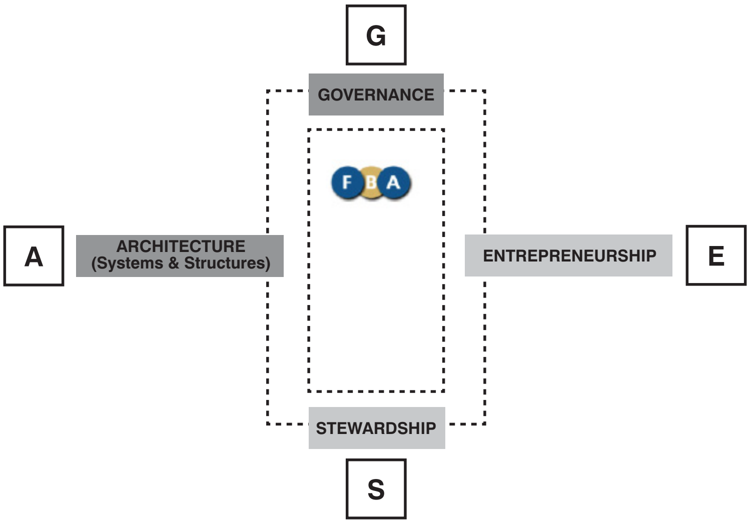
Addressing the Challenges of Leadership Succession using the AGES Framework



Source: Professor Ken Moores & Dr Justin Craig, Australian Centre for Family Business at Bond University

Leadership succession is inevitable. However, more often than not, succession is problematic in family businesses as, usually, the topic is avoided and is treated as something that is to be dealt with at a future point in time. Reasons for this avoidant behaviour are numerous. For example, it may be due to the fact that succession is equated to the (perceived) diminishing value to the business of the incumbent leader. Or, it may be seen as too hard or complex and there are more pressing concerns facing decision makers, which is particularly relevant in challenging times.

But, more than likely, the root cause is related to the absence of appropriate ARCHITECTURE and GOVERNANCE mechanisms that fail to identify the fundamental need to plan for succession. Regardless, successful leadership succession is a ***process*** not an ***event***, and, significantly, an event that does not happen very often. Unlike in public companies where leadership is all too often a 'swinging door' process, evidence indicates that family business leadership succession happens once every 20 years or so. Even then, succession of leadership is a drawn out process typically taking 3 to 7 years.

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As family ownership comes with certain rights but also with considerable responsibilities, members of long-lived family businesses have long recognised the need for educating next generation members that involvement in the family business is a privilege. Understanding that they are in fact STEWARDS, not owners in many respects, helps the younger generation appreciate the family's values, the expectations of ownership and that, if they are called to a leadership role, they have multiple stakeholders to which to answer. They have to on the one hand, understand the value of values but, on the other, to continue the business differently and be as, if not more, ENTREPRENEURIAL than their forebears. As such, the AGES framework, which efficiently and effectively identifies how the differences between family business and non-family owned business manifest, helps to consider how best to approach the sometimes daunting family business leadership succession process.

Specifically, proper ARCHITECTURE ensures that appropriate ***systems*** and ***structures*** are in place to make the leadership succession process transparent, and clearly define the role and responsibilities for the new leader. ***Family*** and ***business*** GOVERNANCE ensure that owners' expectations and input are captured, and a clearly defined timeline is established and adhered to. As the business is dependent on ENTREPRENEURIAL ***leadership*** and ***strategic*** thinking, the chosen leader must have demonstrated this expertise, and it is highly recommended that the new leader has had ample profit (as well as cost) centre responsibility in their previous positions. Finally, a STEWARDSHIP orientation is what fundamentally defines a family business that has a stated intention to stay family owned and from an ***individual*** perspective the leader must embrace this, but as important, is that they must have the leadership competence to engender this in both the ***family*** and among the stakeholders of the ***firm***.

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