Entrepreneur & Innovation Exchange
Published online at FamilyBusiness.org on October 20 2025
DOI: 10.32617/1312-68f61c86a4960

Planning Succession? These 10 Decisions Are Critical

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KEYWORDS: family business advice, Help with a family business, family business succession planning, family business conflict.

> Succession is not a single choice -- It is a chain of choices that interlock and compound. Avoiding any one of them will create friction or ambiguity.

Succession is the defining challenge of the family business. Most of us know the proverb about shirtsleeves to shirtsleeves, and the research statistics are no less bracing. Fewer than one in three family firms reaches the second generation with the business intact, and only a fraction of those continue on to the third. The difference between those who endure and those who do not is rarely luck. From decades of teaching, research, and advising, I have learned that families who succeed do one thing consistently. They decide.

Succession is not a single choice, it is a chain of choices that interlock and compound. Avoiding any one of them creates friction or ambiguity that spreads through the system. Confronting them in a direct, transparent, and respectful way creates alignment. The framework that follows is decision-driven on purpose. It is built around ten explicit questions that every enterprising family must answer, and it is designed to be used in conversation, not filed in a drawer. I offer examples from recognizable companies because real stories make the choices, and the tradeoffs, easier to see. My aim is practical. Read this with a pen in hand, and answer each question for your family.

Question 1: Do we want to keep the business in the family, or sell it?

This is the fork in the road that families often tiptoe around. Many assume continuation, because the business has carried the family name and employed people in the community for years. Others assume a sale will be a betrayal of legacy. Both instincts can be noble, and both can be costly if they are unexamined. The right answer depends on your people, your market, and your goals.

Zildjian Cymbals is a study in clarity. Founded in 1623, the company has passed through fifteen generations. Continuity is part of the product, an element of brand authenticity that musicians prize. The family has said yes to staying in, and then they have aligned governance, leadership development, and ownership policies to make that yes real.

At the other end of the spectrum sits New Belgium Brewing. The founders built a beloved Colorado company with a distinctive culture and a broad base of employee owners. When it became clear that no family successor was ready to lead, they sold in 2019 to Lion Little World Beverages. That sale protected value, preserved jobs, and respected the culture, because the decision to sell was made intentionally, not by drift.

There are hybrid answers. The Hershey Company is publicly traded, yet controlled by the Hershey Trust. Ownership was anchored in a mission institution that funds the Milton Hershey School. Management is professional, while control preserves purpose.

The family that chooses to keep should recognize that it has chosen many subsequent decisions. The family that chooses to sell should recognize that it needs a sales plan and a communications plan, not a succession plan. Both paths require honesty about talent, capital, and timing.

A practical next step is to surface motives. If the instinct to keep is about identity, reputation, and community standing, say so. If the instinct to sell is about diversification, retirement security, or industry headwinds, say so. Clear motives help the rest of the plan make sense.

Question 2: What is our long-term vision?

If your family intends to stay in business together, the next question is about direction. What does success look like 10, 20, or 30 years from now, and what values will not be bargained away to get there? Vision is not a slogan. It is a set of commitments that guide every subsequent decision.

The Ferragamo family offers one kind of answer. Their vision is about craftsmanship, Italian identity, and a certain kind of elegance. When they took the company public in 2011, the family retained majority voting control so that the brand's heritage would not be diluted in the pursuit of quarter-to-quarter results.

The Walton family offers a different answer. Their vision has been scale and efficiency from the beginning. The family still controls roughly half the stock of Walmart, yet professional managers run day-to-day operations at global scale.

Patagonia shows a third way. The Chouinard family's decision to move ownership into a trust and a nonprofit was a choice driven by vision. The choice was designed to ensure that profits and environmental purpose remain inseparable long after the founder steps back.

Vision is the compass for everything that follows, and it is the most reliable referee when cousins disagree about strategy later. Families that skip the vision step make the rest of succession reactive. Families that take the time to articulate a destination, and to write down what cannot be compromised, create a foundation for durable alignment.

A practical next step is to write one page that answers three prompts. What the business should look like if we succeed. Which values will limit our choices even when money is on the table. What the current generation will do with its time once succession is complete. Then share that page with the family and revise it until it reads like you.

Question 3: Who will lead?

Leadership succession is the crux because it turns ideas into outcomes. The family can choose a family successor, a trusted insider, an outside professional, or a blended arrangement. Each path has merits and risks.

Ford Motor Company has stayed a family-led enterprise at the level of identity and governance, while using outside professionals when needed. Bill Ford Jr. is the fourth-generation family leader and serves as Executive Chairman, yet he recruited Alan Mulally, a non-family CEO, to guide the company through crisis. The symbol of the family remained at the top, and operational leadership shifted to a proven operator. That combination preserved culture and delivered results.

Gucci shows what happens when leadership becomes a prize in a family contest. In the 1980s and early 1990s, dispersed ownership and unresolved rivalries among cousins eroded the brand. Without a prepared and legitimate leader, the company lost control to outside investors. Many families discover that not every child wants the job, and not every child who wants the job should have it.

