

OVERCOMING FOUNDER-OWNER-MANAGERS' SUCCESSION AND RETIREMENT INERTIA

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A Planning Perspective

What are the forces at work on the incumbent owner-manager approaching retirement?

Succession and retirement planning inertia - An increasing number of business owners are approaching retirement. However, family business surveys confirm that family business leadership succession is seldom planned, thereby increasing the chances that first-generation firms will not survive their founders.

The succession conspiracy - As if participating in a succession conspiracy, it appears that all family business constituencies are usually ambivalent about inevitable succession transitions, a factor that reinforces founder-owners inertia in engaging in constructive succession and retirement planning.

Succession and retirement are confronting issues - When considering succession and retirement, business owner-managers (incumbents) have to confront several challenging issues, including *financial security over the many years of retirement, marital relationships, and lack of preparedness for something new.*

Push forces are necessary but insufficient - Commonly observed forces that PUSH incumbents to retire, let go, and plan/implement succession strategies are *necessary* but rarely *sufficient* to produce requisite succession and/or retirement outcomes. *Push forces*, on their own, have a tendency to generate equal and opposite RESISTANCE. The result is often 'stalemate': delay, indecision, frustration, and increased potential for conflict.

Pull Forces - PULL FORCES are things that the incumbent is inclined to want to *have, to do, and to be* beyond the business. However, without forward planning and the presence of successors who are able, willing and ready, *pull forces* operating alone are likely to produce a void that needs filling and can generate an opposite DRAG effect. The result for the incumbent is either a frustrating lack of short/medium term movement, or rushed business exit.

Push + Pull forces = Necessary and sufficient - However, combining *push and pull forces* can create the necessary and sufficient conditions, and generate the requisite momentum, to overcome incumbent owner-manager succession and retirement inertia. Likely outcomes: timely succession and retirement planning, voluntary succession and retirement, and graceful departure *style*. The combination of pull and push forces can harness and channel the necessary but insufficient *push forces* productively, and reduce resistance.

Awareness and acceptance - Given *awareness & acceptance* by incumbents that succession and retirement are not a matter of 'if' but 'when', and that *timing* is of the essence, something to 'retire to' rather than 'from' can pave the way for a timely and properly executed form of succession 'baton exchange'. The retirement planning principles can then become: "Retirement: Plan it, Do it, Enjoy it!"

Critical factors for enjoyable retirement - The four critical factors for an enjoyable retirement are: *health and fitness; financial security and independence* (and disposable cash!); *something to do* (activity and purpose); *someone to do it with* (companionship).

Able, willing, and ready successors - Successors who are able, willing, and ready and who have a demonstrated track record of *integrity* and *commitment* to the business lend legitimacy and weight to the *push forces*.

Shared vision or dream - In addition, what is also required is for successors to have a constructive ongoing relationship and dialogue with the incumbent that leads to the formulation of a shared vision or dream (a uniting *common purpose*) that seeks and ensures a win-win outcome in the succession process for both incumbent and successors.

Personal Choices - *Pull forces*, however, involve a high degree of active personal choice. As well as being open to the possibility of a different life, and lifestyle, incumbents need to develop meaningful aspirations and motivating goals/interests outside the business.

The task for all concerned in the succession process - Nevertheless, for *all concerned* in the succession process, the main task is how to inspire incumbents to pay more attention to, and generate, sufficient *pull forces* to complement/supplement existing *push forces*.

Challenging role for family business advisors - In particular, advisors can, over time, assist incumbents to explore and design sufficiently meaningful and rewarding roles for the future that motivate them to overcome inertia and let go of their involvement in operational management in a timely and graceful way.

Succession & retirement ultimately depend on whether founder-owner-managers wish to have a different life!

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