

How can I start the conversation about retirement with my parents?

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The quick answer is with empathy and smarts. Empathy is needed because if Next Gens can't grasp why it is so difficult to let go of a business their parents have created and/or lead successfully NextGens will not be able to engage with their parents constructively. Next Gens also need smarts because to facilitate the conversation in a way that is pragmatic and focused on the needs of all stakeholders requires the kind of long-term multi-step strategy needed in games like chess. Succession should never be an event; it should always be a process. So rather than a "conversation" gear yourself for a multi-year process of conversations —carefully planned such that Next Gens start with the easier -though substantive issues- and work their way up towards the most difficult ones.

The empathy element often poses the biggest challenge because there is a built-in generational asymmetry when it comes to succession: while parents were once young and can draw from that experience to understand the challenges their children face in establishing their own credibility as aspiring leaders, Next Gens have never been old and hence for them to imagine the vulnerabilities associated with shedding life-long engagement with an organization parents built at their stage will always require a more significant emotional and cognitive stretch.

So, while Next Gens ought not to be afraid of these conversations, they do need to respect the challenge the transition poses and learn to appreciate that retiring senior leaders requires a system wide approach to facilitate a process of change. This is where patience, strategy and smarts matter.

Step 1: Establishing credibility

The first step is for you ensure that Next Gens have done all they can to establish their own credibility as viable successor candidates. As Machiavelli once remarked "*power is never given, it is always taken*" — suggesting that the most effective successions are always driven by the aspirations and actions of succeeding generations. But *how* Next Gens acquire power in a family enterprise makes all the difference. For the burden does fall on them to provide evidence to their parents —and, indeed, to all the shareholders, the employees, customers, suppliers as well as to the communities where the business operates- that they will be in good hands under their leadership. The more Next Gens have invested in their own personal and professional development and the more they have demonstrated their competence to lead and add value, the easier the retirement conversations will be. This will also help to evoke in their parents both confidence and pride in Next Gens' accomplishments and merit and pave the way to mutually respectful conversations.

Step 2: Risk management

Succession planning is always an exercise in risk management. Ensuring that the team taking charge has the competencies that the system needs is essential. It is also critical to ensure that the outgoing seniors financial security is protected no matter what. As I often tell clients "*if you get out of the cockpit get off the plane...*" The new leadership has to assume the risk for the strategic, financial, organizational decisions they make. Otherwise, they will never earn the authority needed to lead.

Understanding the challenge that retirement poses for parents requires getting your head around the fact that succession calls for them to enable a transition to a future that doesn't have them in it. Like Mosses, they must gather the foresight and generosity to lead a people to a promised land that they cannot enter. And this requires them to have the courage to face the loss of their roles, often a critical

part of their stature and identities. Ultimately the transition also calls for them to come to terms with their own aging, obsolescence and mortality. No matter how caring and empathic Next Gens are, helping their parents mourn the losses that come with succession is hard to do on their own. So much so, in fact, that perhaps the single most useful thing parents can do is to focus their energy on ensuring that there are people around them, whose opinion they respect and that understand the importance of having an orderly succession plan in place. The most important allies families can have for this process are the independent directors on their Board. Building a strong relationship with them is key. If the business doesn't have a strong Board then putting one in place should be a key priority. Families should make sure that at least one of their directors is a retired business owner who has done a great job of planning their own retirement and can speak with the authority and credibility of someone with personal experience.

Step 3: Readiness

The most basic measure of succession "readiness" is gauging the degree to which fundamental decisions are still made by the parents. Next Gens should ask themselves the question, if they lost both parents today would they be missed the most? What would happen to the ownership? What would happen to the operational side of the business? And, of course, what would happen in the family itself? Attending to the answers to these questions helps Next Gens (and hopefully the Board) to sketch the work still to be done.

The ebb and flow of succession in any system is driven by the biological clock. The first responsibilities that typically transferred are managerial and operational roles; the second, are nonvoting shares (typically driven by estate planning prerogatives); next comes control over the voting shares. Typically, it is the family leadership roles that are the last to be handed down. This is because the hierarchies of the family are the most enduring. As a client once told me *"the definition of a kid is someone with living parents..."* You know that family leadership has been passed down when family gatherings, holidays and rituals are no longer held in the parents' home but in the homes of the next generation. Understanding this natural progression can provide a useful high-level GPS to navigate the transition and frame productive conversations.

Motivating parents to invest in visualizing what the life they would have after the transition is also critical. Succession requires both a destination and a path. It is much easier to be pulled into roles (and into a life) that they desire than to be pushed out of roles they know well and that you are deeply attached to. So, eliminating some of the ambiguity about the future and ensuring that some level of rigor has been built into the definition of their roles matters. In this regard, it is critical for them to see that there are, in fact, ample opportunities to continue living engaged, purposeful and fulfilling lives. Leaders are often ignorant about the ways in which their skills and capabilities are re-deployable in new arenas like Board service, philanthropy, community engagement, politics or even a new venture.

Also, Next Gens should bear in mind that the enemy of succession is surprise. From the moment the owners, the Board and the senior management start thinking about succession to the moment when the plan is fully implemented can take as long as five to ten years. It is imperative to couple succession planning with a contingency plan that delineates what the family would do in the event of an unexpected occurrence. Several times in my career, I've had to help clients deal with untimely death of the successor on whose shoulders the succession plan rested.

In sum, the process calls less for Next Gens to have “the retirement conversation” directly and more for them to ensure that there is a context in place so conversations can be had between their parents and the people they are most likely to listen to on this issue.¹

Author Bio:

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¹ Useful additional resources on this topic are: 1) Lansberg, I.1999. *Succeeding Generations: Realizing the dream of families in Business*. Harvard Business School Press. Boston Mass; 2) Lansberg, I., September 2007, *Test of a Prince*; Harvard Business Review; 3) Watkins, M.D. 2013, *The First 90 Days: Proven Strategies for Getting Up to Speed Faster and Smarter*, Harvard Business Review Press, Boston, Mass; 3) Goldsmith, M. 2009. *Succession Are You Ready?* Harvard Business Press; Boston Mass. 4) Miller, D. & Le Breton-Miller, I. 2005, *Managing for the Long Run*, Harvard Business School Press, Boston Mass.