

# Warr/Bennis Leadership Excellence

ESSENTIALS

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# That Dog Don't Hunt

## *Tips for successful generational transitions in family business*

 By Bruce Hodes



**C**harisma is what makes Charlie so appealing. At, 72, with a full head of black hair; he is healthy and hale to say the least. At work, Charlie goes by his first name. He is friendly and familiar. He is loved; you can tell that by the interactions between him and the many frontline employees. When I met Charlie last year his title was CEO though he supposedly worked half time (not really) and he did not own the company anymore (an interesting point).

Norman, Charlie's son, a serious and well put together man, actually owned the company. His title was Vice President (also an interesting point). Norman was running the place (not really) from behind the scenes (not really).

At the time I met Charlie and Norman, Norman was determined to make the company successful but it was not. Sales were problematic and non-existent. Customers were quitting and reporting that the service was bad; employees were not responding to calls and not solving problems. Something at this company was amiss. The company, like a stricken battleship,

was taking in water and sinking.

Julia was the final member of this trio. What Charlie has in charisma Julia has in charm. In addition, Julia is polite. Appearing somewhat wan, she has a history of health issues. At the time I showed up she was on the mend and getting stronger. Julia was the general manager with years of experience in a large national company. All of the leadership team reported to her. Therein lay the issue.

On a typical day at the company, Charlie, the Tsunami, (did I mention that aspect?) would enter the company compound early. Charlie would find or be presented with issues by frontline employees, supervisors and managers. He would respond by giving orders and sending employees off on errands and tasks. Then calm, cool and collected Julia would arrive, encountering directions contrary to the ones set the night before. The employees and supervisors were left in a quandary on what to do.

On one side was Julia and they had Charlie on the other side. The standoff would result in skirmishes that would continue



until the prodigal son Norman appeared. At that point Norman would reproach and appease both Charlie and Julia. Time would be spent untangling everything and deciding what to do. This was a dysfunctional triangle. Productive work was not happening. It was all distracting and dramatic.

During my years as a resource and coach for companies striving for high performance cultures I have now come across problematic transitions a number of times. It is one thing when the CEO and possibly still owner of the company at over the age of 70 still works in the company and adds value; it is quite another when he/she is no longer at their prime and off in their business judgment. On the one hand I want to be just like him/her when I am that age – healthy, hearty and engaged. However, as a resource and coach, I represent the wellbeing of a company. I need to judge when my client's leaders are really adding value or not.

When generational transitions in family business do not occur strategically, they can destructively impact the company as well destroy familial relations. This is called a double whammy.

Alternatively, transitions between generations in a family owned company can work really well. Here is an example. Steve was a gracious CEO and leader. A couple years ago, he formally retired and turned over the company to his competent son. Steve still comes to work. He is punctually in at seven and out at eleven. On a typical day, he enters the building, says hi to everyone and they engage with him in a friendly way. Then he goes off to his office where it appears that he moves one pile of papers to another pile of papers. No one is quite sure what he is doing and that's fine. Steve's son continues to run the company. Steve and his Son see each other daily and on occasion have lunch. The company continues to thrive. This transition works.

Another example of a successful transition; George, a former CEO and leader, lets his son and stepsons run the company, which they do well. George takes on some projects with key employees. The key employees love working with George as he knows a lot. At 73, George is focused yet fun to work with. His involvement totally works. He provides guidance and knowledge in a very productive way.

Then there is Susan. She inherited a very successful company when her husband passed away. At age 65 she told her two sons, "I am out of here in two years so you two better get your act together because I am leaving." Susan had plans and a life to live. She was involved with a ministry in Africa, worked actively to educate inner city youth and aspired to coach female executives. The two year deadline drove the transition to be conducted in a positive and productive fashion. In two years, Susan was able to move on. The company continues to be successful.

So what is one to do when dealing with family transitions and situations? The first step is realizing that the transition needs to happen. The older generation needs to see that it is part of their role to turn over the leadership of the company to capable younger leadership. It is important that they face their mortality and aging as a part of life that must be dealt with. A telltale sign of failure is when the older generation does not plan to leave. In fact, they may be getting more involved. Consider the following as rules to live by if you want the transition from one generation to another to work and be successful.

1. Design a process for the transition.
2. For the transition to be successful, the departing CEO's roles and responsibilities must be taken over by competent others. They can serve as mentors and guides, but their actions and duties need to be fulfilled by others.
3. Remaining family members who are in the company must be able to run the company. Uninvolved mothers and cousins who suddenly find themselves as CEOs are typically disastrous.
4. For the new CEO and generation that are taking on leadership roles – take them on. You are now the one accountable for the success of the company and the responsibility is yours. Embrace your new roles.
5. Speak openly about the transition. Discussions between family members are healthy, especially when you disagree. Let this be a process that is definitely talked about and designed.
6. Make the transition while everyone is healthy; before illness and the inevitable.
7. The generation leaving must let go.
8. Whoever is leaving the company needs to engage in outside interests besides the business. Outside interests are good and they take the transitioning CEO away from the day to day. Seasoned business people are highly needed outside the family business – teach a class, adopt an entrepreneur or go see the whales in Patagonia. The transition works best when the leaving leadership has exciting plans away from the company for the future.

You must be wondering what happened to Charlie's company, the dog that did not hunt. There is a happy ending. With Charlie, the transition took about four months. First Norman had to buy in and that took a while. He did not want to hurt Charlie. Then the hardship and chaos that Charlie was inflicting on the company became overwhelming.

Unfortunately (or fortunately for the company) Charlie had to deal with a critical medical condition which made the transition easier. He was gone for a month. The company welcomed a critical new hire who took over most of what Charlie did. For the month that Charlie was away and dealing with his medical condition there was peace in the company.

All of this got Norman totally on board and engaged with the transition. Some serious conversations ensued between Norman and his dad. Charlie stayed away embarking on his new life. The transition is now complete and the company is finally growing again and dramatically improving its service. Now the company is on the hunt. Previously it was not.

Recently, the leadership group met for a quarterly huddle. Charlie came, made some comments. He stayed for about an hour and then left before the meeting was done. His involvement totally worked and left everyone satisfied. Julia commented to me that their relationship with Norman is really working. Case closed...generational transition complete. **LE**



Since growing up in his family's boating business to founding his company CMI, **Bruce Hodes** has dedicated himself to helping companies grow by developing executive leadership teams, business leaders and executives into powerful performers. Bruce's adaptable Breakthrough Strategic Business Planning method has been specifically designed for small-to-mid-sized companies and is especially valuable for family company challenges. In February of 2012 Bruce published his first book *Front Line Heroes: How to Battle the Business Tsunami by Developing Performance Oriented Cultures*. Call 800-883-7995 Email [bhodes@cmiteamwork.com](mailto:bhodes@cmiteamwork.com) Visit [www.cmiteamwork.com](http://www.cmiteamwork.com)