

## **“Succession – Is this it!”**

***John Tucker***

When I was first asked to speak at this conference my initial thought was to stick to the safe ground of the issues usually discussed when the subject of succession in a family business is on the agenda.

So, I would present to you statistics that relate to the failure rate of family businesses from one generation to the next. I could present the usual definitions of a family business and how the three systems of family, business and ownership overlap and clash. I could present models of ownership and governance, or discuss the deadly conflicts that exist when family members work together, discuss sibling rivalry and the incumbent who won't let go. I could discuss the destructive psychological profile of the entrepreneur, the role of the spouse, management structures, the role of the independent director and the difficulties of being a non-family executive in a family run business. I could talk to you about birth order and business, family and individual life cycles and how differing needs and wants ensure a constant battle-ground exists within most family-run businesses. I could talk about having a succession plan, about developing it early, about setting timelines, and inheritance planning.

But I have chosen to speak about none of these subjects, even though all of them would make an interesting and, I suspect, thought provoking session. I have chosen to share with you some of my personal thoughts and feelings about relationships when a family works together in a business and some personal stuff from my own family. My work is confidential and private, putting me in a privileged position. With this presentation I am attempting to give you an insight into the emotional arena without abusing that privilege.

I have worked in the field of family business for some fifteen years, learning, sharing and hopefully adding some knowledge to this fascinating field of work. I am fortunate enough to work with some extraordinary people, people who inspire others and who reaffirm in times of doubt, why I do what I do.

We can read forever, we can run conferences, workshops, carry out consultancy assignments, write papers and generally convince ourselves and others that we know about being a family in business. And, yes, we do know something about family businesses, maybe something about our own, but we don't know nearly enough about *'that'* family business. We may even convince ourselves that being a family in business is no different from any other group of people in a business, that all businesses have a 'familiness' and I acknowledge this to be true for some.

I want to take this out of the family business arena for a moment and recall a conversation that took place a month or so ago. My wife and I were having dinner together and Pauline was talking about her work. As we talked a few tears appeared in her eyes as she described the circumstances of a particular situation. It appeared that a woman was confiding in Pauline her fears for her husband. He had run a very successful business, sold it and retired at the age of sixty one. Two years later he was diagnosed with lung cancer and was now being treated at home. His wife was confident he would 'beat the damned disease' and he was sure he could cope with his latest challenge to his manhood. Pauline was reflecting on her role and was saying that this, like a lot of care at home, is as much about listening and being there as it is about using technical skills. As she talked the tears came even more and this phrase was spoken that I thought was particularly relevant to my work with families in business. Pauline said,

"You know the really sad thing John? You see it before it happens."

I asked her to elaborate and she said,

“No matter how much you try to support, offer advice, counsel, be there, the great optimism of life and our perceived ability to overcome great pain and tragedy, you know the journey is going to be heartbreaking for the family, hard for you as a professional, with little chance of a successful outcome.”

Pauline went on to describe other circumstances she had encountered in her work. The 27 year old mum, dying of cancer with three children under the age of ten. The 23 year old, paralyzed, wheelchair bound man whose life was wrecked by a drunken driver and the fifty eight year old dad, with three sons and two daughters, who had fought the damned disease for four years, but would not see another Christmas. Pauline obviously needed to talk that night, to confide, to look for some understanding, to ask the difficult questions. My guess is that it had something to do with the loss of her mother in March. What is this life about? Why are we here? What are we here for? What does my work mean to me when most of the time I seem powerless. Am I worthy of doing this? Can I make a difference?

That conversation caused me to reflect and think deeply about what I wanted to say about my work and you know the really difficult thing to get my head around? In all of the situations that Pauline described, the people involved were impacted by circumstances largely outside of their control. In my work, the people impacted usually have some control over issues they are grappling with. In fact, most of the issues are ‘manufactured’ in some way or another.

And, like Pauline, when it comes to work with a family in business facing a transition, ‘I see it before it happens’.

I want to build on that conversation with Pauline to examine relationships within a family business and the destructive nature of relationships in conflict.

Having checked to ensure that I am not breaking a confidence, let me have the privilege of sharing part of a letter received from a well known local

family business owner. For me it encapsulates everything that I believe to be true in my work.

“Each family enterprise while sharing many similar challenges and opportunities are also as varied as the colours in the rainbow in their complexity. What may be appropriate for one set of circumstances will be quite wrong for another and therefore the key may be to give examples to illustrate the handling of a particular situation and the eventual outcome, without describing it as the definitive solution to be applied across the board. Each family has to eventually prioritize what are its most important and cherished objectives. At the end of the day the family enterprise has no respite from itself, there is nowhere to hide or space for inner peace. The issues reside with the family 24 hours a day. 7 days a week and one action can ripple through the whole family fabric with sometimes devastating consequences”.