Some families split the role deliberately. S. C. Johnson has been led by family at the board level and by professionals in the chief executive role. The family sets mission and values, and the executive team delivers. This blended model reduces the pressure to find one person who can be both the keeper of the flame and the expert in the next wave of the industry.

A practical next step is to write the role before you write the name. List the capabilities the next leader will need in your specific industry over the next decade. Then map any potential successor against that profile and identify what development they would need. If the gap is too large, consider the blended model and start a search for a professional counterpart.

Question 4: How will ownership be structured?

Ownership is power. The way shares are distributed determines how decisions get made and how conflicts get resolved. Families can concentrate ownership in a single successor, divide ownership equally among heirs, separate voting control from economic rights, or embed ownership in a trust or a holding company.

Mars, Incorporated is an example of concentrated private ownership. The structure has insulated the company from public market pressures, allowed long-term investment, and kept decision rights with a well-defined group of owners. The benefits are clarity and strategic patience. The risk, if it is not handled with care, is that excluded branches feel marginalized.

FamilyBusiness.org (2025)
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Gucci is the opposite story, the cautionary tale of dispersed ownership without binding governance. Equal shares among siblings and cousins felt fair at first, and then became fuel for deadlock and eventual loss of control.

Cargill is a useful study in complexity managed well. With hundreds of family shareholders, the company has used trusts and governance mechanisms to provide liquidity for family members, to centralize key decision rights, and to preserve control. It has not been simple, but it has been intentional.

The lesson is that ownership design should follow the vision, not the other way around. Families should ask which structure fits who they are and where they are going, and then codify it so that future disputes do not change the rules of the game.

A practical next step is to draft a plain-language memo that explains the ownership model to a twenty-year-old member of the next generation. If you cannot explain who decides, who benefits, and how those rules can change, you need to simplify or clarify the structure.

Question 5: How will we finance the succession?

Transferring ownership is not just a legal event. It is a financial engineering problem with consequences for fairness, taxes, liquidity, and the company's capital structure. Shares can be gifted outright, sold to heirs with personal loans, purchased through company earnings over time, or transferred through buy-sell agreements funded by insurance. Founders can retain dividends or real estate rent to support retirement, or they can exit fully to maximize autonomy for the next generation.

The Pritzker family, heirs to Hyatt, shows what happens when the financing of succession is ambiguous. Disputes over asset division and liquidity dragged on for years. It was expensive, painful, and public.

By contrast, Cargill's staged buyouts and trust structures gave family members liquidity without diluting control. IKEA represents another approach. Ingvar Kamprad separated operating companies from long-term control through foundations. That structure reduced inheritance friction and insulated the company, although it also limited flexibility.

The principle is straightforward. The financing of succession should never starve a company of the capital it needs to grow. It should not force the next generation to choose between paying down debt and reinvesting in the business. When founders want to retain income streams, that desire should be balanced against the enterprise's need for reinvestment and the successors' need for room to operate.

A practical next step is to model cash flows over the transition. Ask whether the firm can fund a buyout, whether heirs can shoulder debt without suffocating growth, and whether gifts make tax and fairness sense. Run several scenarios with your CFO and your accountant, and be explicit about tradeoffs.

Question 6: What will be the future role of family members?

Even family members who do not work in the company have legitimate interests as owners, heirs, or stewards of the legacy. Without a structure to hold those interests, business decisions migrate to the dinner table and relationships suffer.

Families can choose hands-on management by multiple relatives, governance only with a professional team running operations, voice without control through a family council and assembly, or minimal involvement limited to symbolic roles.

S. C. Johnson built a durable family governance system that separates voice from vote. Councils and assemblies give non-operating relatives a channel to discuss dividends, philanthropy, education, and values. Boards and executives handle strategy and operations. The result is fewer mixed messages and far less informal pressure on managers.

The Walton family at Walmart, in a different model, remains highly influential at the board and ownership level while leaving daily execution to professionals. Their influence is strategic, not operational.

Families that skip this decision often find themselves in the worst of both worlds. Non-working relatives exert informal pressure for higher dividends. Managers feel whipsawed between board priorities and family demands. Over time, talent leaves because the lines of authority are not clear. The remedy is not to reduce family voice, it is to place that voice in the right forum and give it real work to do.

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A practical next step is to pilot a family council for a year. Give it a charter that covers values, education of next-gen owners, philanthropic priorities, and dividend policy recommendations. Do not put hiring, promotion, or operational decisions on that table. Review the pilot at year end and adjust.

Question 7: What legal structures or agreements are needed to facilitate succession?

Good families with good intentions still need legally binding documents. Trusts, buy-sell agreements, and shareholder agreements are the scaffolding that keeps relationships and businesses intact when life happens. These instruments clarify who can own, how shares are valued, how they can be transferred, and how deadlocks are resolved. They are not instruments of distrust. They are instruments of care.

The Hershey Trust is the archetype of a structure that preserves mission and stability. By placing control in a trust dedicated to a social purpose, Milton Hershey ensured that profit and purpose would remain intertwined.

