Top Five Pitfalls of Succession in a Family Business
By Cathy Carroll

Succession in a family business can be fraught with challenges. Avoiding these five pitfalls will increase the chances of successful family and business continuity.

1) **Unclear stakeholder goals.** There are many stakeholders in family business succession: current owners, future owners, employees, family members and governing boards to name a few. When considering succession, clarify the goals of each key stakeholder, especially since they are often not aligned. Goal clarity is essential to successful business continuity because it allows for honest discussions and eventual agreement on a strategy. Succession decisions made in vacuum can result in doomed and unintended outcomes.

2) **Ignoring the emotions.** Wouldn't it be nice if all our decisions were rational? Well, neuroscience is showing exactly the opposite: our decisions are emotional, and we use reason to justify them. This pitfall is closely aligned with pitfall #1 because every stakeholder views succession from a different lens, with different needs and with different emotions. Opening the dialogue about these needs can feel risky, vulnerable, yet it's critical to successful transitions. And speaking of emotions, owners who fail to focus on their "third act" or "encore career" often find themselves paralyzed, unable to execute on their continuity strategies.

3) **Delaying the conversation.** Succession will take place whether it's planned or unplanned, and planned transitions set up future owners for greater success than unplanned ones. The longer business continuity discussions are delayed, the fewer the options to consider, and stakeholders risk getting backed into a corner. Starting the discussion doesn't mean executing the plan. Much work can go into preparing for successful business transition, from developing future leaders to estate planning, before the leadership baton is formally passed on.

4) **Hiding from difficult conversations.** Leaders of family businesses have conflicting jobs. On one hand, as leaders of a family business, they are responsible for the short- and long-term viability of the business. On the other hand, they are often parents responsible for raising new members of society. Sometimes those roles create conflict within a leader. When wearing the "business" hat, succession decisions can be clear. When wearing the "family" hat, succession decisions can also be clear, but not the same. Succession planning sometimes leads to decisions that disappoint people we love. Leadership means finding the courage to have these conversations.

5) **Underinvesting in the transition.** Business continuity decisions are often difficult. Fortunately, there are many experienced professionals to help. In addition to your attorney(s), accountants and financial advisors, consider adding a transition advisor to coordinate your advisory team. Think about a philanthropy advisor. Bring in a coach. Trained coaches help leaders clear out the cobwebs, clarify their goals and facilitate effective decision making. Allow your advisors to collaborate with each other. You may think that collaborative advisory teams cost more, but the results they deliver are far more effective and should save you money and heartache in the long run.

Succession in a family business is an emotional process as much as an ownership transition. Keep these pitfalls in mind to increase the chances of achieving the success you seek.

About the author:
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