



Learning to Let Go of a Startup

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Handing off a family business to the next generation can be difficult, but it doesn't have to be.

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In the sitcom "Modern Family," Claire Dunphy assumes the senior role in Pritchett's Closets & Blinds, the company her father, Jay Pritchett, built from scratch. The transition is tough for both of them.

Claire struggles to assert her authority and lead role in a company where staff are used to taking direction and seeking advice from Jay. He, in turn, is challenged to relinquish authority — he still enjoys being the go-to source for decisions, direction and expertise for his staff and customers.

It's a situation that is not at all uncommon these days as many retiring baby boomers hand over the reins of businesses they founded and ran for years but find it difficult to hand over authority.

A Thoughtful and Cautious Transition

Guy Artigues is the owner of [Pleasant Places Commercial Landscaping](https://www.pleasantplaces.com/) (<https://www.pleasantplaces.com/>) in North Charleston, South Carolina, a company he started in 1984. Since then, the company has grown to be one of the largest in the Charleston market. At 63, though, Artigues is preparing for retirement and transitioning the company to his two sons. His oldest, Gilley, 34, is president and

CEO and his youngest, Palmer, 24, is vice president and COO. It's a \$35 million company and not an easy transition to make, he says.

"In all honesty, this is a very emotional thing," Artigues admits. "I have had this company longer than I have had my children. I am proud to let my kids be in charge of that, but it is also hard to do."

Driving the success of the transition, Artigues says, has required:

- Making sure that business questions that come to him are sent to his sons to answer.
- Respecting his sons' leadership styles and biting his tongue sometimes.

That's exactly what it takes to make these transitions successful, says Stephanie Brun de Pontet, a principal consultant with [The Family Business Consulting Group](https://www.thefbcg.com/) (<https://www.thefbcg.com/>) in Chicago and the author of "Transitioning from the Top: Personal Continuity Planning for the Retiring Family Business Leader" (<https://link.springer.com/book/10.1057/978-1-137-57804-4>).

"Your management team might still revere you as their leader," Brun de Pontet says. "They'll come to you with questions, confusing the boundaries of where decision-making really resides."

If you're not able to successfully and consistently leave decision-making to the next generation, she says, you risk frustrating your child or children and sowing confusion within the organization.

A successful transition requires attention to both practical and emotional aspects of the shift in power.

Best Practices for Passing the Reins

John Waters, CEO of [Waters Business Consulting Group](https://watersbusinessconsulting.com/) (<https://watersbusinessconsulting.com/>) in Scottsdale, Arizona, has helped Artigues and his sons navigate this tricky transition. "For better or worse, advice is received differently when it comes from family," says Waters. "An outside mentor can help relay that advice without the emotional family garbage."

For people considering transferring a family business to the next generation, Waters advises discussing it proactively with children and approaching the process with an open mind. "Are they willing to go through what they need to do to take over the business?" he asks. "Be honest, and don't rope your kids into owning a family business they never wanted to run."

Candor is key. "Don't pull any punches," Waters adds. "Everyone needs to go into this with everything off their chests."

"Working with your kids usually means they do a job but they don't really understand the financials of keeping a business running," Waters says. "Giving up control of your business to your kids means they need to understand how your company makes money."

It also means recognizing and accepting the fact that you're not in charge anymore. In essence, you work for your child or children.

Teaching the Basics of Business

If your heirs are on board, another important step is ensuring they understand the business of the business.

- Train them to understand how to read a profit and loss statement.
- Explain how to determine what is driving top-line revenue.
- Show what net profit looks like, and how it plays into cash flow.
- Tell them how to read a balance sheet and understand assets and liabilities.

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Define Responsibilities

The emotional aspects of the transition should also be addressed, Brun de Pontet stresses. Roles must be defined explicitly, at the outset. "Even in family businesses, write job descriptions," she advises.

It's also important, she says, as Artigues pointed out, to honor different leadership styles. "A founder might be charismatic and sales-driven, while their successor is operational. Neither is wrong — the business might need both." It's important, though, she says, to recognize that different approaches are just that — different.

In addition, Brun de Pontet advises, it's important to be proactive and transparent in considering issues like dealing with friction when it inevitably arises. One CEO, she shares, "stopped attending meetings because his poker face influenced team decisions. Instead, he would meet with his son weekly, off-site, to discuss strategy." In some cases, she says, a "code word" or signal might be a good way to address boundary violations.

Managing Family Friction

Finally, be proactive in planning for friction, Brun de Pontet says. Friction is normal, not catastrophic. Proactive conversations about "what if" scenarios can be helpful in preventing or warding off simmering tensions. "Healthy families acknowledge that human nature makes this hard, but preparation protects both relationships and the business," she says.

Once you hand off your company, keep your hands off the business.

"You have to trust them to run the business and make sure you let go," says Artigues. "Let them run the company and make a few mistakes along the way. The biggest challenge is letting go of the company you built."

It is hard even when you have competent and intelligent sons like I do."

As illustrated by Claire and Jay's struggle to find their places in a transitioning family-owned company, it's not easy to make such a shift. Passing the torch requires forethought, open lines of communication, emotional intelligence and security from both generations.

Ultimately, however, the outcomes will be worth the effort for all involved.