shares if he could, but that was prevented by the will.

The youngest son who was a Chartered Engineer and had studied part time for an MBA, currently ran the operational part of the business said that he thought that his father would have given him overall control of the business. He wanted to develop products to replace the soon to expire patent and to grow the company to the next level.

FAMILY DECISIONS AND THREATENED LEGACY.

The first son said that “now that Dad has gone, I will leave the business and borrow money to set up my restaurant.” He said, “I will service the loan from my dividend from the business.”

The second son said, “I am working over sixty hours a week with all the stress and yet I will not be able to invest the profits for the future since half the dividends will go to my brother who has no interest in the business. But I cannot afford to buy him out!”

The daughter said she wanted nothing to do with her brothers in future, but she would still see her mother. However, she would like to be involved in the business if she could in the future.

THE BUSINESS WAS DESTROYED.

Any investment and innovation suggested by the younger brother was blocked by the older risk averse brother, who also wanted to maximize his dividend. The business stagnated, the hostile atmosphere within the family, infected the business, service levels suffered, and key employees left and so as a result did several major customers. Turnover fell by 28 percent within two years and profits halved.

The family decided that the only way to resolve the situation was to sell the business, and a business that valued four years ago at € 6.7m was sold for € 1.8m to a competitor and half the workforce lost their jobs.

This is an illustration of the failure of succession that destroys many thousands of family business each year. The business legacy and the family cohesion were both lost, where, applying the lessons of this handbook would have saved both. The business should have survived and thrived into the next generation and beyond! These are the challenges that we will address together now in chapter 1.



The above case study is not meant to upset or insult you as the current owner / manager. It is there to show a stark reality that many successors face, when the current owner / manager decides to make a will, which in his/her opinion with the best intentions, seems to be fair. Yet this caused the loss of family cohesion and the eventual destruction of the family business. These sad realities can be avoided by leadership for succession – in other words applying the lessons and processes contained within this handbook.

Do you remember the diagram at the beginning of this handbook of a pebble in a pond? The various concentric circles that represent each domain of succession. In addition, your position on the Succession Matrix will help you afford priority for action.

This handbook is created as a conversation with you as the business owner, for you to identify your own perspective for each succession domain. BUT - remember that having clarified your perspective, which is the fundamental start of the process, that this is but the start, because you will eventually need to consider the perspectives and ambitions of other stakeholders. Family members, other shareholders and key people in the business will all have their own perspectives, and each can cast their own pebble into the pond. As a result, the situation becomes much more complex and “interesting!”



Each perspective is valuable, and the aim of this exercise is for the family to share opinions and agree, led by your perspective, and guided by the values of the family business that have been the roots of success to date. As leader you may use this handbook to fulfil the Third Leadership Challenge of Succession and apply “tough love” and process to ensure the future security of the business and to maintain the precious family ties and love that make life have meaning.

This section will include consideration of **WHO** is eligible to participate in the next generation of ownership, **WHY** and **WHEN?** You will need to take time to consider these issues yourself, and if appropriate with your board and professional advisors. One of the key issues in this context is if you have existing shareholders and buy/sell agreements. This involves legal structures, which because of the variations in law between member states of the EU and the UK, are different within each situation, and therefore must be discussed between you and the appropriate legal advisors in due course.

Key issues to consider for instance regarding shareholding being transferred to children include the question, do you need to protect the business in the event of a divorce using trusts or other mechanisms? The key here is to separate issues of ownership and wealth, from management and control of the business, which will be addressed later in the governance section.

The good news is that you will not be alone!

This handbook is here to take you through the process, it will help you to reduce the risks of unplanned succession and reap the benefits of gradually transferring operational responsibilities from you, and you will then have time to focus on the future. Most of all it will help you to formulate your own framework for succession which can then be used to inform your chosen advisors or to frame actions within the family and the business. The SPRING modules attached to this handbook contain many useful case studies that demonstrate issues of succession and the solutions developed by other leaders of family-owned businesses.

These are greatly needed, because many leaders of family businesses have left the situation until it is too late and sadly, many family business inter-generation transfers have failed. In some cases, the lessons of failure are just important as the lessons from success, as you have seen from the case study above!



Die Zeit Läuft Ab! (Time is running out!)

Time is of the essence; it was at a conference in Stuttgart over twenty-five years ago that I first became aware of the need for succession in SMEs in Germany, and this was reinforced as I have said, by a recent visit to Berlin. The above phrase translated “time is running out” was written next to a poster signifying the state of our planet and the need for environmental action. I took a photo of this poster which was on the wall of the Mercedes-Benz Plant in Sindelfingen, and it has remained in my office ever since.



I think that this sense of urgency is needed not only about the need to protect the environment and the future of the planet, the future EU Green Deal - but also succession planning in family business. In fact, succession and new leadership may be part of the solution for environmental action, because of the vital role that you as a leader of a family business, has now in the economic, social, and environmental well-being of your local communities. The decisions that you now make will affect the planet as a whole and the choice of future leadership, who address these issues now and, in the future, will be critical to success.

Individual succession pathway



Your individual pathway to succession will be different because each family and family business is different, but this handbook will provide you with a series of SIGNPOSTS that will offer guidance and support.

Succession strategies within family businesses offer alternatives of choices but beware of the implications, from each:

1. Pass the business on to all members of the family equally.
2. Pass on the business to selected members of the family.
3. Select the next leader who will guide the business from within the family.
4. Select the next leader from within the current workforce.
5. Appoint an external CEO, permanent or temporary.
6. Do nothing now but give guidance from the grave in the will.
7. Do nothing and let the children all sort it out, after the funeral.
8. Sell the business because succession does not seem viable.
9. Arrange a Management Buy Out
10. Arrange an Employee Buy Out



The “do nothing” option is the most popular choice, and results in most family businesses failing. But even worse than that, is the succession

strategy

of “controlling from the grave” through the wording of the will, as we have seen. Sadly, this option often destroys most opportunities for an amicable agreement within the family on the way forward, after you are no longer there to advise them!

Family Business — The Core of the Nation’s Economy.

Family businesses will be core to the economic recovery, post pandemic since they are rooted within local and regional economies within each country have a long-term perspective to invest for the future largely within their own regions. This provides high quality and secure employment and is a major contributor to social cohesion and wellbeing.

Definition: In this handbook, a family business refers to an enterprise where the voting majority is in the hands of the controlling family; including the founder(s) and in this context of succession, who intend to pass the business on to their descendants.

A Thomson Financial study for Newsweek (04/11/04) compared family firms to rivals on the six major indexes in Europe and showed that family companies outperformed their rivals, on all these indexes, from London’s FTSE to Madrid’s IBEX. Thomson Financial created a unique index for both family and non-family firms in each country and tracked them over 10 years through December 2003. In Germany for example, the family index climbed 206 percent, while the non-family stocks increased just 47 percent. In France, the family index surged 203 percent, while its counterpart rose only 76 percent, and this was typical throughout all economies.

The health of family businesses is then the barometer for the health of the national or regional economy, and their investment has a significant multiplier effect in local and regional economies through supply chains and local spending power. Sadly, with regard to the failure of family business through the lack of succession planning the converse is also true.

Strengths...

Family businesses also outperformed their counterparts in Switzerland, Spain, Britain, and Italy. This high performance is the result of the inherent strengths of family businesses, that include:

- *Knowledge continuity. Families in business make it a priority to pass their accumulated knowledge, experience, and skills to the next generation.*
- *Reliability and pride, driven by values. Because family businesses have their name and reputation associated with their products and/or services, they strive to increase the quality of their output and their relationship with their customers, suppliers, employees, and community.*
- *They have close and co-dependent relationships with their suppliers and customers and can appreciate changes that are taking place in their markets rapidly.*
- *They also plan for the long term and are not driven by the need to declare short term profitability for the benefit of shareholder’s dividends.*

... and potential weaknesses:

Perhaps the most often cited characteristic of family businesses is that many of them fail to be sustainable in the long term. Two-thirds to three-quarters of family businesses either collapse or are sold by the founder(s) during their own tenure. This high rate of failure among family businesses can be attributed to:

- *Management and decision making kept exclusively in the hands of the owner.*
- *Informality, no governance structures, and lack of professionalism.*
- *Not taking essential and timely strategic decisions.*
- *External events and industry conditions, with no resilience in a crisis.*
- *Low profitability, insufficient cash to fund investment for growth.*
- *Family emotions and lack of discipline, Internal conflicts, and role confusion.*
- *Lack of succession planning, not preparing the family and the business or transfer.*



The Third Leadership Challenge, Succession Planning and Management is a subject that will build upon the inherent strengths of family business whilst creating structure and process that will overcome many of its potential weaknesses. The result is a family business fit for the future and job security for millions of workers employed by family businesses EU / UK wide.

It has been said that a good successor can be spotted by the family as early as age eleven because s/he is a child who does not give up, but works through a problem to get a result. Children are like learning machines, everything that you say and do in family life, can and will in time be used in evidence against you! So, succession is as natural as family life and is done by most of us who are blessed with children, and in time grandchildren, we are working for succession even if we do not know we are!

Preparing the next generation:

Young children imitate the values, beliefs, and behaviours of their parents, but as they grow up, they become their own men or women. This is when they develop their own understanding of values, beliefs, and aspirations. This is complicated when they belong to a Family Business, in that they naturally love their parents and want to please them and are sometimes driven by the thought of material gain. The succession process must open, where the challenges listed above for discussion are used to build bridges between the generations. This must be done sympathetically to maintain the loving relationships within the family and take decisions that protects the future of the family business upon which the livelihoods of so many family members depend.

**“ Values Matter:
Sow a thought, reap an action,
Sow an action, reap a habit,
Sow a habit reap a character,
Sow a character, reap a destiny. ”**
Ralph Waldo Emerson

Each generation has its own perspective and by respecting individual and collective aspirations, both the next generation and the current generation learn to work together. They are then able to build on a safe base to engage in healthy conversations about the future of the family and the business that builds consensus and commitment on the way forward.

Successful succession = Structure + Process

Many of the potential weaknesses in family-owned businesses detailed above are because of a lack of structure, in terms of governance, role clarity and who is responsible for making decisions. Process is also key, even in smaller family enterprises there is a need for “ground rules” on what is expected of everyone and how the business will be run. This handbook aims to provide both structure and process for succession and as such, if followed will assist you in securing your legacy.



Your greatest legacy as the current leader of the family business is twofold, to ensure that the business is prepared for succession and the potential successors are prepared for the business.



The key challenges of bridging the generations, in this chapter are:

1. The challenge of securing the legacy of values and culture to frame the future.
2. The challenge of future ownership and power among successors.

The aim is to take each challenge in turn and then identify and address the key issues which will result in structures and processes that will create the framework for succession.

CHALLENGE of values and legacy: Who do you trust and respect enough to take over the business?

You as the current owner / manager can greatly influence the decisions on succession, by protecting the legacy in terms of family business values and culture. The mission of the business and your, and the next generations' combined vision of the future. This requires that business leaders, such as yourself, who are both family and non-family members to have "stepped outside", the day to day running of the business, to consider what issues the business is facing, and how it should respond. The legacy structures that you will put in place will then help ensure that the most suitable to leader will be chosen to steer the business in future through these most challenging times, and that s/he must lead following the processes and governance structures that you have developed. This helps support them in their role and minimises risk.

The means of Selecting and developing Worthy Successors is addressed in Chapter 3. In this chapter we will not look at the technical competencies of a future leader but more at his/her personality and culture. This to ensure that the choice of the new leadership is made in the context of the precious legacy of the founder(s) of the business and his/her values. Here the values, attitudes, desires, and behaviours of family members are critical.

Leadership is lonely! It is the role tasked with "scanning the horizon" to identify threats and opportunities for the business. Setting goals, shaping strategy, getting the best from people, and most importantly within family businesses, promoting peace and harmony. In short, the "conductor" of the family business orchestra and the glue that holds the whole business together. Can there ever be a more important intergenerational challenge than finding a worthy new leader to take the business forward, and to protect the hard-won legacy of past generations?

Family businesses as you have seen can be much more successful at creating wealth and sustainable growth than non-family enterprises. This success is based upon the traditions of the business, passing on skills and knowledge and doing a good job for customers. The grey hairs of experience are invaluable for understanding customer needs in their entirety and maintaining the valuable reputation of the business. Linking this experience to the ideas of the next generation can be a winning combination.

Family business is more than just generating profits, it is about tradition and values that makes the business "different and better" than the competition. You will need to ask yourself the question, were the next generation of family members consulted to design your shared vision of the future? As a starting point, you will need to answer the question, are they truly committed to the legacy, culture, and tradition of the family business and the hard work necessary to secure its future?

Legacy, culture and tradition, within Family-owned businesses.

These are key in the context of selecting the next generation of leaders and owners of the family business! How can we assure that worthy owners and leaders are nominated and what structures can be put in place to guide the individual and the company to protect the future of the business, and to ensure that it thrives in the twenty first century?

In a family company, it is vital to manage not only the family business itself, but also the business family! (This links to the chapter on Governance, a vital ingredient for the success of family enterprises down the generations!)

