

# THE EXTRA POINT

BY JERRY ROBERTS



## # 1184 Succession in a Family Business – Part 2

Yesterday, we began talking about how trying to pass leadership in a family-owned business can be challenging. What if the family member doesn't want to be a leader? What if they're not ready? What if they don't want to be in the family business at all? I'm Jerry Roberts, and we'll again lean in on this subject, today, on The Extra Point.

Our conversation about leadership and succession in family companies began with yesterday's Extra Point. If you missed it, you can get the transcript at [guamtraining.com](http://guamtraining.com). Download transcript #1183.

You've built a company and you know that, one day, you'll want to pass the leadership baton to another family member who will continue the tradition and the profitability into the future.

Perhaps your children have worked part-time in the company while in their teens, and you feel confident that all, some, hopefully one of your heirs will step up and make a decision to align their career with the business.

Hundreds of company founders in Guam have faced this issue. Many successfully brought family members into the fold, and leadership passed from one to the next. As I mentioned yesterday, however, sometimes succession doesn't go smoothly.

Oldtimers in Guam can tell you the names of companies that no longer exist, or some that had to sell off assets in order to survive, when succession didn't work out for them.

Let's go over a few scenarios and see where it takes us.

You're the CEO of the company and your kid tells you "I'm not ready to lead yet." This is the easiest of issue to solve. Put together a plan to grow their skills and knowledge, and find them a mentor. The plan could require a year, maybe two or three. They should be intimate

with all aspects of the operation before they are brought into the general management of the company.

Is the mentor part of it too tough, or you can't piece together a plan the way you want? You can encourage your future leader to get a job with another employer, and let them learn from other established leaders. A lot of local folks cut their leadership teeth elsewhere, then brought their skills back to their family.

Next, your family member doesn't want to be involved with the business.

As I mentioned, many of us have seen people have to close a business or sell out for less than they should because they had nobody to hand it off to. What I'm going to say next is likely not going to be well received by some people.

You should have known this years before the reality hit you. I'm sorry if that seems unfair, and there are cases when minds change and communication isn't good, and the surprise is totally unwelcome. I know that, and it's a brutal hit to have to absorb. However, that's not what usually happens.

Too many family business owners project their children into someday taking over the company, when the kids don't feel the same way.

If a child has long stated a desire to be a doctor, firefighter, save wildlife, or whatever their choice is, and has exhibited little to no interest in the company or your job as leader – I think you need to pay attention to that.

In any case, there will come a day when you must have the conversation about their future and the family business. You can explain the opportunity and your hopes, and ask if they would like to build a plan to make it work. If they agree, happy day! That said, if they don't want your dream, what should you do? (Con't)

1. Wish the family member well in their career choice, and let them know that the door is always open for future employment.

2. Get to work on finding a non-family successor. Of the people on your team, who wants more and is willing to be groomed for leadership? Is there more than one? If not, who do you know who seeks opportunity?

3. Then decide if you want to keep the company while reducing your role, letting others run it for you. If not and you want to sell it, get legal and accounting advice on how to structure the sale, with financing options for the new leader or leaders.

I've talked to a succession expert on this issue, and his advice is to start this process three to five years ahead of when you want to exit the company.

4. Finally, you can convert your business into an employee owned company, and exit that way. It's complicated and it's not for everyone, but it can be done.

Tomorrow, how much of the family business do you, and should you bring home with you?

That's the Extra Point. Be responsible and make something good happen today. For 93.3 and the Ray Gibson Show, I'm Jerry Roberts.

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