Entrepreneur & Innovation Exchange
Published online at FamilyBusiness.org on July 30 2026
DOI: 10.32617/1428-6a6b4b5b58d5a

Founder Succession: Six Lessons From 15 CEOs Who Actually Lived It

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KEYWORDS: family business succession planning, Business Succession Planning, Founder Succession, Business Continuity, Founder Exit.

What happens after the founder steps aside? Interviews with successor CEOs reveal the emotional, organizational, and family dynamics that determine whether leadership transitions succeed—or stall.

Most founders know, at least intellectually, that they will not run the business forever. Far fewer act as if that day is real.

That gap between knowing and acting is one of the great dangers in family business succession. A founder may say that one day a son, daughter, trusted employee, or professional manager will take over. The family may assume there is a plan. Employees may assume that everyone knows who will be in charge when the founder steps aside. But when the moment finally comes, the organization often discovers that the "plan" was more of a hope than a process.

I studied this problem by interviewing 15 successor CEOs who had taken over, or were in the process of taking over, small and midsized privately held businesses from their founders. These were not theoretical conversations. They were discussions with the people who had actually sat in the successor's chair and had lived through the ambiguity, delays, family pressure, ownership questions, and emotional difficulty of the founder's departure.

The successors were not all the same type. Ten of the 15 were members of the founder's family; the other five were long-time insiders or outside professional managers who were promoted into the top role. That mix was useful because it showed that founder-succession problems are not limited to parent-child transitions. Family dynamics matter greatly — family successors in this study were also the ones most likely to hold back from confronting the founder, discussed in Lesson 4 — but even non-family successors can struggle when the founder retains ownership, authority, customer relationships, or emotional control of the business.

The companies in the study were privately held small and midsized businesses, not public corporations. Each had 200 or fewer employees at the time of succession and annual revenue between \$5 million and \$200 million. Although the companies varied in revenue, the succession patterns were remarkably similar: founder control, family influence, unclear authority transfer, and lack of formal planning mattered more than company size alone. To be clear, the \$5 million to \$200 million revenue range and the 200-employee ceiling were independent screening criteria for inclusion in the study, not a description of one typical company. Firms toward the higher end of the revenue range tended to be asset-light, revenue-per-employee-intensive businesses — real estate, professional services, and similar fields — rather than manufacturers with large workforces, which is how a company could clear \$200 million in revenue while still employing fewer than 200 people. On average, the founders in this sample were 65 years old at the time of succession and had led their companies for just over 25 years; the companies themselves averaged 59 employees, well under the 200-employee ceiling for inclusion in the study.

The original purpose of the research was to test whether an existing founder-succession model, developed from larger companies, applied to smaller privately held firms. The answer was: only partly. In small founder-led businesses, the succession process was shaped less by formal organizational logic and more by founder control, family influence, personal identity, ownership, and the founder's ability—or inability—to imagine life after the business.

The original model asked three basic questions. First, had the company changed enough that it needed different leadership skills? Second, could the founder adapt to those changing needs? Third, if the founder could not or would not adapt, did the founder have enough power to block or delay succession? In larger firms, growth, complexity, board pressure, investors, or changing markets may push a founder out. In the smaller privately held firms I studied, the third question often mattered most: the founder usually had enough ownership, authority, and family influence to decide when succession was real.

The shift in thinking	What it means for founder-led firms
Original question	Has the company outgrown the founder?
Better question for small and midsized founder-led firms	Has the founder prepared the business, the successor, the family, and himself or herself for a real transfer of authority?

In the end, only six of the model's 12 original sub-factors held up in this smaller population. None of the 3 factors tied to organizational skill fit — firm size, growth rate, or how much the product line had expanded — showed any relationship to how long a founder stayed in charge. Three of the four factors tied to the founder's personal adaptability did hold up (general management experience and industry experience both showed the predicted effect; formal education did not). And of the five factors tied to the founder's ability to block succession, three held up clearly — ownership concentration, an insider-heavy board, and a family-dominated culture all extended a founder's tenure — while a policy of promoting from within only weakly held up, and industry turbulence, if anything, ran the opposite direction than the model predicted.

Six lessons stood out.