The **MISSION** of the company is a way of expressing "what customers are really buying from us?" (Not necessarily what we think that we are selling to them!) This is the key to the design of strategy and provides keen insights for innovation in the context "the supply chain eco-system", and succession which we will address later in this handbook.



The **VISION** is your picture in bright colours that fills the horizon, of what the business will look like in the future! It is so vivid and real that you could almost touch it! Hopefully, this picture of the future is not just your ideas as the owner / manager and board, if you have one, but of everyone in the management team, especially members of the next generation, who have been actively contributing their ideas.

Last but by no means least, **VALUES** are the “RUDDER of the family business” that guides how everyone will behave if they work in the business. Often these are not written down but are the continuation of the way of doing business passed down from the business founder. In the past most of the very successful quaker family businesses founded in the UK in the nineteenth century had their success based upon trust, a hard-won commodity that is easily lost.

They sold honest goods, at honest weights and measures and a fair fixed price. Customers trusted them and they fulfilled their promises. In a collective way that was their “mission” and expressed their values.

We can change everything in our lives as people, **BUT** not our values since they define who we are! In a family business context, it is worth the effort of aiming to identify what they are, and writing them down, especially in the context of passing them on to the next generation in succession.

An example of good practice is for you as the current leader to ask one or several grandchildren to create a scrap book detailing the family business history. This to include photos of the founders of the business and their family newspaper cuttings, family mementos and history and quotations. From these the children can make a presentation that involves them constructively in the business, gives them a pride in their past family history and identifies the guiding values of the founder of the business.

CHALLENGE of ownership: DON'T GIVE IT TO THE CHILDREN!

The title does not mean to convey the fact that you as the owner / manager of the family business should disinherit your children! But should this inheritance be given without work? Also, should the inheritance in terms of shares in the business be divided equally amongst all the children?

This was the title of a seminar that one of the authors of this handbook gave to a packed audience in Ireland! It is a title that makes you as the current owner / manager take notice!

Gandhi said that wealth without work is one of the seven deadly sins. Which means getting something for nothing! Responsibility and commitment are key. Successors should be under no illusion of what is expected of them, and they must demonstrate that they are competent and worthy successors.

Ownership means who has the power to make critical, major strategic decisions, and for example to choose how much of the profits will be distributed amongst shareholders and how much retained within the business, to invest for the future? In addition, how much working capital and reserves will be retained to allow for “rainy days” such as we have just experienced with the global pandemic!

The big questions relating to legacy within family businesses include:

- *Should every child be given the equivalent number of shares in the business?*
- *Where should the power and decision-making process reside in the future?*
- *Is it a good idea to spread ownership widely amongst the family?*
- *Should shareholders not involved in the company and who are not aware of the critical business issues be key to strategic decision making?*
- *Is it good for the family members to enjoy income without work?*
- *What happens to shareholding in the case of divorce? Do you want to give the spouse of your family member 50% of their shareholding?*

These are key challenges, and you could ask the question, “what has happened to all the quaker business” that we mentioned earlier. Most have been sold because previous owners did not address one or more of the key succession challenges. (Reference: Family Firms and their Governance, Creating Tomorrows Company from Today's by Sir Adrian Cadbury.)



Chapter 2: FAMILY BUSINESS SUCCESSION, CONTEXT - A WINNING STRATEGY.

Learning Outcomes from this chapter:

When you have completed this chapter, you will be able to:

1. Identify the elements of an essential winning strategy for family business.
2. Understand how strategy forms the essential framework for succession.
3. Review the 7 habits of a successful succession strategy.
4. See that your winning strategy is key as a route map to success and succession.
5. Identify the essential elements of a winning strategy for family business.

FAMILY BUSINESS SUCCESSION, CASE STUDY 2. Crisis of ill health. Peter Jenner



Several Christmases ago I was called to see a very successful mid-sized family business, in the food sector. This was a third-generation family enterprise started by the grandfather selling bread and cakes door to door. It now employed 120 people in the baking and distribution of a wide range of bakery products and served wholesalers and retailers within an 80 km radius. In addition, the business owned a chain of six direct retail outlets, mainly situated on industrial estates, where the bakery's products were sold directly to the public.

The father and current leader, who ran the business, had made it his life's work and he normally worked six days a week, starting at 4 am and finishing normally at 3 pm. He had two children a son aged twenty-eight and a daughter aged twenty-two, his wife also worked in the business and managed the office and the accounts' function. He had invested wisely and owned the buildings within which the business operated, and he had also accumulated a substantial property portfolio of residential and commercial buildings.



In late November, he noticed that he had health problems and made an appointment with a private medical consultant who told him that he had severe heart issues and had to cease work immediately. Nine months before he and his daughter had attended one of my Succession Planning seminars that I had run for businesses in the local City Hall. The session was well attended with an audience of eighty people all of whom completed the self-assessment, but he was one of those who thought that he had plenty of time to address the issue of succession and would postpone action for a few years.

THE PROPOSED LEGACY.

At the meeting between the father, the daughter, and their accountant, which was held on the third week of December, the father explained the situation and said that he wanted to work with me to design and implement a succession strategy and for him to retire immediately. His idea was that since his son was a perpetual student and did not like the idea of working in the business, that he would be given the property portfolio as a legacy, and since the daughter had worked in the business and that the business was similar in value to that of the value of the property portfolio, she would inherit the business.

At a separate meeting, the father and the daughter individually completed the self-assessment, and the father had a total score of 63 percent and the daughter 28 percent across all the five domains of the succession self-assessment. A very contrasting perspective of the situation across the generations.

FEEDBACK AND COMMENTS.

I gave my feedback and comments following the discussion and the results of the self-assessments and noted the following:

1. The son would inherit a substantial property portfolio, where he would have minimal risk and the prospect of an inflation proofed income for life, without doing any work.
2. The daughter would inherit the business, which on paper was very valuable but since competition had recently substantially increased, future profits and hence business value was not assured, and the risk was greater.

3. In addition, since she had not been given any real responsibility in the business to date, or any substantive training relevant to the business, then she would have to work very hard to gain the expertise required. She also said very strongly that she wanted a life and not just to become a workaholic like her father.

4. The scoring of the self-assessment showed a typical disconnect of perspective between the generations, where one generation sees the need for urgent action and the other considers that all is well.

5. Because all the strategic decisions were taken by the father and the ideas for the future were always just “in his head” he had never shared that with others in the business and the senior people were not used to being asked to make decisions. As a result, they were used to taking orders but not to making suggestions and taking responsibility.

6. One of the senior members of the bakery staff upon hearing of the father’s health situation had already left, to go for what he said was a more secure position with a competitor.

7. The son was completely excluded from the decision-making process.

CONCLUSION.

Here was the perfect storm resulting from the decision not to decide on the issue of succession planning. But all was not lost, and as I said it could all be recovered with time and a strong succession strategy with implementation support from the father and commitment from the daughter. The father therefore assured me that he would commit to the programme, and he would telephone me straight after Christmas, and we could start what I said was at least a twenty-four-month journey in January, which he agreed.

CONSEQUENCES.

When I had not heard from the business by mid-January, I called the company and spoke to the daughter, she said sadly that the father had died over Christmas. She had spoken to her brother after the funeral and explained what their father had proposed but had not yet put in his will. He disputed the situation and said that he was entitled to a third of the inheritance in total with her and their mother. He wanted the cash immediately, to travel the world. He had now, as a result instructed a large



legal practice who were taking legal action to implement the original will. He had also been advised, not to enter a dialogue with the rest of the family.

The succession programme was never implemented. Six months later I was told that the legal fees had exceeded £ 100k to date and the family were not speaking to each other. The business started to decline; sales fell by 19 percent within the first year after the father's death. It was eventually decided the only solution was to sell the business, which was bought by a multi-national concern for a greatly reduced price and 40 percent of the production staff lost their jobs.

Strategic Context for Successful Succession

Strategy is best described as designing a ladder that takes your family business from “where it is now” to “where it needs to be” within a specified time. It is the vital context within which succession must be framed.

The seven habits of a Successful Succession Strategy



Succession in family business must follow a process.

1. Be proactive- Third Leadership Challenge.
2. Clear aspirations and inspiring values.
3. Winning strategy - ladder of pivotal objectives as critical game changing actions.
4. Focus on future skills, successors, and transfer of vital knowledge.
5. Governance structures that clarify and separate family and management roles.
6. Personal accountability and empowerment through a meritocracy.
7. Pass the baton and “let-go”.

Remember through chapter 1, we have resolved the legacy and future shareholding and revived the values of the business that will act as a “rudder” to strategy. What needs to be done now is to build upon that foundation, to create “good strategy.”



Bad strategy is easy, bold statements, ambitious goals, and no route map as to how these will be achieved, that is why 70 percent of strategies fail! Good strategy requires courageous and informed leadership, big decisions as to what the business will do and equally important what it will not do, to focus resources on getting results! Point number 3 above, winning strategy is the subject of this chapter, and it is the keystone for the implementation of point 6 establishing a meritocracy to be considered in the next chapter of the handbook.

CHALLENGES for Strategy development

- What business are we in now?
- What business should we be in for the future?
- What should we do and what should we not do?
- How ambitious should we be in the future, and what are the advantages and disadvantages / risks?
- What structures and resources do we need to put in place in the business to ensure its future success?
- How will we implement the strategy?

Strategy is challenging because it is just as much about what the business will not do, as to what it will do and what direction it is going to take in future. Hard decisions must be taken without unnecessary delay, so that resources can be committed to “ride the wave” of the next business opportunity.

The analogy of the ladder is relevant because if you picture your strategy ladder within a room, the first decision you must make, is to decide which wall you place the ladder against! That means that you will not be placing the ladder against the other three walls. There are the major consequences to strategy, good strategy is hard because it involves evaluating the market and your family businesses’ competencies, where the world is going and where you will lead your business, and how you will invest in the future. More, it takes big decisions about what you will not do and deal with the consequences.

Getting it right can drive the business to new heights but major delays or getting it wrong could result in the converse and the business could be ruined!

Bad strategy is easy, it says you will be doing everything as you are now, there are therefore no hard decisions to be made, but also no focus for

the future. When strategy is formulated, it is delegated to outside advisors and it normally comes in a beautifully bound format, with lots of pictures, diagrams, and management terms, but sadly, most of all it stays on the shelf unused and covered in dust!

This guide is not about designing business strategy, you can refer to the SPRING modules that will help you with this issue. Rather this handbook is about how the “pivotal objectives,” the rungs of the strategy ladder that set the context for the future of the business can be linked to the urgent need for succession management.

Pivotal objectives are the “game changers,” of strategy, such as digital online relationships with customers, essential for many businesses during the pandemic. This aspect alone is not just having a good website, with ease of location by search engines, but just as important order fulfilment and great customer service. Innovation is core to strategy, a step change in process, product and people making your family business “better and different” from the competition. Succession and growth, therefore, can be seen to link to good strategy, the right products / services, processes, right investment in the right equipment, people, and skills at the right time essential to achieve the goal.

The principle of the strategy ladder and its deployment was something I learnt during my US Government’s International Leadership study tour of the USA, mostly from the 3M Co in Minneapolis / St Paul. It is powerful because it can be represented graphically and cascades

Strategy & Deployment

Strategy is just a posh term for a ‘ladder’ that gets you from where you are now to where you need to be and by when.

Our programme uses the Action Chart principle:



Sounds simple but as usual the devil is in the detail.

For instance the ‘where are you now’ box requires accurate numbers such as:-

- > Turnover
- > Profit before tax
- > Most profitable product/service
- > Most profitable customer.....and much more!

The first two are easy, the last few not so.

The next box “where do you need to be” is even scarier! Why.....because you, as a business leader, has to decide which wall you are going to place your ladder against!

To help, you need to decide what you are really good at! Why are you unique and why do customers really buy from you? Then you have to put in the numbers, this is your vision or goal of what the business will look like in 2 – 3 years time!

Finally, the rungs of the ladder, what do you and your team need to do, each step to get you from where you are now to where you need to be.

Developing strategy is work but following our route maps and Applied Training makes it fulfilling and liberating. If you are interested then read on!

– Source: <http://williambattle.co.uk/stratagy-deployment.html>



deployment of action with personal accountability, that is ideal for succession. I have since refined and extended the principle in the diagram above:

You will see from this diagram that the ingredients for a winning strategy include, starting at the top:

1. A set of meaningful values that act as a “rudder” to behaviour.
2. A clear answer to the question, “what business are we in?”
3. A goal, an end state that has dimensions or metrics of success.
4. A “ladder” with rungs of pivotal objectives that will be game changers of competency and capacity for the business and link together to build the achievements, one upon another to achieve the goal.
5. Knowing “where we are now” in number, as a firm foundation to strategy.

Winning strategy is a clear route map to success! For succession it is the vital context and shows how tasks and personal accountability can be delegated, and where successors can prove their worth. Promotion on merit in a strategic context is the sure way to secure the success of a family business now and down the generations.



Everything can be changed within a family business but its core values. (See chapter 1), these make the culture of the business that has made it “better and different” from competitors and form the business DNA, its legacy, and the reasons for its success. These values guide what you will and what you will not do as a business, and this is one of the key guiding principles for designing good strategy.

