The Important Role of the Successor within the Family Succession Process

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ABSTRACT

The high actual topic of succession of family companies within our global and fast developing and moving world is becoming more and more important to secure our future wealth especially within our European Union. The hope is lying on the daughters and sons of yesterdays and today's entrepreneurs and founders, which will be the successors of tomorrow and therefore responsible for a major part of the Gross Domestic Product, the employment rate and the situation on the markets. The successor of a family company is standing between his family and his company, the requirements towards him in every aspect are enormous and there is no school to go to enable oneself to succeed. The factors as well as the influences on the success and therefore the process of succession are various and not to be calculated. Different influence factors on the successor as i.e. childhood, growing up process, experiences as well as the social intelligence of the successor are the foundation for social skills and the characteristics.

Key words: Successor of a family company; Change management; Requirements for a potential successor

JEL Classification: G30

Introduction

The economical situation within Europe has dramatically changed after the Second World War. The constant development of our economy as well as new technologies and a new order of the world especially through the European Union have brought up new opportunities and risks for each company. On top of these entrepreneurial tasks, risks and opportunities an outstanding generation change within the existing family firms can be an elementary problem for our economy. This generation change is one of the biggest challenges for the international and especially for the German economy which is grounded on family companies. The generation change can be explained by taking a look at the history of Germany. The founder generations after World War II overages and new successors have to be found to overtake the family companies. The research is focused on the facts and figures of this generation change. Furthermore it should be focused on the potential successor, who is one of the key factors to success within this process of change and movement.

The Requirement profile for a potential successor

The process of succession should be defined as a process of change. Leadership within a family company is very dependent on the family entrepreneur. Several skills of the entrepreneur, soft and hard skills will decide about his success (Kempert, 2007, p.187): His educational, his entrepreneurial and not to underestimate his personal skills. The fact that these hard and soft skills are almost impossible to measure should be stated clear. But it is not
only about to evaluate the entrepreneur, but although to evaluate the personal and the management. (Hohenlohe, 2006, p.264)

Taking a deeper look at the reaction of the management and all other employees leads us to the field of Change Management. The following graph shows the typical reaction of a human being on a situation of change (Peters, 2003, p.28):

**Image No.1: Change Management**

![Image of Change Management](Image No.1: Change Management)


In the first step, the human being will be shocked or surprised about the change. After overcoming the first shock/surprise there is a phase of denial of the whole situation. The denial phase is characterized by ignoring the situation and the change. Human beings are based on their normal habitats; it takes some time to overcome the usual habitat and to be aware of the change. The awareness is an important factor for the acceptance.

After accepting the situation due to the fact that there is no other way than accepting it, the experimental phase will start. Human beings try out the new situation and search for their own position within the situation. The point of integration is dependent on the single human being itself and means that the process is completed and the change is accepted. It is very important that the management runs the process of change as fast as possible. Only when the management has already got through the process and the change is absolutely effective and accepted, the process of top down from the top management to every lower hierarchy within the company can be successful. The productivity of each process is depended on the attention and the respect which is shown towards the employees. (Peters, 2003, p.28) After accepting the change within the lower hierarchies, a bottom up process should take place. The positive reaction of the management is an elementary success factor for the process. The positive reaction of the management helps to speed up the process of Change Management. The managers send a positive signals as well as a positive attitude from the top to the bottom of the company. The support and the acceptance of the management will send a positive internal and external signals and the success of the process is much higher.

Although there are no exact figures which indicate the positive attitude of the management towards the succession, it can be said that the management reacts positive towards the change situation due to different factors. Those factors may vary within the range of personal interests to company's interests:

- The need for a change is big (new investments/strategy …).
- The entrepreneur gets too old (Generationswechsel, 2007, p.12/13).
- New career perspectives for the management.
- Certain sympathy for the successor.
- (…).
The negative reaction of the management towards the succession goes the same way than the positive one should go. The higher management (top within the hierarchy) does not reach the situation of acceptance within the above showed diagram of the implementation of change.

The wished situation that the attitude towards the process should be lived from top to bottom turns into negative direction: The negative attitude of the management is felt in the lower hierarchies, there is no leading symbol of acceptance and commitment given. The lower hierarchies will stick to the attitude of the top management and try to ignore the change/process. In the worst case there will be a revolt against the succession/ the possible successor. The situation for the successor seems almost viewless and hopeless. The future of the company is in danger. Without a total rethinking and turnaround of the behavior and the communicated attitude of the management, there is no way for the successor. The company will face a dangerous situation of conspiracy and deadlock.

