




# From Sons & Daughters to Business and Family Leaders


Global Best Practices for Family  
Business Continuity

Ernesto J. Poza



# **Business Continuity, from generation to generation, is the prize of a well executed succession process; one that...**

- has a current generation CEO and CEO-Spouse that assume succession leadership and “trust catalyst” roles
- plans the estate with business agility in mind
- includes strategic growth by building on the firm’s core competencies
- promotes the development of the next generation
- leverages the family’s skills and abilities with those of capable and dedicated non-family managers
- is reviewed by outside board members who continuously “raise the bar” for the owner-manager
- promotes ample communication and accommodation among family members through frequent family meetings or an on-going family council



# How CEOs Depart: 5 Archetypes

- Monarchs

Do not leave office until decisively forced out. Death by poisoning or palace revolts are the triggering events.

- Generals

Also need to be forced out. Chief executive leaves office reluctantly and plots return. Returns to rescue and save the company from the inadequacy (real or imagined) of the successor.

Source: Jeffrey Sonnenfeld, *The Hero's Farewell*



# How CEOs Depart

- Ambassadors

Leave office gracefully. Often serve as post-retirement advisors and mentors. Travel and emphasize relationships in representing company.

- Governors

Lead for a limited, agreed upon term of office, then move on to other interests. There are few Governors among family business CEOs.

- Source: Jeffrey Sonnenfeld, *The Hero's Farewell*



# How CEOs Depart

- Inventors

Return to the lab or to product development activities. Tinkering and creating new products to meet unmet market needs was always their “true love”

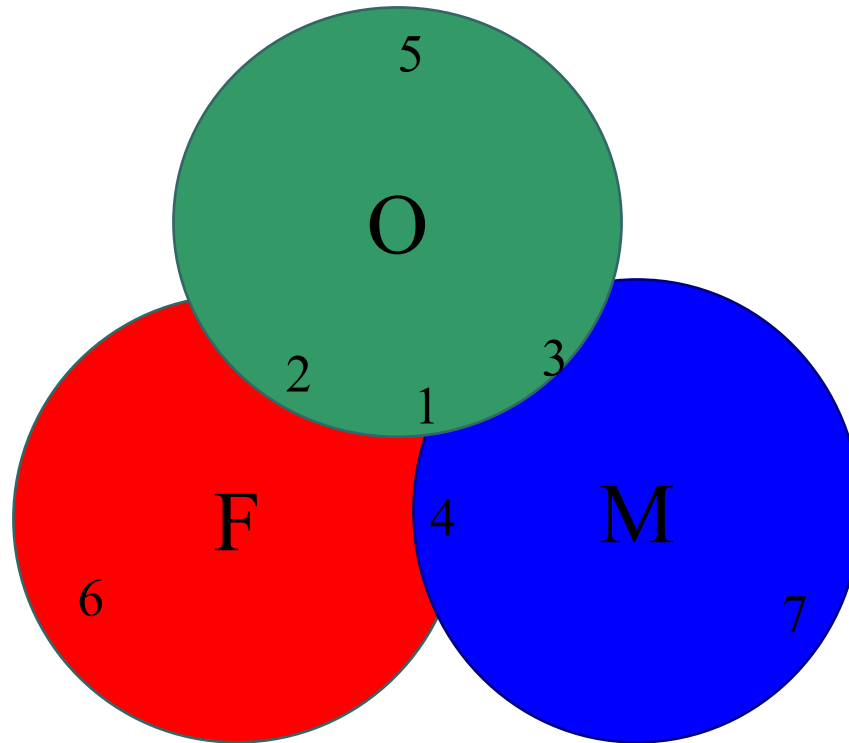
*Source: Ernesto J. Poza, 25 years of experience*



# Which one are you?

- Are you a monarch, a general, an ambassador, a governor or an inventor?
- What are the implications of this departure style to succession and continuity in your firm?

# The Systems Model of Family Business





# Family First

- Employment in the business is a membership right
- All family members of the same generation are paid equally
- The company exists for the purposes of the family, so family perks from the business are extensive
- Financial systems in the business are obtuse-by-design
- Secrecy is often paramount
- Family members protect one another and stand united against a rough world - “beware of outsiders”
- The business often becomes part of a lifestyle
- The commitment to continuity depends on the agendas of the individual family members of both generations



# Business First

- Employment is on the basis of qualifications, family members are often actively discouraged from working in the business
- The performance of employed family members is reviewed in the same manner as the performance of non-family managers
- Compensation is based on responsibility and performance
- Whenever family members meet, the conversation is all biz
- Business growth, marketshare, profitability, return on assets, return on equity... constitute the scorecard
- Once in the business, next generation is viewed in terms of how they can best manage and grow it
- Family events are often cancelled/delayed for business reasons
- There is no automatic commitment to family business continuity



# Family+Business Joint Optimization

- Family members are encouraged to work outside the business to get experience, upon re-joining, their development is a priority
- A family employment policy guides the employment of family
- Some family members join as employees others become responsible shareholders
- The performance of employed family members is reviewed in the same manner as the performance of non-family managers
- Family members may be paid on the basis of responsibility and performance or be paid a team rate
- Whenever family members meet, the pendulum is allowed to swing back and forth between family and business priorities
- There is a commitment to family business continuity. Ownership and organization structures accommodate family strategy and competitive strategy considerations.



# Family Values... Business Results


- We call our values ‘Family values...World class results’. They are not radically different from the values you hear from major Fortune 500 companies, but I think we are better able to practice those values as a family-owned business. People care about making quality products, really care about the family, each other and the success of the company. I believe this caring attitude translates into the success of the company.

*-H. Fisk Johnson, President, S. C. Johnson, a family company*



# Secrecy: The Single Greatest Enemy of Continuity

- The most serious problem, or the most dangerous bomb that the owner planted, years ago, is the culture of secrecy. First because he didn't have the money, later in his growth stage, because he wanted to hide his money from the IRS so his business could continue to break even at an ever higher rate. And finally, as a full-blown success, because he didn't want relatives, employees, the union, to feel entitled to some of his wealth.
- Years and years of hiding, editing, and not communicating financial statements, marketshare, profit margins, erode all managerial ability to lead and manage the firm.
- Years and years of little or no communication with the spouse and the kids erode the commitment to the dream of family business continuity from generation to generation.
- We have to break secrecy's grip on the family business



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# One Immediate “To Do”

- If you have not already done so... begin planning a family-family business retreat or meeting. They are not for everyone. They are certainly not for families where there is much conflict now or where some members are not talking to each other.
- They are an investment in the future, a deposit to the family’s emotional bank account.
- And the best way I know to begin the process of creating a family business strategy that promotes business continuity.