

## Letting go and Preparing the Next Generation for Succession

*24 hours after I returned from a trip to Nepal, I gave the following talk for a family business forum in Grand Rapids, Michigan.*

### **INTRODUCTION: NEPALI CONTEXT**

I have just returned from one of the most fascinating places on earth: Nepal. I spent two weeks training advisors to family businesses in one of the poorest, but most beautiful places on earth. The elevation of the country changes from almost sea level in the southern Terai to over 28,000 feet at the top of Mt. Everest in the north. This is a country in transition: it has been open to the west since just the 1950s; has had democracy for less than 10 years; and businesses have only really developed in the last 10-15 years. More than half of their national budget comes from development funds from other countries.

There is a strong tradition of the “undivided family” there where parents and their grown children and grandchildren live together and keep their assets undivided—that is, pooled. But as the country goes through this transition, there are questions about whether the undivided family will continue to work. There are large business houses (as they are called) that are as sophisticated as our largest family businesses in this country who believe that staying together provides access to more resources than the divided family. And there are others who believe that it is impossible for siblings to work together, own businesses together and/or live together harmoniously and that assets should be divided so that the competition and creative energies will foster greater growth in the assets.

The country has *not* seen a surge of succession issues just yet, as they are still struggling with the questions of basic survival and moving from a dependent economy to a more free-standing economy. But we heard issues that mirrored all the issues we see in family businesses in the west: lack of communication and understanding between the generations; fear of discussing “issues;” negative influences of “outsiders” (like in-laws) who may be jealous or have different values; old ways vs. new ways and professionalizing the business. They are just now beginning to have the opportunity to consider passing a business to the next generation.

One of the benefits of traveling—particularly to a country which is so remote and different— is to gain perspective. And one of the lessons of this trip was an

affirmation that that we have more in common with people around the globe than we are different.

And that we are very fortunate in this country to have developed a relatively stable economy, broad based opportunities for creativity and entrepreneurship and access to many kinds of resources. We are blessed with the opportunity to have to worry about how to pass on assets: we have assets to pass on. We are even blessed with having a bureaucratic government to have to deal with...at least it is somewhat consistent and predictable from year to year. And all of our children-male and female- have the opportunity to become owners of our assets and to readily have access to education. We take a lot for granted in this country and traveling to the other side of the globe helps me to gain perspective.

### **COMPASSION AND KNOWLEDGE: BUDDHIST PERSPECTIVE**

I came away not only with an appreciation of our country, but of Nepal's wisdom and beauty as well. And you'll forgive me if I look at succession a bit differently now, than I did three weeks ago. For now I believe we must look at it in terms of the legacy we have and the responsibility of passing on that legacy in as careful a manner as possible. And something I learned in Nepal gives guidance to that. The country is largely Hindu but has a strong Buddhist tradition as well. The two cornerstones of Buddhism are compassion and knowledge. And the more I thought about it, the more I came to believe that these are the cornerstones of successful succession in family businesses as well.

### **COMPASSION FOR EACH OTHER**

#### **1. For the elder generation**

When you are passionate about your work and your business  
and have spent countless hours and years intimately involved with every detail  
of this business  
and you have built something that is very rewarding  
it is hard to let go.

When you look around you and see the people who have helped you build this  
business over the years  
who are loyal and dedicated and talented  
and have become like family (if they weren't already related)  
it is hard to let go.

When you see the young people around you  
who don't seem to have the same work ethic or commitment or

“fire in the belly”

and *they* think they can take care of your baby, the business, it is hard to let go.

When you look at the stakeholders in the business and worry if they will conflict with each other, if they will be jealous of one another or if they will develop a shared vision for the future of your business it is hard to let go.

When you think about what you would do with your time, your energy, your creativity or with whom you'd do it if you didn't stay involved with your business it's hard to let go.

A productive, engaged, successful man or woman who has built a business can't just *let go*.

You have to *take hold* of something else something which is interesting, challenging and gives you a sense of purpose.

And making this transition doesn't happen over night.

It takes time to reengage in other activities: you have to find the right niche.

It takes time to build confidence in the next generation of leaders: they have to have the authority and autonomy to lead, while you are on the sidelines offering coaching.

It takes time to build an ownership team that understands its role and place in the scheme of things;

and it takes time for a family to build a shared vision of the future which includes the opportunity for everyone to share in its creation.

So how do you engage the younger generation in this dialogue so that you can have confidence as you pass the baton to the next runner?

*First* you have to trust that the runner who is following you will catch the baton when you pass it to him or her.

You must trust in his competence, character and commitment.

*Second*, you must have faith that the legacy you have built has taken root in your successors: that you have provided the values, learning opportunities and space to use what you have given them.

*Third* you must give the family team the opportunity to have their imprint on the business (just as you have) and to find their way to work together and *finally*,

You have to let go...no matter how hard it is. For unless you let go of the baton, the next runner can't take it.

## 2. for the younger generation

As for the younger generation, how do you prepare for the challenge of carrying on the business? How do you follow in the footsteps of a powerful force, a great actor.

For the successor generation

It is like standing in the wings, as an understudy

Watching the star perform on stage and waiting for your chance to show that you, too,

know the lines, the blocking and the character

Sure, you get your time on stage in smaller parts,

but you know you can do the big role and you are just waiting for your chance.

