

Family Business Succession Planning: Managing blind spots

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Succession planning and integrating the next generation is one of the most critical—and often most challenging—issues facing family businesses today. Without a thoughtful, structured approach, even the most well-intentioned, talented business owners risk undermining their legacy and the long-term sustainability of their enterprise, if the family, ownership, and business systems have not been sufficiently prepared for the transition.



Many family business leaders only focus on succession planning of who will lead the business it is however far broader and they need to develop strategies for managing the transition of ownership roles (trustees), governance roles (directors) as well as leadership of the business to ensure a seamless handover to build a legacy that lasts.

To enable effective succession, it is important to understand some of the key blind spots that hamper a smooth transition, which include:



Avoiding the conversation: Avoiding the conversation is a common mistake amongst many family businesses because they think that they have time and leave it too late; they want to “maintain harmony” and not have to deal with the aftermath when they are no longer around or believe that there is no one that is ready to step into the role. In certain countries, discussing succession is taboo from a cultural perspective. By avoiding this key conversation, those leading this business lose a valuable opportunity to obtain input from the key stakeholders – family and business leaders.



No formal succession plan: Even if the initial discussion does take place, many family businesses do not have a formal succession or transition plan to ensure that the best person for the role is appointed. The lack of a formal succession plan creates uncertainty amongst key stakeholders i.e. employees, financiers, family members; it results in a lost opportunity to mentor and coach the successor; it often leads to the incorrect person being appointed and it often results in crisis management. The lack of a formal succession plan with clear timelines can also result in the potential successor(s) losing interest in taking on the role. No formal succession plan can lead to a decline in business performance and potentially the closure of the business.



Succession decision is made by the incumbent: When the decision of succession is left to the current leader, there is a risk that an unconscious bias to appoint someone like them. The decision for succession should be made by a larger group with input from the incumbent e.g. the Board of Directors should appoint the executive leaders; trustees should appoint the Board of Directors etc.



No clarity of roles and responsibilities: Often when the reins are handed over to lead the business, the lack of clear roles and responsibilities often leads to confusion amongst employees, suppliers, customers etc. The change in roles must be clearly communicated, and it is up to current leader to support their successor by empowering and not stepping forward to make decisions which are not in terms of their new role.



Lack of planning for retirement: One of the biggest challenges with succession planning is the ability of the current leader to step down and let go. This is often due to the fact that they are reliant on the business to fund their retirement because they have not separated wealth creation from the business or they have not created interests outside the business as the business is their life.

Many family businesses have been able to successfully manage transition and integrate the next generation into the business in a responsible manner and avoid the blind spots highlighted above. The key factors for success of a transition process are the following:

The founder or current leader of the business is clear on the long-term vision of the business and that as a responsible steward they need to plan for the business's successor when they are no longer involved.

The conversation with the family, especially the next generation, is held to understand whether anyone is interested and if so, what they need to do to be prepared for the role.

Developing a clear roadmap for transition of ownership role, governance roles and business leadership roles to ultimately ensure that the best person is appointed for the respective role. The plan should include who will decide on the successor, how they will be trained and coached as well as what role the current leader will play to continue to add value without interference.

In today's rapidly changing business environment, proactive succession planning is not just about preparing for leadership change, it's about building resilience and ensuring the family's values and vision endure. By addressing these common blind spots and embracing a structured, inclusive approach, family businesses can lay the foundation for lasting success across generations.



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