

Leave A Legacy, Keep Your Sanity: Essential First Steps to Generational Transfer

By [David Lively](#), [The Lively Merchant](#)

Kaboom! Trembling, yelling and laughing are all sounds heard when generations collide.

Retail is tough. Family life is tough. The combination of the two makes both even more difficult. An unprecedented four generations of leaders are in the marketplace today due to advances in medical care and increased longevity. Never before in world history has this happened, and the result is topsy-turvy relationships in both the boardroom and the dining room.

The transformation of family business is staggering right now. Shamefully, I know store owners who have worked for the family firm for over 25 years who are still waiting to take the reins. At the same time there are numbers of young people with little seasoning and even less support who are being thrown to the wolves with no real chance to succeed.

Writing about generations never fails to anger some camp. The important part is to learn with the desire to understand each point of view and its merits. I don't have an axe to grind. I'm dispassionate. I simply want to reveal the status of communication from the outside.

85% of the calls received by the Family Business Institute during the last few years came from junior generation executives who are at their wits end trying to run the company, with the senior generation overtly or covertly trying to maintain control.

It's a battle of intellect verses emotion. Companies are "man babies," and like a mother's attachment to her young, dad's attachment to the business feels like child rearing. The senior generation understands intellectually that it's sensible to let go, but this difficulty raises emotions and these emotions make it hard to handle cutting the apron strings.

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The primary reason for the generational log jam is pandemic hanging on, not estate planning or Wal-Mart or financial problems or hard working junior generations. The onslaught has been talked about since the 1970's.

Destruction of businesses as well as families can be avoided by understanding the friction from intergenerational transfer and facing them head on. Everyone has a part to play in both the problems and the resolutions.

Let's explore the pit-falls of this transfer first. Often as the senior generation deservedly begins to spend extended time away from the day-to-day operations, they maintain control over many of the company activities. Sometimes the bank balance is used as a weapon because "he who has the gold makes the rules." My least favorite tactic is the unilateral change in the goal line because the senior generation isn't ready to go at the pre-agreed to time. Lastly, the most damaging comment heard during generational disputes is, "I have more skin in the game than you." This one is particularly perplexing because the junior generation typically has everything they own tied up in the family firm, while the senior generation has a diversified portfolio from years of taking income out of the business.

The opposite side of this coin is a generation of young people who view themselves as entitled. The junior generation may be disrespectful of the elbow grease of the elder generations. Often they believe their paid-in-full college degree earns them the right to reverse years of effective management, policy and staffing decisions.

It is disrespectful of the junior generation to treat their elders, parents or grandparents in a flip manner. It is equally unreasonable to insist that the company be run as it was 20, 30, or even 40 years ago. The family should be working daily to resolve the issues of communication. Frankly, the difficult issues of today become company killers when left unchecked. Bad communication doesn't get better with time. Believing that you'll just wait out the senior generation will lead to deathbed resentments and ill prepared leadership.

Communication Fails

Manifestation of poor communication is pouting, or dominating, or cold shoulder passive aggressive intimidation. Senior generation leaders are typically hard charging, charismatic, entrepreneurial types. Once the junior generation finds their footing and begins to show these same traits, seniors become threatened and may try to bully their way to control. The spiral continues.

These problems result in roaring factions. Brothers and sisters side against parents, or son and dad side against mom, or cousins fight with their aunts and uncles.

Step one in improving family business communication is to recognize that we never outgrow our childhood desire for parental approval. Establishing unbiased advisory relationships outside of the business is the next step. Don't kid yourself when choosing these people. Often the professional service providers surrounding the company have been with the senior business owner for a number of years. Conversely, respected ending partners may highly favor the junior generation who is currently responsible for paying their bills.

Advisors and family members can't use roundabout communication techniques in the hope that decisions will favor their leanings. Direct, difficult and challenging coaching is key. All areas of communication - personal, family and business - are connected. This is a high gain process because many areas of life improve at once.

Poor communication leads to nonexistent generational transfer planning which leads to hosts of family and business problems. Some of the problems are: gossip in the local community, a younger generation that is turned off and disinterested, tension among in-laws and extended family members, constant bickering, lower profits, increased turnover, unfair compensation based on impractical measures, health problems, addictions, depression, loss of self esteem... and the list could go on.

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Call 740.415.3192

There is a solution

Family businesses need to move beyond accountants, lawyers, stockbrokers and insurance salesman to plan the transfer to authority and responsibility within their organization. While each of these professionals are invaluable in their area of expertise, rarely are they any help in planning internal business operations, developing systems, building teams, change training or improving communication.

Formality is focal. I'm not talking about the dress code, but formally written, clear, detailed, reviewed, specific, timeline-driven transfer of authority and assets. Because of the nature of family, it is not likely that anything short of formal planning will work. Stakeholders operating out of blind faith results in blind spots, and unless you're dealing with dumb luck the company is apt to end up in a money losing quagmire.

A key element for formally planned generational transfer is regularly scheduled meetings. These meetings must be held in a neutral location. The senior generation's office or the junior generation's condo is not advisable. The meeting must have a predefined start and end time. The agenda should include several "set" subjects such as financial management, personnel planning, operations, investment plans, marketing and merchandising trends, real estate issues, and of course asset and/or stock transfer.

The senior generation must begin planning a move out of the executive offices. (Personally, I believe it is best for them to move out of the building all together.) Being located in the executive offices during transition plays out poorly for all concerned because decisions are often naturally directed to the existing leader. This undermines decision making, slows relationship formation and confuses non-family help.

