

Special Edition Newsletter

Board Director Focus: Family Business Transitions



***Meaghan Juday** is an enthusiastic champion for family business. Her dedication to the global family business community is rooted in her experience as the fourth-generation leader and Chairman of the Board of IDEAL Industries, now 104 years old. Meghan served as the IDEAL Family Council Chair for 14 years and was responsible for increasing family engagement and mitigating risk. In addition to her years of service with the IDEAL board, dating back to 2008, Meghan is a thought leader and public speaker on family governance topics.*

Transitions in Family Business: More Complex than Meets the Eye

Meaghan Juday

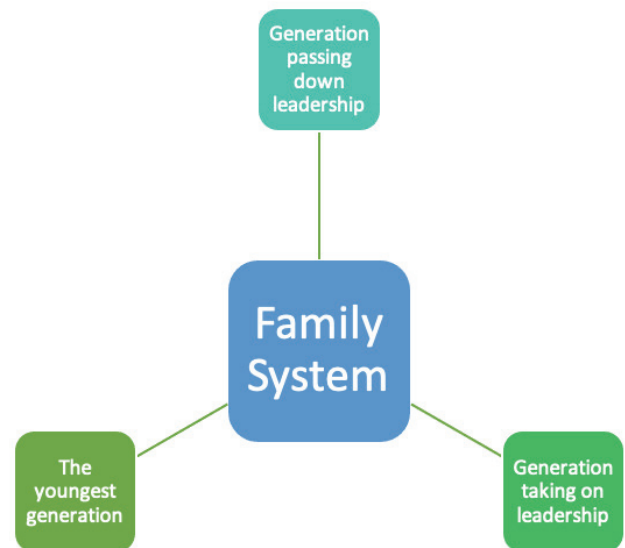
Imagine running a relay race. You trained for a decade to take the baton and run as fast as you can until it's your turn to pass on the baton. It seems pretty simple, you've done your part, and you fully expect the runner handing you the baton has spent as much time preparing to let go, but they haven't. The baton passer has spent the last decade preparing you, too, and hasn't thought much about their role in your success. You finally get to the race, you see the runner behind you, you reach out to grasp the baton, and they don't let go. They spend laps holding onto the baton with you. Welcome to family business transitions!

Family business transitions are not neat and tidy. There is no definitive passing of the baton. In part because family business transitions last for so long. The successor and the retiree spend much longer operating side by side even after the title has changed hands. By contrast, non-family executive hands over the keys and walks away, available by phone but fully separated from the influence and operational decisions. A family member experiences a very different transition. The passing of the baton in a family business takes years, even decades.

Transition is a Perpetual State

In family businesses, a family is always in a transition. A family business usually has three age groups or generations at one time in the family system (see graphic to right).

Many family businesses have found themselves surprised and unprepared for a transition. With that in mind, there is no time like the present to start working on transition. Many family leaders hold more than one role, both formal and informal. With each transition comes joy, grief, and fear: joy for leaving the business better off than you found it, grief over the loss of relevance, and fear of passing off the company or responsibility to a generation or a family leader with far less experience.



Start Planning Today for Transition

The Youngest Generation. If the family wants the business to be family-owned for future generations, start investing in the youngest generation at an early age. Bring the youngest generation together for complimentary programming every time the adults get together for business meetings. Have the kids develop, organize, and lead a family camp; they will learn how to work together, create agendas, and plan meetings in an age-appropriate way. Hire an experiential educator to help develop team problem-solving skills, leadership, and trust. Spend time taking on interactive plant tours or site visits. Have the children interview the CEO

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and report out to the family; I guarantee you will find out things about your CEO that you never knew and would never have thought to ask!

Generation Taking on Leadership. Develop job descriptions for all roles, formal and informal, identify competencies for those roles, and a development program to ensure that everyone knows what the evaluation entails and where they are on the readiness spectrum. Invest in conferences, encourage peer group participation, and focus on individual and group development. This generation should take time to get to know one another as a generation outside of the youngest and oldest generations.

Generation Passing Down Leadership. Develop a complimentary program for those individuals who will be stepping down. Focus on readiness, planning, and development for those who will be transitioning out. Find a licensed family business therapist to work with the retiring family member, the system dynamics around transition to ensure that the legacy is intentional and positive.

Family System. Work with an archivist, production company, or author to document the family leader's legacy and the older generation's legacy. Spend time at family meetings talking about what the person and generation did for your family and company. Celebrate the retiree, and present the video or book. For a lifetime of contribution, it requires more than a retirement party. It's an ongoing conversation and celebration

IDEAL Family Case Study

One would think that a multi-generational family business would become transition experts. After all, each preceding generation had to do it, and a hundred-year family business, like my family's, has had to do it many, many times. However, as we prepared for the fourth generation to take over as leaders and stewards of IDEAL, we realized that it would be an entirely different kind of transition than any other generation had done before. We were not going to pass the baton from father to son, and we were not going to have family members in the day to day management of the business.

A lot had to change for us to manage that transition. Below is a list of just a few of the initiatives we implemented to support the necessary changes:

Overhaul the family governance

Change family decision-making process

Create a family development and education committee to focus on developing family leaders and stewards

Create a family director development program

Transform the corporate board of directors

Change the value placed on family to better honor long-term thinking

Create a 5th generation development program, starting at the age of 3

Create a family risk and engagement tracking process and metric

Move to non-family leadership in the family council

This process took more than 15 years, and we still have more to do. Transitions require the continual evolution of the board, family, and management.

Build Transition Acumen

Given that a family business is in constant transition, it makes sense to get good at it. One way is to spend time as a family thinking about what will change in the next ten years, whether or not you are ready. Thinking about what will happen in the next ten years is often an eye-opening exercise. It should encompass all stakeholders, including the Company, Board, Management, and Family.

Company

How will the company be different? Will you expand operations, grow the company substantially, make acquisitions? How will the family and board adapt to the changes in the company? What will you need to do to ensure that both keep pace with the changes?

Board

Look at the current board's tenure and skills; the current directors may not be suitable for the company's future direction. Do your family directors have the skills and expertise to be meaningful contributors as the company grows? Do you have a family director development program to backfill for family director vacancies? Will you need to prepare for a new family board chair?

Management

What are the ages and skillsets of your management team? Will they be the team to move the company forward? Will you need to hire a new CEO or plan for a family successor?

Family

You may find that your youngest generation may be in college or high school. You will likely have many new spouses or partners added to the family. You may recognize that many in your senior generation may no longer be alive. One family I know realized that their family would go from 60 family members to 100 in the next ten years, making a need for onboarding new spouses and partners a critical issue.

Determining where your company, family, board, and management will be in ten years will likely create an overwhelming list of issues and challenges that need addressing, but keep in mind, all of these changes will happen whether or not you are ready. It's the first step to recognizing that your family business system is in a perpetual state of transition; the next step is to plan for it.

