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Family Business Succession: Having the Tough Conversations

Family squabbles are fun to watch on Netflix, but when the drama hits your family business, there's nothing fun about it. Barry Pokroy and Dave Stevens explain the intricacies and emotions behind succession planning and why having the right conversations, at the right time, could save your business (and family) from financial and emotional ruin.

Business discussions always seem the most difficult when they involve the family. Attempts to discuss the founder's succession in the family business can unleash untold drama. Just tune in to the dysfunctional Roy family in *Succession* or (if you're old enough) recall the Ewings from *Dallas*.

While family businesses are no different from other companies, succession planning can be a much more delicate matter. Family dynamics mixed with a founder's lack of commitment to succession could place an emotional burden on everyone involved. Add in family members who may have conflicting visions on the company's future all lead to increased tensions—both personally and professionally.

It starts with the founder

While every family is different, there's a recurring theme of avoidance that makes succession planning tough and the conversations even tougher. Many entrepreneurs identify themselves with the business itself, and their ego can delay the conversation until it's too late. On the other hand, some business owners just want to avoid any issue that could divide the family or cause conflict. However, the fact remains, earnest succession planning can't occur until the founder is good and ready to talk. Then again, if left until too late, the business (and family) will suffer in the long run.

It’s complicated

For the successors, the issues are no less complicated. Rivalry can emerge among the next generation, each with their own views on to the direction of the business and their role within it. In some families, the children are raised in the business and assume they have some sort of birthright. Others may question their own skills and entrepreneurial instincts to carry the company forward. Meanwhile, there might be no one putting their hand up to take the job, preferring to follow a different career path.

Family squabbles tend to reverberate far beyond the workplace walls. Most professionals can park their frustrations at the office at the end of the day, but family firms take everything home—all the time. We all know that familiarity can breed contempt and, as famed relationship psychologist John Gottman notes, conflict can transform into “contempt, which is like termites that slowly gnaw away at the foundation.”

To avoid a sticky situation, here are four ways to help ensure a smooth succession planning conversation with family members:

1. Check your ego

Numerous articles have been written about leaders whose unchecked egos have gotten in the way of doing what’s best for the business. For founder’s, whose identity lies deeply with the company, this is something to be aware of. Not to mention other strong egos within the family ecosystem that could lead to internal rivalry and disruption.

The difficulty with an inflated ego is it often works at a subconscious level. Checking one in at the door requires openness, reflection, and a sense of detached observation—the ability to take a balcony view of one’s own behaviour and notice when it is undermining business performance. For the founder it’s about getting past the idea that it’s their business and any failure in that regard is a failure of self. For other stakeholders, becoming aware of when egos are out of control is not only good for succession planning, but also a powerful leadership tool in general.

2. Focus on what’s best for the business

All of this underlines the need for families to have the conversation early and to do it openly. Separate the rational from the fear, anxiety, and issues of self esteem. First and foremost, the conversations should focus on what’s best for the future of the business—not the emotions or aspirations of family members. And that depends on choosing the right people for the right roles in management—be they daughter, son, oldest, youngest, smartest, or savviest. In the end, It might just require going outside the family.

Seeing beyond the immediate family business may also hold the answer. By recognizing the changing dynamics and emerging trends that future generations will be faced with will help determine what strategy might be needed and who best to guide it. With many organizations being forced to regularly modify their operations these days, it is crucial for family businesses to hold frequent open discussions about their expectations, relationships, and processes.

3. Talent assessments

It's also helpful to remember that succession decisions are not always winner takes all. Most firms offer different roles that fit some and not others. Think finance, marketing, and operations. However, also think communicator, problem-solver, negotiator, and mentor. Some family members may contribute best at the governance level, as board or committee members. Not least is the role of the shareholder. It might not be an active role, but ownership is every bit as important to family business succession.

However, can the next generation lead the business? Some senior leaders may feel family members lack the gumption or leadership acumen. This is where an in-depth assessment on leadership styles may be necessary. Standardized assessments strip away the emotional side of succession readiness and provide several data points for consideration. These include psychometric insights, feedback from others, and tools and techniques for improvement.

4. Get help where you need it

Not all families are equipped with the skills to manage the conversation on their own. It requires assessing the talents, experience, vision, and leadership skills of family members against the needs of the business, engaging in open—yet structured—discussions with family members, and making honest and objective decisions in the interests of the family firm.

Connecting with mediators or leaders of other family businesses may offer insight into their succession planning process. The benefit of stepping outside the family unit is it offers a fresh perspective away from any internal dynamics. According to Ajay Shriram, Chairman and Senior Managing Director of DCM Shriram Group, "External resources have helped us a lot. We are three brothers, and we took the view that the key was communication, communication, communication. We have worked with a behavioural scientist since 1996; the three of us go to a retreat every year for four days and just talk."

Start the conversation

Most of us can walk away from a lost career opportunity and start afresh, but it's not as easy when the faces at the boardroom table are the same ones at the dinner table.

We all tend to avoid tough conversations and family succession is one of the hardest to deal with. But the earlier we face it, the sooner we can put plans in place, develop common understanding, repair feelings, and get on with mentoring people for the right roles. Its what's best for the business, and the family might just survive after all.

The Succession Conundrum: Who Should Take Over the Business

Determining who will lead after you've left the company is one of the most important people decisions an organization must make. Get the details

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