



NEWSLETTER

PASSING THE TORCH



FABASA
FAMILY BUSINESS ASSOCIATION OF SOUTH AFRICA





PASSING THE TORCH

THE EMOTIONAL AND PRACTICAL JOURNEY OF LETTING GO IN FAMILY BUSINESS SUCCESSION

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I have consulted close to 600 family businesses and deeply understand the profound difficulty many family business owners face in handing over management to their successors. Transitioning the management of a family business

to the next generation is a journey fraught with challenges, complexities, and profound emotions.

For the owner, it is not merely a matter of transferring responsibilities.

It is a deeply personal process, often intertwined with a sense of identity, legacy, and emotional ties that have been nurtured over decades. The process is both daunting and bittersweet.



COMPARING A FAMILY BUSINESS OWNER WHO IS HAPPY THAT HIS CHILDREN ARE READY TO TAKE OVER THE MANAGEMENT OF THE FAMILY BUSINESS WITH ONE WHO FINDS IT DIFFICULT TO LET GO, HIGHLIGHTS THE SPECTRUM OF EMOTIONS AND PERSPECTIVES INVOLVED IN THIS SIGNIFICANT TRANSITION.



IMAGINE, the profound sense of achievement that washes over a father (or mother) as he stands at the threshold of a new chapter in the family business. This moment, though, is not about him. It is about the legacy he has built and the confidence he now has in his successors to carry it forward.

He feels a deep sense of pride in knowing that he has successfully prepared his successors for this immense responsibility. But it also includes a profound emotional satisfaction. He has nurtured their growth, watched them develop their own strengths, and seen them embody the values and principles that

have been the cornerstone of the family business.

His heart is serene, knowing that the foundation he has laid is solid and that his successors are ready to build upon it with a clear vision ...



COMPARE this with a father (or mother) who finds it difficult to let go. He stands at the crossroads of past achievements and future uncertainties, grappling with the idea of relinquishing control over something he has poured his heart and soul into.

The business is more than a source of income; it is a living testament to years of hard work, sacrifice, and resilience. He has weathered countless

storms, made pivotal decisions and shaped the family business with his own vision. He fears the unknown and worries about whether the next generation is prepared to uphold the same values, maintain quality, and navigate the complexities of the business world.

Questions about his children's readiness, competence, and commitment haunt him, leading to sleepless nights and endless deliberations.

The practical aspects of the transition also present significant obstacles. Establishing a clear succession plan, ensuring

financial stability, and navigating legal complexities require meticulous planning and foresight.

Amid these challenges, there is also a profound sense of responsibility to preserve the legacy. He wants to ensure that the values, culture, and vision that have defined the business are carried forward. This can create a powerful internal conflict between the desire to see the business evolve with new ideas and the need to protect its foundational principles.



TIPS: HOW TO LET GO

Start Early:

Begin the transition process well in advance. This allows for adequate time to prepare, mentor, and gradually transfer responsibilities to the next generation.

Develop a Family Business Constitution and clear Succession Plan:

A Family Business Constitution is an ideal tool to ensure open communication and to focus on the best interests of both the family and the business. It fosters healthy sibling relationships and maintains transparency in decision-making processes that help parents make informed choices that balance both family and business needs. Create a detailed succession plan that outlines the steps and timeline for the transition. This plan should include roles, responsibilities,

and a clear strategy for leadership handover.

Mentor and Educate:

Invest in the education and development of the incoming generation. Provide them with opportunities to gain experience, learn the business, and develop their leadership skills.

Communicate Openly:

Maintain open and honest communication with all family members involved. Discuss expectations, goals, and concerns to ensure everyone is on the same page.

Gradual Transition:

Implement a phased approach to transition, gradually handing over responsibilities. This allows the new leaders to gain confidence and experience while the outgoing owner provides guidance and support. A popular practice is for the outgoing family business owner to take

on an advisory role or remain involved in a non-executive capacity, even as the non-executive chairperson of the board and /or chairperson of the Trustees. This allows the outgoing owner to continue contributing his wisdom and experience without hindering the new leadership.

Establish Boundaries:

Clearly define the roles and boundaries for both the outgoing and incoming leaders. This helps prevent conflicts and ensures that the new generation can establish their authority.

Trust and Empower:

Trust the abilities of the new leaders and empower them to make decisions. Avoid micromanaging and allow them the freedom to bring in fresh ideas and innovations.

Seek Professional Advice:

Consider involving external advisors, such as accredited



family business consultants, to provide objective guidance and support during the transition. FABASA offers access to such consultants.

Focus on Legacy:

Emphasise the importance of preserving the family business’s values and legacy. Ensure that the new leaders understand and respect the core principles that have defined the business.

Prepare for Emotional Challenges:

Acknowledge and address the emotional aspects of letting go. Seek support from peers, mentors, or professional counsellors to help navigate the psychological and emotional challenges of the transition.

