For a smooth glide

It is for the various stakeholders to ensure smooth transition of power in a family-owned business.

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Illustration: Darshan Sompura

Succession planning needs to be understood as a successful transition of human capital at different levels of an organisation, aimed at future leadership and business growth in an ever-changing, complex, and evolving environment.

In family businesses, owing to their homogeneous nature, transition from one generation to another is bound to cause conflicts. There can be successful transfer of power only when family members are open to communication even while recognising their differences. If 'trust' and 'communication' are in place, a family business can survive for many generations. In a family-owned business, the influence and control of the founder is usually considered indisputable and the whole business revolves around him or her, which should not be the case ideally. But there are times when such leaders have to step aside and let others carry on their legacy.

Here are a few common situations when succession planning can be thought of:

- The founder is not keen to hand over but has to, due to age and other pressures
- Some members want a professional CEO; others want to run it themselves
- Multiple generations, cousins, in-laws, public shareholders, and professionals are already present in some position or the other
- The founder is no more and there is no one ready—a family member or professional—to take charge
- Change in shareholding patterns—where there is one large shareholder and the rest are scattered
- Ownership and management need to be separated and a professional CEO is to be brought in
- Choosing between two equally qualified cousins

Transparency and communication

Succession planning is a complex piece that requires deep diving, in terms of documenting a whole lot of things. The start may be uncomfortable and cumbersome; it is essential to pre-plan and avoid conflict as far as possible. The underlying tone should be to create a safe space wherein people speak out and express themselves. The whole idea is to open the doors of communication for discussion, and address the fears, concerns, and aspirations of everyone concerned. In many cases, there are cousins who no longer grew up together in the same house/ country; this could make taking them in the same boat a herculean task. And in Asia, many a time

culture acts as a stumbling block; for instance, we are not comfortable discussing elders ‘not being there’ for us.

It is important to maintain two-way communication between the successor and the stakeholders in a transparent and amicable manner—so that everyone is on the same page. All conversations and views should be objectively recorded/documented and then discussed—a decision can be arrived at by a vote of majority, or considering what is best in the present scenario while keeping an eye on the future. This reduces the chance of heart burns, strained relationships, and conflicts among family members, and goes a long way towards sustaining the business. Reverse mentoring among family members will be of great help in the process of succession, as common threads could create comfort across the different generations involved.

Strategy

Stewardship/leadership involves the ability to give up power. And before doing that, there is a need to create a leadership pipeline that has the experience to wield power carefully, with wisdom and without ego.

It is important to start preparing in advance knowing that no one lives forever. The legacy of the founder and his or her wisdom should be factored in while documenting the succession strategy. Whether an independent team of outsiders can help start the process and take it in a logical direction/conclusion, only time will tell.

Company culture

Care should be taken to ensure that the company’s culture is kept intact. For instance, the tradition of conducting Diwali puja in office, which was being followed for several years, should not be suddenly discontinued just because the new person at the helm does not believe in the ritual; it would send out a wrong message. It would be better to continue the tradition and see it as an opportunity for informal bonding.

When someone from the younger generation takes over, the transition demands a delicate balance. The older generation has to be accepting, and the younger generation should be sensitive enough to show respect, and not compromise the value system. If it is an outsider who takes charge of a family-owned business, it is imperative to align with the company’s cultural richness and its past. Only those aspects need to be changed that are required to keep pace with changing times and emerging business needs. For example, a person who took over a family business pressed hard for the need of an IT-enabled system, but it was opposed by his uncle on the board, but it was the need of the hour. For the uncle who was the nephew’s partner in games, the push back as a peer was a difficult thing to accept. Eventually, a mentor was required to mediate as IT upgrade was a necessity for the next generation.

Earlier, succession (by a younger family member or an outsider) as a policy was easier—seniority and willingness were the sole criteria. But now, these aspects are losing ground. In this era, what counts more is the willingness of both sides along with suitability, vetted by track record of the past, shareholding, psychometric assessments, and then may be a vote.

ABOUT THE AUTHOR

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Successors

Plans do not develop anyone—only development experiences develop people, aptly says Marshall Goldsmith.

For successors, it is important to do an appreciative inquiry into what works, and has worked in the company. They need to collaborate with influence, objectivity, and compassion, and not prove their point wielding power and authority. Getting onboarded by those who know the system can be helpful. It is all about others seeing you as a trustee/custodian of the Chair— successors have to view transition through this lens, right from the beginning.

Situations could arise wherein a favourite of the patriarch who has been a dedicated and experienced employee is considered a nuisance and humiliated/sacked by the new leader. This leads to a huge loss for the business, as there may be a drop in the quality quotient he took care of—the replacement may take long to get accustomed to the responsibilities of the new role. This kind of change puts the rest of the old guard on the back foot, and signals that the new leader does not attach value to experienced hands; this can prove dangerous to the employees' morale.

A very important point which needs attention is to understand the visible and invisible influences in family business. There are seniors in the family who are respected and enjoys a lot of command. And often, they play a strong role in the decision-making process. Therefore, it is crucial to understand the sensitivity of these forces and respect them. A simple illustration could be when a young member wants to conduct an opening ceremony on a Saturday and a senior member does not want it to be on that day (as the family guru had told him that Saturday was not auspicious for starting something new). Now, even though the junior member does not believe in it, he respects the decision and avoids doing it on a Saturday. These are simple, yet sensitive issues which if taken care would help in smooth operations. The successor needs to have a clear idea about the influences in the family.

From a legacy standpoint, these broad issues should be kept in mind while planning succession:

- Each one should be independent, yet within the boundary of family values
- No member of the family should go without basic amenities in times of need
- We should earn responsibly and give back with love, care, and share
- When people meet in the family, they should do so with love, respect, and care
- It is the power of the collective that everyone should cherish and contribute to

Family businesses, like all for-profit organisations, are driven by values related to competition, wealth, responsibility, fairness and hard work, which are built over generations. The family's cultural background also has a lot to do with the behaviour of family business owners. In India, for example, family actions often lead to business actions. Counterbalancing these family values about love, cohesion, self-esteem, and caring are economic priorities.

Formal concrete actions are needed for smooth transition from one generation to another, to ensure success of the business and safeguarding family wealth. But no strategies will work unless there is full trust and respect among all members, be it juniors or seniors.

Succession is always a two-way process. If seniors have to show open-mindedness and sacrifice, then juniors have to be sensitive to the values and beliefs of the senior members. Values and culture have to be enhanced and adapted to suit the changing environment without compromising on the wholesomeness and the collective conscious of the business. IM

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