FAMILY-OWNED BUSINESSES

THE FOUR CHARACTERISTICS OF SUCCESSFUL GENERATIONAL TRANSITIONS

BY MARY C. NICOLETTI

For more than a decade I’ve worked as a counselor to families in crisis and an adviser to small and multigenerational family businesses, and I’ve found that those enterprises that make successful transitions to the next generation have four characteristics in common, or the Four C’s.

1. MAKE FAMILY COHESION A PRIORITY

Families that allow personal relationships to deteriorate find their bottom line seriously impacted. Moreover, strained interpersonal dynamics impede retention of top talent or board members, and even open the door to lawsuits or the forced sale of the company. An EY Americas Family Business study shows that a highly cohesive family can increase the return on equity by 35 percent. Families that make cohesion a priority know the difference between healthy and unhealthy conflict and have a formal process for dealing with it. External support from psychologists, counselors and relationship coaches can be valuable resources for families that find conflict or dysfunction getting in the way of healthy communication and effective resolution.

2. GET CREATIVE WITH NEXT-GENERATION ENGAGEMENT

Families that offer fun, age-appropriate ways for the youngest generation to learn the business builds positive feelings toward the family business and yields an emotional return on investment. These early exposures give the next-generation a front-row seat to core values, history and legacy, and creates a positive association between the family and the business that helps guide their decisions about how they may want to live out their personal destiny.

3. START EARLY AND HAVE A CONTINUOUS PROCESS FOR SUCCESSION PLANNING

Succession planning is an ongoing process, not a one-time event, and family ownership transitions are most successful when planning is proactive, not reactive. It’s equally as important to prepare an incumbent for retirement as it is to develop your pool of next-generation leaders. The benefit of proactive succession planning is a smooth and positive transition of leadership from one generation to the next.

4. BUILD YOUR COMMUNITY OF SUPPORT

Most family business owners say running their businesses can be an isolating experience. Often their visibility in the community makes it difficult for them to disclose and discuss the challenges they face with friends or colleagues. Family businesses with a network of trusted advisors and peers experience longevity. Membership to a family business center with holistic programming and peer support ... is a great way to increase long-term competitiveness, ownership prosperity and family unity.

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