Gucci is the mirror image. Without strong agreements to coordinate dispersed ownership, shares moved to outsiders over time, and family control evaporated. IKEA's foundation model similarly demonstrates how legal architecture can preserve continuity across generations, though every design has tradeoffs that need to be understood and accepted.

A practical next step is to conduct a governance document review with outside counsel who specializes in family enterprises. Bring your buy-sell, trust, shareholder, and employment policy documents to the table. Ask the lawyer to explain how a divorce, a death, or a desire to cash out would play through the system. If you do not like the answers, change the documents before you need them.

Question 8: What steps will be taken to develop the next generation?

Succession is a process. No one becomes a credible leader or owner by virtue of a last name. Development is the difference between entitlement and stewardship. The ingredients are familiar. Formal education in business or a relevant field. External work experience that subjects the next generation to bosses who do not share their last name. Rotational assignments inside the company that provide breadth and depth. Mentorship and coaching that stretch skills. Owner education that teaches governance, finance, and the obligations that come with control.

The Murdoch family shows the intensity and complexity of next-gen development at global scale. Rupert Murdoch's children were given opportunities inside and outside the business, with results that have been debated in public. What matters for our purposes is that development was intentional and multi-year.

The Ford family did something similar at Ford Motor Company. Bill Ford Jr. built credibility through board service and operational roles before leading as CEO and later as Executive Chairman. Patagonia offers a different angle. The Chouinard family invested in governance education so that they could be stewards of a new ownership form that fused profits with environmental mission.

Families that skip development often discover that their heirs cannot win the confidence of employees or lenders. The cost is high, and it is entirely avoidable. Development is not about proving a point, it is about preparing a person. It begins years before the baton moves.

A practical next step is to write an individualized development plan for each interested next-gen member. Include external roles with timelines, internal rotations with defined learning goals, and a governance curriculum that covers reading financial statements, understanding capital allocation, and serving effectively on a board.

Question 9: When should the succession happen?

Timing is emotional and strategic at once. Move too early, and successors are unprepared. Move too late, and founders stunt innovation or expose the firm to health and contingency risks. The best answer is usually a phased transition over three to five years. Founders mentor and gradually shift authority. Successors make real decisions with real accountability. The board monitors progress and protects both sides.

Ford once again offers a useful example. Bill Ford Jr. did not move from zero to chief executive in a day. He had time to earn trust and to learn the levers of a

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complex enterprise. When the global financial crisis hit, he and the board recruited an outside CEO and later returned him to the Chairman role where he has been a steady hand.

Outside the family context, Apple's transition after Steve Jobs's illness and death is often cited. The company had a tested chief operating officer in Tim Cook ready to step in. The lesson for families is to prepare, to communicate milestones, and to avoid the two extremes of the sticky baton and the sudden exit.

A practical next step is to mark a calendar. Put a target date for formal handoff on it. Then work backward to set milestones for development, governance changes, ownership transfers, and communications. Treat the plan as dynamic, but do not let it become indefinite.

Question 10: How will succession plans be communicated to the family and to employees?

Communication is the thread that runs through every decision. Plans that are not shared do not function. Families need to decide who hears what, when, and how. Family members should be engaged early and candidly, so that surprises are minimized. Employees should hear the plan from the top, not the rumor mill, and hear it early enough to build confidence rather than anxiety. Core external stakeholders, such as lenders and key customers, should be reassured on timing and continuity.

Ford communicated leadership changes openly during turbulent times, and that transparency helped stabilize markets and morale. When New Belgium decided to sell, the founders framed the announcement in terms of protecting the culture and safeguarding employee owners. That choice of framing mattered. It tied the decision back to values and treated people like adults.

Communication is not a press release at the end of the process. It is a series of conversations and announcements that track with the stages of the plan. Families that get this right reduce uncertainty. Families that hide the ball lose talent, damage trust, and make every other decision more difficult to execute.

A practical next step is to draft three messages in parallel. One for the family, one for employees, and one for external partners. Test the messages with a small, trusted group. Revise. Then decide the sequence and the timing so that the people most affected hear first and hear from the right voice.

Bringing it together

Each question in this framework stands on its own, yet the power lies in the sequence. Decide first whether you will keep or sell. If you will keep, articulate vision before you pick a leader. Decide ownership before you decide compensation and dividends, because ownership determines decision rights. Finance the transition in a way that preserves growth. Build family governance so that voice has a place and managers have authority. Put legal scaffolding under the plan. Develop people years before they assume the job. Time the handoff to maximize readiness and minimize risk. Communicate continuously and respectfully.

Families who work through the questions in this order reduce the ambient noise of succession. They turn potential flashpoints into a shared project. They make fewer emergency decisions and more strategic ones. Most importantly, they preserve relationships while preserving enterprise value. That is what multi-generational stewardship looks like in practice.

For many families, the hardest part is getting started. If that is you, begin with a family meeting and two sentences. The first sentence says why the family would choose to keep the company. The second sentence says why the family would choose to sell. Then sit with the answers. Talk about them. See who you are, and decide accordingly. Everything that follows will go better because you were honest at the beginning.

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