The problem is...the lead doesn't want to give up his role...

just to give you a chance.

So you remain untested, waiting, practicing, learning...

while you admire the leading actor, you can't help feeling you might be able to do it just as well...or even better...

Following in the shadow of a large tree is not easy:

it's hard to find your place in the sun.

But you must honor the tree, your roots *and* your own new growth.

You must appreciate the foundation you have been given and build upon it.

Maintaining the dignity and honor of the prior generation is important to your own esteem.

You must prepare by developing your capacity to lead and to manage.

And it is difficult to wait:

To gain the respect of the older generation

To wait for the older generation to let go of the baton and let you have the authority to make decisions and to direct the business

There are a range of types of capital which you must be able to manage:

1. Operational Assets (money, equipment, factories)
2. Intellectual Capital (information, knowledge, advisors, mentors)
3. Relationship (your team, your network, your family)
4. Spiritual (your beliefs, faith, commitment)
5. Health (physical and emotional health, energy)

Earning the trust of the generation which precedes you means demonstrating that you will be a good *manager* of these resources (*managing* means doing things right), but also to be a good leader-which means doing the *right things*. This too, requires balance. In the ancient oriental book, the Art of War, Sun Su says that great leaders possess the five characteristics in balance: sternness, humanness, intelligence, courage and trustworthiness.

In a commentary on this, Jai Lin describes what occurs if a leader is out of balance on these dimensions:

Reliance on intelligence alone results in rebelliousness among followers

Exercise of humaneness alone results in weakness.

Fixation on trust results in folly.

Dependence on strength of courage results in violence.

Excessive sternness of command results in cruelty.

When one has all 5 virtues together, each appropriate to its function, then one can be a leader.

### **Development of Knowledge**

So given our understanding and compassion for both of these roles, how do we effect the transition?

Margaret Mead: It takes 3 generations to have a full conversation:

- the oldest generation to say how things were;
- the middle generation to say how things are; and
- the youngest generation to say how things will be.

The key lies in creating the forum for on-going dialogue and the development of compassion and knowledge.

Succession involves many dimensions and many actors and the challenge is that we never know how long we have to make the transition: It could be minutes or it could be decades. Until you take your leadership of this transition seriously

and realize that you may not have as long as you hope to pass on the legacy, knowledge and compassion, then the process doesn't occur.

The succession is not just about ownership or equity  
and it's not just about management  
(these are the two factors most commonly considered)  
It is also succession of knowledge, relationships and authority.

One of the challenges to the transition, is when the next generation doesn't appear to appreciate the knowledge or ways of the older generation; it's hard for the older to trust the successor: after all, that's what's made you successful.

So, transferring the knowledge you do have-and realizing that it has to be supplemented by new knowledge-requires compassion for the next generation. They have to make mistakes too--and it would be better to do so while you are around to consult.

Succession also means relationships. The web of relationships which surround the elders has contributed to the success: employees who have helped build the business, advisors on whose wisdom you have depended, suppliers and customers whose loyalty is often hard to replace. And the family-whose support and challenges have been part of your role as well.

Succession means allowing these relationships to evolve as well. Sometimes the long-term employees have a hard time accepting the leadership of the kids they've watched grow up. Some will have to go because they don't want to grow with the new ways. Old advisors may not have kept up their knowledge or their connections with the new generation-so sometimes the youngsters have to find their own advisors. Customers and suppliers watch the changing of the guard as well--often looking for signs of confidence from the older generation and looking for signs of new passion, energy and creativity.

Finally, and often most challenging, is the succession of authority. At some point, the baton must leave one hand and go to the next. Until that happens, the succession is a sham. Until the responsibility, the decisions, the power is vested in the next generation, titles, money and other roles are meaningless.

The relay race cannot go on unless the baton is passed.  
And if the older generation trips and falls before it is passed,  
the opportunity to take pride in the next generation,  
to see a legacy go forward,  
to provide coaching from the sidelines and  
to receive the recognition and acknowledgement  
that accompanies a successful transition  
is lost.

So how do we create the forum for this exchange of compassion and knowledge?

1. Establish a place for dialogue in the family so that the dreams and perspectives of all family members can be exchanged, along with knowledge. e.g. a family council.
2. Through the dialogue, see if you can come up with a shared vision of the future: one for which the younger generations can feel excitement for and commit to making happen.
3. Then, look at what it will require to make that vision happen: typically a plan—a strategic plan for the family and the business can be developed which clarifies the path for going forward. If the younger generations develop this plan, the older can offer wise counsel while the passion to make it happen in the future comes from those who must make it happen.
4. Take whatever steps are necessary to assure that the authority is passed:
  - (1) stock transfer
  - (2) true role transition in leadership
  - (3) moving the energies of the older generation to new activities.
5. Finally, use a structured time or place in which to meet to monitor progress. Through this communication the transition can be celebrated and mid-course corrections can be considered. All, of course with wisdom and compassion.

The most common greeting upon meeting someone in Hindu countries is “Namaste:” the god within me greets and honors the god within you. Succession depends on just such mutual respect and honor.