The Successor

The successor of a company is facing a big task. Several requirements are set towards him and the focus of each person included externally or internally in the process is set on him. The pressure to succeed as well as the daily stress and high responsibility he is facing are enormous. In almost each case, the successor stands alone and is dependent on each possible help. There is no school and no university which prepares the successor for his outstanding tasks. The combination of family and company and the entrance into an existing organization, the possible complications and the several demanding towards the successor give him a non comparable position within our society.

The Educational requirements for a potential successor

The educational requirements of the successor have been formed during his education in kinder garden, school, university and former jobs. The educational requirements do confirm with the knowledge he guttered during the time of his education. According to PORVAZNIK, this knowledge can be split in three competence pillars:

- "Knowledge of the social maturity of management subjects,
- Knowledge of the professional ability of management subjects,
- Knowledge of the application skills of management subjects." (Porvaznik, 2008, p.28)

The Social requirements for a potential successor

The childhood, the growing up process, the experience as well as the social intelligence of the successor is the foundation for the social skills of the entrepreneur. The requirements within small and medium sized companies towards the social abilities of an entrepreneur are much higher than those towards any other manager. The following aspects are very important when talking about the social awareness of the entrepreneur:

- Discipline
- Integrity
- Fairness
- Communication
Motivation of the employees' 
Management of complexity 
Awareness 
Goal orientation 
Ability to judge 
Organization of the Teamwork 

It should be stated that the different social entrepreneurial and emotional requirements are difficult to be differed from each other as they do build the character and the spirit of the human being. The overall of the abilities and their synthesis are forming the actual character of a human being. 

**The Entrepreneurial requirements for a potential successor**

The entrepreneurial requirements for a successor are based on his entrepreneurial and academically education. The successor needs a fundamental and secured education in the field of management as well as in the special sector of his company's working field. The latest researches do show that the entrepreneur in the first line needs to be a generalist furthermore than a specialist in his working field. He needs to operate the company operational as well as the strategically organization. He has to manage the complexity of the ongoing tasks, communicate with his employees, organize and charge the teamwork. He needs the ability to judge the situation as well as to take decisions. He needs a high awareness of the business, his employees' customers and the surrounding of the company.

He needs a good relationship with his customers as well as with the suppliers for keeping the business alive. He is responsible for the corporate succession of the company, his employees and his task in the society and in the state. The managerial requirements are a synthesis of the entrepreneurial/ academically education and the social individual abilities of the successor. Furthermore than being a manager, being the leader of a family business requires different and more difficult abilities towards a possible entrepreneur. The combination of the company and the family is only one of this.

**The Emotional requirements for a potential successor**

The emotional requirements of an entrepreneur are based and founded in his home education, his parents and his process of growing up. A high social responsibility as well as high awareness towards the needs and the specialties of the human being he is responsible for and surrounded by is indispensable. The success of each succession is based on the acceptance of the employees and surroundings of the successor. Without the support of his team no successor will ever be able to be successful. In small and medium sized companies the leader is always in the role model and the requirements set for him are high to reach. Social and emphatically intelligence are not measurable with any common test. Although the successor will see, feel and get the feedback of his team very soon. The positive resonance towards the values and emotional intelligence is the most essential aspect for the success of a successor.

**The Physical requirements for a potential successor**

"The body is the form, the appearance while the soul and the spirit build is the content (..." (Bischoff, 2004, p. 76)
The influence of the physical appearance of a human being towards her/his success is not measurable with the common operations. The problem is to keep the candour in this process. Sonja Bischoff is investigating this phenomenon at the University in Hamburg and says that "our body is displaying the total of our psychological-intellectual potential (...)" (Bischoff, 2004, p. 77)

She confirms that there is no way to neglect that people enjoy being surrounded by people whose appearance is according to their association of beauty. A public opinion-poll from the Forsa Institute showed that almost 44% of the Germans do think that good-looking people are much more successful than those who do not look that appropriate. The fascinating thing is that the higher the education of the informants was the higher was the figure showing the direct connection of success and a good/appropriate appearance. (Forsa, 2006) Although there is no possibility to measure the interaction between success and appearance, SCHNEIDRZIK believes in the direct interrelation of the two issues. (Schneidrzik, 1986) He says that the times have enormously changed and that being good-looking, athletic and neat shows other people that somebody cares for oneself and might as well be more able to take care of other things.

