

## **The Good, The Bad and The Ugly**

Founders. Successors. They all have worries, concerns and fears. Just as founders may look forward – many with more than a little apprehension – to their life after a transition takes place, successors are mixed with optimism, energy and their own set of anxieties. Without open communication and a planned measured approach to the ultimate transition, expectations by both are less likely to be aligned.

What is succession? How do we know when it has happened? What are the signs it has occurred successfully? It is much more than a transfer of ownership or promotion of someone to senior management. Time and proactive effort should be dedicated to the transition of things like: knowledge, wisdom, capability, confidence, relationships, family values & business values, passion, purpose and professionalism.

Succession is a process rather than an event. How does a family ensure a gradual, well structured succession plan? It happens as 'control' and 'decision making authority' is transferred to a successor. The entire process is predicated on one significant factor: the founder or current leader has the desire and recognizes the need to move on. It also assumes they have confidence in an identified person to succeed them.

This can be done in many ways and the methodology chosen and followed through will have a profound influence on the ultimate sustainability of your enterprise. Here are the brief stories of 3 families:

### **The Good**

The Joyeux family has invested a lot of time, effort and attention in the orderly transition of their business from one generation to the other. The founders are enjoying a very happy sojourn away from the family business, living off their dividends. The successors have stimulated growth while continuing the founders' momentum. Everything is booming; the business, the family and the individuals within the family.

### **The Bad**

Pierre Malcontent founded his family business over 50 years ago, driving it from a simple home based business to a nationally respected manufacturer. Pierre had his fingers in everything. His creative touch drove sales while his manufacturing intuition provided valuable solutions to clients' needs. He always intended to pass on the business to his children, but never quite got around to the details. Unfortunately Pierre passed away last Thursday and the three children are caught in a dilemma, not quite ready to take over. Times are very uncertain for the business and for the family. Tensions are high; conflict is sure to follow.

## The Ugly

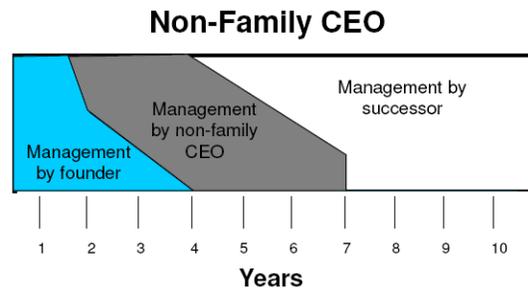
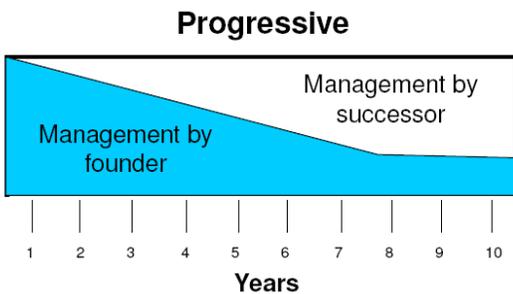
John Strong was a great buddy of Pierre's and a lot healthier. He and his wife Mary just love their business. Years ago they asked the children to take over so they could enjoy their retirement. After all, they didn't want to end up like Pierre. They still hold the bulk of the common shares and return every two weeks from their vacation hideaway. They love to attend the board meetings, giving their input on how the business ought to be run, and then take off on their next vacation destination.

Can things really go as well as for the Joyeux family? Are there actually founders like Mr. Malcontent who would put a lifetime's work at such risk? Don't Mr. & Mrs. Strong have it right? It's time to ask yourself: "Which story best reflects my business and my family?" Whether you are transitioning into the big chair, or transitioning out, *it's gut check time...*

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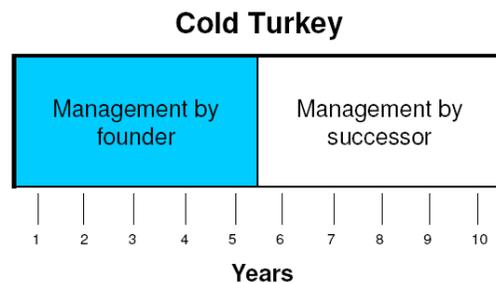
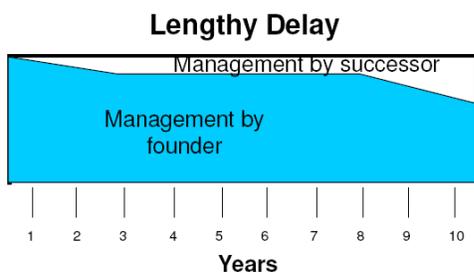
## The good:

A measured, gradual and defined transition is the best means to transfer control and decision making. It is an effective way to have a successful and seamless transition. One option, illustrated below, allows for the inclusion of a non-family CEO. There are often cases where the founder is ready to, or needs to, exit but the next generation successor is not yet prepared or qualified to take over.



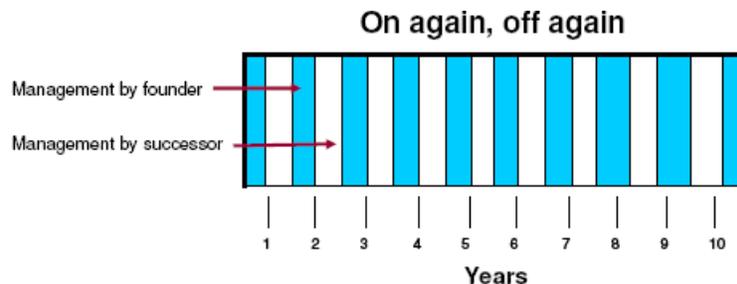
## The Bad:

Lengthy delays will both frustrate and undermine succession, with the important risk of damaging long term business success. The senior generation, unwilling to let go and unable to train and prepare the successor, hangs on until a time when it may be too late. The so called 'cold turkey' transition is most often the result of poor or no planning and the unexpected exit of the founder. Clearly no time is spent preparing the founder, the successor, the family or the business for post transition life.



### **The Ugly:**

On again, off again is hard on the business and very damaging to family relationships. What's worse, when dad finally exits – whether by his own choice or not – the business, the successor(s) and the family have not been given the opportunity to learn or to thrive without the senior generation.



Proper succession and a good transition are all about the orderly transfer of control and authority to a trusted successor. It is a change to trusted and competent new leaders, trained to make decisions about such things as strategy, capital expenditures, operations, marketing and other factors critical to the business operations. It is a process that requires planning!

For founders or senior family leaders, be involved in directing and helping the next generation to learn through personal and professional training and development, delegation with accountability and the sharing of your experiences. Successors in turn will come to understand that privilege and opportunity come with responsibility and obligation – to themselves, the business and to their family. Open, honest communication with an eye on the bigger future ahead will help create energy and alignment.

It's not too late and you can start this process today.



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