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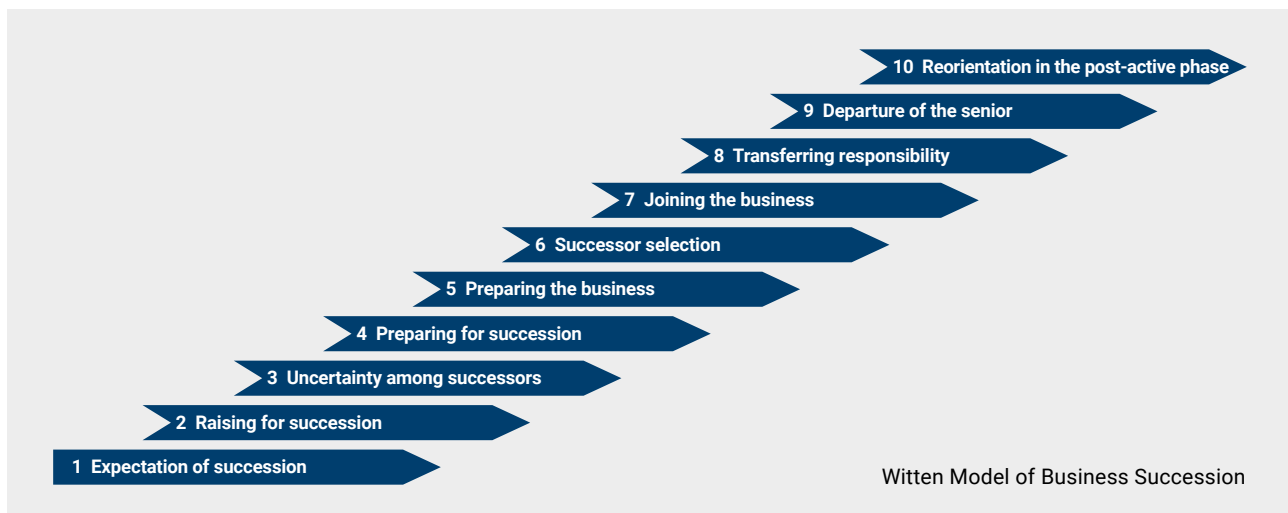
## WIFU\_compact\_08:

# Succession in Family Businesses – the Phased Model

Taking a step back from the handover itself, it is clear that arrangements for succession in a business family will be in place before the handover date and will continue to shape the family for a long time afterwards. This issue is described as *co-evolutionary*, as business and family experience the process side by side. Likewise, succession in a family business comprises the transfer not only of leadership but also of shares.

### When does succession begin?

As soon as the continuation of the business in the next generation starts to be considered or, rather, as long as the business remains a family business, the issue of succession will remain live for both family and business. The following chart shows the ten phases of the Witten Model of Business Succession.



### Can we compare reality to a model?

It is rarely sufficient to simply follow a pre-set scheme in a practical setting. For this reason, WIFU links each of the ten phases of its succession model to central questions rather than to a model solution or “recipe for success”. Every family must decide independently how they will answer these central questions. It is crucial to understand that succession is not an event but a process that can be shaped. Some relevant considerations are shown below:

- **Phase 1:** What do we (as parents or grandparents and in the business environment) expect from our children? Do we have (unspoken) wishes for the next generation?
- **Phase 2:** “Raising for succession” is a balancing act. On the one hand, the everyday life of the business family cannot conceal that the father, mother or other relatives are businesspeople, as “the business joins the family at the table”. Conversely, parents often wish their children to grow up unburdened, without having to determine their path in life too early. It is also common for children to perceive the business as a “rival” for their parents’ attention. Here, communication is key: how, how often, with what emotional connotations and with what level of stress do the parents talk about their business?
- **Phase 3:** During puberty and adolescence, rebellious rejection can alternate with unconditional approval. Parents should rely on neither the “yes” of a 15-year-old nor the “no” of a 20-year-old.
- **Phase 4:** Similarly, unconventional and compliant aspirations alternate during a child’s education. Irrespective of individual career wishes (and how realistic or “reasonable” they appear to parents), it needs to be understood that non-managing shareholders are also expected to have a minimum level of competence.
- **Phase 5:** The senior generation must also confront the succession question. Firstly, this involves a recognition on the part of senior executives that their time as leaders is coming to an end. Secondly, any upcoming strategic transformation of the business (such as expansion, restructuring or digitalisation) should be carried out immediately instead of being shifted to the successor.



- **Phase 6:** What competencies will the successor need to bring to the business? Their entry into the business (and perhaps their future exit) must be structured by clear criteria. The business family as a whole should develop structures of communication and decision-making adequate for such large-scale changes.
- **Phase 7:** Is there a plan for induction into the business? The successor should not have to “grow” into the business without a specified function or timetable. Without a clear perspective and development scheme, there is a considerable risk that the successor becomes an “everlasting junior”, a mere “attachment” to the senior generation.
- **Phase 8:** During the transition phase, both generations will, temporarily, have leading positions within the business. How will they handle arguments and conflicts in this situation? Who will have the “last word” and when? Public disagreement can be fatal.
- **Phase 9:** What future role will the senior generation have within the business and its governance? Will they have a consulting role or a narrowly defined area of responsibility within a certain sector of the business – or none at all? The clarification of roles and responsibilities must be clear and binding.
- **Phase 10:** Lastly, the older generation needs to find new uses for the unaccustomed time that they will suddenly have at their disposal. A well-managed succession process includes the development of meaningful activities for their lives “after” the business.

### Will a process this lengthy not cast a shadow on the links between generations?

Not necessarily. The conscious and open handling of the succession question will prevent undesirable outcomes. The junior generation must retain the option to choose a completely different way of life. Therefore, all questions concerning succession have to include a Plan B. In case the direct successors have no interest in a leadership position in the business, an alternative solution must be found – preferably without time pressures but carefully considered and detailed. Similarly, the outgoing generation must develop new interests, hobbies or engagements in which they can use their experience and not just feel that they are “killing time”.

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#### Reference:

This episode of WIFU\_compact was created on the basis of the practical guide “Securing succession in a family business across generations” by Torsten Groth, Tom Rösen and Arist von Schlippe, which was published in 2020