

Master Three Perilous Stages of Family Business Transition

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Succession is the biggest threat to the **robust returns of family business ownership** (<https://www.investorchronicle.co.uk/ideas/2023/05/15/it-s-time-to-reassess-your-family-owned-investments/>). If you don't master the three perilous stages of transition, you risk damaging your family business and legacy. Even worse, you risk harming family relationships along the way.

The potential for conflict is quite high in family businesses, especially around succession. Yet, you can overcome these challenges and achieve a healthy outcome for your business and family relationships. As a **CEO coach** (<https://thestretchfive.com/>) who works with leaders of many multi-generational family businesses, I've found **there are three critical tools for current and next gen leaders to conquer the three perilous stages** – before, during and after the transition.

Before Stage: Preparation

Family business succession planning should start much earlier than expected (<https://familybusiness.org/content/succession-planning-should-start-earlier-than-you-think>) .

Current leaders should start by thinking long and hard to establish their best estimate for when they want to retire. If possible, start formal succession planning at least 10 years before this retirement date.

As you start to explore the next gen's *potential* interest in taking over one day, be careful about the language you use. Presumptuous statements and leading questions can subtly influence them to join the family business even if they don't want to.

You risk blocking their dreams, causing resentment and relationship damage, and turning your business over to someone unenthused.

With that foundation set, here are some of the best ways to prepare in the “*before*” stage.

- Encourage the next gen to work elsewhere and consider business school. They'll learn first-hand how leadership styles affect worker motivation, and how to manage up and down and bring innovative best practices to your company. **These experiences will ultimately make them a better leader of your business.** Going to business school can build their knowledge, contacts, and understanding of whether they want to join your company.
- At least five years out from a leaders' retirement, develop and write out a detailed succession plan together. Which legacy core values is the current gen leader passionate about the next gen maintaining? What is the timeline of steps to give the next gen increasing responsibility and get them ready? What few important items must the next gen keep the current gen informed about after taking over? **You risk contentious arguments and transition landmines if you don't write this down and sign it in advance.**
- To get the plan right, ask one fundamental question: **What is the most important skill or experience the family business needs that the next gen doesn't have?** Invest in specialized training for the next gen in that area. Add a board member with deep expertise in that function. Find the next gen a trusted mentor in the company who has that skill or experience. This sets the next gen up for success and cements your legacy by leaving the business in a better place.
- The current gen should start to map out what life might look like after stepping down. **What did the prior gen do that was helpful and harmful after transitioning the business to you?** Discuss those experiences with the next gen and find out how they want you to best support them when the time comes. **You also want to explore a new identity and purpose**

(<https://www.amazon.com/Strength-Finding-Success-Happiness-Purpose/dp/059319148X>) .
Outside of supporting the next gen, what else will you do with your time?

During Stage: Communication

One six-month period can ruin decades of family business success. From roughly 90 days before the next gen takes over (when you announce it internally) through their first 90 days on the job, both outgoing and incoming leaders must get it right.

Communication is the top tool to help you navigate this dangerous and critical time. Here's how:

- **Office politics** is the #1 threat to a successful transition. One or more leaders may feel the next gen isn't ready and disappointed they didn't get the top role first. They may be thinking, "First the little kid from company BBQs becomes my peer due to nepotism. And now I'm reporting to him even though I have 20 years more experience?" These vital leaders may undermine the next gen, "quiet quit," or leave. Over-communicate four things to them: 1) They are highly valued. 2) Their expertise and mentorship are crucial to taking the business to the next level. 3) Next-gen leadership aids business continuity and job security for non-family employees. 4) You want to help them succeed in their roles and grow in their careers any way you can.
- **The next gen must go on a listening tour.** Ask employees at all levels for their best ideas, biggest challenges, and how you can make their job easier. Talk to customers and suppliers about their goals, challenges, and how you can remove friction from their experience. Take detailed notes and action steps to follow up on feedback.
- Now it's time for the next gen to communicate their plans. Remember that long-time employees can be resistant to change. So, make clear you're building upon the culture's successful roots using the feedback they provided. **Lay out the three most important areas of focus, the step-by-step plan for executing, and what actions they can take to ensure success.**

After Stage: Adaptability

*"The harder you work, the harder it is to surrender."
–Vince Lombardi*

The current generation of leaders now faces one of their biggest life challenges: letting go of their decades-long identity and purpose. A few ways to navigate:

- **Avoid these ways of meddling:** communicating with key employees without involving the next gen; sitting in on certain meetings; expecting them to inform you of more than the succession document says. These are examples of how the current gen can undermine the next gen, stunt their growth, and risk resentment and relationship damage.
- **Serve as a sounding board.** Let the next gen seek out your counsel rather than imposing it on them. Ask them questions that help them arrive at their own answers, rather than hard selling them your "recommendations." Support them in the way you discussed in the 'before' stage and how they currently feel you can.
- **Start to develop a new identity and purpose.** With the details of supporting the next gen in place, it's time to explore some options outside of the business. Volunteer your time toward your favorite cause. Join a board. Do some speaking, mentoring, or consulting. Get involved in your grandkids' interests.

Few things are more important than family relationships **and** family businesses thriving long-term. The biggest threat to this is transitions. Using these three critical tools during the three perilous stages of succession will help you overcome the challenges.

Please leave your own helpful strategies in the comments and write out your plan of action steps from reading this article.