



# FAMILY FIRM SUCCESSION

UTILIZING  
KOTTER'S 8-STEP  
MODEL FOR  
CHANGE



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# INTRODUCTION

The operational demands of running a family business can be all-consuming, but it is vital that business leaders take the time to assess their organization's succession planning. The penalty for failing to plan ahead can be significant, as the coming years can bring challenges as wealth and business change and adopt new ownership structures. The long-term survival of a business will depend on getting ahead of those challenges and through strategic planning. The following presentation is a review of the literature and developing a succession plan based on Kotter's (2012) eight-stage model for creating major change for a small family firm in the near future. The business used for this project is the author's own and this exercise was timely in that it began to pave the way for further research and planning. This shows that succession planning is an important and evolving process and will become an integral part of the company's strategy and operations.



# CHALLENGES



# UNIQUE CHALLENGES ARE A PART OF A FAMILY-FIRM SUCCESSION PLAN

- Less than 30% of family businesses have a succession plan. (Englis, Davis, & Lyden, 1997)
- Succession planning means different things to different people; it can be something as simple as naming a family member to take over or as complex as overhauling the structure of the business to align with long term objectives, (Campopiano, G., Calabrò, A., & Basco, R. (2020)
- The ultimate goal of succession planning is to understand the value of the business, to preserve its value and future growth potential, and to pass it forward intact, (Cabrera-Suárez, García-Almeida, & De Saá-Pérez, 2018)
- Lack of a clear communication plan is one the biggest threats to a smooth transition of a business from one business to the next. (Leiß & Zehrer, 2018)

## CHALLENGES CON'T.

- Strategic planning creates the opportunity to create and position the business for competitive advantage in the future, (Ward, 1987; Rutigliano, 1986; as cited in Brockhaus, 2016)
- Identify critical issues. It is important for the company to articulate the owner's personal goals and a vision for the future of the business, while also considering the needs and concerns of the other stakeholders. (Meier & Schier, 2016)
- A sound strategic plan can define the business in measurable terms (Meier& Schier, 2016), builds commitment, drives consistency in the decision-making process and provide a framework for changes in conditions, unplanned events and deviations from the plan. (Meier& Schier, 2016)

# KOTTER'S EIGHT-STAGE PROCESS OF CREATING MAJOR CHANGE.

- Establish a sense of urgency
- Create a guiding coalition
- Develop a vision and strategy
- Communicate the vision
- Empowering broad based action
- Generate short term wins
- Consolidating gains and producing more change
- Anchoring new approaches in the culture

