

# The keys to successful succession in family businesses

**A new book by IESE's Josep Tàpies and coauthor Carles M. Canals addresses issues for founders, successors and other members of family-run firms.**

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In 1993, the board of the family-run British shoe store Clarks proposed to its shareholders that they accept a generous buyout offer. Much to the board's surprise, majority family shareholders rejected the offer. Their emotional ties to the company were stronger than the lure of money.

The survival of family-owned companies is influenced by many external factors. But as this example shows, their future depends to a large extent on the will and commitment of their owners.

This is one of the messages of the [book](#) by [Josep Tàpies](#), holder of the [Family-Owned Business Chair at IESE](#), and journalist Carles M. Canals.

Drawing on the experiences of some 100 family-owned companies, the authors offer useful advice to guarantee the continuity of such firms. Their recommendations are directed at founders, successors and the rest of the family, with each making up the three sections of the book.

## Stepping aside

For founders preparing to hand over the reins, a good benchmark for choosing the best candidate is to evaluate the contender's performance in leading a unit of the company, as Bic founder Marcel Bich did with his son Bruno.

Once a successor is trained, the founder must step aside in a timely and complete manner. It is not enough to simply give up the job formally. The role must really be handed over without hindering the work of the successor.

For example, in passing the role of CEO of Bombardier to his son Pierre, Laurent Beaudoin also moved to another building altogether.

The smooth succession that took place between the second and third generations at Bechtel is highlighted as another good example, while the Carlson hotel group and Hyundai are presented as successions that were handled badly.

## **Emerging power**

In addition to agreeing the date and terms of the handover, the founder and successor must agree on the division of roles, as well as on which tasks will be shared. Whoever takes over inherits power, but not moral authority, which is achieved through professionalism and respect.

Demarcating a clear before and after can be helpful, especially if the new leader worked under the founder, or if the new leader is the son or daughter of the founder.

Working for the company should not be viewed as a right or an obligation for any family member. For the good of the business and the family, it is a good idea to establish an objective system for hiring, performance assessment, remuneration and promotion.

Don't make the mistake of Barry Bingham, who appointed his quarreling daughters to the board of his media group. If one relative gets along poorly with others, the mere fact of bringing them on board is not going to improve that relationship.

## **Seamless transitions**

Setting up mechanisms and bodies to regulate ties between shareholders and family members, as Cargill, Wendel and SRF have done, can be very effective.

One such body is the family council, which should not be seen as a shadow board of directors. Indeed, it should not make decisions on matters that are not its responsibility, nor limit the freedom of action of its members, making them mere figureheads.

In order to guarantee continuity in a family-run business, it is important for this kind of body

to pass on values, promote family unity and strengthen the commitment of generations that are waiting in the wings.

When internal problems emerge, a mediation committee that answers to the family council allows for disagreements and conflicts to be settled within the realm of the family, without turning elsewhere.

The goal is to keep conflicts from reaching the courts and going public, as this could generate spiraling accusations that only make the falling out even worse. Adding fuel to the fire only puts the continuity of the family-run business in jeopardy, as family feuds at Sabian, Patak's, McCain or Ambani have proven to be.

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