PRIVATE DIRECTORS ASSOCIATION®
Creating Value Through Board Excellence

Board Director Committee

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# Special Edition Newsletter

## Board Director Focus: Family Business Transitions

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*A recognized expert on the topic of continuity planning, Stephanie advises clients on drafting needed policies and governance structures, as well as building a framework for next generation collaborations.*

*In addition to her extensive work in business and family governance, Stephanie has experience working with sibling and cousin teams, and developing training programs to educate next generation family members.*

*Stephanie is the author of Transitioning from the Top: Personal Continuity Planning for the Retiring Family Business Leader, a practical book that takes an in-depth look at the dynamics and challenges for leaders in transition. The book provides actionable tools and insights to support this critical process. In addition, Stephanie is the co-author of Building a Successful Business Board and Siblings and the Family Business, two well-regarded books published by Palgrave.*

# The Challenge of a Change at the Top

*Stephanie Brun de Pontet, Ph.D.*

While we may all understand that change is part of the natural order of things, few of us always embrace change; in particular significant change, like transitioning out of the CEO or Chairman role in one's family business. This kind of change, that we know, or fear, will have a big impact on how we see ourselves, or how others may see us going forward is downright threatening as it gets to the core of identity. If I am no longer CEO, who am I – what purpose do I have? The very understandable anxiety raised by these concerns lead many family business leaders to delay, avoid or perpetually put off the work of transition.

### The Plans that Don't Get Made

One specific dimension that is often underdeveloped is the leader's need to make plans for their own personal continued sense of fulfillment and joy when they are no longer in a daily leadership role in the business. Not only does this absence of planning put these individuals at risk for feeling adrift and unhappy in retirement – their inability to imagine a fulfilling life outside the business may well put the entire succession process and the business itself in jeopardy.

Successful business leaders understand that significant business changes require planning. But they may fail to recognize that what is true for the enterprise is also true for the individual. If 80% or more of your waking hours are consumed with doing one thing and being one person (the boss), when the time comes for you to relinquish that role in whole or in large part, it may lead to a tremendous sense of emptiness, confusion, or lack of purpose. Individuals in this situation may struggle with a sense of not knowing who they are anymore, a disorienting feeling, to say the least.

While the loss of one's central identity is certainly a major challenge, there are also practical losses that come with the end of the leadership role that may contribute further to the challenge CEOs have with their transition. For example, positions of leadership at work often come with perks, authority, privilege, and status that may not be readily available in retirement, representing further costs of movement into the post-work stage.

It is important that an outgoing CEO take some time to think about what they want for their future, asking themselves questions. What goals will you pursue? How will you pursue them? Who will it involve? Where will you go and how often? How will you feel you are making a meaningful impact and leveraging your knowledge and contacts productively? In addition, it is worth considering some of the concrete loses that come with a change in title. For example, consider the

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amount of personal (not related to business leadership) work your administrative team supports today, and think through how you will get this work done going forward. Do you need to hire a part-time administrative assistant? Where will you house the files you need to access for your board or other professionally related roles?

### No Man or Woman is an Island

A CEO's struggle in planning for their transition from day-to-day leadership is a particular problem in a family business because no change happens in a vacuum, so this planning avoidance can have a cascading effect – limiting the developmental opportunities of prospective successors, stymying needed conversations about evolving the role of a board of directors, and delaying important conversations between family stakeholders. It may also lead many to have more fears about the future instead of comfort in a well-thought, thorough plan.

This brings to mind two important questions:

1. How do you best prepare affected stakeholders (who may or may not be decision makers about this change) for a planned new reality that will have a meaningful impact on them?
2. Once change has happened, how do you get affected stakeholders, in all generations, comfortable and aligned around the new direction this change represents?

### Variables that May Play a Role

*How did this change emerge?*

Changes that are planned are usually easier to manage than those forced on us due to outside circumstances. One key aspect to communicate to stakeholders is the reasoning for the change. Sometimes decision makers assume everyone knows the "why" of a change, but that is often not the case. Helping all affected stakeholders better understand how the need for the change emerged provides important context that can improve buy-in.

*Who (or what group) are the decision makers on this change?*

When you have well-established forums for decision-making (e.g., board as the forum for key decisions about the business), stakeholders should have a better understanding of why some individuals were involved in a decision and others were not. In the absence of these governance structures, it is important to consider and communicate who should be involved in a particular change decision and why.

*Who (or what other groups) have a voice about changes like this?*

In a family business, there may be decisions on which a number of stakeholders have a voice — without having a vote. For example, family members may be polled about making the change to a non-family CEO without being empowered to select the CEO.

*How is input solicited (if at all) and details shared on this matter?*

Do you have an established process or protocol for sharing important changes with stakeholders and getting their input when needed? How does communication flow between management and owners, or between the owners and the board? Clarity on how to share communication helps all stakeholders feel there is a channel for their voice.

Many families will leverage the family council for outreach to family stakeholders. Some family council chairs sit in board meetings or meet with the board chair for updates from the business. Reliable communication flow with adequate transparency typically will help stakeholders better tolerate situations where their input could not be directly solicited, or updates on changes had to be withheld due to confidentiality.

*Are there processes to "on-board" change with stakeholders?*

When stakeholders have been consulted on an impending change and kept current on its decision-making process, they tend to be more comfortable with the change once it is upon them because they had time to acclimate. However, when a change is more sudden or not all stakeholders can be practically reached, there may be value in rolling out the change in a way to give all a chance to ask questions, be curious and generally get comfortable. For instance, there is great value in a new CEO spending a few evenings out with all the family shareholders so they get to know him or her as a person. Likewise, that CEO may be wise to get out in the field and tour various facilities to meet and greet employees.

**Make a habit of thinking about all the stakeholders who may be affected by a change and consider:**

- Are the individuals most directly impacted by the change engaging in the self-work they need in order to 'step up' or 'step back' in the case of a leadership transition?
- How do you want to communicate the message about anticipated change to help all stakeholders plan for, and buy into this change?
- What else in the broader system might need to evolve at the same time to maximize the chances for positive outcomes (e.g., strengthening the board for a new CEO)?

### In Summary

Do not forget to recognize and celebrate the ending that is leading to the change. Retirement celebrations are a great example of recognizing and honoring the past before we transition into the new. Acknowledging and marking the transition from what was to what will be may help many stakeholders get closure on the past which may help them to more fully support the future and related changes.

Always be mindful of the amount of change going on in the system and determine if there are some changes that warrant delaying or slowing to enable stakeholders to effectively and productively digest the changes already underway.

Never forget that change is hard — even intentional, joyful, planned change.

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