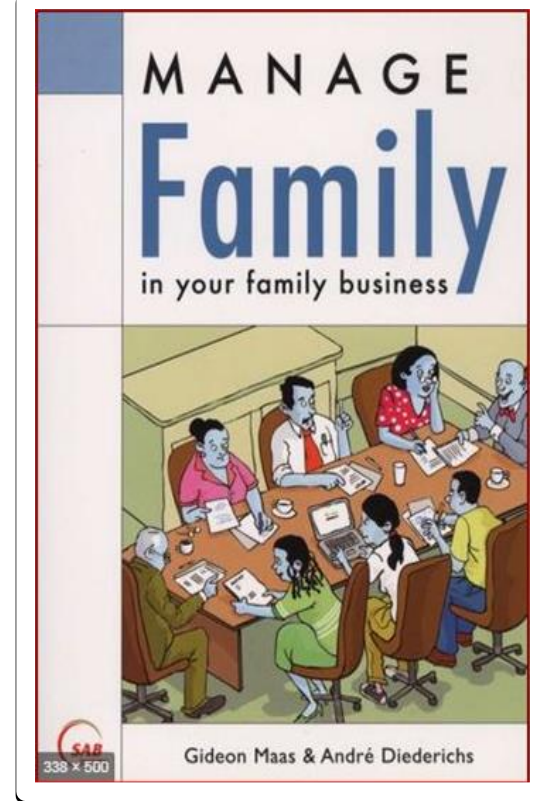
Celebrate Achievements:

Take time to celebrate the achievements and milestones

of the outgoing generation. Recognise their contributions and honour their legacy as they pass the torch to the next generation.

SUMMARY. By following these tips, the owner can facilitate a smoother transition, ensuring the continued success and growth of the family business while allowing the next generation to thrive.

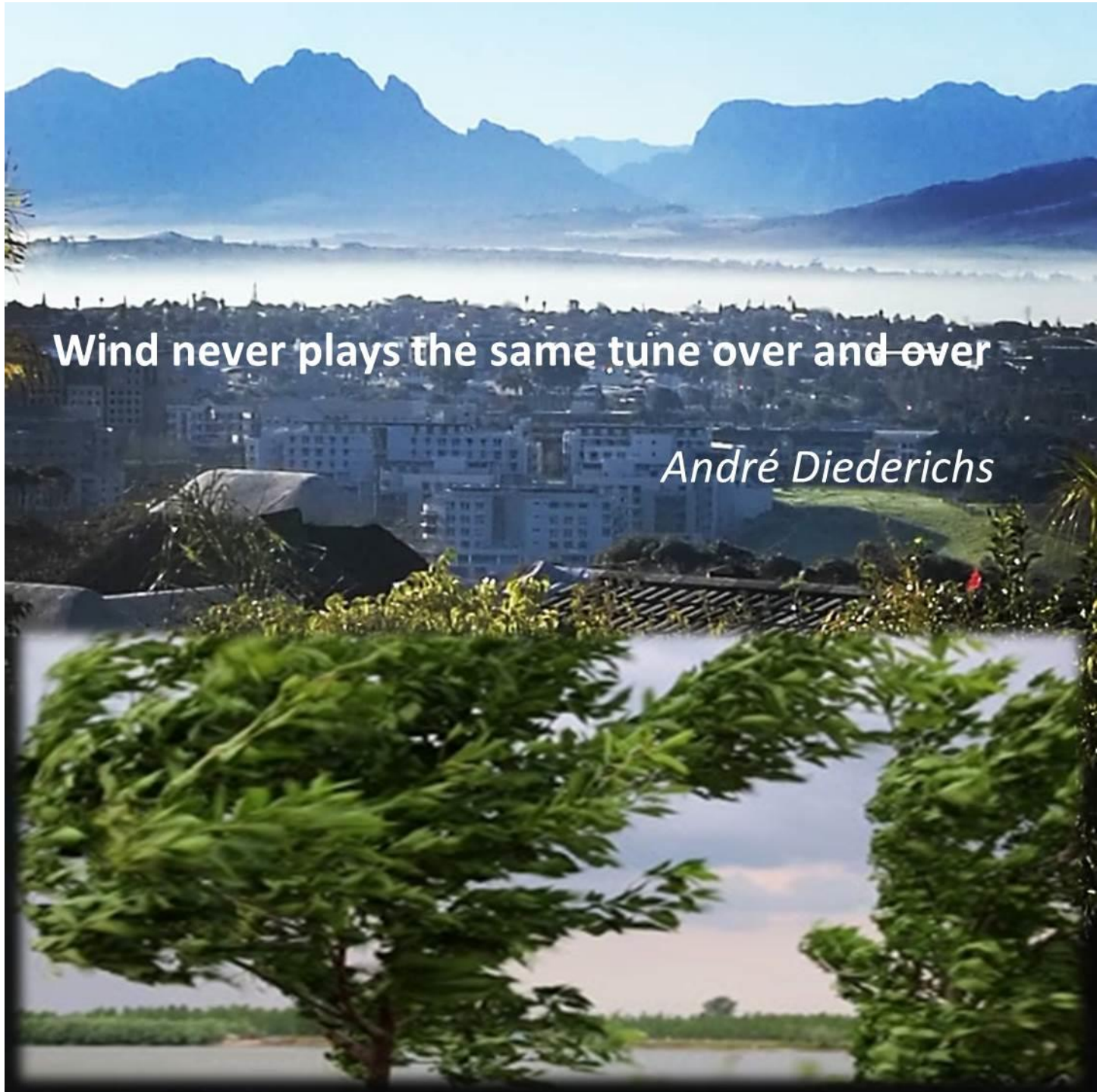
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Family Businesses are the backbone to just about every economy in the world. South Africa is no exception. With some 78% of the wealth in the USA belonging to Family Owned Businesses and 75% of businesses in the UK being family owned, the impact is clear. In South Africa Family Owned Businesses are more than 80% of all registered businesses. The book deals with the major challenges facing family businesses and best practices to address those challenges.

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Wind never plays the same tune over and over

André Diederichs