

# Succession Planning

Planning for successful succession in  
your family-owned business



THE ALTERNATIVE BOARD®

# Successful Family Business Succession

Families in the process of transferring their business to the next generation have a number of complex challenges to overcome. Maintaining the viability of the business enterprise is foremost. This involves good business planning, sound management, effective practices and processes, and the ability to execute within a competitive marketplace. The bottom-line, to generate revenue streams and investments to sustain the family now and in the future.

Equally difficult is maintaining healthy relationships among family members directly and indirectly involved in the business. This involves the development of guidelines for family member employees to include education and experience requirements, competitive salaries and promotional opportunities, and gaining the respect of non-family employee peers through above average work performance. It also involves the critical but delicate process of engaging, preparing, and selecting interested, capable family members as future leader(s).

The actual hand-off between the generations can be seriously undermined by disruptive family issues like a history of parent-child conflict or sibling rivalry among natural or blended family offspring. Marital discord, unresolved divorce issues, alcohol or drug addiction and abuse further complicate the process. Underlying these issues is a basic lack of trust among those involved, often requiring professional assistance to sort through and resolve underlying problems.

There are also more typical challenges that need to be worked through in successfully handing off to the next generation. These include:

- **Letting go.**

The first generation leader, often a strong, hands-on entrepreneur, is required to make the gradual, difficult shift to a more mentoring, advisory role. After years at the centre of the storm, so to speak, letting go is more complex than it seems. It's an emotional, life changing process which requires developing a different, less central role in the company, and the development of new endeavours and roles in business, the community and the family.

- **Stepping up.**

The second generation leader(s), often self assured and confident, can struggle to "gradually" assume responsibility for the family enterprise. In their frustration to move up and out from under their parent/leader they can develop a defensive arrogance, cutting them off from the deeper learning needed for success over the long haul. Maintaining a balance between their wish to move forward and their need to remain respectful and open to mentoring can be difficult.

- **Going slow to go fast.**

Successful family business succession takes time. It requires good business and succession planning and lots of room for hands-on-practice and on the job training. Above all, it requires regular and effective communication between the principals, family members and key employees. It's at least a three years process.

Family business succession is a journey with long-term financial and relationship ramifications. It offers a wonderful opportunity to take the business and the family to a higher level of functioning. Investing your time and resources in this significant venture will set the stage for good stewardship of the family business for generations to come. If your family business is facing these types of challenges, contact The Alternative Board to learn more about how we have helped thousands of others in similar situations.

# Is TAB for you?

The Alternative Board® (TAB) helps forward-thinking business owners grow their businesses, increase profitability and improve their lives by leveraging local business advisory boards, private business coaching and proprietary strategic services.

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