

Hello. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in as always and click on our social media icon too. We appreciate that. Thank you.

This week, I want to talk about a story. My dad lets me run 75% of the business on any given day. So, we were working with a family years ago and they were in a process of transition from father to son. The young man said rather excitedly and in encouraging way. He said, "My dad lets me run 75% of the business on any given day, and I was encouraged, and it seemed like he was encouraged," but he said, and this is the punchline. He said, "The problem is on any given day, I don't know what 25% he's going to want to run." Well, why is that important to you? Well, I mean, it's a common problem.

Whether it's a family transition or just any transition from senior leadership to younger people. Whether it's dad or senior execs, they often retain that veto power. They retain that ultimate control where they get to decide. They and they alone get to decide where their attention goes on any given day. So why is that a problem? Well, two big things that I can see... three things maybe.

It's so confusing. So, for the young man, who's in charge of running the company, who's being held accountable for producing profits and hiring and firing and all those things, it's horribly confusing. It's also confusing for the employees because they don't know whether they're supposed to listen to this leader or that leader or this other leader over here. It's horribly confusing, even demoralizing.

Then the other piece of it is there's no accountability there. If my folks don't know on any given day, what parts of the company I'm going to run, how can I hold them accountable. And even more so, how can they hold me accountable? Because I'm all over the place, putting my hands on everything, getting my fingerprints, smudging my fingerprints all over everything. That's not the way to do things. So why does this happen? We business folk, we like to think we're logical and rational in the way we behave, but this happens for just a few key, simple reasons. The first thing is it's common in closely held businesses for people to have unclear roles and therefore overlapping responsibilities. That's something we have to work on in just about any assignment, whether it's a \$20 million contractor or a \$500 billion contractor. Roles, responsibilities, and accountability, almost always comes up.

The second thing, poor communication. We just assume that you're going to retire and I'm going to do this, and we really don't hash it out to the degree we need to. We really need a tight script for what you're going to do, when you're going to do it, how we're going to hold you accountable. And you need that same tight script for me. There's a management succession plan in place, not an ownership succession plan. Remember, that's a different thing. There's a management succession plan in place and probably some kind of amorphous timeline, but it's informal. It's not formal. It doesn't have specific timelines. It doesn't have dates. It doesn't have clear mileposts that we can all as managers and leaders understand.

Then the fourth thing is probably the biggest one. Why does this confusion take place in closely held businesses? A big part of it is the lack of courage on the part of that succeeding generation. I don't mean to be too blunt, but that's the truth. Instead of saying, what are my needs as a future leader, I need to know this, this and this, and talking as a business peer with your father or your other senior departing leaders, your people who are looking to exit gracefully over a period of time. Instead of having the courage to say, "We need a plan is for the benefit of all of us, our customers, et cetera," they kind of wait and they sit back and they say, "I have a good bit of reverence for these folks, and I don't want to appear to be pushy." Have courage. Business leaders respect courage. They're courageous people. If you're not demonstrating

courage, you're holding yourself back and you're holding the transfer of leadership timeline back. You're not doing yourself any favors.

Okay so five quick solutions for how to make this "I run 75%" situation go a little easier. First, you need management succession plan with a timeline. That's just as simple as can be. You need clear, what we call RRA, roles, responsibilities and accountability. Again, that's a one- or two-page document, nothing fancy. You need financial planning. For the benefit of those senior leaders who may be riding off into the sunset, they need financial planning to make sure that they know where their groceries are going to come from. They know how they're going to pay their bills, et cetera. They know they're going to have enough money to take the grandkids on an occasional vacation, that kind of stuff. So, it's worth it from the perspective of the departing leaders to get financial planning, but it's also essential on the part of the company.

I've seen a lot of exit plans, succession plans written by advisors on behalf of the departing leaders. So, they have the relationships with the CPA and the financial planners and the lawyers, and they say, "Okay, what am..." The planner says, "What are you going to need to retire?" And the departing leaders say, "I need this." And they say, "Okay, well, the company can pay out \$500,000 a year for you, it looks like indefinitely." Only to find in the case of a pandemic or a recession or something like that, that that kind of compensation for departing leaders is actually crippling to the company. So, the departing leaders need financial planning, but more importantly, the company needs financial planning because the company has to support some of this retirement nest egg.

And courage, I think I mentioned that. That's number four. Courage is a big thing. And finally, transparent, open communication and coordination. Announcement to the team, announcement to the customers, all those things that can be a part of your timeline, but without communication and coordination, none of this stuff happens. All right? So now what ties this all together? What process can make this go smoother for your closely held business, as you consider riding off into the sunset and turning responsibilities over to your junior leaders? It's a simple thing. You hear us talk about it all the time. It's strategic planning. It just works. It works every time it's tried. If it's tried in a robust way, it's tried with a proven process. Now I can hear what you're saying. I'm reading your mind right now, "Wayne, we tried strategic planning. Oh my gosh. We tried strategic planning in 2003, and it was a disaster. And we paid a consultant 25,000 bucks, and there's a big old binder sitting on the shelf and it's collected dust and it didn't do anything. It didn't help us move the needle at all."

Guess what? You did it wrong. You know, the first time you learned how to ride a bike, you probably screwed it up. First time you learned to hit a baseball, you probably swung and missed a lot. Same thing with strategic planning. If it didn't work and it didn't produce the kind of results that I'm saying it ought to produce, it's time for another at bat, you have to try again. And it's better to use a proven time-tested process for proving for results, rather than griping about the \$25,000 manual that you have sitting on the shelf. I'd love to hear your comments.

This is Wayne Rivers at The Family Business Institute. Thank you.