## CASE STUDY (ISSUE IN NEED OF CHANGE)

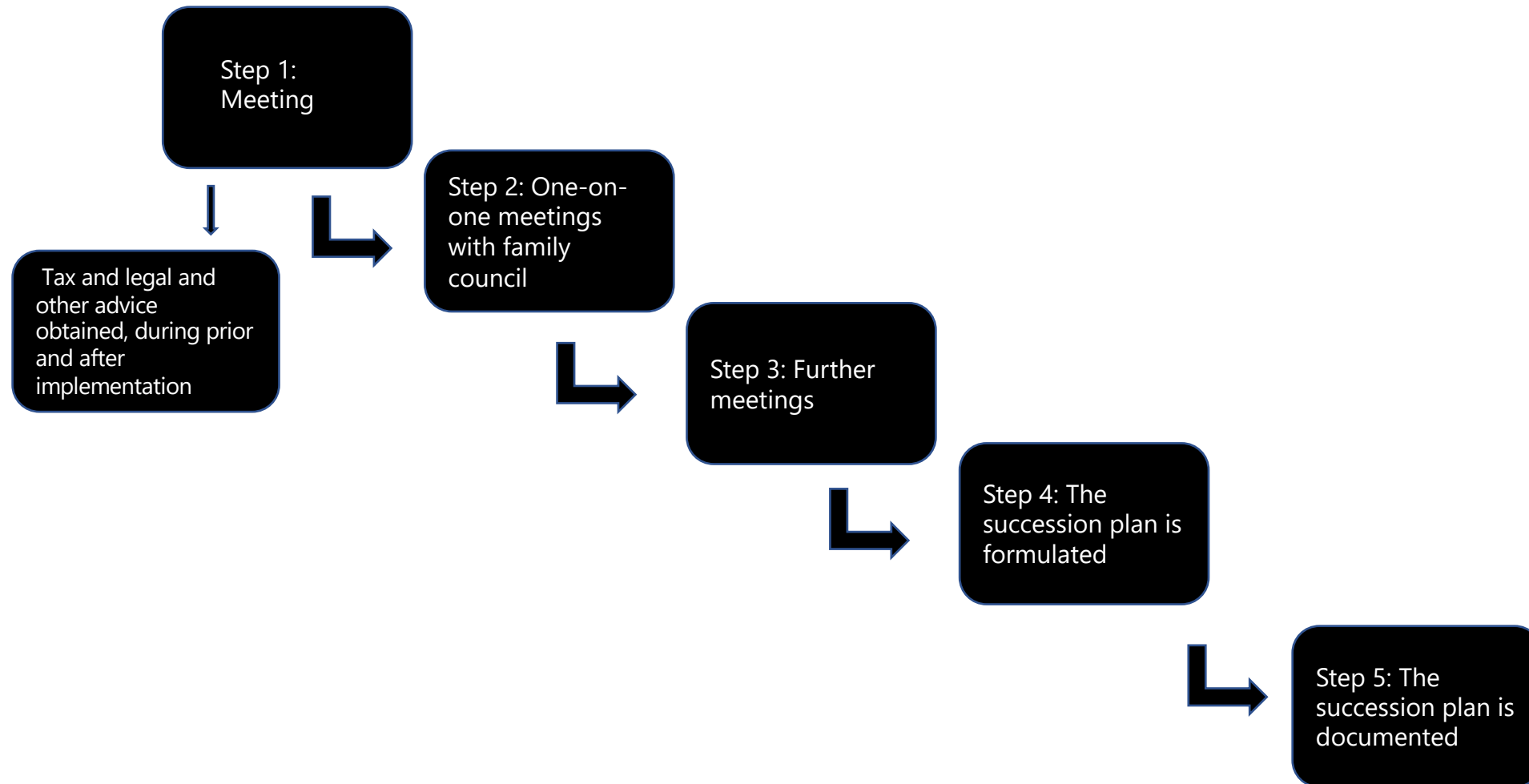
Twenty-five years ago, two young professionals started a dog training business and a sled dog kennel in Colorado. The business did very well financially, and they moved the business to Alaska and bought a home with acres of property. This became the “home base” of their business. As the company matured and their sons and daughter grew over the years, the two professionals held 49% of the shares. Their daughter, an active participant in the business held 29% and their sons each held 10%.

The business went through gradual evolution to more sophisticated management and internal structures. As the professionals age, they seek to solidify the company’s future by establishing a formal corporate governance model and to seek out the right specialists and advisors that will help formalize the ideals that will guide the organization moving forward. <sup>1</sup>