A winning strategy means making the hard-strategic choices of what the business will do and just as importantly what it will not do in future. This using the SWOT and TOWS (strengths, weaknesses, opportunities threats) analysis (SWOT internal / TOWS external environment). Detailing internal strengths and weaknesses and external threats and opportunities, as a basis with other strategic tools, for the design of good strategy.

You should also take a “helicopter view” of where your business fits in the supply and value chain to your customer. Then in addition take a “satellite view”, going further away, zoom out and look down on the whole business supply chain as an eco-system and see what is happening to your customers and suppliers and other issues that may impact upon your family business.

Strategic succession considers the future shape of the family business and your role as current leader must be to create this strategic framework for future success. This requires you as the leader of the family business to design your strategy ladder, a process to take the business from where it is now, to where it needs to be, by when. In the immediate post pandemic recovery phase this is vital, for growth through innovation and links to succession.

Good strategy is key, since it is the context within which the succession planning process can take place. This handbook cannot deal with how to create good strategy in detail, but what is needed here is a basic summary of the business position as below.



Answer the following questions:

1) **What business are we in?** In other words, think carefully, and answer the question what are our customers buying from us? (It is often not what we are thinking that we are selling!)

2) **Where are we now?** This is managing by the numbers! (We cannot go into this in the Handbook on succession.) But use numbers to identify where the business is at present for every aspect of the business as a firm foundation for strategy!

3) **Where do we need as a business to be?** This cannot be “woolly” it needs to be detailed. For instance, what products to what markets with numbers, targets and deadlines. This is key since it is like putting your strategy ladder against the right wall!

These can then be used for the foundations of the good business succession strategy.

Where would you like your company to be going forward? Have you shared your aspirations for the future with your family and the next generation in the company?

CHALLENGE: A challenge for you as the current leader, is to answer the question: are you running a “family first” or a “business first” business?

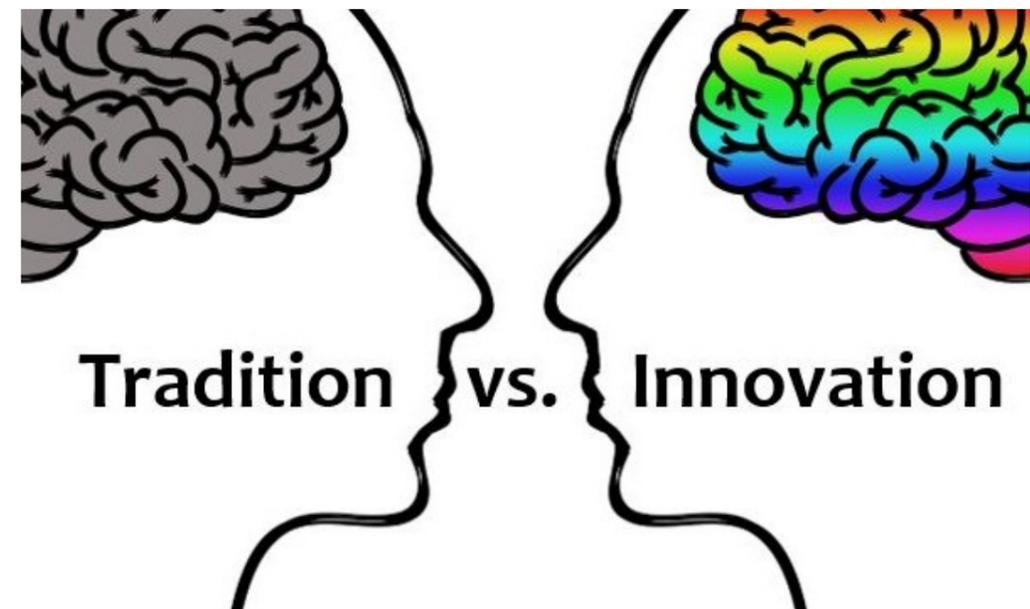
Doing what is best for the business first, will protect the future of everyone. It may result in challenges in the short term and decisions that the next generation may not like. Children will see that you as leader of the business and father or mother are motivated by love, sometimes hard love, that preserves the business legacy, and this will eventually be respected.

When there is trust and openness amongst the family, detailed in the chapter on good governance (chapter 4) then it will be appreciated that leaders and successors within the business must be selected on merit. The focus of this chapter is to design good strategy as a context for business growth and recovery linked to succession. This is vital since it is the context and route map that will help you as the current leader of the business select worthy successors on merit based upon the 5 Rights as detailed in chapter 3.

CHALLENGE of tradition vs innovation.

Family business is rooted in tradition; it is the legacy and comfortable environment within which both the family and business live. Yet in the twenty first century, family businesses must adapt and transform themselves to serve the changing needs of their customers. Remembering that the one thing that must not change are the values that define the business and are the rudder that guides your behaviour and defines who you are as a family in business!

Strategy is tradition plus innovation.



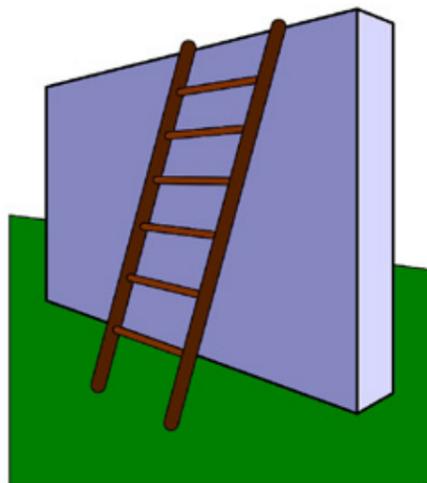
Innovation is the foundation of any business; it was, when the family business was founded, and it is now. In business we either change or die, but in family business we are rooted within our values, so that makes us stronger. It is linked to long-term leadership rather than a short-term management mindset. For example, in the context and power of branding: “In the factory we make perfume, in the shop we sell dreams!” Remember the combination of innovation, entrepreneurship, and sheer hard work that your founder(s) combined to create the success that is your business, and you should aim to build upon this principle.



Entrepreneurship needs innovation, innovation needs entrepreneurship. This topic is often a cause for friction within family businesses and from different inter-generational perspectives. Family businesses are founded upon entrepreneurship with innovation.

Tradition, hard work and values have made family businesses what they are now. The future must build upon the present and this means tradition plus innovation. Strategy should be innovation in action, guided by the strong values of tradition, if it is to be successful.

Winning strategy without innovation is like Pasta without a good sauce. You can eat it for nutrition, but you will not enjoy it! Innovation is the key to good strategy. It is a leadership not management mindset that challenges current wisdom, and finds new ways of working, new products, new services, and new production methods possibly with new packaging. It is about “creative destruction” - challenging received wisdom and current practice. This process is a great way of identifying successors, through applied learning and evaluating their capacity for independent thought combined with tenacity towards success.



Innovators and teams who are charged with developing new ideas, hopefully comprising several potential successors, should never report through the management structure, they need to report directly to you, the managing director! The danger is that managers in divisions will filter out ideas that they see as a threat. You need to challenge innovations teams with a problem or opportunity, and never to suggest solutions, that is for them. Your prime role is to “dissolve the treacle” of bureaucracy or other barriers that are put in their way, to prevent innovative ideas being developed or put into action.

It is essential however that innovators are supported and given both time and resources. But just as importantly, that they are held to account for delivering tangible results and outcomes, as one or more of the “rungs” of the “strategy ladder” or as a “pivotal objective” for change to deliver on the strategy. You, as leader must also ensure that the innovation builds upon the sound values and fits with the tradition of the family business. It must be driven by the winning strategy for the business is cohesive and actively contributes to its current business survival and assures future growth and success. This is why good strategy is so important as the vital context for succession and within which potential successors can prove their commitment and capabilities.

Strategy deployment and a Successor Accelerated Development Programme.

Succession if planned well can be achieved with strategic focus comfortably within four years. If you have less time, then rapid progress needs to be made in selecting and developing potential successors to secure the future of the business. It is vital therefore that the family business has developed a winning strategy with pivotal strategic objectives which can be deployed to successors where they can be actively supported for them to prove themselves in practice. In the real world, succession “rings” must be tackled not sequentially but simultaneously, delivering high growth and increased profits through succession.

Succession within family business therefore often requires a Successor Accelerated Development Programme, especially if succession needs to take place urgently because of sudden death, ill health, or lack of preparedness. Good winning strategy written down in the format suggested above and ready for deployment is then seen as urgent and important. This is not just for its own sake but core to business reasons of profitability, shareholder value and effectively running the business through times of change. But also, as key for providing a real context for the development of worthy successors.

In a nutshell, involving successors in translating strategy into action is essential, through creating the structures for a talent pool and meritocracy. This is key to the whole succession programme. But this is not possible if there is no written strategy with pivotal objectives that can be delegated.



The strategy document is vital for those potential successors both within and outside the family, to be given personal responsibility to gain leadership experience by leading on the attainment of key strategic goals for securing the future of the family business. No amount of education and training without a context within which successors can prove themselves, is a substitute for real life leadership experience. The double benefit is that the family business moves towards securing its future and at the same time proves the worthiness of potential successors. This is “passing the baton” for future success through a winning strategy. This also has the added real benefit of essential staff retention, because of opportunities given for each person within and outside the family to progress, with active skills transfer and pro-active talent development. A strategy for growth also provides the “headroom” for promotion and opportunity for career development without waiting for someone to retire.

One of the other main reasons for failure of succession is the almost total lack of alignment between the aspirations of the family and the needs of the business in strategy, operational management requirements, measuring performance effectively, and carefully designed appraisal, recognition, and reward systems. Consider the effect of these not being in alignment, then you as the leader, and members of the management team may be in effect sending mixed messages to your front-line staff, asking them to achieve one goal but not rewarding achievement appropriately. The result is confusion, and no-one will really know what you as the owner and leader, expects from them!

For successful succession you as the leader will need to lead the process of delegating key tasks, making people personally accountable, and by driving for results. You must also ensure that success is recognized and rewarded, with career progress and reward seen to be fair and transparent.

What are the lessons from this chapter?

1. A winning strategy is essential as the background and framework for family business success and succession.
2. Strategy is about making choices, deciding “which wall that you place your ladder against,” what the business will do, and not do in the future.
3. Achieving key elements “rungs on the ladder of strategy,” can be delegated to potential successors within and outside the family as part of an “accelerated successor development programme,” where leadership will be learned in practice.
4. Future successors should be encouraged to think differently and innovate solutions to strategic issues, ensuring that the future of the business is protected.
5. You as a leader needs to shape the process of the design of a winning strategy, involving all the generations of the family and key people within the business.

Look at the rungs of your strategy ladders in this chapter (and eventually in chapter 5) and start to consider the person to whom you may delegate specific tasks to the next generation. This is the basis for a **Successor Accelerated Development Programme**, giving successors an opportunity to prove themselves and learn leadership skills.

Be (SMART) Specific as to what the outcome needs to be, do not define the task as how you would do it, define the outcome only! Measurable, since what gets measured is what gets done, and you need the numbers to manage anything effectively, give a target in number! Achievable, make the initial task or goal that is not too difficult, one that can be achieved, within a reasonable time frame, under six months and when this is done it will encourage more commitment, Resourced, do not expect successors to do it all themselves, give them a mentor, time, cash if necessary and most of all encouragement. Timebound, set a date when the task should be completed and check regular process. It is preferable when successors are beginning their journey to leadership, that they be given a clear “sub-task” itself structured in a SMART manner, so that this can be achieved within a limited time frame, possibly under six months. When this is accomplished, and their performance reviewed this will build confidence and further commitment to the successor development and applied learning programme.



The talent pool works when the team comes together to report progress collectively and they learn to support each other, as their projects proceed. Only after “real world” experience can you evaluate successors for leadership potential and suitability for advancement and further development. Then conduct an objective evaluation with others and offer praise and constructive comments.

Succession must never be seen, as an added extra job but as an integral part of running a thriving family-owned business. It is a process that should apply to all critical roles within the enterprise since businesses, both large and small have suffered because they have not realized how critical a person is to the successful running of their business, until it is too late!

Of necessity in this handbook, we will have to confine succession to the need for planned succession of the current collective leadership, ownership, and management of a family business although finding suitable successors for key workers is also very important. We will, however, discuss this issue in detail in a slightly different context in the next chapter.



The design of good strategy is a detailed topic in its own right, and the need for innovation is integral to creating the vital strategic context for the future of the business and succession for key roles.



Chapter 3: SELECTING AND DEVELOPING SUCCESSORS.

In a nutshell, this can be described as selecting successors with the 5 Rights.

Learning outcomes from this chapter

When you have completed this chapter, you will be able to:

1. Create the structures where succession can thrive.
2. Objectively evaluate all potential successors.
3. Create a framework for selection of worthy successors based upon merit.
4. Develop a talent pool for the next generation of capable successors and expect them to prove themselves in practice.
5. Be supportive and do everything in your power to help them successors gain confidence and competency so that you can let go!



