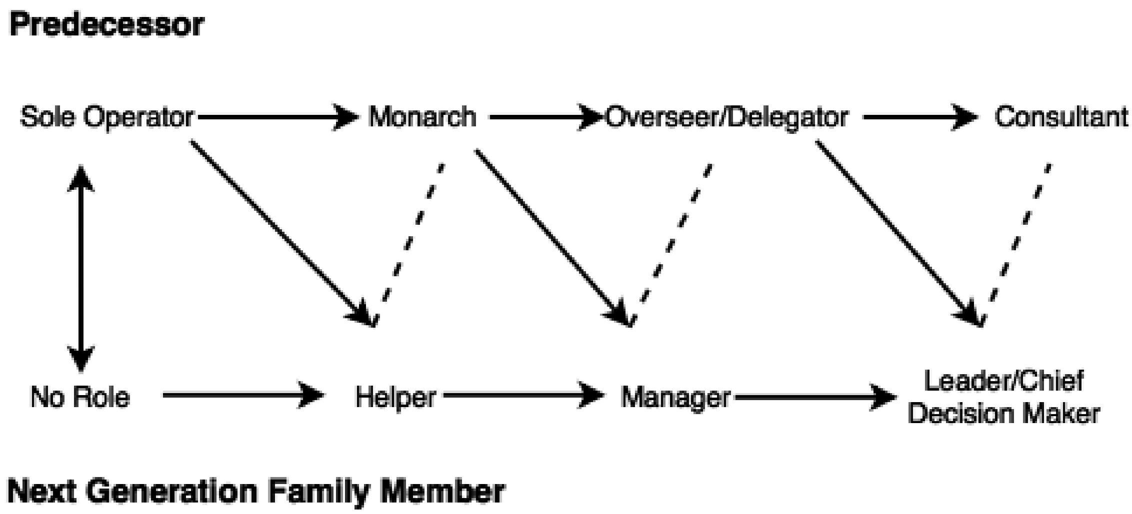
Stepping down from the Family Business.

Perhaps the most challenging period in a family business is the transfer of decision making power and control from incumbent to successor. This transition involves stepping up and stepping down processes; the successor steps-up and embraces responsibility and the incumbent steps-down and relinquishes authority. These simultaneous processes are interdependent e.g., the progress of stepping up impacts the progress of stepping down and vice versa.

As depicted in the figure below, power transfer requires both the incumbent and successor to mutually adjust their roles[1]. The incumbent leader may begin as sole operator with no next generation involvement. He/she may move to monarch (ruling over the firm), then to overseer/delegator and finally to consultant upon retirement. The next generation member is also changing roles, starting as a helper, before moving to a managerial position and then assuming leadership.



Handler (1989)

While it may appear from this figure[2] that power transfer is a smooth sequential process, there are many stages throughout where problems can arise and power transfer can be interrupted. For example, the incumbent may choose to remain in the second phase of role

[1] Handler, W. C. (1990). Succession in family firms: A mutual role adjustment between entrepreneur and next-generation family members. Entrepreneurship Theory and Practice. I5(\) . 37-51

[2] Handler, W. C. (1989). Managing the family firm succession process: The next-generation family member's experience. Doctoral dissertation, Boston University School of Management.

adjustment (i.e. as Monarch) and never leave the firm until forced out or death. Depending on the leader and their own individual departure style, the process of "stepping-down" will unfold in different ways. We describe the four main departure styles for family business founders/CEOs[3] next.

1. The Monarch

This is perhaps the most challenging exit strategy a family business can experience. The Monarch reigns over the business and does not relinquish his/her control until forced out or death. No succession planning or successor preparation occurs as no one was deemed sufficiently prepared/competent to undertake the leadership position. Thus, the business may be left floundering at the sudden demise of the leader and the absence of a suitable successor.

2. The General

This is another challenging exit strategy whereby the incumbent retires from the business under the intention to return again. The General awaits the moment when mistakes are made or issues arise and he/she can assume the role of 'saviour'. The General may undermine the successor and attempt to return to the leadership position.

3. The Ambassador

The Ambassador adopts a coaching role by ensuring their successor is suitably prepared to take-over upon their retirement. The Ambassador is not self-interested rather he/she is motivated by the interests of the business and by appointing the best individual, family or non-family, to run it. The Ambassador graciously leaves the firm, yet may keep his/her board position and continue assisting with the transition process.

4. The Governor

The Governor is an individual who plans their retirement. He/she sets a specific date to depart the business with an allotted time frame to choose and prepare a successor. The Governor will often publicly announce this departure date as a reminder and motivator for succession to take place. Following retirement, the Governor's communication with the firm is limited.

[3] Sonnenfeld, J. A., & Spence, P. L. (1989). The parting patriarch of a family firm. *Family Business Review*, *2*(4), 355-375.

If undergoing or recently undergone succession, you may find one of these departure styles rings true. If as a current leader you are considering succession planning, know that it's never too early to develop a plan for next generation engagement. Whether your successor is family or non-family, he/she will greatly benefit from the knowledge and guidance you have to offer. If as a leader you're planning retirement, remember to stick to the plan and the date of departure.