In my experience of working with families in business, when a family business get into a relationship conflict, what usually happens is that the root of the problem is ignored and instead the focus is conveniently shifted onto the ‘business’ symptoms, the areas where problems are commonly manifested – cash flow, financial structure, profitability, and employee motivation to name a few. Poor performance in any of these areas is then blamed on other ‘business’ causes – lack of financing, increasing competition, inadequate accounting systems, inefficient procurement, the state of the economy. The consultants are called in, reports are drawn up, business plans are prepared, employees are replaced, and IT systems are changed.

The result? Many changes but very little change.

The son is still frustrated and angry at his dad’s reluctance to let go and let him manage the business. His constant criticism and disapproval is driving him crazy. The daughter resents her brother’s attitude, hates having her ideas ignored, and cannot understand why her husband won’t be given a job in the business. The consultant said it is better not to have spouses in the business. But it’s not fair. After all, her sister in law was not asked to leave the business was she? Her brother cannot understand what she’s

complaining about. After all, she gets paid almost as much as him and she hardly does any really work in the business. Dad is sick and tired of all this bickering. Why can't Junior appreciate that his sister has kids to take care of? Doesn't he have any family values? How can they both be so selfish and ungrateful when dad has worked so hard and made so many sacrifices to leave them this business?

Mum despises the business. Her husband is rarely ever home. Whenever she invites all the family home for lunch hardly five minutes elapses before the conversation turns to the business and an argument erupts.

So they rarely ever get together outside the business these days and she really misses her grandchildren. She wishes he would just sell the damn thing.

The more I work with families in business the more I realize that family business consulting is more about 'families' than it is about 'business' and that issues are always much more complex than they seem. Problems in the business are often deeply rooted in relationship problems between family members, which are rarely apparent at the outset. There are no quick-fix solutions here.

I could spend time skimming over the myriad of relationships that can exist within a family business. However, I want to examine one of the most fundamental relationships within the family. A relationship that when transferred into the business arena provides endless consultancy opportunities and endless emotional, intellectual and professional challenges. And when it goes wrong, a relationship that has the potential to bring about the most devastating results, both for the family and the business.

My consulting work, my training work and my teaching has brought me into contact with this relationship and I am convinced it is one of the major factors impacting on the transitional process of the family business from

one generation to the next. I want to talk about the relationship between father and son.

These works are from the early Cat Stevens version of the song 'Father and Son'. The song depicts the very difficult relationship between a father and a son and I have made my own interpretation of the words and applied to it my own knowledge and experience of working with families in business.

"You may still be here tomorrow but your dreams may not"

The Dream Dies

Growing old and realizing that all the dreams you had may be gone or no longer achievable (father talking to his son).

You can turn these works around and interpret a very different message.

"Your dreams may still be here tomorrow but you may not"

The Dream Lives

Carrying on the dream, taking the baton, responsibility, legacy and duty (son talking to his father)

As an illustration of these words some months ago I had the most amazing telephone call, from a friend, colleague and client all rolled into one. He was bursting with energy and enthusiasm, he was excited and stimulated

and why? He didn't know. He just knew he felt he was alive, he tingled from head to foot. He described *feelings*. Talking about his feelings, for god's sake. He's fifty five, a managing director and owner to boot.

Last week he was down in the depths of despair. He had an abortive attempt to sell his business, employees were leaving, trade was poor and he was depressed about the future. None of those things had changed, so why such an animated phone call?

Brian said that I was the only person he could ring, the only person who would understand. I was touched and honoured, and I think I understood. In my view he has reclaimed his life, taken it out of the hands of other people. Out of the hands of the would-be buyers, out of the hands of the employees he thought were indispensable, out of the hands of his customers and anyone else who thought they might have a piece of him.

He is back in control, of his life, his business and his future. He was talking animatedly about the future. His future, not someone else's. You see he had a dream; a dream is the manifestation of our visions. Our visions come true, in pictures and glorious colour. It's vivid and alive.

Brian's dream was for Mike, his youngest son of three, to take over the business. Mike wanted something else. That was eight years ago. Mike did his something else. He went to University and studied ecology. Brian decided to sell the business. There was no one interested in inheriting the "old man's" business. In the words of the song, Brian would still be here, but his dreams may not. Now Mike has returned.

It's only temporary you understand. Just for a few years, get us sorted out, you know. See us through the next difficult patch.

Funny how this burst of enthusiasm for a business dying on its feet has coincided with Mike's decision to stick around for a while. Perhaps the dream is still alive? Perhaps the dream will come true? Who knows?

Perhaps in the juxtaposition of the works Mike would ensure the dream lived on after his father's death.

There were tears in my eyes that night. I have found myself in the most amazing situations working with families in business. It is often an incredibly privileged place to be and that night was one of those moments. A moment when two people connect and each knows that the other is feeling exactly the same as the other.

