

# CRAIN CURRENCY

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## ON SUCCESSION PLANNING

# How to have 'the conversation' with next-gen family members

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For families without formalized governance and without a defined continuity or succession plan, the most frequently asked question by both the next gen (or "rising gen") and leading gen (or "now gen") is "how to start the conversation."

This conversation is always the "elephant in the room" and can be even more awkward than "the birds and the bees" conversation that this same parent-child duo may have had three to five decades earlier.

Sound familiar? Consider three perspectives.

**Leading-gen/next-gen perspectives:** In initiating these conversations, members of the leading gen wonder about their identity, purpose, legacy, future control, decision-making and execution, personal mortality, security, appreciation for the culmination of their life's work and the potential for family animus. The next gen wonders whether initiating these conversations will be perceived as ungratefulness, a "land grab," entitlement, disappointment over estate and wealth transfer decisions or have the potential to become a catalyst for conflict surrounding vesting or stewardship, leadership and control, or leadership realignment.



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**Active generational perspectives:** The difficulty of these conversations can be compounded when multiple generations are involved as the leading gen (let's call them "G1") is living, working and controlling family enterprise matters well into their 70s through 90s and even 100s. In these situations, members of the rising gen (let's call them "G2") can be in their 40s through 70s, with the rising-gen's children (let's call them "G3") in their 20s through 50s. While the G2 may become frustrated or feel muted, the G3 observes the G1-G2 dynamic and may grow more impatient to lead, tired of playing significant yet powerless roles, and desire to now lead the family enterprise.

**Nonfamily employees and outside trusted-adviser perspectives:** There should be planning for other simultaneously concurrent transitions. These additional transitions are of both long-term, nonfamily employees and long-term, outside trusted advisers who may be slowing down, wishing to retire (or have already retired or passed away) and/or experiencing age-appropriate health decline. This additional layer of meaningful and emotional relationships in transition and their natural evolution can further negatively impact the family enterprise and cause paralysis, frustration and dysfunction.

"Kicking the can," lack of planning and/or failure to take initiative to ad-

dress the natural life cycle of events deepens frustration, hurts durable family harmony and may disrupt the family enterprise's financial prosperity.

## WHAT TO DO?

In these situations, taking the bull by the horns in a thoughtful, proactive manner is critical. Again, the longer that positions have become entrenched and paralysis has set in, the more difficult it can be to turn around and work toward alignment. Once a well-designed starter conversation begins, new energy develops and ideas are exchanged, information begins to flow, transparency and communication become apparent, and the entire family enterprise system begins to transform.

## MINI CASE STUDY

The J Family is a recent case study where technology was the catalyst for a family starter conversation around succession. The family's complexity was exponentially increasing, with G1 (patriarch and matriarch in their 70s) and G2 (four children in their 30s and 40s), plus a rapidly maturing G3 (grandchildren), a successful family enterprise and a single-family office.

Two of the G2 were working in the family business and led the charge on vetting family office technology solutions. While the initial conversations were specifically around technology, the J Family opened a broader series of energetic, productive, respectful conversations around transition, legacy, governance and strategic planning. The exchange of ideas was positive, and communication opened magically, helping the family to begin crafting a unified vision for the future.

## GUIDELINES ON BEGINNING THE CONVERSATION

Consider these guidelines for any generation to approach the others regarding governance and succession:

**Choose the right time and setting:** Find an appropriate time and setting that is conducive to a thoughtful and uninterrupted conversation. Avoid bringing up the topic during busy or stressful periods or at a place that can trigger a deep emotion.

**Express respect and gratitude:** Begin the conversation by expressing respect for the work and dedication by the other generation and their investment to build the enterprise. Acknowledge achievements and contributions.

**Highlight commitment to legacy:** Communicate commitment to the family enterprise and a desire to see it thrive. Emphasize a willingness to take on (or let go of) responsibilities and contribute to its ongoing success, carrying forward and building on top of this foundation.

**Discuss vision:** Clearly articulate your vision for the future. Discuss ideas for growth, innovation or adaptation to changing market conditions. Be clear about the long-term sustainability of the enterprise and stewardship.

**Seek the other's perspective:** Ask members of the other generation about their vision for the future and be open to their expectations regarding succession. Understand their goals, concerns and any preferences they may have.

**Emphasize planning and preparedness:** Stress the importance of having a well-thought-out succession plan. Discuss the benefits of planning to ensure a smooth transition and minimize disruptions so a pathway is devel-

oped for future generational continuity.

**Present a succession plan:** If you have a detailed succession plan in mind, share it. This could include a timeline; roles and responsibilities; and any necessary training, certification or preparation.

**Open the dialogue:** Encourage open communication by creating a safe space for everyone to express thoughts and concerns. Be a good listener and be prepared to address any questions or uncertainties that arise. Assume best of intentions.

**Involve external advisers:** If necessary, suggest involving external professional support from advisers or consultants to assist in the succession planning process. Their expertise can provide valuable insights and guidance. Often, a trained third party can help navigate family dynamics, avoid minefields and facilitate the development of a plan.

**Be patient and flexible:** Understand that discussions about succession may take time. Be patient and open to revisiting the conversation over multiple sessions. Be flexible and willing to adjust based on others' input.

**Address family dynamics:** If there are family dynamics or potential conflicts, address them openly and honestly. If necessary, consider involving a professionally trained third party to facilitate communication. Read the room nonstop.

Remember that every family enterprise is unique, so the approach and timing may vary. The key is to approach the conversation with empathy, respect and a genuine commitment to the success of the family enterprise, affirming each person's contribution and value.