

Case study

Family business

No leader can be successful without family commitment.

Succession planning

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Highlights

- Bite the bullet – Early selection allows time for adjustment
- Avoid Competition – Delaying a decision can lead to competition
- Ensure a Board Forum – Gain an objective decision
- Employ a Succession Task Force – Ensuring a successful transition process
- Gain Family consensus – no leader can be successful without family commitment

The Challenge

A second-generation family business owner wanted to embark on the succession process into the third generation.

There are three children and a nephew currently working in the business of whom two stand out as possible candidates.

How we helped

More families than ever before intend to pass on the leadership of their businesses to multiple offspring. The challenges of leadership succession are inherently more difficult when several individuals are 'stepping up to the mark' in earnest.

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Most parents appropriately resist favouring one child over another – but as business owners and managers they need to designate successors. That often means choosing one child for a job of more status, higher pay and greater importance. When several offspring are in the business, this decision is possibly the most troublesome obstacle faced in succession planning. Too many parents want to believe that if they don't face the issues, it will somehow solve itself or just go away. Others, however, deal with the dilemma successfully. Here's how:

- **Bite the bullet.** When the best choice is clear, we typically recommend that parents anoint the next leader as soon as possible. Early selection allows everyone to have plenty of time to adjust.
- **Avoid Competition.** While few families initiate competition among siblings to prove themselves most deserving, delaying the decision or failing to deal with the issue can produce that result.
- **Ensure a Board Forum.** A board with outside, non-family directors can provide an objective forum to address succession – both how to and whom to choose. After all, leadership succession is the most important responsibility of the board.
- **Employ a Succession Task Force.** The board can be aided in this process by an ad hoc task force that includes key managers and family shareholders. While the board assumes ultimate responsibility, the task force can anticipate and handle other issues during the transition process.
- **Evident Family Consensus.** Over time a 'natural leader' will likely emerge – evident to the family, the organisation and the board. Whatever succession process is followed and whatever choice is made, the most vulnerable time for the family business comes during and immediately after transition. No family business leader can be successful without the support and commitment of his or her siblings to the company's strategy and leadership.

For more information

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