FAMILY BUSINESS SUCCESSION - CASE STUDY 3. **A tale of two families. Peter Jenner.**

Two brothers who had practical experience of the plumbing and engineering businesses, established a family enterprise supplying specialist pipework and fittings to the chemical and energy intensive industries. They also supplied standard fittings to the air conditioning and plumbing sectors. The business gained a reputation for service and specialist knowledge and grew to employ twenty-two people including the son and daughter of the elder brother. The son joined the business after serving an apprenticeship with a heating and ventilating contractor, and the daughter had just joined the business after university. It was always the intention of the brothers that the business should continue to the next generation of the families, if they wanted to be involved. The business was professionally valued at € 6m, which was used for key person and other insurance purposes. The brothers also thought that if the children were not capable of running the business, then it could be sold. They did not write any wills and there were no shareholder agreements in place, because they thought that they had plenty of time for considering such depressing actions.

UNFINISHED LIFE.

Each of us does not know how long we will be blessed with life, and sadly and suddenly the younger brother was diagnosed with a terminal



cancer, and he died shortly afterwards at age forty-seven. The families were devastated, the brothers had worked together for over fifteen years sharing duties and pooling their expertise. After the initial shock, the business tried to recover and looked for a person to replace the role of the younger brother, who could act as the public face of the business, with client networking and high value contract sales. The widow of the younger brother, who now owned 50 percent of the shares in the business, insisted that her son who had just completed a business degree and who needed a job, should be brought in as joint managing director with responsibilities and rewards, the same as his late father.

DECLINE AND SALE.

He had no experience of the business or engineering knowledge and did not share the values and ethics of service before profits, that had been the driving culture of the business. His attitude and inexperience caused friction with staff and several key people left the company, sales declined rapidly, and profitability dwindled. The staff was reduced to ten people over a period of just sixteen months, and eventually the business, branding and assets, were sold to a competitor thirty months later for € 1.5m.

The lesson of the case study sadly, based upon a real-life situation, was that there was no succession structure in place, because the owners both thought that they had plenty of time! The result was that the wrong person without skills, and who did not share the business values and attitudes was put in place at the wrong time. The result was the destruction of a once thriving family business where everyone was happy and worked together to gain a reputation that customers trusted. The families lost income, people became unemployed, the community lost an engine of prosperity and sponsorship, and the son, who was asked to assume responsibility without any training and support felt he was responsible.

Passing the Baton - The Five Rights

Family businesses are the people, both within and outside the family, how they work together, how they inspire and support each other. The family business culture is the environment that creates the space within which operational excellence and innovation for new ideas, can be developed. These are then translated into saleable products and services that deliver outstanding results and loyal customers. Selecting and developing successors requires the **5 Rights** below:



Consider succession not just as the replacement for you when you retire, or for other key roles, but more about the critical skills that the business needs now and especially in the future, based upon your business strategy. Applying the **“Kipling rule” to succession**. It will be necessary to find the answers to the **Who, What, Why, When, Where and How**, to deliver your comprehensive strategy for the business delivered through successful succession. This chapter focuses on selecting worthy successors. It is best to start with what skills are needed, do you remember. The above rule is based upon Rudyard Kipling’s poem:



“I keep six honest serving men (they taught me all I knew); Their names are What and Why and When And How And Where and Who.”

From the evidence of the case study, you will agree that successors must firstly live and breathe the values of the family business, they must be examples of dedication, hard work and concern for others more than themselves! This never develops in a vacuum; the current owners and leaders must live the business values and be examples in both the good and as now the bad times, then the successors can follow your lead!

Applying the 5 Rights in your business will not only ensure a good succession process but have the major benefit that you as owner manager will have the confidence in the competence of others to “let go.” This is vital for you to be able to extend power and authority through successor delegation and preparing the next generation for greater responsibility. The key lesson here is that succession planning and management is not an “optional extra,” in a family business it is vital to ensure that the baton is passed to the right people, and they are ready to face the challenges, guided by your legacy example and structures.

The issue of succession planning is seldom seen as urgent, almost until it is too late! But this is the **Third Leadership Challenge** of identifying this issue as of critical importance and making time to secure the future of the business itself, and everyone within the family and the business.

The selection and development of successors links to the future ownership of the business discussed together in chapter 1. This links to roles in succession, and power from share ownership and governance structures, as we will discuss in the next chapter 4.

Business first or family first, when selecting successors?

Many of the challenges in running a successful family business stem from family members’ behaviours, when their personal needs and the perceived entitlement to benefits, override the responsibilities that they have for serving their customers and securing the future of the business. If this question is not addressed soon, as the generations grow, and more families become involved with shared ownership then this can sow the seeds of business decline. This approach of considering the needs of the family and the business in tandem will be discussed in detail in chapter 4 on the topic of governance.

The right skills at the right time!

Did you realize that 80 percent of vital business knowledge within your family business is held by 20 percent of your people, including you! But do you know who the rest of these people are? How vital is this knowledge in the context of succession? Imagine what would happen if you were suddenly not able to steer the business? This can apply to others within the family business where one or more of the people with this vital knowledge and skill who make the business so successful retired, had a critical illness or left without a replacement.

I remember a discussion on this topic, with a HR manager of a company in Heidelberg, Germany. She singularly impressed me because she did not talk about policies or process, but of failure! (People who tell you about their failures are in my experience very confident and competent professionals, whose stories are well worth the effort of paying close attention since they are lessons from hard-won and expensive mistakes and this experience is extremely valuable.)

She said that a person in her business which employed six hundred people on the site, contacted her asking for early retirement. This was ideal in her opinion as she had just discussed with the management the issue of staffing costs and the need to “downsize.” His role was designated as redundant and his severance package was agreed and come the big day, six months later he had a celebration with a presentation and retired. A week and a half later after this retirement, a very complex €6m machine needed to be reprogrammed and no one knew how to do it, except for the person who had just retired! So, he had to be re-employed on a consultancy basis to re-programme the machine and to train others! The HR manager said, if we as a large company can make this mistake, how much more many small and medium sized businesses that do not have an internal HR function!

Even worse, I recall the case of a production manager who worked for a medium sized bio-tech company in the UK, who was in his late forties and who died suddenly of a heart attack. We were asked to find a successor and to ensure that the company continued to run smoothly. We found that he, in effect had four main functions, production, procurement of all supplies, innovation for new products with development and acting as a key advisor to the managing director. In the end we redesigned the business structure and promoted internally, sharing out the roles to four internal successors. The lesson however is that he was overloaded, and the business owner did not know how essential he really was to the family business, until it was too late!



What are the other lessons from the case study and these examples?

- *Knowing who has the skills that are key to the success of the business is vital and cannot be delegated.*
- *Succession is often not finding a one for one replacement but involves a redesign of management and support structure.*
- *There should always be active opportunities for key people to share their skills.*
- *Future skills need of the business, may be different from current skills.*
- *The key people who need to share their skills and knowledge should in practice know that their job is secure if they share their experience.*
- *Succession is a key strategic priority for family business survival, especially in leadership.*
- *Successors need to earn their place in the future structure, but they should not become overloaded with responsibilities*

Forming the talent pool



The challenge for the current owner / manager is how to select the best possible successors.

A checklist of key leadership traits for succession, which will help make you understand this complex issue include:

- *Self-awareness, humility, and openness to learning.*
- *Integrity and fairness.*
- *Courage and decisiveness.*
- *Optimism and enthusiasm.*
- *Proactive, setting pace with ambition.*
- *Radical thinker with intellectual capability.*
- *An active listener, facilitator of team solutions.*
- *Specialist knowledge in a relevant area of the business.*
- *Knowledge of the overall business processes and its customer needs.*
- *Creativity and imagination.*
- *Tenacity and endurance.*
- *Proven to deliver results, support others and give praise.*
- *Capacity for hard work and sustained performance.*
- *Care and empathy for others.*

The aim of the succession process is to focus on those skills that demonstrate in practice, that a candidate has the potential, the drive and willingness, with the right motivation to take on a leadership role within the family business. It is unlikely that any one candidate will exhibit all the above, but when evaluating performance these are the personal criteria that the current leadership must look for in any candidate for succession. In many cases current owners / managers can identify this kind of potential within the family among children from a young age. A key trait is the character that having started a job, s/he will do all in his/her power to finish it, and not give up and walk away. Successful entrepreneurs never give up!

The key question is, how to identify and select potential candidates for appropriate key roles? In my opinion this cannot be achieved without opportunity for practical experience, and achievement. People can then learn the necessary skills and attitudes as part of a team and leaders tend to become self-selected! Family members can see if the process is fair and transparent, that people are selected on merit, and all can aspire to roles that suit their talents, personalities, and skills.



As the current owner / manager of your family business, you are the custodian of the business, its legacy, its values, and future welfare. There is no greater responsibility than the Third Leadership Challenge of Succession, and yours is the duty to secure the family business and its legacy, into the next generation, by ensuring that you choose the most worthy and outstanding successors.



The key to this section is not just to consider solely your replacement as the leader and owner of the family business as just one person, but to create a “talent pool” or some call it talent pipeline of potential successors. The aim is to ensure that the “5 Rights” of succession management are in place with immediate effect, as a means of finding and proving worthy successors, both now and in the future.

Many large businesses such as Novartis, grow 80 percent of their succession needs from the internal talent pool and 20 percent for fresh ideas and approaches from external recruitment, do you agree that this should be your approach too?

Family businesses vary in size, but it is vital that you aim to create the widest and deepest possible “Talent Pool” within your own business. Internal succession for most of the key roles in the business is the lowest risk strategy since you know the person and his/her capabilities and behaviours. This will ensure that the culture of continuity through succession is integral with how the business is led and managed both strategically and operationally.

Family members should, from an early age have the opportunity, to earn pocket money from doing real jobs within the business. These roles may include summer jobs, and the willingness of children to work and take responsibility, or not to be involved will give you an indication at a very early stage, as to whether they may become worthy successors.

The key is to create a **high performing meritocracy throughout the family enterprise**, (people promoted, whoever they are based upon merit and performance), in other words delegating critical strategic and operational tasks to specific individuals. Creating a mutually supportive team and offering as much support as possible to ensure their success, and making each team member, personally accountable for their efforts and results, and the collective team accountable for their progress, is of paramount importance.

The demographic of your workforce is also a key factor. Do you know the average age of your workforce? I once worked with an outstanding and creative, third-generation family business, employing thirty-eight people where the average age was fifty-four! In this case there were three generations of the workforce employed at the same time, ranging from eighteen to eighty. They were so happy they did not want to retire! Skills and attitudes need to be actively transferred and family businesses are often noted for their excellence in this area, yet this requires both awareness of the need and action to ensure that skills are not hoarded.

But there is more, to ensure that you have created structures and processes that make the business less dependent upon a single person to guide and make crucial decisions. This could with due process, aid to build a competent team of successors and we will discuss this issue in the next chapter on governance (chapter 4).

Traditionally, one of the biggest challenges facing family-owned businesses has been their need to create structure and professional behaviours that ensure making good strategic and operational decisions is a way of life. This is achieved by future succession being viewed as selecting a team of competent and committed people who speak their minds and work together to build solutions to secure the future of the business and the family. In short, selecting the next leader for succession is vital, but better to have structure and support around that person to ensure that wise counsel



is heard and decisions that affect many lives and customers are sound and successful, when you are not there to guide them.

Succession is a process not an event! In Germany, leaders of family businesses say that ideally, they need a minimum of four years for a well-organized transition in succession.

BUT as the saying goes, we are where we are! Frequently circumstances arise where succession must take place a lot sooner. Practical experience in this field over twenty years, shows that you will need an absolute minimum of twenty-four months, and that is only possible if you have a strict time framed detailed succession plan to follow. This handbook as we have agreed is all about structure, challenges, decisions, and frameworks. This enables you as the leader of your family business, to design your own succession “strategy ladders” to follow.

The two key succession challenges in this chapter are:

[To prepare the business for succession and To prepare the successors for the Business.](#)

In the way that in chapter 1, a young person is asked to create a Family History “scrap book” and then translate this into a Family Business History, there is never any substitute for experience, being given a job and being expected to do it well and to complete it on time!

The same applies to the creation of a “Talent Pool”, this is not another structure, another onerous responsibility, rather is it a means of getting things done, both operationally and strategically and giving the children an active opportunity to learn leadership.

The Talent Pool Mentor.

A comment on the approach of creating talent pools is that it can be the “race-horse” method of succession, where all potential successors compete against each other for key roles, within the next generation of the family business. This approach can be corrosive and alienating for many potential successors within and outside the family. The creation of a meritocracy and team-working, as a key component part of succession is vital. The key to maintaining good relations within the family and the business is to set everyone up for success and not failure and to reward and recognize those who help others to achieve their objectives. A vital role in practice is the appointment of a Talent Pool Mentor. I have fulfilled this role on every occasion that I have delivered succession and high growth, which is key to building confidence and offering timely advice and guidance. The chairing of the talent pool for strategy and operational excellence is a role that is both humbling and rewarding, since it is extremely demanding and is responsible for ensuring everyone has the practical opportunity to learn and apply new skills to assist him/her to reach their full potential.

