In the lives of family businesses, the issues of successors and succession reign supreme. While more is written about this area of family business than any other, it is often the most neglected area of activity (notice we didn’t say concern) by the typical family firm owner. The reasons are really quite simple.

**Problems in Succession Planning**
The problems and resistance associated with developing a viable, coherent, and agreeable succession plan are immense. For the family business owner, the ability or willingness to manage and direct the interactions between the extraordinarily complex areas of personal, family, management, ownership, and estate issues can be daunting. Moreover, these issues are often further obscured by, or in conflict with, other family members’ personal wants and needs. Add to that the owner’s possible fear of losing control and position, both in the business and in the family, and it’s no wonder then why avoidance and denial are the principle responses to succession planning.

In a recent analysis of family business research by MassMutual, three family business activities showed a high correlation with family business longevity: 1) strategic planning; 2) an active board of directors; and 3) regularly scheduled family meetings. Ironically, succession planning alone did not. The message is clear - planning is good - especially when it is organized, and includes people from both inside and outside of the business, as well as family members from all appropriate generations.

Privacy and isolation have been the hallmark of the typical family business owner. These, combined with high entrepreneurial levels of independence and control, have historically kept them away from both an “open” planning process and a collaborative succession planning model. This proposed strategic planning model is different.

A simple outline and system for understanding and implementing the succession process follow. With it, are some of the components and questions used by many successfully transitioned family businesses.

**The Strategic Succession Planning Model**
Succession of a family business really includes the strategic transition of five distinct areas for business succession:

1. Business Succession
2. CEO/Owner Succession
3. Management Succession
4. Ownership Succession
5. Estate Succession

They are presented as major categories - to be used sequentially for the development of a strategic plan for succession. A strategic plan is simply a systematic way of asking key business questions that are designed to create insights into the company and the environment in which it operates. From those questions, strategies are developed to meet those key goals. As in many other areas of family business, the failure to make and implement such strategic plans, predisposes the family firm to the vicissitudes of both the family and business world. A failure to strategically plan in business and family areas probably contributes more to a family business’ demise than any other factor.

**Development and Components of the Model**

The strategic succession planning process begins with the owner and his/her initiation of a succession plan. To do this s/he will assemble, in various combinations and meeting formats, a team of trusted professional advisors to include: their accountant, lawyer, banker, estate planner, and insurance underwriter. Simultaneously, active discussions initiated by the family business can begin at the board of directors and family meeting level.

The order of addressing succession issues can best follow the aforementioned five necessary transition areas. Each area has specific goals to achieve and should be driven by focus questions that evaluate critical succession planning alternatives. The following is a brief description of each area, some possible goals and a beginning sample of strategic planning questions that are associated with them.

**Business Succession**

Strategic planning relates to the actual viability of the business itself in the future. The goal is to ascertain whether or not this is a business with a future. And if so, what is the vision and values that will be needed to drive and maintain it. Questions to ask include:

- Is this a business with a future?
- Should the business be sold or should it go forward?
- If it goes forward, what is required to make the transition a success?
- What is the best way to accomplish these changes?
• What impediments exist to defeat this business?
• Do I/We want to continue this business?
• How much change is required to run this business in the future?
• Do the future values of this business match that of the family?

**CEO/Owner Succession** strategic planning relates to the personal transition of the family business owner. How able and capable they are of shifting roles and handing over the reins of business control are paramount. Issues of moving from “action-maker” to “consulting advisor” or “outsider” are central. The desire/ability to develop other non business interests that are valued are included. Strategic questions include:

- Can I watch this business from the sidelines?
- What personal factors must I control in order to “let go”?
- How can I become financially independent from this company now?
- How do I feel about being a coach?
- How able am I to have others in control of my major investment?
- Where will I place my daily interests and activities?
- What do I believe about the competence of other family members?
- Do I believe that anyone can run this company better?

**Management Succession** strategic planning is focused on the areas of who can run the business best, what skills are necessary to manage this company, and what are the leadership qualifications of this organization. The questions include:

- Who is best equipped to run this business?
- What personal factors are necessary to run this business?
- What management skills are required?
- What leadership characteristics are necessary?
- What plans must be made to transition the management?
- What family members are appropriate for management positions?
- How much time will be necessary to transition the management?
- How will power be shared?
- Can the organization tolerate more family members in the business?
- Is hiring professional outside management a solution?

**Ownership Succession** strategic planning phase involves who is actually going to control the business. Ownership issues are very closely allied with estate planning. It is here that owners must scrupulously rely on sound business principles and criteria to make their decisions. Attempts to “keep everything equal amongst the children” usually spell disaster for the perpetuity of the business as well as family harmony. Questions include:

- Who is best able to control this business?
- How should the transition of control best be implemented?
- How will active and non active family owners be differentiated?
- When should this process begin?
- What criteria should be used to select who should control?
• What can best finance this ownership model?

**Estate Succession** strategic planning involves the family and both business and non-business assets. The issues of who gets what, why, and how are central to this process. This aspect of planning is very closely linked to the aforementioned ownership decision and is best implemented if that area is already decided. Questions include:

- Should there be different inheritances for those in and out of the business or its management?
- What is fair and what is equal for my heirs?
- What are some models that have been used for other businesses?
- What legal and financial planning instruments are available?
- What are the tax consequences of the various decisions?

This article has attempted to provide a working framework for the most important process that a family business will undergo. The procedure consists of a massive transfer of money, power, expertise, and control, from one generation to another. Nevertheless, managed as a five stage strategic planning sequence, this most complicated and delicate process can be more easily understood, efficiently managed, and successfully implemented.

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