



Don't pin all your hopes on one family successor

You shouldn't look for clones. Diversity is the key to sound succession planning.

WHEN FAMILY business leaders contemplate succession, thoughts usually turn to the next generation of family members. After all, isn't this prerogative one of the principal reasons for owning a family business in the first place?

The problem with this line of reasoning is that succession is often viewed as an event, not as a process

drastically reduces the probability of a successful transition. Planning now for future "what ifs" allows time to identify and groom future leaders.

Begin by asking basic questions: Where is my company today? Where do I want it to be in five or ten years? What skills are necessary for long-term success? Who will bring these skills to the organization? Answering these questions will help you to cre-

leverage the strengths and compensate for the weaknesses of each team member—a team that can learn over time how to collectively manage the business and from which the next leader can emerge. Family businesses that face a difficult choice among several qualified candidates are in a much more advantageous position than those that have anointed one person for succession. If the heir apparent is not yet ready when the time comes to step up, the organization's future may be compromised.

Sometimes, the best choice for a successor may not be in the bloodline. It's a hard decision to make, but the right choice is to identify the best person for the job, period. In the long run, isn't this also best for a family that has its future well-being inextricably intertwined with the business?

When you groom a leadership team, each team member will learn the strengths of the others. The team members can help mentor each other and grow over time. In fact, a family member may then be willing to say, "It's OK if I'm not president. I have an important position within the organization that I'm good at, and my family business is benefiting."

How outsiders can help

Key non-family leaders can help your business family recognize succession planning solutions. A case in point:

A third-generation family business used its outside board to assess its long-term strategy. The board helped mentor the next generation of leaders and ultimately encouraged the company to make leadership deci-

Build a leadership team that can leverage the strengths and compensate for the weaknesses of each team member.

needing to be nurtured. Too many times, it's allowed to happen by accident or as a passing of a birthright. But it shouldn't be a given that future leadership will stay in the family.

The key to the long-term success of your business lies in a word widely used in business today, although usually in a different context: *diversity*. Because the future is full of uncertainty, it's extremely risky to pin all your hopes on one successor, even if a relative is waiting in the wings. The future of your business will be best assured if you have choices ... and good ones, at that.

The time to plan for the future of a business is not when an illness strikes, a death occurs or someone from the next generation of family is knocking loudly on the door.

Begin today. Waiting for a health crisis or some other "life cycle" event

ate a business strategy and to determine what is needed to develop leadership within your company.

Grooming a team

In the early days of your business, it might have been possible for one person to lead all aspects of the organization. But with growth over time, broader leadership becomes necessary, especially as your business charts new directions and seeks to take advantage of new opportunities.

Leadership development should not just focus on succession; the goal should be to position the company for future prosperity. It's just good business (and enlightened leadership) to identify a core group of potential candidates to develop for the future—all prospects, not just those from the family.

Build a leadership team that can

sions that best served the interests of the business and the family.

Three next-generation brothers owned the company. The designated company CEO, however, was not a family member. The individual selected had worked in the business for 15 years and had become the strongest leader in the company.

What happened to the brothers? One became chairman, focusing on strategy, another became senior vice president of sales and the third found his niche overseeing operations. The board's grooming of the three brothers and their leadership development plan helped them realize they were best suited for roles that capitalized on their personal strengths—and that this would be the best way to maximize the family's wealth.

This situation could well have led to a family feud. Instead, the brothers developed a closer relationship and deeper respect for each other's skills. Each was doing what he enjoyed most and was succeeding at it.

Develop a plan

Craft a plan to integrate leadership development into your business strategy.

- Create an individual development plan for each candidate. Your goal should be to build a leadership team to help support the future of

the business and from which your ultimate successor can be drawn.

- Fully involve each candidate in the creation of his or her plan.

- Understand that each individual will bring unique strengths and abilities to the business. You're not looking for clones. Rather, develop each person based on his or her unique qualities, and help all the candidates understand how they can draw upon and learn from the strengths and abilities of others.

- Design compensation programs that will help align individuals' objectives with those of the business.

- Set up a formal review process that will keep the individuals on track and growing. Measuring progress along the way is critical.

- Involve others, such as your board of directors or advisory board. They can help you keep the process moving forward and can offer essential feedback when the time comes to make decisions.

- Communicate your goals within your organization. Help everyone understand what you're seeking to accomplish and why.

- Keep your eye on your ultimate objective. Understand that this takes time and perseverance. Expect bumps in the road, but make sure everyone understands that failure or halfway measures are not acceptable.

Involve the family

In most family companies, not all the stakeholders work in the business. In other words, there are likely to be stockholders, siblings, spouses and others who do not envision what you're trying to accomplish through your leadership development planning. Indeed, they may have other ideas or expectations for succession—or self-interests or hidden agendas.

Communication can help ensure you'll get the support you'll need going forward. The more you can help the family understand your objectives—and why long-term planning is important—the better your chances that this process can run smoothly. This is especially important if your ultimate decision favors one family member over another, or if a non-family member is the likely successor.

Find the appropriate way to keep all stakeholders apprised going forward. If they don't feel blindsided, they are more likely to be supportive partners rather than potential adversaries. Then everyone wins! **FB**

Barry Cain is managing director of the Family Business Center at Blackman Kallick, Chicago's ninth-largest accounting and business advisory services firm (bcain@BlackmanKallick.com).