

# TEN MOST PREVALENT OBSTACLES TO FAMILY BUSINESS SUCCESSION PLANNING

By Thomas M. Hubler

In a recent presentation at the University of St. Thomas Center for Family Enterprise Family Business Forum, John Davis, family business consultant, researcher and educator, commented that everything consultants like himself teach, their clients already know. In order to be successful, they need to confront or deal with the obstacles. Of course, the first question that popped into my mind was: What are those issues? As I looked back over my practice, I began to identify some common obstacles. But, before I name these obstacles for discussion, I will describe the context in which I work with my clients.

The basic goal in my work with family business clients around their issues is to help the B.O.S.S. be successful. At the orientation meeting when I introduce this concept, which comes from the book Collaborative Team Skills (Miller & Miller, 1994), all heads turn toward the father. I announce to the father that he has just been demoted, and that the real boss around here is the four constituencies that make up the acronym. The **B** stands for the **B**usiness and what the business needs to be successful. The **O**, which is the most important part of the B.O.S.S., stands for the **O**ther. What do you want for the **O**ther and what does the **O**ther want? In the context of succession planning, each member of the family has to know that the others are committed to help each other be successful—it's a bilateral, mutual process. I use the Common Family Vision to assist in this area. The first **S** is what do I want for my**S**elf? This is the one area about which people are generally most concerned—themselves. To be successful, clients need to understand the systemic nature of family-owned businesses and that, for personal goals to be achieved (the S), they must create a win-win success for all four constituencies. The final **S** stands for the **S**takeholders, which generally includes the whole family, the employees, the customers, the vendors and anyone else who is connected with the family business. I begin my work with clients by helping them realize that they have to help the B.O.S.S. be successful so they can successfully navigate the obstacles and deal with their issues.

The following ten obstacles are derived from my observations of client situations that became stumbling blocks and obstructed their ability to move from their current state to successfully navigate the succession planning process. I will begin with obstacle number ten.

10. The 10<sup>th</sup> obstacle is poor expression of feelings and wants. In most family-owned business situations, the lack of expression of feelings and wants exists. This omission is one of the major predictors of poor and ineffective communication. In order to communicate effectively, people need to be vulnerable, and that is the issue. In many family businesses, the family does not have the capability, experience, and confidence to be able to express their feelings and wants around the other daunting obstacles that follow. In some instances, their experience has been so frustrating and

unproductive that they give up and are no longer willing to take the risk of vulnerability. As a result, the stumbling block occurs.

Also, in our culture, and in many families, we are taught not to express our feelings and our wants. In regard to wants, I tell clients in my seminar presentations that I was taught not to express my wants. I remember, as a small boy, that when we would visit relatives I would tell people I wanted a piece of candy from the dish on the coffee table. I was immediately told that it was more polite to wait until it was offered. I waited and waited and waited, but no one offered it to me. Then I got married, and I waited and waited. I thought, “If she loved me, she would know what I want.” Since she wasn’t giving it to me, the fight would be on.

That is exactly what happens in family-owned businesses where family members have expectations of each other about what they want in an emotional sense. They are reluctant to express it and no one offers it, so they think they’re not worthy.

The solution I use with my clients is to engage them in a communication training process that allows them to become more familiar with and confident about being able to express their feelings and wants. The Collaborative Team Skills workbook (Miller & Miller, 1994) is an excellent resource for clients. They are able to learn in a relatively short period of time the necessary skills to transcend this obstacle.

9. When differences are seen as a liability rather than an asset, it is always a problem in family-owned business succession planning. Differences are really the key to an exciting and active life. Often in family-owned businesses, differences are interpreted as “you don’t love me” and “you don’t care.” In other instances, differences are personalized with the same kind of result.

Another example of this dynamic is the famous “Hubler’s Speck of Dust Theory.” When I mention it to seminar groups or clients, they are always puzzled or unfamiliar with the theory, so I am forced to explain it.

