



# Managing Generations for Succession Planning

The “ties that bind” in a family business can also be the undoing of a company that carries a family legacy. Transitioning from one generation to the next can often be the hardest change a company goes through due to the emotional ties that are ever present in a family business. Business is tough enough in today’s economy, but when family connections are added into the mix, transitioning can be a disaster.

The Baby Boomer generation is on the cusp of retirement. This means that many businesses will be transitioning within the next 5 – 10 years and many of the transitions will fail. Eighty-eight (88%) of those who own family businesses believe that the company will continue to thrive for several generations, passing it down to their great-grandchildren. But, this is not the reality. Only 30% of family owned businesses survive into the second generation. 12% remain successful into the third generation and a very scarce 3% continue to operate into the fourth generation. This proves to be a shock to many families who believe that the strength of their familial unit is enough to support the business’ success.

## Succession Planning

Although these statistics are quite startling, they shouldn’t be disheartening. Successful succession planning can be the answer to the continual of a family business. The formal definition of succession planning is that it is a process of identifying and developing internal people with the potential to fill key leadership roles in the company. However, there may be family members outside of the business who are more qualified to take up the leadership.

Family members outside the business have a perspective that may be more objective than those who have been in the business their entire career and don’t have “other

company” experience. Creating a level playing field for all potential family members, whether inside the business or not, will start the process of testing, mentoring, developing and selecting the appropriate candidates for the next leadership.

Children who have a sense of entitlement will have a problem with this approach, but the goal is for the business to thrive and continue and having a process for selecting the next leader will help to make the process less emotional.

The process is best handled with help from outside experts and should be given three to five years for the best transition.

## Generational Differences

The generational differences between the current generation of leaders and the successive family members can affect all areas of the business. Those of the younger generation tend to be much more open to and adept with innovative marketing strategies, operational advances and new technologies. A family member, who has a wide knowledge of technology and current trends, as well as the necessary drive, will be invaluable as a business leader. An innate understanding of what’s happening next in the world will help a business continue to thrive into the future.

Click here to see a Generational Differences chart and get a better understanding of the key ways Baby Boomers, Generation X and the Millennials are different.



## Family Issues

Family owned businesses are unlike any other. The people who work together have a deep emotional history with each other that, if negative, can inevitably cause the company to fall apart. Lack of recognition, appreciation, communication, and control

issues are counted among the major problems. Consider the relationships between the relatives involved and how the chain of command and responsibility could exacerbate any of those issues.

### Baby Boomers

*born between 1946 – 1964*

### Generation X

*born between 1965 – 1980*

### Millennials

*born between 1981 – 2000*

## Getting Started with Succession Planning

The best time to start succession Planning is when the current leader is in his/her 50’s and is contemplating what is next for him/her. During this phase in a leader’s life, there may be restlessness, burn out, indifference and boredom. At the same time, control issues are a factor.

Experts in succession planning recommend that the process begins with the current leader developing clarity about the company’s goals, long-term business strategies and growth initiatives. Board members and the executive team should be included in early discussions and engage in the process early on. It takes time for an organization, and its leaders, to contemplate a major leadership transition and then actually embrace the process.

As mentioned previously, the transition period can take three to five years with the guidance of an expert. Taking the time to go through the process may be the most important work the company can do and will be the key to success in beating the statistics of family business continuation.