1. Founders often think about cashing out before they think about legacy

Many founders were not primarily thinking about succession as a leadership-development process. They were thinking about how to get their money out of the company. (This was the dominant pattern in 12 of the 15 companies I studied.)

That is understandable. In many small businesses, the founder's wealth is tied up in the firm. The company may be the founder's retirement plan, largest asset, and life's work all at once. So when succession finally becomes real, the first question is often not, "Who is prepared to lead this organization for the next 20 years?" It is, "How do I turn my ownership into retirement income?"

That financial question is legitimate, but it is not enough. A buyout, ESOP, inheritance plan, stock redemption, or sale agreement may solve the founder's financial problem while leaving the leadership problem unresolved. A successor may receive the title before receiving real authority. A family member may inherit ownership without being ready to lead. A trusted employee may be asked to run the business while the founder still controls the money, the board, and the major decisions.

The practical lesson is simple: ownership succession and management succession are related, but they are not the same thing. A business needs both a financial transition plan and a leadership transition plan.

A good succession plan should answer two different questions. First, how will the founder extract value from the business fairly and sustainably? Second, who will lead the company, with what authority, on what timeline, and with what preparation? When those questions are blurred together, the successor is often left with responsibility without authority.

Practical takeaways

- Separate ownership transition from management transition.
- Do not assume a buyout, inheritance plan, or ESOP automatically creates a prepared successor.
- Define who will lead, with what authority, on what timeline.

2. Founders often do not plan until age, illness, or family pressure forces the issue

Many founders delayed succession planning until something made avoidance impossible. A health scare, a death of a co-founder, fatigue, old age, a spouse's concern, or a son or daughter's direct intervention often forced the conversation. (nine of the 15 founders in this study fit this exact pattern.)

DOI: 10.32617/1428-6a6b4b5b58d5a

In several cases, the founder had verbally acknowledged that succession would eventually happen, but no serious plan existed. There was no timetable. There was no list of responsibilities to transfer. There was no training process. There was no emergency plan. The founder simply assumed that when the time came, the organization would somehow work it out.

That assumption is dangerous. A founder's sudden illness or death can throw a small business into crisis. Employees may not know who has authority. Bankers and customers may become nervous. Family members may disagree. Key employees may leave. The successor may not know the founder's unwritten rules, customer history, lender relationships, pricing instincts, or informal promises.

The best time to start succession planning is before anyone feels forced to do it. Planning does not mean the founder must retire immediately. It means the business is protected if the founder cannot come to work tomorrow.

Every founder-led business should have at least two succession plans. The first is a long-term transition plan. The second is an emergency plan. The emergency plan should answer basic questions: Who signs checks? Who talks to the bank? Who handles payroll? Who speaks to employees? Who calls the top customers? Who has access to contracts, insurance documents, leases, passwords, and vendor records? Who has the legal authority to act? A founder who refuses to answer those questions is not preserving control. He or she is creating risk.

Practical takeaways

- Create a long-term succession plan before the family feels forced to act.
- Create a separate emergency plan for sudden illness, death, or incapacity.
- Make sure someone besides the founder can access critical relationships, records, and decision rights.

3. Majority ownership lets founders do what they want—even when it confuses the business

In most of the companies I studied, the founder controlled the company because the founder controlled the ownership. That ownership gave the founder the practical power to decide when succession would begin, when it would end, and whether the successor would have real authority. (12 of the 15 founders held a controlling ownership stake, and eight of the 15 successors described the founder simply doing as he or she pleased, regardless of anyone's advice.)

This is one of the sharpest differences between succession in public companies and succession in small privately held firms. In a public company, a board, investors, or market pressure may force a CEO transition. In a founder-led private company, the founder may be able to ignore advice from everyone.

Several successors described founders who accepted the idea of succession in principle but then continued to intervene in daily decisions. Some founders transferred authority and then took it back. Some reversed the successor's decisions. Some continued to speak as if they were still in charge. Others left the successor in a vague middle position: responsible for results, but not fully empowered to make decisions.