Family members often think in regard to small business differences—I don’t think I want to bring that issue up with my family members. We plan on getting together as a family for Memorial Day, and if I bring that issue up, it will upset our family. I want to maintain family harmony, so I’m going to let it pass.

The same thing occurs on the 4<sup>th</sup> of July, Labor Day, Thanksgiving, and on and on. As a result of wanting to maintain family harmony in the context of family-owned businesses, family members often inadvertently create the very problem they are trying to avoid by not discussing their business differences.

I use the Myers-Briggs Type Inventory as a resource tool to help people understand and objectify the notion of differences. I find that it helps me teach people in a positive way about their differences and how they can use the synergy among their differences to create a third or fourth way of doing things they otherwise would not have considered.

8. Indirect Communication. One of the most insidious problems in family-owned businesses is the use of indirect communication. When differences occur, as they often do in succession planning, it is almost always a problem if people do not talk with each other directly. Family members involved in the business often talk indirectly with other family members who are not involved. This creates a triangle that destroys the quality of family relationships. Again, I use the Collaborative Team Skills workbook, especially the chapter on “Styles of Communication,” as a resource to educate clients about the pitfalls of indirect communication and to assist them in using direct communication for a win-win result.

7. Entitlement. Often entitlement is seen as a younger generation issue. Certainly that is true when younger generation people use their name as a wedge or variance to achieve advantage over other people in the organization. When this occurs, it has a negative effect on morale. In a recent client situation, a 30-year old second-generation member of a family-owned business, was about to embark on a self-destructive course to take over the sales department of his father’s organization. He had been encouraged by outside professionals. Luckily, the son was able to do some career planning with our industrial psychologist. By having a discussion about expectations for his position and role with his supervisor and the director of sales, the son created a career plan and was able to realize the inappropriateness of his unrealistic expectations. As a result, the son was able to create a realistic career plan that met his goals, the needs of the non-family managers, and his father’s ambitions for his son’s success.

Senior generation members of family-owned businesses often have this same issue of entitlement. Being the founder of the company and/or being in the senior generation, gives some a sense of entitlement that allows them to think they should continue to take on the primary responsibility of leadership. This is often at the expense of their younger generation adult children, who sometimes are in their 40s and 50s, still waiting for an opportunity to lead the company.

Clearly, the solution here is to work together to talk about the best interests of the B.O.S.S. and how we can continue to help the B.O.S.S. be successful. When family business constituents have a common family vision, it alleviates this issue of entitlement and makes it much easier to create succession strategies and solutions that are win-win.

6. Scarcity. One of the most difficult issues in the context of family business succession planning is the issue of scarcity. What makes it so insidious is the fact that it is invisible because of the underlying assumption of the family that “there isn’t enough to go around.” It often manifests itself in the discussion of money, roles and power. In a family-owned business, there are two bottom lines. The first is the standard financial one, and the second is the more invisible, emotional one. It is the lack of expression of appreciation, recognition and love that is the underlying problem with emotional scarcity.

There are two things I have found that help with the issue of scarcity. The first is having family members talk directly about what they expect from each other. This relates to the number one issue, which I will address later in this article. The second has to do with assisting clients to empower themselves to achieve their fullest potential—whether it is inside or outside the family business. In doing so, they begin to understand the sense of abundance that exists in the world for all of us. A resource I have found to be particularly helpful to clients over the last eight years is the Empowerment Workshop offered by Gayle Straub and David Gershon. Clients who have participated in this come away with a sense of abundance that allows them not only to be fulfilled but also to talk more directly about their emotional expectations from their families.