I *felt* Brian's excitement. I *felt* his emotion and I *felt* his optimism. I too tingled, even though my pragmatism told me that Mike was not the right person to run Brian's business and I wondered if his return was to live his father's dream. We'll see.

The relationship between father and son is always difficult and this is exacerbated when father and son are in business together. It is very difficult for a son to emancipate from his father, (a critical task in becoming an adult), when the two work together and the son does not have his own universe in which to mature.

From a business perspective, the son almost always has some independent ideas that differ from the father's, if for no other reason than a generational perspective. Given the essentially emotional nature of family relationships, it would not be surprising if there were confusion about whether a son's actions were a form of rebellion rather than a reasoned disagreement over business issues. Sorting through this requires some understanding of the history of the father/son relationship, as well as the dynamics of the entire family constellation.

I have no real answers. That privilege lies with the client. My role is to use my professional skill and experience to design the process, hold the mirror up, ask the questions, support the process and be there for my clients, and when a family is ready to move forward, the other professionals can more effectively carry out their work.



I am not an accountant or a solicitor. I do not deal with technical issues. I like Pauline, deal with people, their fears, their dreams, their wants, their needs and their emotions.

So to come the full circle, I want to come back to my conversation with Pauline. The real lesson for me that night was to come to the realization that no matter how good a practitioner she is, no matter how professionally competent she is and no matter how much she cares, there is very little Pauline can do to alter the outcome for a terminally ill patient. Pauline's patients have no say in their illness. They were not responsible for causing the illness. They have no power to alter the outcome.

And the stark reality for me in my work with families in business is that most of the problems are caused by the people involved. They do have a say in their problem and they do have the power to alter the outcome. And in the words of the song "In the Living Years" by Mike and the Mechanics

"Every generation blames the one before and all of their frustrations come knocking on your door" and

"I wish I could have told him in the Living Years"

In the end all we have is family, and if anything I have said resonates with you, my plea is that you should sort it out. If none of what I have said resonates, then you have either been very lucky and or you have done a damned good job.

And as for me, most of my colleagues think I am a social worker at heart, probably not cut out for the world of business and they may be right. But if I forget why I am doing what I do, I will read again the piece from my chairman friend and be assured that whatever the destination, the journey will have been worth it if we can avert those 'devastating consequences' for a significant number of family businesses.

*Question: John Potts, Peterborough*

*Your presentation was very interesting but I am desperate to know how you sorted out the 96 year old lady in the wheelchair with the three sons?*

Answer: We didn't – we started working with the three sons but when you get three guys, two in their seventies and one in their late sixties they pretty much know it all, or at least they thought they did. We worked with them for about six months and by the time we left they were talking about what was going to happen with the next generation so we actually got them to the point where they were starting to talk about what was going to happen. The question largely is “do you want to keep the business in the family?” and if you want to keep the business in the family then that's one route you take. But obviously there are other routes with family businesses. That one was probably about four years ago and in the early days when we were doing work with families, and I have to say I don't know what's happened to them. But we got to the next generation at least.

*Question: Andrew Pollard, Hull*

*You were talking about things just as if its general common sense, how much of the fact that you've got Grant Thornton backing you does it make it easier to put that common sense over or having that common sense accepted.*

Answer: I think it's a double edged sword. I think having the Grant Thornton badge on the center has been particularly useful in some ways and it's given us credibility. It's also a hindrance in that a lot of family businesses won't come and talk to us because they think they are talking to Grant Thornton and if they think they are talking to Grant Thornton where does that leave their accountants. In the two years that I've worked within the firm I had one internal referral and to say that I think accountants are evil would again be an understatement. Please don't repeat that anywhere. What was happening was we were getting lots of external referrals but there was an expectation on me that got turned into audit and tax clients and I can't do that. If I go and work with a family they have to know that I am there to represent the whole family and that I am not there to try and

sell them, I am there to do a specific job. If I tried to encapsulate it, it is to get the family ready to make the decisions that they know they have to make when it comes to transition, be that management transition or ownership transition and then the other professional colleagues I work with, I think they might find it a lot easier to do their work. What is interesting is there is an organization called "The Family Firm Institute" which was founded in the US in 1980 and that is an organization that represents worldwide professionals and it started with the law profession. It started with lawyers asking questions like "I don't know what's going on here, we do all this work but there is something going on behind the scenes that I am not aware of" so its understanding that. So I think the answer to your question is "it really is a double edged sword".

I don't want to give the impression that I work only with large family businesses, I don't. Most of our clients would be between £5M and £50M turnover and we have at least three clients below £5M and interestingly the problems are the same. It doesn't matter whether you are £600M or £1.5M the problems are the same. If the relationships are not right then the problems are the same.