In the second edition of this series (August, page 62), we discussed succession in the family business from the perspective of seniors—those about to retire. However, don’t think that it’s only seniors who need to adjust their thinking and behavior when passing the business along to their children. In this final installment, I’ll share the 10 main points concerning sons and daughters who are planning to take over the family business.

1. Only do it if you really want to.
   Being an entrepreneur should be more than just a profession. It has to be a calling. Entrepreneurship is more than just money, power and recognition. It also has its drawbacks. Entrepreneurs work longer and harder than other people, and run higher business risks. Anyone taking this on just to be obedient to their parents or purely out of a sense of duty will most probably fail. This often results not only in business failures, but also health problems. One day your parents will no longer be around, and you’ll no longer enjoy any recognition for your decision. Just ask yourself this: “Would I want to succeed in this business even if my parents weren’t here, or if they didn’t care what I decide to do?”

2. Only do it if you really can.
   The desire to become an entrepreneur is absolutely essential, but it’s not sufficient on its own. Every business is only as good as the man or woman running it. In a world that’s dominated by fierce competition, no business can afford to have a weak leader. Any successor entering a business should be sure to have the professional and personal skills that are required for running the family business. It would be wise for seniors and their potential successors to assess this question objectively. These are the questions against which you need to measure yourself:
Do you have the required skills and knowledge for taking over responsibility for the business? If not, is he or she prepared to learn these skills?

Have you been able to acquire any external leadership experience? If yes, were you successful? How were you judged by the superior management? By fellow employees?

Do you know the key people and key processes in your family's business? How is your relationship with them?

Are you aware that being an entrepreneur means that you lead by example and that your behavior will be copied?

Do you continually seek out areas of improvement, or are you easily satisfied with the status quo?

What's your attitude towards risk? Have you taken any substantial risks in your life? What risks? What was the result?

Do you finish what you've started? Even when there are obstacles?

What's your attitude towards work and leisure? Have you ever worked really hard?

Are you in good health? How do you endure physical and mental stress?

Do you believe in yourself?

Do you set your own targets in life or prefer to let others do this?

Are you able to persevere without forcing? Even against your parents?

What's your attitude towards fellow employees in the business?

Are there any major long-term problems in your private life?

3. Make a career for yourself outside the family business.

Only in a neutral environment does it become clear who’s truly equipped to lead a company. Young people best build the personality, authority and authenticity required for running the family business at a place where they don’t enjoy a family bonus. The experience of managing something all on your own, using your own strength and abilities, will boost your self-esteem and help you to gather experiences that your parent’s company cannot offer. For future entrepreneurs in family businesses, four to eight years of travel and learning shouldn’t just be an option, it should be mandatory.

4. Clarify the relationship with senior and other family members before you enter the business.

Before you take your place in the family business, you should decide whether the entry is a step in the right direction. This isn’t just important for your relationship with your parent, but also with brothers and sisters and other family members who have ambitions in the business.

The battle for money, power and love in the generation of heirs and heiresses has ruined many businesses. Therefore, take care to sort out the succession as far as management and shares are concerned before you enter the business, and also make sure that these arrangements are communicated clearly and unequivocally. Once you’re in the business it’s very difficult to leave without a feeling of failure. And in the open management market, nobody is more difficult to place than a 45-year-old ex-family business member who’s never worked anywhere else and couldn’t even succeed in his own business.

5. Be sure to take over entrepreneurial responsibility right from the start.
Many designated successors make the mistake of taking over an assistant position when entering the business. How can they possibly prove their true business ability in this role? Being an entrepreneur means that you bear responsibility for specific results. Therefore, you should strive directly for a position in the firm that will allow you to achieve measurable successes. You may consider functions such as running a subsidiary company in another city or state, building up a new business segment or reorganizing a part of the business. Show that you’re able to pull through projects independently. Nothing will increases your acceptance more.

6. Agree on a binding schedule for the hand-over.

Many fathers have lured their sons and daughters into the business by promising to retire quickly, only to stay on for many more decades. Not being able to let go of the top chair is understandable from a human point of view, but it’s dangerous for the company and painful for the successor. This “Prince Charles Syndrome” simply ruins the successor’s authority and drives him away. To avoid this pain and danger to you or your parents’ company, insist that the actual transfer of the business into your hands—in particular the date of definitive changeover—is officially agreed and communicated.

7. Create a code of conduct with your senior.

A slow transfer of responsibility demands a lot, from all family members involved. Only a seniors and juniors are able to cope with this, especially in the case of fathers and sons when both of them are distinct Alpha males. This can lead to horrible scenes, with a similarly horrible effect on the family business. Senor and junior should agree on what rules apply during the transitional stage to the way they treat each other, and above all, what the “dos and don’ts” are in their relationship with each other. Such rules, including, for example, the ban on criticizing each other in front of third parties, have proved extremely useful in practice.

8. Adjust the business carefully to your own strengths.

Once the handover is completed, the challenge is to align the business with your own personality and ideas. This requires wisdom and tact. A succession offers a great opportunity to alter the direction and the pace of a business. To be truly effective the business has to fit you. Everybody in the business will have to understand that—even top management, which might have problems accepting you.

However, take care not to change the business too fast. Do it gradually. First, choose a project to start with that will show good results quickly. This will help the organization to buy into your management abilities.

The future is always embedded in its history. Therefore, respect the achievements of the past and use them for your purposes. This will not only create a healthy atmosphere of change, but also guarantee you the gratitude of the senior generation.

9. Never forget that your father is only human, too.
Most of the problems in succession are of an emotional nature. Even if you attempt to do everything exactly right, you shouldn’t expect any miracles. After all, your father is only human, too. For him, it’s also his first succession from a senior point of view. And as strong as he might present himself, always bear in mind that his greatest emotions spring from fear—fear for the business, for his family, for himself and probably even for you. So don’t count his mistakes. Forgive him for only trying his very best. Consider the succession a joint learning experience. Make the day he finally leaves the business the greatest day of his life. Celebrate this with him and all the people who are important to him. Be grateful for the unique opportunity he has given you, and make this gratitude public.

10. Don’t forget your spouses.

Last but not least, you should not forget that the transfer of responsibility in the family business also affects everyone’s spouses. The psychology here is even more tricky. You and your father at least have the reins in your hands and can steer the process. Your spouses are every bit as dependent on the outcome of your behavior, except they are sitting in the back seat and have no official power at all. That’s why it’s understandable that spouses tend to use their “unofficial” ways to influence the succession process. Therefore, you should involve them carefully. Give the spouses an open say; otherwise, it will happen behind your back. And that will be much more difficult to handle.

So much for theory. In the end, no succession is the same and no succession is perfect. It can’t be, because the people involved are not. This is the beauty of the family business. Good luck!

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