5. History. History is a big factor in all families, and it is certainly true in the context of family-owned businesses. A book on families entitled The Way We Never Were (Coontz, 1993) captures the essence of the concern about history. Though family history generally includes difficulties, we go out of our way to talk only about the good things. We mistakenly try to protect our children from our experiences in our own families of origin. Overlooking history is a major factor in family-owned businesses that are having a hard time creating their future. Soren Kierkegaard, the Danish philosopher, has been quoted as saying, “Life can only be understood backwards, but it must be lived forwards.” Therefore, the full celebration of history is essential for continued family business success.

In terms of my experience with clients, not only do they not celebrate their histories, they often take the positive aspects of their histories for granted and do not celebrate those either.

The title of the book, Full Catastrophe Living (Kabat-Zinn, 1990), captures the essence of the full celebration of family history. The title comes from Zorba the Greek. Kabat-Zinn highlights the pain and stress reduction program at the University of Massachusetts in Worcester. In the story, Zorba is a roustabout who is hired by a mine owner to run his mine in Crete. Zorba was hired on the dock prior to sailing, so the two men are getting to know each other on the trip to Crete. The mine owner says to Zorba, “Tell me, Zorba, are you married?” Zorba responds, “Am I not a man? I have a wife, the kids, the house, the full catastrophe.” If you remember the story, Zorba was the type of person who danced and celebrated all that life had to offer and actually embraced it. As family-owned businesses are able to celebrate and embrace all that life has to offer, they open the door to the future.

4. Other-Oriented Regarding Change. Change is one of the most difficult aspects of life for all of us. My experience has been, that even when it is positive, it is difficult. In the context of family-owned businesses, it is not unusual when people expect others to change in order for something good to occur. But this expectation is a formula for disaster.

At a seminar for a trade association, I was presenting the classic family business model of family and business overlapping circles, which I consider to be one of the major

problems and challenges in a family-owned business. A young man stood up and said, "The circles you are presenting are equal in size. If my dad were drawing these circles, his business circle would be very big, and his family circle would be very small. On the other hand, if my wife were drawing those circles, her family circle would be very big, and her business circle would be very small. So the next time you do the presentation, you may want to mention that." As he was about to sit down, another participant asked, "What do your circles look like?" The young man said, "I'd rather not say." Basically he was caught in the middle between two people he loved. Just two weeks prior to the seminar, the father had called me and said, "I'm in a manufacturing business with my two sons. My oldest son is an engineer, and he's my successor. He's been absolutely terrific up until two years ago when he got married. My daughter-in-law is the problem. Can you come and fix her?"

Whenever I tell that story at seminars, the participants always laugh. It is quite an amusing story, but I believe it demonstrates the issue of Other-Oriented regarding change. The overlap of circles, which is an organizational problem in the context of family-owned businesses, is experienced by family business participants as an interpersonal issue. As a result, they often blame each other and expect the other to change.

The solution is self-responsibility—taking responsibility for what we successfully contribute to the family business and also taking full responsibility for our contribution to the problem. One of the major challenges in succession planning and family-owned businesses is helping clients take full responsibility.

3. Control. Control is a major issue in the context of succession planning in family-owned businesses. The issue of control, which is the very thing that makes owner-entrepreneurs successful, is also their Achilles' heel. At seminars I often cite Curt Carlson, Minnesota's most famous and successful entrepreneur, as an example of this. His struggle with the issue of control and the number of different people he has had in his organization as potential successors has been chronicled in the media very effectively. It has only been within the last few years, when Carlson Companies celebrated its 60<sup>th</sup> anniversary, that he has been able to deal successfully with that issue of control. The reality is that it is not only the entrepreneurs but also the family as a whole who have to deal with the issue. It is about change. As I mentioned earlier, change is difficult even when it is positive. It is a major, major issue for an entrepreneur who has spent the majority of their his or her life closely involved with the family business.

