



Next Generation Leadership: Allowing Your Successors to Succeed

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Preparing the next generation of a company involves many moving parts, whether the company in question is a family-owned business being transitioned to a younger generation or a company in which a next-generation leader has been groomed for the top position for many years.

Ensuring that future leaders have the proper education and experience is critical. Making sure they understand the company's markets and how they are impacted by shifting economic winds is key.

But there is another important element that only the CEO can ensure: allowing the new company leader to succeed. In other words, sharing the secret sauce that made the company successful up to this point.

One of the best practices to ensure this happens is creating a written "rulebook."

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The Rulebook

Company leaders need to set objective standards for the next generation of leaders and then get out of the way. The best way to do this is to write down your insights into what makes the company successful. It can be a formal document or some informal notes that you gather together, but the important thing is to share it with the next generation leader of your company so he or she can get a sense of how and why you have steered the company in the direction you have.

Here are some elements that should be included in the rulebook:

Chain of Command

Make clear in the rulebook the point at which you will step back and shift the ultimate decision-making authority to your successor. Make the decision, disclose it in the rulebook and get out of the way. Most importantly, don't allow employees to circumvent the new leader and come back to you for the "real" decision.

Oversight

Who will the new leader report to, and what level of oversight will there be? Does the company have a board or an advisory board? Or will you be looking over a shoulder? Think this through. If you don't feel there is adequate oversight or advisory capacity for the new leader, create it now, with the guidance of trusted advisors such as the company's attorney or accountant. They have seen how boards and advisory boards work – or don't work – at many other companies.

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Fill the Gaps

No one has all the skills, talents, and intelligence to do the top job, especially in the beginning. Have a frank discussion with your next-generation leader about their skillsets and figure out together how to fill the gaps. Is additional education needed? Experience in areas of the company's operations? Are there leadership skills that your successor doesn't possess and isn't interested in acquiring, such as finance or human resources? Maybe you need to hire a top-level manager to fill those gaps. Just because you handled 100 different things up to now doesn't mean that model is going to work anymore. The marketplace has changed, and certain functions that used to be learned by the seat of your pants now must be filled by trained professionals.

Lay the Cards on the Table

It's fair to ask a next-generation leader exactly what he or she intends to change in the company. They may have formed some strong opinions about how they would do things differently. You are entitled to hear those ideas and assess the impact they would have on the company's employees, operations, and profitability. In family-owned businesses, these discussions can be clouded by family relationships. It may be a good idea to get an independent referee involved – perhaps a consultant or advisor. Including the results of these discussions in the rulebook can produce a written record that could provide a useful perspective in the future.

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Skeletons

Bring all the skeletons out of the closet. Have there been lawsuits that were settled over issues that people want to keep quiet? Do they still create some exposure for the company? Are there current issues that may lead to litigation or otherwise derail the business? Make sure the next-generation leader knows about them. He or she may have cogent ideas about how to minimize the company's risk.

Allowing next-generation leaders to succeed by sharing information that isn't normally included in annual reports may seem unorthodox, but it will help smooth out any speedbumps that slow down your company's transition to new leadership.

Contact your Barnes Wendling advisor for a discussion of how you can prepare and enable your next-generation leaders to carry your company to the next level.