**Possible complications/common stumbling blocks for the successor**

One of the biggest and most common stumbling blocks for the succession is the negative attitude towards the successor out of the own company. The reasons for a negative attitude of the management and the employees towards a company's succession and the company successor are various. The described top down process means in this case that the negative attitude towards the change will run from the management towards the lower hierarchies. Some possible reasons for a negative attitude of the management can be named as:

- **Nepotism** (Perez Gonzales, 2007):
  If the feeling occurs that the successor is only chosen because of his family status and not because of his abilities, the spirit of the company will fall. Internal managers who have seen themselves as possible successors might work against the successor.

- **Personal conflict of interest**
  If the personal interests of a manager are not conforming to the interests and strategies of a successor, the manager might not support the successor.

- **Missing information for the management**
  The management is not informed about the future/strategy of the company and does not know which way to go. The missing integration of the management leads to a negative attitude towards his work, the company and the successor.

- **Conflict between the successor and the management**
  The successor should use the knowledge and the know-how of the management for achieving his objectives. If the objectives of the successor are not the same as those of the management, the situation might imbalance. (Huber, 2006, p.186)

- **The lack of management**
  Many of the old entrepreneurs of family companies have "ruled" their companies as autocrats. After leaving the company the successor does not have an existing management to help him. He has to build the management from the very beginning.

- **Conflict between the entrepreneur and the management**
  To give an example of a possible conflict: When leaving the company, the entrepreneur has different objectives than the management. The entrepreneur has to secure his old-age pension and make sure that his lifestyle will not dramatically change (Geisen, 2004). This security might cost a lot of money, which the management wants to use for investments.

- **The non acceptance of the successor within the management** (Habig, 2004)
For several reasons there is always the risk that the management does not accept the successor.

Other possible and common stumbling blocks for the successor are:

- The successor is too young and is missing the needed experience to overtake the company.
- His missing life experience is leading to the wrong decision.
- The successor is no grown personality and cannot stand the pressure and the responsibility his new task and challenges do bring.
- The successor is just no born entrepreneur.
- The successor is instable in his physic and physic form.

All the above named and mentioned stumbling blocks have to be amplified by the internal family problems. A family of a family company as well as every other family does have internal problems beginning with the communication going on to jealousy between the family members.

More than one family of a family company has been separated by the process of succession. Members of the family/ brothers and sisters are afraid of being missed out or underestimated. This is a never ending story of money, love and attention which can lead to big fights within a family. To avoid these family intern problems it is important to have an independent consultant who is judging the family members by their potential and tries to come to a fair decision and solution which is appropriate and acceptable for each family member.

**Unforeseen, sudden exit of the entrepreneur**

As already mentioned the most often stimulus factor for succession is the age or the sudden death of the entrepreneur. Unfortunately most of the German family companies are not prepared for this “emergency case”. This unforeseen and not at all planned case is an offensive threat for the wealth of the company as well as for the family itself. One of the most important phases within the process of succession is the preparation of the succession. The sudden death of the entrepreneur is skipping this preparation phase and leads to enormous problems. The sudden interaction of all involved parties of the company as well as the right choice of the right successor is the key success factors out of this crisis.

Very often the sudden death of the entrepreneur as well as the lack of the preparations for succession is the end of the family company. The reaction time is just too short, the business is dependent on the personality and the knowledge of the old entrepreneur, the structure of the company is too old and the core competence of the company is no longer existent. This could be explained by the fact that the way of dealing with the business and the customers is very often a personal one. The soft skills/ knowledge or receipts did only exist in the former entrepreneurs head and spirit. They are not written down and therefore lost and useless. Every entrepreneur has to face its mortality and always be prepared for his own death and a way for his family and his employees to go on and proceed even after his death.

**Conclusion**

Next to our constantly changing environment, the ongoing globalization and the new technologies of our century, there is a change in leadership and the requirement towards our future entrepreneurs of family companies. Family companies are the solid ground and the motor of our European economy. To ensure this potential and to bring the knowledge, the invention as well as the unique spirit of family companies to the next generation is a big task which should be supported from the economy, the politics as well as the government and the concerned families and family companies in each possible way. The long and stony way to
succession/ success a family company can only be taken by the successor with the right companions and a solid and wide spreading education.

References