Where a family business has decided that one or two family members will be nominated for the future leadership role, then the selection of the talent pool mentor must firstly suit the personality and learning style of the nominated successors and must have your respect and support as the current leader. This because the mentor will be expected to deliver tangible business results when supporting the whole talent pool, building of self-confidence and competency within the whole team, but especially amongst the selected successors, whilst delivering tangible measured results.

A successor mentor is a person who inspires self-confidence in others and provides guidance and positive feedback, in a way that transmits all the leadership traits for great successors, who in their turn will inspire enthusiastic followership in others.

Ask yourself the following questions, to see if someone you know, or meet would make a great successor-mentor for your family business.



Succession and Gandhi's Seven Deadly Sins!

Selecting a SUCCESSOR MENTOR- top 8 traits	weak <----> strong				
	1	2	3	4	5
1). Expertise – Does s/he have renowned and proven expertise, relevant to your field of business, a person who can share practical knowledge that will benefit both successors and the family business?					
2). Enthusiasm and Passion – Does s/he have a passion for what s/he does? If not, s/he is unlikely to inspire it in your successors!					
3). Active Listener – Is s/he and active listener and able to see others’ perspectives, and act, accordingly, valuing a challenge?					
4). Love of Learning – Does s/he inspire people to learn, plus does s/he show respect for everyone irrespective of their status, to gain their commitment?					
5). Positive Feedback – Will s/he be capable of giving regular and valuable insightful support for the successors to learn and achieve?					
6). Style Match – Would his/her mentoring style match that of the learning need of prime successors and has s/he demonstrated a passion for shared learning?					
7). Respect and Truth Does s/he speak respectfully and tell the truth?					
8). Like and Trust – Do you like and respect this person? Because you will need to trust each other and work together very closely to deliver successful succession.					



Please consider Gandhi's Seven Deadly Sins! One of these was “wealth without work,” the focus for selecting worthy successors, should be based upon merit and responsibility before rights! Children will be happier and more fulfilled when they earn achievement through wealth creating, not wealth taking! The challenge in family business, is to avoid the corrosive influence of nepotism, whilst providing every opportunity for children in the family to become involved and supported, if they prove their commitment.

By way of example, consider the context of recruitment. The reason for the major failure of recruitment of external people for roles within a business, is often not the fault of the recruitment agency but the business itself! I have spoken to several leaders of recruitment agencies where they say, “we are told to recruit a production manager for instance, with no description of the specific skills required or the role that is expected for him / her to fulfil.” How can an agency find the right person for the right job if they have no idea what you or the business really needs? The same can be said for internal succession, how can successors achieve their potential, if you as the current leader and leadership, team have not set the stage for succession!



Everyone does succession

Every one of us, who has had children does succession planning, even if we have not thought about it. If we have children, then everything we say and do is part of influencing the next generation. What you do as the current leader and how you do it, has THE greatest influence on your successors.

The strength of family businesses includes their commitment to providing outstanding goods and services, with innovation and investment for the long term in their people and assets. One of their key weaknesses is the lack of succession planning, and the investment in mentoring and training, to assure the legacy in terms of leadership and ownership, both with responsibility amongst the next generation.

The talent pool and applied learning

Home grown talent is key and developing future successors from within, to fill 80% of vacancies including top jobs is critical. This is best done through fostering the right attitude and aptitude from within the family and the workforce. Building internal capability and supporting people with their potential, “to become all that they can be,” will be achieved through active encouragement with constructive feedback. This is to be undertaken simultaneously with supportive mentoring, and appropriate part-time training and education linked to the specific development needs of the successor and in practice this is key to building both self-confidence and success.

We assume that successors for the future leadership team, will come from within the family or current management team, since they will both espouse the values and culture which are precious to any family enterprise. Each successor will therefore need have existing involvement and personal accountability for at least one of the day-to-day operations of the business. If internal candidates are not competent, then you will have a detailed framework with which to recruit and evaluate external candidates. But the essential lesson is that successors will need to prove their capability through actual results and their attitude and aptitude through lessons learnt in practice.

Chapter 1 has laid the essential foundations for future ownership, values, mission, and vision of the business. In addition, chapter 2, the design of the strategy to achieve the ambitions of the business, creates the stage and context for the whole succession exercise. These are both vital since it is asking for failure, to aim to identify and support potential leaders in succession without these vital contexts.

Not all who hold managerial positions within family firms are born leaders. Not all family members or senior managers want to become leaders or have the capability to achieve this ambition. Many family business leaders send their children to business schools to learn essential skills for a future leadership role and this provides an excellent grounding. The next stage of leadership for succession must be learned through application of acquired knowledge to real life challenges. It is vital for the family business to have tested the capability, commitment, and capacity for succession before any selection of successors or indeed in many instances, for small and medium sized family businesses to consider awarding any future potential shareholding.

It is vital for younger family members to be given the opportunity to develop their leadership skills in practice, before succession takes place. When the new family business leader possesses the right leadership skills and attitudes, his/her contribution to the growth potential of the company may be profound, but sadly the converse is also true. Beware as this is the essential **Third Leadership Challenge!** Selecting the wrong leader can damage the future of the enterprise and in many cases precipitate terminal decline and eventual sale at possibly a much-reduced value, or even closure of the family business!

Your successor is the person who will act as the “conductor of the family business orchestra” s/he holds the entire enterprise and family together! Chosen poorly, s/he will pull the business and family apart, and that is why so many family-owned, businesses fail in the second and third generations. Good governance structures (as detailed in the next chapter), can provide essential structures to assist the next generation of leaders to steer a wise course.

Best practice in family business succession has been proven, not to be the selection of one or two chosen successors but to be the development of what is termed a “talent pool” of many potential successors. I have applied this process over twenty years very successfully, linking succession to high growth. Several people from within and outside the family who work or wish to work in the business are nominated to be given real opportunities



to prove themselves, by delivering one of the key strategic goals of the business. Here each candidate will be given all the support that s/he needs. Personal motivation will be down to them individually since they will have to personally report on their results. In practice a monthly reporting session detailing metrics of progress within a peer group has delivered excellent results for the business and the progression of personal development.

Potential successors within the “talent pool” can see how other are progressing and it is important that you as the leader promote collaboration not competition. But praise shall be given when it is due with timely constructive criticism and all the support needed to succeed. No one should be in any doubt that their prospects are dependent upon their personal performance. Failure must be tolerated and used as a basis for learning and often innovation! But tenacity and commitment will be expected.

It is better to find out now that a person is unsuitable as a successor than to let him/her take over the company and then for the whole business to suffer the consequences and to start to fail. This progression of successors based upon merit, will permeate through the company, and will rejuvenate enthusiasm, if it is currently lacking throughout the business and generate new ideas and commitment.

An effective leader knows how to motivate people and influence the family members and the other members of staff to work together in a productive and effective manner. This is the key to meeting and exceeding company milestones and goals. When family business leaders keep the team motivated, they can secure the success of the entire business. This chapter, focuses exactly on this area, keeping your employees motivated, loyal and productive, through the new leader’s behaviours and actions.

The key tool for evaluating a potential successor’s performance when s/he is given a specific task to perform is the **STAR** principle. Each successor at a performance appraisal, must cite a **Situation**, a context for the actions that needed to be taken, the **Task** or tasks that needed to be done, an **Action** that they personally performed and the measured and tangible **Results** they achieved.

Ideally this task / action should be linked to a strategic goal of the company, as we are selecting the right candidates who can lead the company successfully into the future. This **STAR** presentation can be prepared by each candidate for the successor role and presented to the board of directors, to aid their decision for selection of worthy potential successors.

It is suggested that you as the owner / manager, if possible, should not lead in this selection process because of the need for objectivity, and your sentimentally, may affect the objectivity of the process. That does not mean that you will not have the final decision to make but an independent person’s advice whom you respect may be very valuable and if necessary, you can blame him/her for the decision!

The whole process of the STAR principle for all potential successors should be focused on targets set, and results achieved, linked to hard measured deliverables, like profitability, revenues, reduction of costs, business development, innovation projects, opening operations in new markets, productivity level, etc. During his/her presentation to the board, the candidate should also explain what they have learnt through this situation and how they would have handled things differently now that they have experienced this situation. These will be valuable lessons that the new successor will utilize throughout his/her entrepreneurial journey.

The selection of worthy successors for senior roles within your company is THE most important decision that the company will make possibly within a generation and getting it right will assure the success of the company going forward. Of course, the converse can also be true getting it wrong, can destroy the business.



CHALLENGE – THE FIVE RIGHTS!



The aim is to find the **Right Person** for the **Right Job**, with the **Right Skills** and **Right Attitude** all at the **Right Time**! A major challenge, but the **FIVE RIGHTS** are essential for the successful completion of any succession plan. The talent pool is the place to satisfy these requirements.

This guidance is written for you, the current family business owner, the board, and your senior management team, working as a **guiding coalition** to deliver succession and protect the interests of the family, the workforce, your customers, and your local community. It is often not seen as an urgent challenge and so leaders put it off! I have often heard it said by business owners, let the children sort it out! Therein lies the seeds of disaster!

The Third Leadership Challenge: What will you put first? The family or the business?

Putting the concerns of the family first and seeking “fairness” can result in some very difficult issues later, (see chapter 4 on the topic of governance), it can also result in people being put in situations where they will not be comfortable, or confident. If you put the needs of the business first, then the family can see that in the long run you are protecting their interests. Then your family business will survive and thrive, and you will have achieved one of your key goals of the **Third Leadership Challenge, choosing worthy successors.**

You should have achieved insights, into the learning outcomes from this chapter, they include:

1. Create the structures where succession can thrive.
2. Objectively evaluate all potential successors.
3. Create a framework for the selection of worthy successors based upon merit.
4. Develop a talent pool for the next generation of capable successors and expect them to prove themselves in practice.
5. Be supportive and gain the confidence in their competency and let go!

When you have moved on to chapter 5, you will be able to develop your own strategy ladders that will ensure a smooth succession of ownership and leadership for your family business.

For further detailed modules relating to this topic please refer to the following detailed SPRING Programme website www.springeu.eu



Chapter 4: **FAMILY AND BUSINESS GOVERNANCE.**

Learning outcomes:

When you have completed this chapter, you will be able to

1. Improve the survival prospects of the family business across the generations through installing the appropriate governance structures.
2. What is good governance? How to avoid conflict within the family.
3. How governance aids better decision making and builds trust and professionalism.
4. Realize the benefits of governance in agreeing role clarity for family members and business managers.
5. Identify the four forums for family business governance.

Family enterprise is the most successful form of business, but this model of business often fails after the first generation due to lack of practical governance structures. Many family businesses have a very short life span beyond their founder's stage and some 95 percent of family businesses do not survive the third generation of ownership. In this chapter we will cover one of the most important components for ensuring that your family business stands the best chance of becoming sustainable across generations.

Family businesses can dramatically improve their odds of survival by setting the right governance structures in place and by starting the educational process to train the subsequent generations in this area as soon as possible.

CHALLENGES for Family Business Governance:

This chapter aims to answer the questions what structures need to be in place within a family business to ensure future success, especially when the family has grown, in size and the management of the business becomes more complex?

The Challenge of Governance addresses the following issues:

- How to avoid conflict within the family and deadlock in strategic decision making?
- How can the family business build professionalism, and then trust through openness?
- What governance structures need to be in place so that there is a minimum of bureaucracy but a clarity of family, leadership and management roles and responsibilities?

Family business governance is ultimately developed to ensure that a fair and objective procedure is in place, that treats everyone in an unbiased way, and to ensure that essential decisions are made in a timely fashion. Family members will have different relationships to the business, some might be employed, some might be shareholders, some may be board members or all three! Not all might agree on the outcome of discussions, but family and business governance structures can ensure that a transparent process supports and protects timely decision-making. If a family member believes the process to be fair, then he or she can usually accept a decision with which they do not personally agree.

Lack of governance - The dark side of family business





Why should you, a resource-pressured owner / manager, devote your precious time designing governance structures for succession? What can possibly be the consequences of not having governance in place?

Here are some of the consequences:

- *Family feuds regarding power, resulting in family disunity. Such as the situation when some shareholders wish to increase dividends rather than invest in the business to secure its future.*
- *Decisions that affect the future of the business being delayed, or wrong strategies adopted because of the lack of clarity regarding roles and responsibilities.*
- *Sowing the seeds of decline, more time and effort spent on internal feuding and family politics, than essential decision-making regarding strategy and innovation to secure the future.*
- *The loss of belonging that everyone once felt, for being part of a happy family enterprise, causing many to seek jobs elsewhere.*
- *Family quarrels over perceptions of entitlement that can result in legal actions and can destroy family harmony down the generations.*

What is family business governance?

Governance structures of family firms relate to three spheres of influence: the family, ownership, and business systems.