Jeffrey Sonnenfeld's classic work The Hero's Farewell described recognizable patterns in how powerful leaders leave office: "monarchs," who resist leaving until they are forced out by death, illness, or revolt; "generals," who leave reluctantly and then look for a way back, sometimes even after formally handing over the office; "ambassadors," who leave gracefully and remain available as a supportive elder statesperson; and "governors," who treat leadership as a fixed term and move on without looking back. In founder-led businesses, those departure styles can be amplified by ownership control: a founder who behaves like a monarch or a general doesn't just have an emotional difficulty leaving, but also the voting power to delay or reverse the transition. The founders who made succession work in this study looked more like governors or ambassadors — clear about when their term was ending, and comfortable handing over real decisions rather than just a title.

The result was predictable. Employees became confused. They did not know whether to follow the founder or the successor. The successor's credibility suffered. The founder, sometimes without intending to, undermined the very person who was supposed to protect the company's future.

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The practical lesson is that a succession plan must transfer authority, not just title. The founder should publicly identify the successor, define what decisions the successor now controls, and commit to supporting those decisions. If the founder disagrees with the successor, that disagreement should be handled privately. Employees should not be forced to choose between the old leader and the new leader.

Practical takeaways

- A succession announcement is not enough; authority must actually transfer.
- The founder should publicly support the successor and handle disagreements privately.
- Employees should never be forced to choose between the old leader and the new leader.

Title is not the same as authority

One practical pattern appeared repeatedly: a successor could have the title before having the power. The founder might announce the successor, but still control major spending, customer relationships, employee decisions, family politics, or strategic direction. In those situations, the successor was visible enough to be blamed for results but not empowered enough to fully lead. In this study, only four of the 15 successors said the founder had actively trained them for the role before the formal handoff — the rest described being left to figure it out largely on their own.

That half-transfer is risky. Employees learn to wait for the founder. Customers continue calling the founder. Family members appeal around the successor. The successor becomes responsible for the company's future while the founder continues to control the company's present.

A real succession should therefore identify which decisions have transferred, which decisions are still shared, and which decisions remain with the founder for a defined period of time.

4. Successors are often reluctant to confront the founder

Successors usually know when the transition is unclear. They know when the founder is delaying. They know when employees are confused. They know when weak managers are being protected because they are part of the founder's old team. Yet many successors are reluctant to confront the founder. (7 of the 15 successors described this reluctance directly — most often in family successions.)

This reluctance is understandable. The founder may be a parent, mentor, boss, majority owner, or all of those at once. A successor who pushes too hard may appear ungrateful, disloyal, impatient, or disrespectful. In a family business, the confrontation does not end when the workday ends. It follows everyone home.

But silence has a cost. If the founder delays the transfer of authority, the successor remains in limbo. If the successor waits too long to make needed personnel changes, the business may suffer. If employees sense that the founder is still the real authority, they may bypass the successor. If the successor cannot establish credibility, strong employees may begin to wonder whether the company has a future.

A respectful confrontation is not rebellion. It is leadership.

Successors should ask for a written transition plan, a timetable, and a public statement of support. They should also ask the founder to define the founder's post-succession role. Will the founder be retired, chair of the board, consultant, salesperson, technical advisor, landlord, or owner only? The answer matters. A successor should not accept responsibility for the company without knowing what authority comes with it.

Practical takeaways

- Successors should ask for a written plan, not only verbal assurances.
- Respectful confrontation can protect the business from prolonged ambiguity.
- Do not accept responsibility for results without clarity about decision authority.

5. Founders often identify so strongly with the business that leaving feels like losing themselves

For many founders, the business is not just a business. It is their name, reputation, identity, social status, daily routine, and proof that their life's work mattered. (seven of the 15 founders showed this pattern strongly.)

That makes succession emotionally difficult. The

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founder may understand the need to step back, but still resist the actual steps that make stepping back real. Giving up the CEO title may feel like giving up relevance. Handing over decisions may feel like becoming unnecessary. Watching the successor change old systems may feel like criticism of the founder's life's work.

This emotional reality is often underestimated by advisors and family members. They treat succession as a technical project: Create the plan, value the business, draft the documents, choose the successor, and announce the transition. Those steps are necessary, but they do not fully address the founder's internal struggle.

