



For Achieve Your
Ideal Life
**Julie
Murphy
Casserly**



Harness
Volatility and
Gap Risk
**Rene
Levesque**



Savvy When
Hiring
Household Staff
**Glen
Burton**



To Require
Succession
Planning
**George
Isaac**



Families Need Not Be Royal To Require Succession Planning

Date: 07.22.2013 | Author: [George Isaac](#)



The world has its attention on the Royal Family at the moment, with the soon-to-be new royal in the family. Speaking of the Royal Baby...managing and planning for the Royal Family would be the ultimate family enterprise: working 24/7 with every move in the public spotlight. . Ever wonder why the Royal Family has succeeded in this regard for centuries while 85% to 90% of family enterprises fail to survive past the 2nd generation? Succession planning is one of the

key components to family enterprise success and nobody addresses this concept earlier than the Royal Family!

Decided at birth, the baby born to Prince William & Duchess Kate will be third in line to the Crown after Prince Charles and Prince William. With this clearly-defined succession plan, all family participants understand their roles and responsibilities and have ample time to properly prepare for their various duties as part of the Royal Family.

Learning from the Royal Family, it's important to note that understanding and addressing succession planning in any family enterprise is critical to insuring its longevity. Unfortunately, proper and frank consideration of succession planning is often postponed by senior family members, ignored by corporate boards, and deferentially avoided by the succeeding generation.

Different Perspectives

Often, the succeeding generations have different perspectives, values, and are typically more removed from the “family” than the prior generations. The key issues most frequently at the core of problematic family enterprise succession center on:

- Mutual Respect
- Family Inclusiveness
- Power/Control
- Perceived Fairness
- Compensation/Rewards

To successfully address these issues, the family’s core principles, legacy, and purpose for existence must be understood and endorsed by all family stakeholders, both active and passive. While many issues are considered “soft” and require consistent and thoughtful communication and interpersonal skills among family members, there are two formal organizational structures that support positive family dynamics and succession planning: the Family Council and the Board of Directors.

The Family Council is a formal membership organization whose primary mission is to oversee and address the issues associated with a family enterprise. It facilitates extended family member engagement and provides important direction and insight on dealing with family matters associated with the enterprise. The Council should be professionally run with regular meetings (annually, at the least) and have representation from all family member constituents.

Members should receive reasonable compensation for attending meetings and the Council should evaluate member performance on a regular basis to maintain a high-functioning Council. The initial steps are structural and should be developed from input at family meetings of both active and passive family enterprise stakeholders. Issues such as scope/mission, frequency of meetings, selection of members, compensation, communication guidelines, term limits, etc., are the building blocks for an effective council.

The second structure, the company Board of Directors, is comprised of members elected by the shareholders or selected based upon the terms outlined in a shareholder agreement. The board’s mission is to focus on the business issues, not family member issues or other non-business nuisances.

Non-Family Directors

Like the Family Council, family business boards are not informal family meetings; they need to be professionally run. We strongly recommend having some non-family “independent” directors on the board. Non-family directors will help insure a level of professionalism, mutual respect, objectivity, and formality to your family business board meetings.

In addition to these two formal structures, other less formal initiatives, such as family retreats, company outings, or general fireside chats, can be used to further strengthen the family legacy and each family member’s responsibility to each other and to the family overall. By learning from the Royal Family and addressing succession and family dynamics directly, your family enterprise should provide many years of multi-generational success.

Editor's note: To contact George Isaac, call him at (805) 969 6602, email him at gisaac@gaicapital.com and visit <http://www.georgeisaac.com>. Follow author at www.Twitter.com/GeorgeIsaac888 or [@GeorgeIsaac888](https://twitter.com/GeorgeIsaac888).