

CENTERNORTH

The Human Side of Strategic Leadership

Framework for Family Business Succession Planning

Succession Planning is a psychologically complex and multi-layered process and typically requires two to five years to put into place as well as continual revision and renewal.

Key aspects of a good succession plan include the following components:

I. IDENTITY, VISION, AND VALUES

- Put in place a solid foundation to increase likelihood of keeping family unified and the business viable.
- Discussion and clarification of identity, *i.e.* a “business-focused family vs. a family-focused family.”
- Alignment of vision and values of primary stakeholders.
- Establish code of conduct and process for conflict resolution and communication.

II. ORGANIZATIONAL DEVELOPMENT AND DESIGN

- Invest in strategic planning efforts and a forecast for the future.
- Create a board of directors with non-family members on the board
- Clarify roles, responsibility, boundaries, and accountability for
 - 1) family,
 - 2) ownership, and
 - 3) management

III. LEADERSHIP DEVELOPMENT AND TRAINING

- Develop business plan checklist for employee selection including:
 - (1) business rationale,
 - (2) outline of organizational structure, and
 - (3) alignment with family values and business identity.

- Identification of potential candidates. Internal vs. external hires.
- Implementation of leadership development and coaching program

IV. STEPS TO PREPARE FOR SUCCESSION

- Don't delay and "get around to it" one day.
- Create scenario of ideal CEO departure. Coaching to work through resistance and ambivalence.
- Identify successor. Pay attention to personality, fit, culture, and economic climate, as well as family dynamics.
- Prepare successor. Establish a joint-reign phase. Gradual transfer of responsibility and decision making to new leadership.
- Introduce successor to outward facing clients. Encourage risk taking, experimentation; build own client base and possibly new product lines.
- Mentorship/coach program to capture knowledge and wisdom of outgoing CEO
- Outgoing CEO to make plans for the future. Have something compelling to do and look forward to.
- Key stakeholders to increase self-awareness to minimize the bumps in the road and enable emotional clarity in the business selection process.

V. MANAGING SUCCESSION TRANSITION

- Withdrawal and transfer of title and responsibility. Successor to thoughtfully manage the transition and lead in predecessor shadow. Hold onto culture and legacy while at the same time gradually develop own footprint and unique added value.
- Develop effective and transparent communication vehicles
- Manage both internal and external uncertainty and ambiguity that comes with change in leadership.
- Match leadership goals and organizational growth trajectory to current economic climate.