

Hello, everybody. Dennis Engelbrecht with our Deep Digging Deeper pod series. Thanks for tuning in today.

Today, I want to talk about succession. So, at The Family Business Institute, succession is sort of the original root of our business. That's what we worked on. We worked on figuring out how to allow the senior generation to move on successfully, live happily ever after, while creating this pathway for a new generation to come in and be successful running the business. Very true then and very true now is this is not an easy process, particularly for the departing leaders. The challenge of succession, how to break away, break away from that day to day running the company job and moving to a different place. Why is this so hard? I thought a lot about this with respect to one particular client that I've been working with recently, but why is it so hard?

One of the reasons it's hard is because you're putting this former president, CEO, direct leader into a completely new role. It's not just a new role, it's an unfamiliar role, in particular I think in the business of construction where so much is hands on detail oriented, nuts and bolts, excitement, winning, all of these things that are involved in being the day to day leader of a construction company. And now I've sort of removed you from that. And so, this removal from the day to day, which you'd think, I'm moving toward retirement, spending more time with the family, more traveling, et cetera. This should be a freeing thing, right? It should be. But unfortunately, I think more often than not, it's an anxiety producer. I've had this baby that I grew up with perhaps, that I established, I led, I ran and now it's over here and I don't have my direct tentacles on ... Know where everything's going on and it produces anxiety. And sometimes once you're in that position, only the bad news rises to the top. So that makes the anxiety even worse because you hear problems or you perceive problems, sometimes they're not real, but that seems to be the way your role tends to go.

And the other part is it really does lack the excitement, that charge of the day to day. And I think that's hard for a lot of leaders to get used to it. I hate to say it, it's kind of dull, sitting back and having a board type of role where I'm overseeing, maybe mentoring a little, but that can be very difficult for folks. So, let's think about some of the other things that change, and you could do differently so that you could resolve those problems.

Well, one of the things of course is the information flow changes, right. Now you would probably agree that you want the company, I'll call it the new company, the new management, to have any effective chain of command for things to flow up through the current leadership, as opposed to going around the corner and coming to you, where you might have to get involved or get involved inadvertently and muck it up. All right. So, information flow changes now, but some of it doesn't change. You probably still have some old-line folks that still come to you with information, feed you little tidbits. If they have a problem, they might come to you when they really should go somewhere else.

But then the day to day detailed information, isn't coming to you, all right, you're not reviewing invoices and things like that, that you used to review. So, checks are going out and you didn't sign them, scary stuff, right. And it is scary if that's what you're used to doing, but that whole flow of information changes now. It's going to the next leader or going to someone else. And however, that leader is set up their chain of command or their organization.

The next thing that is difficult is there are changes going on in the business and that change is inevitable. Part of it is just because you're a different person than this next leader. That in and of itself creates a different culture, it creates a different way. Meetings might be organized, might be run, the different things that they do in their role that you didn't do, or they do things or they don't do things that you think they should do, but they don't because that's not their personality. That's not who they are. They are a different leader. But lots of other things change too. The people change, policies, procedures, and there's always a tendency. I think for that leader, that ex leader, to sort of protect the old guard and the old guard, being those folks that you grew up within the business at whatever level they are in the company versus the new people, the younger people. And those old guard are probably the ones that you hear from again.

But the same thing happens with the old ways. There are new ways now, and maybe you don't fully understand them or fully agree with them or buy into them, but it's inevitable, right? It's change. It's inevitable. It's part of what happens in succession. And you have to be able to come to grips with it.

The next thing. And I think this one's really hard and I hadn't thought about this a whole lot until the last few days, but trust and communication between the former leader and the new leader. This is really key, but it is not easy. Again, all of a sudden, there's this different chain of command, different information flow and trust is oftentimes based on what you hear, see, know and you're no longer hearing and seeing and knowing all the things you used to know. So now it's easy to develop, maybe just a slight bit of distrust just because it's a different flow.

And then perhaps communication ceases to be easy. And as soon as communication ceases to be easy between these two parties, it kind of has a multiplying effect. And so that's what you've really got to shoot for is an easy communication where we can get together and all. "Hey John, how's that project going?" And John's not taking offense or anything like that because I asked him a question and it's free, it's easy and if you can keep that free, easy communication, that can overcome most everything.

The other thing is to remain collaborative. And a lot of times I think it's the new leader that fails here. The new leader wants to put their own stamp on things, do things their own way, want to try themselves out in a sense, try out my leadership, see how it's working. So sometimes I think they avoid collaborating because they want to establish themselves. But I think that collaboration between the two is really crucial. It's crucial to the long-term trust and it's crucial to the organization because they feel more of a meld between the old and the new and more of a trust in the future of the company. And I think organizations can sense when that trust and communication is not easy and not collaborative.

The next thing, of course, is the chain of command. And I have yet to meet a new leader that didn't want the chain of command to come through them. Call comes in from the customer to the old leader, old leader calls a project manager or somebody because he wants a quick answer so he can call the customer back and tell him what's going on. Well in logical organizational theory, wouldn't it be great if he called the new leader and said, "Oh, I just heard from so-and-so and I want to get back to him quickly. Can you find out what's happening here? Let me know. And then I'll relay it back to the client." Or even better yet, call the new president in while you're on the phone and say, "Let me go get Randy so he can hear this

too." And then I find out, first thing he finds out firsthand what the issue is, and then he can respond and maybe get me out of that loop for the future. But that chain of command is difficult because again, it's not easy. It's easy for a customer to call the old leader. It's easy for an old timer to go to his old-time boss with a complaint or even just to chat. But as soon as that chat starts, different stuff comes out. Right?

And then probably the last thing that makes this succession hard to do and hired to accomplish is really separating financially. Once you're no longer the leader of the company, it is important that you separate financially, that the things, the personal things that you may be used to do through the company, run through the company, get minimized down to what's a normal benefit level and those sorts of things. Because that is something that affects everybody and making those financial decisions. So, you should come up with a plan of how you do that best outside of the company. And to the extent that you can do that again, helps make that succession a success. So again, hard to back away in a succession scenario, but there are ways to do it. Really work hard to keep that trust and communication going so your relationship between the incoming and old time, outgoing leaders remains easy and collaborative.

Again, Dennis Engelbrecht, Digging Deeper, thanks for tuning in.