Finding five is about identity: Who the founder will be after succession. If the founder's identity is fused with the business, then succession planning must include identity planning. What public identity will replace "owner" or "president"? Will the founder become mentor, investor, board chair, teacher, philanthropist, family elder, or something else?

A founder who has no answer to "Who will I be next?" may cling to the title long after the business needs a clearer transition.

Practical takeaways

- Ask who the founder will be after succession, not only what legal role the founder will hold.
- Treat identity planning as part of succession planning.
- Help the founder move from being indispensable operator to respected elder, mentor, investor, or advisor.

6. For many founders, the business is their hobby

Several successors described the founder's business as his or her hobby. That word matters. (four of the 15 successors used the word "hobby" themselves, unprompted, to describe the founder's relationship to the business.)

A hobby is something people do because they enjoy it. They think about it in their free time. They talk about it at dinner. They read about it, improve at it, and return to it even when they are tired. For many founders, the company plays exactly that role.

This explains why retirement can be so hard. Outsiders may think the founder should be relieved to stop working. But the founder may not experience the business as work in the ordinary sense. The business may be the place where the founder feels most competent, most respected, and most alive.

Finding six is about activity: what the founder will do after succession. The founder needs something meaningful to retire to, not just something to retire from. A founder who has no meaningful post-succession activity may drift back into the company simply because the company remains the most interesting thing in his or her life.

Families and successors should pay attention to this distinction. Finding five asks, "Who will the founder be?" Finding six asks, "What will the founder do?" Both questions matter. A founder with a meaningful identity and meaningful activities outside the CEO role is more likely to let the successor lead.

Practical takeaways

- Ask what the founder will do with time, energy, relationships, and expertise after succession.
- Do not assume retirement is attractive if the business is the founder's main source of purpose.
- Build post-succession activities before the founder steps away.

What founders should do now

Founders should begin by accepting that succession is inevitable. The only choice is whether it will be planned or forced.

They should create a written succession plan with a timetable, even if the timetable is later revised. The plan should list the founder's current responsibilities and identify when each one will transfer to the successor. It should also include a communication plan so employees, lenders, customers, and family members understand what is happening.

Founders should also create an emergency plan. If the founder is unexpectedly unavailable for 90 days, the company should know who is in charge and how critical decisions will be made.

Finally, founders should design their post-succession

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life. The founder who has a meaningful next role and meaningful activities is less likely to sabotage the successor by accident.

What successors should do now

Successors should seek clarity before accepting responsibility. They should ask: Am I truly the successor? What authority do I have now? What authority will transfer later? What decisions still belong to the founder? When will employees be told? What happens if the founder and I disagree?

Successors should also ask for mentoring. Founders often carry decades of tacit knowledge that has never been written down. The successor needs access to customer history, vendor relationships, pricing logic, employee background, financial habits, risk tolerance, and strategic assumptions.

Most importantly, successors should not confuse patience with passivity. A founder may need time to let go, but the business also needs clarity.

What boards and advisors should do now

In many small businesses, the board is advisory rather than truly independent. Even so, board members, attorneys, accountants, consultants, and trusted advisors can play a crucial role by raising succession before crisis hits.

Advisors should frame succession planning as business continuity, not as retirement pressure. They should help the founder separate ownership transition from management transition. They should also encourage honest assessment of family successors. Family membership may create opportunity, but it does not guarantee readiness.

The board or advisory group should also insist on an emergency plan. No responsible business should depend entirely on one person's continued health.

The bottom line

Founder succession in a small or midsized privately held business is not just a legal event, financial transaction, or change in title. It is the transfer of leadership from the person who created the company to someone who must lead without the founder's original authority.

The study of 15 successor CEOs showed that the hardest succession problems were not always caused by market change, lack of founder intelligence, or organizational size. The harder problems came from ownership control, lack of planning, family dynamics, founder identity, and the emotional difficulty of letting go.

A successful succession requires more than choosing the next leader. It requires preparing the founder to leave, preparing the successor to lead, preparing the organization to follow, and preparing the family to support the transition.

The best succession plans do not begin when the founder is tired, ill, or under family pressure. They begin while the founder is still strong enough to build the bridge to the next generation.

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