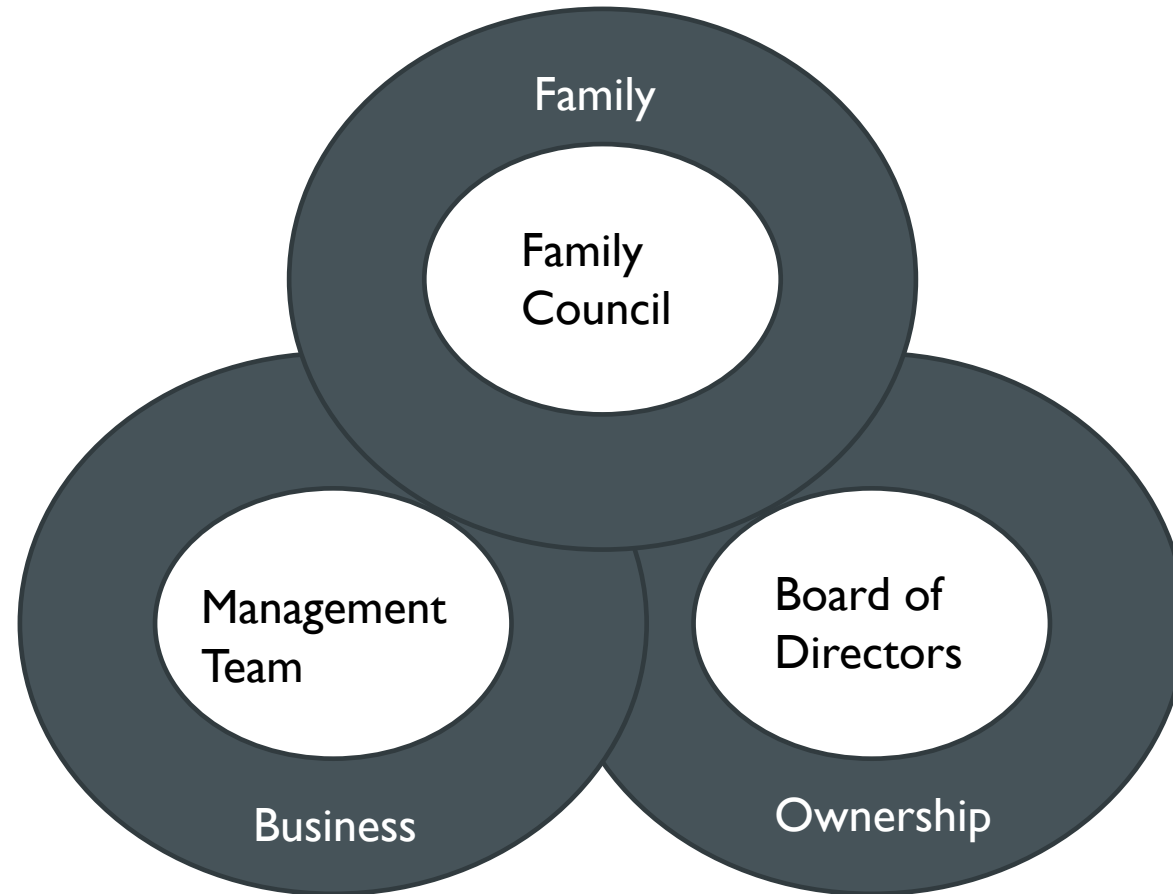


# Communication Plan

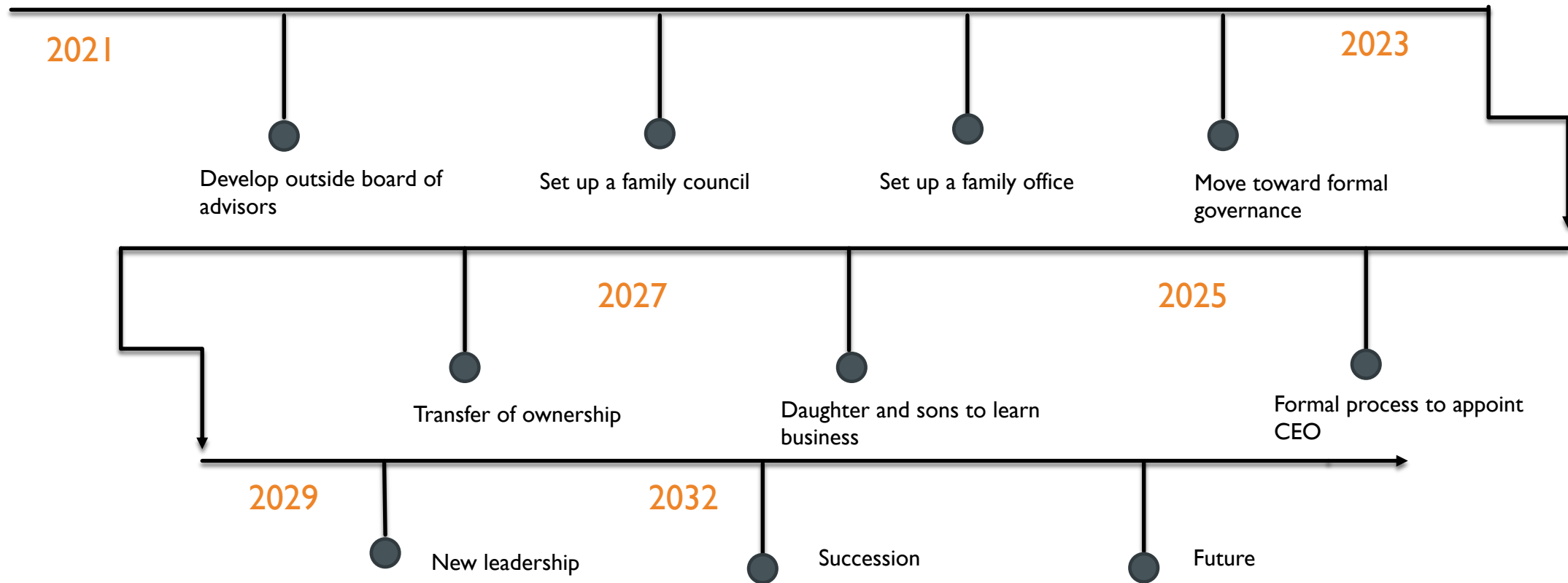
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# ORGANIZATIONAL STRUCTURE: POST SUCCESSION