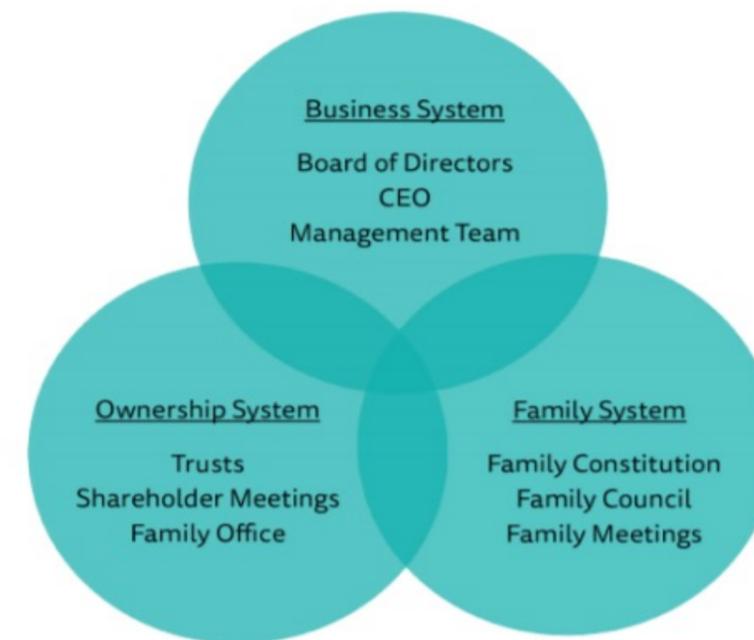


Figure 1: Family Business Governance Systems

Your governance needs will depend upon the size of your business and if your business is first, second or third generation. For comprehensive insights please refer to the SPRING governance module.

Designing GOOD governance is very far from a waste of time, without these structures it is unlikely that your business will survive beyond the first generation. Getting it right has ensured family businesses can survive to twenty generations and more.

Family businesses tend to share very similar challenges. The family who are not shareholders but have emotional and financial ties to the business can feel excluded and believe that they are not informed of developments and in turn this discontent can influence shareholders within the business. The shareholders themselves can be unclear of their role, and what is expected of them and how they should behave. They may feel that they have not been consulted sufficiently on major decisions. You can never over-communicate with shareholders.



In family and business governance, for everything there is a forum!

The board of directors who are there to guide the business and to influence strategy can feel that their role is being usurped by the family members who own the business but do not have sufficient information to make informed decisions! The managing director, or CEO in larger family businesses may feel that his/her role in leading and managing the business is being distracted, by having to satisfy the requests and resolve disputes between the board and the family shareholders. Finally, the managers of the business do not know who they should obey, since there seems to be conflicting instructions coming from the managing director, the Board, and the family owners! If any of this is familiar, then you need good governance! Each stage of ownership presents different challenges, but with good governance, issues within the family and the business can be resolved separately and this will ensure a happy enterprise and the continuity of the family business.

It is important to remember that your family business is unique. There are no one-size fits- all approaches to managing family business governance. Understanding what challenges you are or will be facing, is paramount so that you can create the right structures to overcome these challenges. For example, certain challenges stem from nepotism or family conflicts, with feelings of entitlement, as well as the lack of professionalism.



You can never over-communicate within a family business! Effective communication must be four-way UP, DOWN, LEFT and RIGHT. This is true for all organisations but vital for family-owned businesses.

Depending on the size of your family business and its complexity, you will need the following forums:

- 1. Forum for owners, all shareholders.**
- 2. Forum for the board of directors**
- 3. Forum for business leadership and management**
- 4. And vitally a forum for the family.**

The principles of rights, roles and responsibilities are key. There is a forum for each discussion and concern, and due process is vital, otherwise you may have a dysfunctional very unhappy family business. This may not be the case now with you in control as powerful “boss” and “peacemaker,” but consider what would happen if you were not there!



Governance should streamline effective family ownership communication and decision making. The governance forums can when used well, deliver a shared sense of identity and empowerment that transcends individual interests in the business and creates a “whole that is greater than the sum of the parts.” This structure is vital when discussing sensitive issues, sadly deep-rooted feelings held in check when a founder is alive are only raised when he or she is gone, and this is the worst time because what could have been resolved with strong mediation then can become the basis of a destructive family feud.

Successful business governance in practice is a delight to behold. Happy businesses are successful businesses, they have a feeling of ownership and pride, combined with a can-do attitude that is hard to beat! Remember that each forum must also interact effectively so that they become interdependent and supportive and not warring factions. That is where you come in as owner / manager now, with the respect of everyone you can create the structures but also the culture, living values accepted behaviour that is the oil that makes all the parts work smoothly together!

1) Owner / shareholder forum

This is the place where collectively you must first answer the question, are you running a “family first” business or a “business first” business? The former will eventually lead to decline, but all shareholders must agree that the interest of the business must come first, since it is the basis for the family wealth. There is also the major responsibility of ownership, taken very seriously by all good family businesses, concern for your workforce, the local community, and customers. Good decision making in this forum, does not only affect shareholders but all these real people whose livelihoods depend on the business.

The role of the owner forum includes:

- Set the direction of the business and its destination - where is it going?
- Agree specific goals for the business and monitor progress.
- How can ownership interests be bought and transferred? (See chapter 1)
- The final approval or otherwise of strategic decisions proposed by the board and senior management.
- Elect family members or other to represent shareholders’ interests on the board.
- Conform the roles and boundaries of each forum and what and where decisions will be delegated and agree not to interfere!

It is important to ensure that every shareholder, or even spouses of shareholders, if they have a major influence, can have a say if they are invited to meetings, even if they do not have a vote. It is far better to air issues rather than let them fester. It should be a rule that issues are to be brought for discussion and if not, there should never be any back-channel discussions. Next generation shareholders or potential shareholders can be invited as observers only, but they can be permitted to speak if this forum deems that they have experience and a perspective that may be vital to discussion.

2) The board of directors forum

The board is the link between the owners of the family business and the management. Effective boards can be a great help to management, but poorly appointed and chaired boards can be a great hindrance! Remember the board is not in place to run the day-to-day business.

Family member representatives of the owner’s forum are essential members of the board since they represent the owners and can express the opinion of the owners about future direction and strategy. It is important that boards include a couple, or at least one non-executive member who has “grey hairs” of experience and who is respected by the owner / manager. S/he should have a depth of practical experience relevant to the business, selected on merit alone, and have a reputation to “tell it like it is!” to avoid “group think” and raise problems mostly with practical solutions.

The role of the board includes:

- Succession, selecting the next managing director or CEO in a larger family business.
- Compensation levels and reward packages, hopefully commensurate with performance.
- Major strategic decisions on management recommendations, including acquisitions, purchase of other businesses, major capital investment, property purchase and diversification of the business.
- Recommendations or decisions, regarding loans.
- Dividends.



Many small family businesses do not have a board of directors. However, the board of directors is a central institution in the governance of most companies, including family-owned ones.

The board has a vital role not of criticism, but of support for the leaders and managers of the business, so that individually, and collectively, they can all reach their potential and through them the business can achieve outstanding results. To assist in advising leaders and managers whilst building their confidence and competency. The provision of quiet and timely advice with constructive criticism if required, to assist in the design of strategy and the taking of difficult decisions and ensure the success of the family business within an ever-changing globalized world. Being a board member is not a passive role or a reward for past services, it is a challenge and responsibility to guide the family business and to be a forum for plain talking and assuring that well considered decisions are formulated.

The role of the chair of the board, is also vital, combining strong leadership with a positive attitude, ensuring everyone has a chance to contribute. Outcome focused and moving discussions toward a decision. A sense of humour can also be helpful, and from experience it has been proven that in a family business, a non-executive chairman can prove very helpful if the right person is chosen. The aim is to make the board a place of frank discussion and plain talking, but where everyone is respected, and key decisions are not put off but taken collectively.

All board members must be passionate about the mission and live the values of the family business. Never appoint friends or long serving colleagues as a reward for past service, the board is a place for dynamic people with proven expertise and the right attitude, who will support the leaders and managers to drive the family business forward.

3) Leadership and management forum

Leadership can be lonely, as most managing directors and CEOs will attest! It is the role tasked with “scanning the horizon” to identify threats and opportunities for the business. Setting goals, shaping strategy, getting the best from people and within a family-owned business promoting peace and harmony. In short, as we have said before, the “conductor” of the family

business orchestra and the glue that holds the whole business together. Can there ever be a more important intergenerational challenge that finding a worthy new leader to take the business forward and to protect the hard-won legacy of past generations?

Management is the role of running the business operationally, focusing on day-to-day decisions that are vital to ensuring happy customers, maintaining profits and cash flow, and most importantly encouraging a highly motivated and committed workforce.

When business is small then informality is the norm. As the family business grows it is a common mistake to retain this informality and you continue to take all the operational, day- to-day decisions that should have been delegated. The result of which is that power and decision making resides with you the founder, and then you are burdened with day-to-day decisions that could and should be delegated. This effects your stress levels because, when you should be taking strategic decisions and looking to the future, your time is consumed with smaller operational decisions.

In response I have often heard it said that my son or daughter lacks confidence and is not competent to make decisions that will not damage the business. This may be an accurate statement, but if governance structures are not in place and responsibilities are not delegated then the business is very vulnerable should you become ill. It is your responsibility to act now to address this situation.

In the context of this handbook entitled **The Third Leadership Challenge** chapters have been devoted to good strategy as the context for succession and the need to select worthy successors on merit. It is vital that in a family business the current owner / manager does all that s/he can, to create the appropriate governance structures. Not as bureaucracy adding no value, but as a support structure for successors so that they can receive timely advice that will help them to succeed, and the business can then survive and thrive through further generations.



The key word is professionalism, the family business must be run as a happy place to work but with behaviour based upon mutual respect and living the values of the business and structure linked to “managing through forums and by the numbers.”

4) The family forum.

This is a family business, it is owned by a family or enlarged family, in practice it employs staff who themselves bring their families to work for the company. You may number some of your staff amongst your friends and there is as a result a need for responsible ownership, through good governance.

The family forum is not a duty it is a privilege! A strong family forum is the secret to good succession planning and real competitive advantage. Families that eat together, stay together, so the family forum is the place for celebration of life, love, and success. It is designed to build family cohesion and construct pathways to harmony. Younger generation. children can become actively involved, for instance if they have completed the family history with pictures, as suggested in chapter 1, they can present their findings at the family forum

This is the place for celebrating the legacy and building pride in the future. It is the forum which builds upon common identity, heritage, pride in the past and building confidence together in the future. This forum is often under invested and considered as an afterthought. This is a fatal mistake since it is the place that builds strong relationships, there is no room for any division, “them and us,” it is only “us.” It helps to keep emotions out of decision making, in the ownership forum and develops personal bonds and relationships that can last a lifetime!

The key is to create fun based informative case studies, where good and not so good experiences are shared. Lessons learnt and respect awarded for the hard work and tenacity of previous generations. It identifies the “glue” that unites a family and proves to be the basis of the values which, unchanging, guide the family business down the generations.

It also creates norms of behaviour, how to treat one another and communicate, be able to differ in opinion and manage conflict, but retain love and respect for one another.

The family council.

This is a small group of possible four or five family members who are elected by the family to find solutions to any points of current friction. This is not a talking shop it is a forum for solving problems and conflicts. Fact and number based starting information for any issue is vital, before any discussions can take place. The discipline of active listening and valuing people who in addition to stating problems suggest solutions is key to success.

Their prime roles include:

- *Educating and developing the next generation*
- *Leading on managing 4-way communication, including WhatsApp groups*
- *Organising events to celebrate family and / or important business success.*
- *Plan activities such as guest speakers.*



Family assembly



This is an away-day that is organised with “purpose and outcome” in mind to maintain shared values and create a bridge between family and business issues and ensure that everyone is committed to the direction of the business and its ongoing success. Its aim is transparency and communication, but care must be taken to identify any conflicts that may derail the event and resolve these, if possible, in advance.

This is the opportunity to celebrate family history and funny stories with lessons often presented by the next generation. This links to new products and ideas that are being developed or implemented. Family assemblies should leave everyone feeling good about the family, the business and themselves. A difficult task but one that needs to be considered and not forgotten.

Family constitution

Some say these are boring rules of behaviour! But they are not, they are essential, because they detail the process by which the family will govern itself and details responsibilities and expectations not just rights!

It sets rules and guidelines for dispute resolution. These are not enforceable by law but that is not the point, they create norms of behaviour and show what is expected of family members, how they behave and treat each other in good and difficult times. These are rules for peacekeeping within the family but are no good unless there is at least one practical peacemaker who can create harmony and bring people together.

The context of the need for collective and vivid vision of the future and a clear destination is vital in this area. Combined with “living values,” not meaningless “management speak,” such as a values statement created by an outsider who does not know the business or its history. A good example would be, “we will treat everyone with respect, irrespective of their status.”

Everyone from the bottom to the top of the business structure can be measured against these values. One family owned fourth-generation company that I can remember working with over a three-year period, has two values of “quirky and bonkers.” Meaning that they were playful and unusual and that made the family business a fun place to work, and their staff and clients loved working on projects with them.

Time to act on governance

It is in the interests of the business and the family that informality should give way to rules, procedures, and structures. It makes sense to organise governance early when the family enterprise is young and the family group relatively small. During this period of the third leadership challenge of succession, and especially in the first generation of the family business when family relations are often harmonious, now is the time to create effective and logical governance structures. Well-run family business systems funnel decisions to the appropriate decision-making body. Family members and others play different roles and behave differently according to which governance body of which they are members.