What's the senior generation to do with all this spare time? How about change the world. Find a passion and direct your considerable knowledge and earned authority. There is a tremendous need for mentors, advisors, teachers and non-profit directors. The senior generation can also make special time for spouses, children and grand children, often for the first time in their lives because deep family relationships tend to take a back seat during long extended growing periods of family business.

Formation of a board of advisors is another key step. The board could include the CPA, the lawyer, the banker, key non-family employees, representatives from all types of stakeholders, and generational transfer counselors. These outside people help move personal and family issues into the professional realm. This provides an environment with less friction.

The advisory board can help define the areas of responsibility for each generation. They plan the current, short term and long term jobs for everyone. The board can also help with a tricky problem with the senior generation, which is their accustomed independence from accountability and oversight. Ironically, the same entrepreneurial spirit that contributed so greatly to their success can become a stumbling stone during this transition.

Facing fears

Seniors fear that juniors will screw up their company. They fear becoming irrelevant. There is a perceived fear of financial security issues. At the same time, juniors fear disappointing their parents. They are scared to challenge the authority of their father, remembering the "because I said so," answer that sufficed all these years. They fear creating a divide between family members by making unpopular choices.

Another major fear comes from considering outside help. Families fear feeling embarrassed by their sometimes simple systems, or lack of real profits, of the airing of dirty family laundry. These fears should be handled like a tooth ache. When you have one, you don't think twice about seeking an outside specialist to work on short and long term solutions. Why would the same not be true in your family business? Big egos lead to big problems. Don't avoid the obvious signs.

Family Councils

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The dinner table, family picnic or a grandchild's birthday party is rarely an effective place for a business meeting. Because so few families plan differently, unfortunately many of these functions are no longer palatable for almost all concerned.

Overcome this hurdle with a formal family council. These meetings will be rocky at first. Over time, by including everyone who has a stake in a good outcome, the discomfort is relieved considerably. Initial meetings must include considerable discussion on the differences between wants and needs. Stakeholders MUST realize they will not always get what they want, but each party should know where their nonnegotiable line in the sand is.

Family councils are not democratic, nor are they authoritarian. Family councils make decisions based on consensus. Once decisions are made the united family front is the only way to possible successful implementation. "I told you so" is undermining and counterproductive regardless of which side slings it.

Family councils act as sounding boards for ideas and concerns. Facilitators make members commit to the decision and assure that they are honored. Unilateral decision making ceases. Poisonous behavior is called out and eliminated.

Council facilitators will constantly focus the family on their stated long term goals. Facilitators help the senior generation not to help second juniors even when approached by loyal employees, and they help juniors maintain a reverence for the history of the senior generation's legacy. Passionate and boisterous communication is guaranteed at each meeting, but this does not change the common goal of successful generational transfer and business continuity.

What's in it for me?

Family is family, forever. Your position in your family is permanent. A position within the family business is not. Understanding this dichotomy softens the feeling of failure when a family member wants to leave the firm. A professional family council will approve and support the desires of a person to leave the organization. The worth of the company and the worth of each family member are not tied tightly to one another.

Professional family councils also have the unity and strength to fire family members who aren't performing. Terminating family members is clearly the most difficult action in family business. However, the livelihood of the family firm can hang in the balance, and many generations and several branches of the family tree could die without proper pruning and maintenance.

A smooth generational transfer allows the company to maintain or even grow market share. Imagine the opposite: An organization embroiled in a generational battle for control focuses energy on petty issues and opens doors for the competition to walk through.

Planned generational transfer motivates and increases the morale for all concerned. It provides family and non-family key employees the opportunity to shine as they take on additional responsibility. Planning allows more personal time for the pursuit of passions, freeing people to be better parents, children and grandchildren. Perhaps most importantly, from a purely business perspective, there is a greater focus on customer service, product development and cash management that lead to a stronger company for the future.

How does it end?

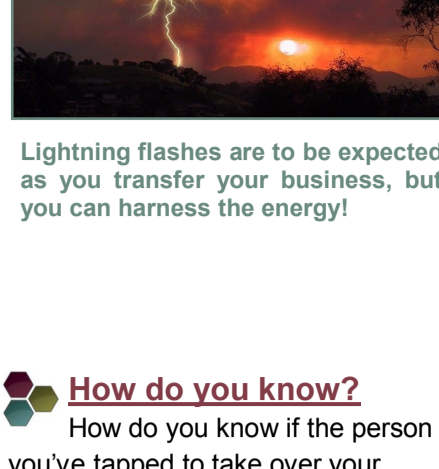
The feel, speed, and tone of succession planning are definitely set by the senior generation. Authority cannot be taken. Authority must be passed from one generation to the other. The responsibility for beginning and finishing the generational transfer process rests squarely on their shoulders, and they must realize that their choices will wither improve and strengthen the family structure and business over time or creating generations of ill will and possible loss of wealth.

The number one problem in generational transfer is a two headed monster: The senior generation has a very hard time letting go, while the junior generation struggles to be patient and respectful of senior generation's desire to remain useful.

Success is a choice. Each generation will decide to cooperate or they will decide to compete for control of personnel, procedures, processes and responsibility.

Each way, Father Time will keep marching.

Change will happen - ready or not.



Lightning flashes are to be expected as you transfer your business, but you can harness the energy!

How do you know?
How do you know if the person you've tapped to take over your company can handle it? You've poured your life's blood into that business, and you want to leave a legacy—not a GOB.

How do you know?
How do you know if you're ready to take the reins—and the responsibility, authority and sleepless nights that come when you run the show?

This is how you know.
David Lively is the voice of reason and experience who can speak to both generations and facilitate the transfer of authority, responsibility and power while holding on to your reputation and your relationships.

Leave a legacy.
Keep your sanity.

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