# TIMELINE



# DEVELOP BOARD OF DIRECTORS

- Develop outside board of advisors
  - Organize and recruit outside board of directors
    - Develop a statement and purpose of the board
    - Decide on characteristics of the board members
    - Prepare a board prospectus
    - Identify possible candidates
    - Meet with candidates
    - Appoint/Invite candidates to join the board

# SETTING UP FAMILY COUNCIL

- Set up family council
  - Hire/elect a succession family planning specialist
  - Call special meeting to explain the concept
  - Develop a family vision statement, mission and core values
  - Develop a family charter
  - Set a schedule for meetings
  - Elect officers
  - Assign responsibility for council members
  - Begin to conduct meetings

# TRANSITION AND SUCCESSION

The biggest challenge is to get the father, founder and traditionalist to go along. Setting up a board of directors for the company will be the first time anyone outside of the family stood to have any say in the company's direction.<sup>2</sup> Based on her track record, the daughter will be able to convince the father it is time.

The move toward formal governance includes a board of directors made of shareholders, trusted advisors and other professionals, along with the development of a family council and the establishment of family offices.<sup>3</sup> Later the family firm will appoint a professional CEO, not a family member but a long-time advisor of long standing.<sup>4</sup>

2. KOTTER (2012) EIGHT-STAGE PROCESS STEP 3 DEVELOP A VISION AND STRATEGY

3. KOTTER (2012) EIGHT-STAGE PROCESS STEP 2 CREATING A GUIDING COALITION

4. KOTTER (2012) EIGHT-STAGE PROCESS STEP 5 EMPOWERING BROAD-BASED ACTION

# TRANSITION AND SUCCESSION

The transition will have its challenges. The current structure will need to address administrative techniques. As the formal governance gathers momentum the company can adopt new policies and practices along with a formal process to plot the eventual CEO succession.<sup>5</sup>

While the two professionals are still involved and active in the business it will allow their sons and daughter to learn the business<sup>5</sup> on a formal footing and make planned transfers of their ownership stake in a way that preserves business value. A new trust will be in place to help facilitate the family's future prosperity.<sup>6</sup>

In short order, the daughter will be the company's day-to-day leader, and the two professionals will drop in now and then and attend board meetings.<sup>7</sup> The professionals know that their business and family legacy is secure.<sup>8</sup>

5. KOTTER (2012) EIGHT-STAGE PROCESS STEPS 3 AND 4 DEVELOPING A VISION AND STRATEGY AND COMMUNICATING THE CHANGE VISION

6. KOTTER (2012) EIGHT-STAGE PROCESS STEP 6 GENERATING SHORT-TERM WINS

7. KOTTER (2012) EIGHT-STAGE PROCESS STEP 7 CONSOLIDATING GAINS AND PRODUCING MORE CHANGE

8. KOTTER (2012) EIGHT-STAGE PROCESS STEP 8 ANCHORING NEW APPROACHES IN THE FUTURE

# CLOSING THOUGHTS

For a business that started at the dining room table and a couple scraps of paper scribbled with notes, now seems like a lifetime ago. Over the years the firm has grown larger and made it possible for a family of five to live comfortably. The need for introducing formal structures is necessary for the family business to continue onward into the future. As daunting as this process appears, these are important steps that reflect the growth and maturity of the business.

To plan for the future of the business the company needs to contemplate a succession strategy so that a legacy can be left moving on.



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