For non-family members of governance structures, it is essential to ensure that their roles and responsibilities of (non) family members are objectively and clearly defined and formalized. In doing so, this will remove ambiguity and mitigate any potential for conflict.

You as the leaders of the family business must decide if you need all these structures, but we would suggest that you do! You do not need to consider these as an additional layer of bureaucracy but as a way of delegating tasks and you can then decide which forum should consider which question. Who should be involved, and you now know what you would expect from them? This is like most worthwhile issues in business, more work, essential work, on the way to making life easier and decision making more effective. With the additional dividend of future-proofing the business.



Chapter 5: SUCCESSION TRANSITION LADDERS – MAKING SUCCESSION SUCCESSFUL!

The purpose of succession is to build a sustainable future from vision to strategy to new leadership and a thriving business:

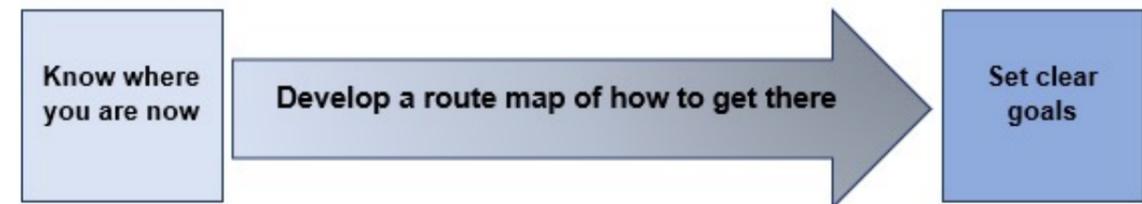
Consider the four sets of value-based statements below that may help to inspire your written values:

- **Care more to make a difference** – we treat everyone with respect irrespective of status and put ourselves in their shoes.
- **Simplify** – kill complexity simplify, simplify – make life simpler ask the key questions, why do we do it this way and why do we do it at all?
- **Can-do** – relentless drive and merit – when things are not good enough, then we strive to make a real and lasting difference through innovation!
- **Create a legacy** – create a future that is better for everyone. We leave things better than when we found them!

The dimensions of economic sustainability are:

- Unique Skills.
- Capacity.
- Routes to market.
- Passion and DNA to make a difference.
- Relentless entrepreneurship.
- Innovation and lateral perception.
- Balancing income with expenditure.
- 1 + 1 = 3 through synergy.
- Releasing the creativity of everyone from bottom to top.

Design of a Business Strategy - a route map to a High Growth Business -



This handbook as we said in the introduction, is designed as a conversation with you as the business owner and manager of your family business. The privilege of leadership and its responsibilities in this context of the third leadership challenge, preparing the business for succession is an opportunity to secure your legacy into the next generation. The challenge includes preparing the potential successors for responsibilities and roles within the business!

We hope that by now having read through the chapters one to four, that you will appreciate the importance of succession planning for your family business. You can also now appreciate your essential role as the business leader to design and implement a succession strategy and plan. It is not a leadership task that can be delegated to others since it will require your overview and direction. However, every rung on the strategy ladder could and should be delegated to others as part of succession in action. Since leadership is not a discipline that can be learnt in a classroom, it is a skill that must be practiced in the harsh reality of real life and bound by personal accountability.

When designing “strategy ladders” for succession within the family business, it is vital to include key actions that need to be taken within all four domains of succession and only when these are in place the added domain of legal, tax and financial frameworks. These are essential but can be added later when the main succession structure is in place and progress in being made. Remember that you are in control and not your external advisors, take their advice but keep in mind that they only see part of the picture, whilst you are seeing all the dimensions of succession. Also consider that as in the pebble in the pond, one action may interact with other domains and have unintended consequences!



Why is succession in family business so hard but so worthwhile?

It is vital to know that once you have designed your succession strategy ladder with all the key objectives, which you do not try and act on all of them simultaneously. Those who try to do this, confuse speed and action with real progress and the deep changes that will need to be achieved, and so they will set themselves up for failure.

The key to managing the changes that constitute successful succession is to trim down action to one or two key objectives at a time, and deliver success, before moving on to the next two priorities. It is a mistake to attempt too many key strategic objectives at once, since resources will be limited, and people have their current “day jobs” to deliver as well as the succession objectives. In this scenario not only will objectives not be achieved, but people will also be downhearted and the whole process will be discredited. “Less is more”, and success leads on to success, a maximum of two main strategic succession objectives at a time, that is the rule! These can be achieved in as little as twelve weeks or less, so that progress can be seen to be made.

To survive and thrive in such times as now in a crisis requires these four enablers:

- A high functioning management team – **Succession and meritocracy**
- A wise and active board a long-term survival orientation – **Vision and focus**
- Governance – **Direction, strategy, and good family and business and linked governance**
- A cohesive ownership group – **Shared values and aspirations**



Succession within family businesses and transferring businesses to the next generation raises issues that are made complex with emotion. The entanglement of love within the family and the necessity for running a successful business can cause tensions which all come to the foreground when succession is mentioned. This chapter is about designing a succession strategy that really works, where you the current owner or leader, has the overview and responsibility for driving action. In practice it is often better to have a third party to aid in the implementation, a non-executive director or trusted advisor who knows the business, and the people who can guide the process objectively. He/She has the responsibility for promoting succession with transparency and fairness, but not necessarily equality.

Many family business owners realize the dangers associated with succession, transferring control will involve making hard choices that can cause family friction and undermine business success. However, planning for the transition cannot start too early and when this framework is followed then what is complex and seemingly intractable can become unentangled and accompanied by a sense of relief by most of those involved. The purpose and structure of this handbook and the accompanying self-assessment is to get the family to work together on securing the future through succession. The two essential ingredients are clear and honest communication with openness and following a proven route-map, as outlined here!

The key to success in succession is getting started. There is no time like the present! The first step is to design your succession strategy ladder.



Seven key steps to design your succession strategy:

1. Establish a sense of urgency for succession.
2. Use your self-assessment and matrix as a firm foundation for succession.
3. Form a powerful guiding coalition within the family and the business.
4. Create a shared and inspiring vision of the future based on the family values and legacy, listen to and inspire the next generation.
5. Design good strategy for succession in the form of a ladder.
6. Empowering successors to learn leadership, through delivering strategy.
7. Consolidate succession in ownership, and governance structures and process, use this process as the means for refreshing and running the family business from now onwards.
8. Establishing a sense of urgency for succession.

The whole aim of this handbook and our “conversation” with you as the owner and leader of a family business, is to create a sense of urgency around the need to plan for succession. Many business owners leave this until it is too late, they are then overtaken with unforeseen ill health or a sudden death in the family. The older the leader of a family business, the more urgent the need for planned succession. Planning for succession is, as described, the Third Leadership Challenge but a well-planned succession is far more of an opportunity than a threat.

Succession is always said to be important, but not urgent! Family business owners mostly say I have plenty of time! I remember a conversation at MIT (the Massachusetts Institute of Technology) several years ago, an Institution that has created over eighty thousand new jobs through its culture of entrepreneurship through innovation. The context was a presentation of new innovative ideas for start-up funding by students, and even at that stage the prospective investors asked about the succession and exit strategy of the businesses.

When you consider succession then you are exercising leadership, by protecting your family and valued work colleagues, in the case of disabling illness or accident, or your sudden death. This we call the Third Leadership Challenge, preparing the business for succession and the potential successors for the business.

A succession plan enhances the value of your business, whether you plan to retire, step back or in extremis sell your business. Your legacy, investment, and years of hard work are all better protected and realized with your successors being prepared and your business organized for succession.

Having or not having a succession plan can make all the difference between the survival or closure of your business. The Third Leadership Challenge is stark, do you care enough to secure your legacy, if so then you need to act now! The good news is succession is not just one more onerous and exacting job to add to your stresses. It is often the answer to many current business concerns regarding the need to get things done, strategy implemented, and operations improved.

We make no apology for the direct language that has been used, the challenges and the case studies in this handbook, because we want you to share experience and for everyone to learn, from ours and other family business owner’s mistakes. The key to success is focus, working on what is important.



We can see from the matrix above that most business owners focus on what is urgent but often neglect what is important, such as succession. The succession challenge is in many ways the hardest, the letting go of a lifetime’s work. The succession process once started and progress is being seen to be made, becomes a great relief to many family business owners / managers. The burden and responsibilities of leadership and sleepless nights can be shared, and leave time for reflection, innovation, and precious family time with the next generation.



Succession within a family business adds another dimension to raising children. You must provide a passion about life itself and the business, and that in a loving and supportive parental stance that lives the values of the family business. Chief Seattle said, “we do not inherit the earth from our ancestors, we borrow it from our children”. WE must also be prepared for children to make their own choices about their future careers and, using this handbook, act accordingly.

Governments around the world have fought a war against the pandemic with borrowed money! The combined effect of the 2008 financial crises and the pandemic means that the debt burden that we have built in this generation will be passed on to our children and grandchildren. Not only in an environmental sense are we “borrowing the earth”, but also in a social and economic sense. Your decisions now and the investments that you make will have a lasting effect on your family the business and your local community. There has never been a greater leadership challenge for leaders of family businesses and others since WW2.

Family businesses EU-wide have the capacity to make a real difference in the recovery, by investing wisely for the future and building frameworks for succession. The aim should be that through your leadership you leave the legacy of a thriving business that is run by an inspiring and capable next generation of successor leaders ensuring the economic, social and environmental well-being of your community.

The actions required are:

- *Establish a sense of urgency!*
- *Set the timetable for succession as a strategic priority.*
- *The family business leaders acting as a team have recognized the need for a succession plan as a priority area for action.*

1. Use your self-assessment and matrix as you firm foundation for succession – “where are you now?”

The self-assessments that you have completed at the beginning of this Handbook, illustrated your position on the Family Business Succession Matrix.

Now that you have read the handbook, we would like to invite you to complete your self-assessment again. This is because having read the succession in the family business handbook you will have a greater depth of understanding when considering the issues raised in the self-assessment questions. Consider your answers in scoring, then compare the differences in your scoring between your first and second self-assessments and more importantly the reasons for the difference. More than eighty per cent of family business leaders have dramatically amended their score, following their reading this handbook and appreciation of all the issues and hard choices that need to be made.

This second self-assessment will now put you at an advantage before you start the process, because you will have already identified where you are as a family business on the succession matrix. You can then prioritize the journey that you, your team, and your advisors will need to follow to ensure successful succession.

This is the firm foundation upon which you can rest your succession strategy ladder, and you now need to bring in members of your family, your senior team, and the next generation. Asking them to complete their own self-assessments from their perspectives. Then comes the essential foundation of your listening and understanding their perspectives and you must ensure that they fully understand your perspective. Open and frank communication is key.

The actions required are:

- *Diagnosis, “Succession - where are you now?” - An agreed consensus of where your family business sits on the matrix.*
- *Insight, lessons learnt from differing self-assessment perceptions and prioritizing actions within each domain.*
- *Get the big picture overview of succession, survival, and growth as it applies to your situation.*



2. Forming a powerful guiding coalition within the family and the business

You cannot and should not attempt to achieve succession alone. You are the “conductor” of the “succession orchestra”, and your role is leverage and focus, using all the available expertise inside and outside the company to drive succession as an integral part of your business strategy. It is however important that you remain in overall control, this role cannot be delegated, either internally or through the engagement of an external consultant.

You will now - with your team - design your own specific succession strategy ladder. It is vital to involve the next generation and current management in the design of the succession process because they will individually and collectively be responsible for effective implementation.

Succession by its very nature cannot and should not be attempted alone. You will need to create a succession team, initially of between three and five members. Remember, you are now in control of the process since you have the structure of this handbook to follow, and you know all the issues that need to be addressed. Senior family members and senior managers within your business will now need to be briefed and involved. From experience the best place to start is to get them to individually complete their self-assessments and to compare their perspectives. The scoring differences are often stark, and the generational perspectives differ and create a vital context for discussion. Invite them all to read the handbook themselves and do the self-assessment again, so that their perspectives will be on the same basis as yours. The differing perspectives that remain frequently provide some very interesting and profound insights.

Choose your guiding coalition carefully, there is no substitute for proven commitment, experience, and a previous track record of delivering results. This coalition is not a place for competition between successors but for people who put the needs of the business before personal ambition.

This transformation can only be achieved through active engagement across the generations and through following due governance process. Now that you have a major advantage through the structure in this handbook, you have a process to follow where you are in total control and can drive action. Your key role is to drive the structure, delegate and then hold people to account including external advisors, to ensure that the result will be successful succession. What is successful succession? It is a legacy created by you of a thriving business, passed to the next generation, and a family

where everyone can see that the process has been fair and transparent. The result is that love is maintained within the family, and family members can get on with living their lives to the full, whether within or outside the business.

In family-owned businesses it is a stark reality that many of the current owners and leaders are over seventy years of age, and if issues of succession are not resolved quickly then the very survival of the business is at stake.