In preparation for a recent presentation on aging and entrepreneurs, I began to realize that almost all of my clients were senior citizens. In thinking through the presentation, I began to realize how treacherous the succession planning process is, insofar as it causes entrepreneurs to think that people are trying to change them and take away their companies. Subsequently, I have been able to realize and work with entrepreneurs to help them develop a new dream. Entrepreneurs are driven by their dreams. Since it is not possible to change or control entrepreneurs, it does not make sense to continue to

fight that battle. On the other hand, it is possible and realistic to assist entrepreneurs and their families in developing new dreams in relation to their family, their business, their communities, their leisure time and philanthropy as a way to effectively deal with the issue of control.

2. Lack of Forgiveness. In the family businesses I have worked with in the last 18 years where there has been a breakdown in family relationships, lack of forgiveness is right at the top of the list of those things that get in the way. It is impossible to go through life and be involved in a family business without inadvertently stepping on each other's toes. I have observed that those families that don't have the capacity to forgive each other for their transgressions clearly have a hard time being in business together. In order to bridge this gap successfully, I have generally used and drawn upon my client's religious background, since most religions have a philosophy of forgiveness that is often helpful. I also suggest that clients read A Little Book of Forgiveness (Miller, 1994). It helps clients change their perspective about forgiving each other, and sometimes even themselves.

1. Lack of Appreciation and Recognition. Based on my experience with family-owned businesses, the number one obstacle is lack of appreciation, recognition and love. When I read in the press about family business catastrophes, as well as review in my mind where my own clients' breakdowns occur, lack of appreciation is often at the root. The senior generation desperately wants this from their adult children, but they will deny to their dying day the fact that they want it and need it. At the same time, I have had clients who say, "What I really want is a little love around here."

Another story I tell at seminars is about Bud Grant, an icon in Minnesota and a former coach of the Minnesota Vikings. At his acceptance speech into the Pro Football Hall of Fame in Canton, Ohio, he expressed appreciation for his success to everyone he could think of. He stood there, rather uncharacteristically, in a pastel sport coat with large sunglasses on. He indicated that if his dad were there at the ceremony he would have said, "You done good, kid!" At this point, he began to choke up with tears. There is absolutely nothing wrong with the fact that he was expressing such emotion on this wonderful occasion, but the fact is that an almost-70-year-old man was still looking for appreciation and recognition from his father, who I assume was long deceased.

It is the same issue for the younger generation adult children. They are still looking to be recognized by their parents for their accomplishments and uniqueness. The lack of feeling recognized and appreciated underlies many of the problems in family-owned businesses.

Joseph Jaworski, in his book Synchronicity: The Inner Path of Leadership (1996), mentions his own experiences with his famous father Leon, who was a prosecuting attorney for both the Watergate Trial as well as the Nuremberg Trials. As a result of his father's army experience, he refers to him endearingly as "the Colonel." One day he was journaling and realized that he had some animosity toward his father. He went to his father at their ranch and said:

“Colonel, I don’t think you’ve ever told me you love me. I believe you do love me, but why haven’t you told me so?’ He just kept quiet. He didn’t know what to say. After a while he looked down and said, ‘Well, you know I love you.’ And I said, ‘Well, why can’t you tell me?’ He said, ‘I’ve always loved you, and you know I have. You know I love you.’ I said, ‘I don’t know it, and it hurts that you never told me so.’” (p. 145)

I believe this interchange pointedly describes the dynamic that often occurs in family-owned businesses. There is an implicit assumption that people are loved, but the fact that it is rarely if ever expressed is often an obstacle.

The solution lies in teaching family members how to talk about their expectations of each other in an emotional sense and to express appreciation, recognition and love. Many families have a hard time doing this, and just take it for granted. From my experience, most families across the board, need to learn that the emotional bottom line in family-owned businesses is just as important, if not more important, than the financial bottom line. Appreciation, recognition and love need to be expressed on a regular basis.

Over the years I have come to realize the importance of planning for success. As a result, it is critically important to incorporate a plan that addresses these obstacles. Addressing them in a proactively and in a positive way can only enhance a family business’ opportunity for continued success and prosperity—both financially and emotionally.

## References

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