

## Assessing the Abilities of the Next in Line

03/03/08

My son has been in our business for just a little while, now, and I'm looking for some advice. He's pushing me hard to let him take control and run. I'm concerned he doesn't know our business well enough, yet.

He's smart and capable. And he had experience in another business before joining us. On the other hand, I've got lots of years of experience and can see the traps he's likely to step into. How do I protect him and keep safe the business I've worked so hard to build. I can't afford to have him blow up the family legacy. Thanks for sharing your thoughts.

It's fairly true that that there's potential for a winning combination of youth's willingness to experiment, push forward and take risks, tempered by age's ability to apply knowledge gained through experience. However, it can be tricky to find a balance between the two. Communicating effectively and building trust between the generations is often a big challenge. Let's talk about getting the mix right.

When bringing in the next generation here are several things that can help make things go more smoothly. Make sure the next generation is prepared, before they join. Lay out a training program and testing process. Define decision making authority. Set goals. Meet

regularly. Keep the lines of communication open. Let's get to work!

It sounds like you've done one of the most important things you can do: insure the next generation gets training and experience before joining your company. Think like an owner, as well as a parent when assessing if a child is ready to join the business. Let someone else do the basic training. Define your starting requirements, so both generations can work towards the same level of readiness.

Once you bring the next generation on board, set up a training program. Immediately, new members of the business will need to learn the basics. Eventually they'll need to get experience in all aspects of the business: finance, sales, operations, marketing and human resources. Training could take months or years, depending on how experienced the next generation is when they join the business.

Define what to teach, in which order. Figure out how both of you will know if sufficient mastery has been achieved. What signals that the next generation is ready to take over and run in each area? What does taking over and running mean, exactly. Does the previous generation step out completely, or does it still play an advisory role? Does advice

include the ability to overrule, or not?

Assess the managers you currently have in place. Can they teach the next generation what they need to know? What additional training or trainers will be needed? When will they be needed?

Create written rules about decision making authority, so there's no misunderstanding. Define spending authority. Define hiring, firing and other lines of human resource authority. Write down who the next generation reports to, and who reports in to them. Agree on how they expand their role managing people and functions over time.

Since personal spending by owners can often be a sore point, take a little time to set up clear policies. Up to what dollar limit, and in which areas can the incoming generation make buying decisions? Under what conditions do they need to get approval, and from whom, before authorizing expenses. If there are going to be expense accounts or credit cards, what are the rules about what's allowed and what's not.

Goals for the business can help everyone be in agreement about where you're headed. They can also help as you seek to measure progress over time. Get goals for 1, 2 and 3 years down on paper, then work through who has to do what to achieve those goals.



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Regular meetings to communicate about how the business is progressing will help keep everyone on the same page. Use weekly meetings for updates on training. Set up a routine to gather information from managers in the business, regarding the next generation's progress mastering knowledge. Use monthly and quarterly meetings to review the progress of the business. Quarterly, assess if it's right to expand authority, or if it's time to shift focus from one area of training on the business to another. Keep checking that you're all on the same page.

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Remember, your ultimate goal is to let go. Someday, if all goes well, the next generation will take hold and run the business. Work backwards, with that expectation in mind, and it will be easier to let go in the moment by moment running of the business.

Looking for a good book? Try Integration of Family-Owned Business Succession with Turnover and Lifecycle Models: Development of a Successor and Retention Model by R. W. Griffeth, D. G. Allen and R. Barrett.