The purpose of the guiding coalition is to drive succession, and succession requires change. Sadly, as with strategy, 70 percent of change efforts fail. Post pandemic, we cannot afford the luxury of this rate of failure and following the process outlined in this handbook can make all the difference. You as leader, must provide two key components for delivering change. Firstly, the drive and the pace to make real progress, and secondly the commitment to “dissolve the treacle,” of why things do not change around here! Beware that you and your attitude may be one of the treacle issues! You need to provide the context for succession through strategy and then to provide real and ongoing support to successors with personal accountability to deliver results. (A treacle issue is “why things don’t happen around here!”)

The “do-nothing” option for succession, taken by most family business owners results in the fact that succession is neither planned nor managed. If this happens the destiny of the precious family business legacy will be placed in the inexperienced hands of others! This situation can have a corrosive effect on family relationships, and often places the business itself in great jeopardy.

You as the current leader have a store of knowledge and experience linked to personal respect, and that is greatly needed to steer the family business, when “passing the baton,” to the next generation. One day you and your wise counsel and the respect that you deserve will no longer be there!

The team that will drive succession will need to provide the answer to business survival and succession in the context of the current steep recession and the plan and investment for growth in the future.



The challenges are therefore twofold:

- Prepare the business for recovery, growth, and succession.
- Prepare the family and other potential successors for their future.

This means structure, strategy, systems, governance and defined roles, and a decision to put the business needs before those of the family. When structure is in place it becomes much easier to run the business. But people need to need to earn their place at the board or management table. This requires proof of commitment, competence, and delivered results, not family connections alone. Plus, the qualities of leadership, a humility to learn, combined with a steel to make difficult decisions with imperfect information.

The actions required are:

- *Recruit the members of the guiding coalition, across the generations, whom you trust.*
- *Resolving differences on succession before they grow and become corrosive and will become family destroying legal disputes when you are gone.*
- *Get the big picture overview of succession, survival, and growth.*
- *Aim to ensure that family members and senior managers are totally committed to securing the future of the business and to succession.*

3. Creating a shared vision of the future based on the family legacy to inspire the next generation.

What makes people enthusiastic and want to get up in the morning and go to work? Firstly, they want to be a part of the business and its success; secondly, they enjoy their work, where they feel appreciated and recognised and thirdly and very importantly, they live the shared values of your family business. These create a culture that is hard won and easily lost especially in a poorly managed succession process! I have seen essential people leave a business due to incompetent succession and in consequence a business can decline in a matter of months.

Your inspiration for a shared vision as leader combined with your succession strategy, in the context of the context of the urgency caused by the pandemic, is the course that will steer the ship of your family business out of the recession and into a secure and exciting future.

An inspiring vision of the future is the ideal context for succession, but succession is not at the forefront, rather is it the process by which the vision is achieved through the deployment of good strategy. The next step which is often missing from many strategic plans, is to design the goals or objectives that need to be achieved as “rungs on the strategy ladder,” of how to get there.

The living values of the family business are unchanging, they are the “rudder” that makes the difference in the achievements of any family run business. Create you statement of values; these should not be “dreamt up” - as meaningless statements by someone outside the family business. They are written by your team, based on the family history and create the rules by which you behave, and make the business a successful, fun, and supportive place to be. This is an exercise that more than most can engage all your people and make a real difference in your success in the twenty-first century where, engaging all the brains within your organization really matters.

Your vision, a 3D picture in vibrant colour, of what the business will look like in the future, celebrates the legacy and values that make the family business special.

What is your legacy? The Third Leadership Challenge of succession in a family business will be one which has the greatest influence on your legacy. The prime aspiration of legacy within families is love, passed down



the generations through acts of selflessness and stories of lives well lived. Yet this handbook has a focus on legacy in family business. The major reason for failure in succession in this context is to consider business without deeply involving the family. Hence a key outcome of this programme must be to maintain mutual love and caring within the family, whilst at the same time making decisions together that secure the future of the business across generations.

Family businesses have a key role to play in post-recession recovery, exactly because they care about their local communities, they appreciate that business is more than just short-term profits and the leader accepts the responsibility of shaping other people's lives.

You and your key advisors in the guiding coalition for growth and succession, need to take a "helicopter view," rising the business above the day-to-day issues of the family and the business to look at the horizon, to see both the opportunities and threats that you will experience over the next few years.

The big picture at present is that of the need for survival of the business through the recession, which has accompanied the Covid 19 worldwide pandemic. Many family businesses will sadly not survive, and most will be weakened by the recession and the unprecedented fall in turnover. Those who do survive however, will be able to benefit from the surge in business in the post Covid 19, changed world. You should view succession in this case is not another problem; but as an integral part of the solution and your legacy!

In every successful succession process an "inspiring vision," is key. It makes people want to get up in the morning and commit to something that is bigger than they are. A vision for a family business that is beyond profit, it is making a difference, creating a sustainable future for the world, the business, and their local communities. This is achieved by leveraging core skills, assets, knowledge, and experience and working together with others, including customers to make their worlds a better place. Ambitions can be local or global, but essentially, they are based upon the principle of a job well done in everything that the family business delivers.

The test is that if you cannot communicate your vision to someone in under three minutes or less and get a reaction that signifies both understanding and interest, you are not yet done with creating your vision.

Your vision is an inspiring statement of what you do and the "destination" of the business.

Identify the values that act as a rudder for the way that people behave in the business.

The family, board and senior management are united in their perspective of the future direction of the family business, and the specific goals to deliver growth and security.

The five proven guiding principles that have helped family businesses to survive and thrive through many generations relate to the actions required which are:

- *Long-term vision.*
- *Aim to preserve the assets and reputation of the business.*
- *Culture based on shared values.*
- *Strong roots in the local community.*
- *Prudent by nature.*



4. Design good strategy for succession in the form of a ladder.

The reason why so many strategies fail is that they are usually long on the “what” and very short on the “how” It is best to consider your strategy for growth and the context for succession as a “ladder” that bridges “where you are now,” to your vision. Your strategy must provide a clear strategic focus, with pivotal objectives and deployment for next 2 - 3 years. The process is then to design the “rungs” on your strategy ladder, key achievements that will translate objectives into specific actions.

This handbook does not concern itself about the mechanics of designing strategy, the content from the SPRING learning platform will assist you in the design of your business strategy. The concern here is that resulting strategy must be not only the WHAT but also very importantly the HOW an objective will be achieved. When you have decided on your destination and goal then you need to construct the “rungs” or objectives on your strategy ladder that will be essential for your family business to achieve a return for your investment, “game changing” results that will assure the future of the business and protect the family.

The suggestion of this handbook is to utilize these “rungs” or objectives from your strategy to secure the future of the business, as the deployed actions for potential successors to prove themselves in practice.

5. The keys to success in the deployment of strategy include confirmation of the following vital actions:

- *I have agreed a timetable for succession and this links to the strategy.*
- *With my team I have designed good business strategy with deployed actions and personal accountability.*
- *I have transferred some operational responsibilities to potential successors with personal accountability.*
- *Potential successors, family members and others, who are involved in the business been told that they need to prove their worth in practice?*
- *I will ensure that governance of the family with a strong family constitution will be in place before future allocation of shareholding, will be agreed.*
- *I have considered the appointment of legal, tax and financial advisor to complete my succession plan in future.*

Legal, tax and financial issues are essential but will not be addressed in this handbook because these structures have significant differences within each member state of the European Union and the UK. Specific advice will need to be obtained relevant to your location and the situation that pertains within your family and business.



6. Empowering successors to learn leadership, through delivering strategy.

Remember what we said in the guide about the principle that leadership cannot be taught but it can be learnt. Succession should never be thought of in isolation but as a means of continuously renewing the family business. The solution is to take the key objectives from the strategy, taking as we suggest two key goals at a time. Then deploy these goals through specific objectives and delegate them to potential successors.

The proven process that works is to select and develop successors through empowerment to deliver the strategy, and through applied learning create a meritocracy. This is the key to not only succession that works but to high-sustained growth.

At this stage, and not before, it is appropriate to call a “town hall” meeting to communicate and engage everyone within the family business. Here the shared vision and destination is shown and the strategy of how this will be achieved. It is then the leadership in action presentation to inspire and delegate roles.

You will also need to ensure that everyone has personal accountability to deliver on their promises on time and in full, (OTIF). This is vital for the overall succession plan to work, but everyone needs to feel supported and not to feel set up for failure! Praise for a job well done is a wonderful and infectious motivator.

Family businesses and the world would be a better place if people were promoted on merit. Post pandemic we cannot afford to have the wrong people, in the wrong place, without skills and the right attitudes. In the pandemic and its aftermath, the world has fought a war with borrowed money, and the recovery will take a lot longer if we do not learn the lessons of the past!

Through thirty years of practical experience I can say that successors can best select themselves by being given personal responsibility and support to deliver the strategy. It is important that the talent pool is as wide and deep as possible as we have said. Do not rule a person out for any reason, but we really want volunteers not “pressed” people. If a person does not volunteer to take on an objective, then they need to be encouraged and supported and their self-confidence strengthened. People are transformed when they achieve, and many great leaders have been found when they

have responsibility given to them. The converse is also true, some people who expect to be successors, when given responsibility and support, show in practice that they do not have the necessary DNA for leadership. But far better to find out now than later! As you will know from experience, leading a family business is not a job, it is a vocation and a way of life. Choosing a worthy successor or successor team, is not a “quick fix,” it is about choosing the right person or people who will assure the future of everyone, by building on the brand and reputation to create value for customers assure the future.

The test is that if you cannot go on a holiday for two weeks and trust the people to look after the family business, then you do not have a business, you have a job. The result will be that after you leave the business, it will fail! It is a reality that current critical skills within the family business follows the rule that 80 percent of corporate knowledge is held by just 20 percent of your people but do you know who they are? An interesting exercise is to look at the demographics of your entire workforce and realize that succession not only for senior management, but also technical ability will be vital for the family business to thrive in the future.

Succession not only prevents the loss of the fund of knowledge that you and others hold, by giving certainty to the future and security for key people, it also provides “headroom” for potential successors to prove themselves. This is the reason why succession is a lot easier when linked to a plan for growth. This part of a succession programme is the dividend for all the groundwork that has been undertaken before. The family business through this process will have identified the current and future skills needed for business success. The transparent selection of successors on merit and performance, identifying the best people is key to the future success of the family business.

Comprehensive successor development includes developing leadership skills through individual responsibility for real world action and proven competency is key. Support given through internal or external mentors linked to education and training, will contextualize and imbed learning and prove a tangible benefit to the business and the individual.

Create structure for personal accountability, then use these as a basis for real successor empowerment, trust them, give them responsibility. It can



also form the basis for proactive recruitment if needed with a meaningful role specification, vital for selecting the right person.

The structure for creating a high functioning meritocracy is a separate issue that will be addressed elsewhere. During this process, communication should be 4-way down, up, and across the organization between departments in real time.

7. Consolidate succession in ownership, and governance structures and process, use this process as the means for refreshing and running the family business from now onwards.

Consolidating the changes made thorough the succession process is a vital part of the Third Leadership Challenge. I have seen excellent work that delivers high growth and successful succession, with all the hard work, emotional stress and investment that has been made, lost through not “pouring concrete” on the processes and structures that have been designed and implemented. Your succession legacy are the values, strategy, governance structures for the family and the business, the progression of people on merit, personal responsibilities, and roles, with processes by which the business is led and managed.

These are emotionally and financially expensive investments and are fragile when they are young. Many will say that they agree with what has been established but in a time of crisis, they need to be set aside. I have seen years of work destroyed in weeks and the business suffer as a result when these structures are abandoned. Your decision to let go of your role, depends on the confidence you have in the competence of successors and consolidating the new structures and roles!

This is the place to actively use or start the governance processes as the means for refreshing and running the family business from now onwards! Roles through governance are clear for all family members and the business managers. and the family. Future ownership and the exercise of power within the business can now be resolved through due process to be resolved within the family. Family governance is formed by creating a wide diversity of family members, and where in a timely way, disputes within the family are resolved.

Using these structures, family members from a young age and throughout their lives are actively prepared and supported for future roles within the business and their aptitude and attitudes noted. Successors should be told to be themselves, real people; successors are not or should not be carbon copies of their predecessors. They must be confident to be their own people; let them be different, the only condition is that they abide by the succession structures that you have developed for the benefit of everyone.

Chief Seattle once said, *“we do not inherit the earth from our ancestors we borrow it from our children.”* In these times, leaders of family business face their greatest challenge since WW2 where governments have in fact, through fighting a war on the pandemic with borrowed money, borrowed from our children and grandchildren. In the case of family businesses, successors are inheriting their futures, and incidentally everyone else’s as well from those who through sheer hard work and brilliance have created a worthwhile legacy.



Successors must be ready to accept the challenge of leading their family-owned business. This has demands that are far bigger than personal ambition and status but offer rewards for achievement that go deeper than most careers today. Assuring the legacy through building on the values of the founders of the enterprise and creating the strong foundations of a sustainable economy.

A challenge that has never been more important than in the post pandemic world. Family businesses are the fabric of a vibrant economy and society.
The Third Leadership Challenge of legacy and succession is the answer to securing their future.

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