



Leadership Change Should Be Planned Ahead

No matter where a business is located, the principles of succession planning should be the same, even though the motivation and processes between corporations and private family business are often radically different. Nevertheless, whether it is the future leadership of a state, a Chief Executive Officer (CEO) of a corporation, or the patriarch of a family business, there are strong principles that can be applied to each arena.

What we are seeing currently is a shift in the leadership style of the next generation family businesses. Planning for succession and managing succession is often overlooked and not always considered important until it is too late, and a lack of succession planning can precipitate failure, for states and all types of businesses alike.

Unfortunately this is often a critical but overlooked element of corporate or family business in the region, and is an ever increasing feature of family disputes and corporate infighting and shareholder discord.

Guiding principles

Irrespective of public or private ownership, well-run, suitably financed and properly governed businesses will generally thrive over those that are not. And it is within these guiding principles

that we can discover how important succession planning is to the overall direction of the company. Corporates, of course, have the distinct advantage that the process is made easier, more transparent and democratic, and is not based on a family generational transition.

Boards of non-executives, advisors and external shareholders have a vested, objective interest in the successful appointment of a new leader. They have common and aligned goals, and most large corporates normally know who their internal and even external successors may be well in advance.

GE is the classic example, whereby Jack Welch had been grooming and observing several potential successors before selecting Jeff Immelt to take over. The same process applies for Bill Gates, Steve Jobs and others. "Choosing a successor is the most important business decision you will ever make." –Jack Welch.

Fall or fly

For family groups and private businesses, the topic of internal family succession planning is a highly sensitive area, and unfortunately second and third-generation business failure is a familiar scenario among family groups that do not take it seriously. This can result in family feuds, court cases and potential business collapse.

To ensure the success of any senior succession planning exercise, it is essential that the company takes a proactive approach, having, at least, a process in place and ideally an identified and assessed list of potential successors.

The key word is continuity, which privately-owned businesses often overlook. They rarely evaluate the negative impact that uncertainty can bring when the overall direction, leadership and future of a business is unclear. Often the cost of no succession planning to a business is hidden and only reveals itself when least anticipated or welcome.

If there is no succession in place in a family business, they are likely to experience some or all of the following:

- The CEO exit or demise plunges the business into crisis. With no one at the helm, panic sets in and poor decisions are made or worse, none at all.
- Chaos creates instability among all senior management and staff.
- There is a lack of direction, strategy, clarity and resolution.
- Customers will feel a lack of level of service and attention they expect.
- Organizational infighting will ensue among family members and management as they jockey for position and power.
- Competition will prey on the on the business, customers and staff.
- Eventually the business could shrink, fail, break-up or be sold.

“Statistics show that second to third-generation business survival is at most risk in the period of leadership transition. The lesson is that, number one, this management has to be at the highest class possible. Number two, they have to have a succession plan.” – Prince Al Waleed bin Talal.

Fail to Plan, Plan to Fail

In order to plan for the future, irrespective of the anticipated timing of change of leadership, companies should formally start to think about what the future may hold, and how the business

SUCCESSION PLANNING CONTRASTING INFLUENCE: PUBLIC VERSUS PRIVATE



Global Corporation:

- Logical
- Board-driven
- Proactive and Strategic
- Global talent pool
- Systematic process and committee in place
- Market expectations
- Shareholder returns



Regional Family Business:

- Emotional
- Family-driven
- Reactive
- Tactical
- Local talent pool
- No systems
- Family expectations
- Family wealth

Sources: Boyden Middle East

Infographic: Marx Amante

should be run, and by whom, going forward, and design a process of dialogue to ensure that succession planning is always on the agenda. In order to achieve this, there are a number of proactive steps a business can take.

Prior to need

- **Talk about it** – Discuss it in advance with the family, advisors, and consultants. Death is inevitable and guaranteed, business continuity is not.
- **Listen** – What role do other family members expect or want, and listen equally to non-family members who do not have the same emotive agenda.
- **Watch** – Identify who impresses you with their skills, commitment, and attitude.
- **Select** – Agree on one or more internal successors, pay attention to their interests, motives, strengths and weaknesses and support them via internal and external development
- **Appoint** – Put in place an assessment process or an executive search process to identify and attract external alternatives that provide you with an independent opinion.

Post appointment

- **Prepare** – Have them alongside you as long as possible working in the business, let them make decisions, get involved, take the lead and set an example.
- **Delegate** – Relinquish power, give them room early to lead and make mistakes.

THE KEY PILLARS OF CORPORATE BUSINESS SUCCESS



Corporate:

- Strong financial management
- Corporate governance
- Excellent leadership
- Strategy



Private/family business:

- Wealth management or preservation
- Family code/family office
- Internal or external succession plan
- Future plan

Sources: Boyden Middle East

Infographic: Marx Amante

- **Support** – Stand by your decision, be a sounding board and not a father figure
- **Guide** – Coach, mentor and guide their decisions but don't undermine them.
- **Step Aside** – Set a timeframe for your eventual exit, depart in dignity.

The buck stops here

At all levels of government, corporation and family business, succession planning should be constantly on the agenda. Statistics show that second to third-generation business survival is at most risk in the period of leadership transition.

This is a challenge in the Middle East, a region where there is a lack of internal and external talent that is adequately qualified, experienced, and emotionally and culturally aware enough to be true leaders in this environment. But what is certain is that the world is changing faster than anyone is comfortable with and in directions we never imagined.

Like the leaders of Qatar, its businesses should take heed of their example and ensure they are well prepared and have planned ahead for every leadership change eventuality.

This article was originally published on bq-magazine.com.



Matthew Lewis has over 22 years' experience in global executive search. From bases in Hong Kong, London and Dubai, he has successfully placed senior management, C-level executives and board members in over 40 countries across the Middle East, Africa, Asia, Europe and the Americas. Matthew is an active member of the Global Industrial and CEO & Board Services practices.

Matthew Lewis, Partner

Boyden Middle East and Africa

T: +971 4.376.4700

E: m.lewis@boydenme.com