

The Succession of the Non-Family Management Team

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Most of the family business literature focuses on “passing the torch” from one generation to the next involving both the **transition** of ownership and the **succession** of management among family members.

At our recent ***Forums for Family Business*** TM meetings we have had a series of case issues dealing with the deeper, more complex, and rarely addressed question of **non-family management** succession; namely, the succession of the non-family management team that is aligned with the senior generation and building a new non-family management team that will grow with and support the rising generation for the next 30 years.

To join a Forum, please send us an email at dean@deanfowler.com

Based on our **Forum** discussions, six issues must be addressed to build a strong executive management team for the future.

1. Tribal Knowledge – The managers and employees who have served the business for years often have critical knowledge and expertise which is rarely documented or formally developed for transmission to the next generation. One of the challenges for the rising generation is to make sure this tribal knowledge is made explicit and shared with the future management team and employees. Many companies now implement computerized processes to capture tribal knowledge as well as holding formal classroom instruction including mentoring and coaching. To complicate this dynamic, the senior generation is often reluctant to let go until they are confident that tribal knowledge has been transferred to the next generation.

2. Compensation – Often the long-term managers who worked with the senior generation are also the most highly compensated employees at the company. To promote, attract, and retain the next generation of key managers for the rising generation’s future involves a trade-off between continued compensation of the long-term executives and providing competitive wages and financial incentives for the new generation of managers. In many cases, the senior generation team members have been promoted to key management roles that are in fact beyond their managerial capabilities – the classic Peter Principle and are being highly compensated for roles beyond their expertise. For example the best sales person may be promoted to the role of VP of Sales and Marketing, yet have no management experience.

3. Leadership Style – The leadership style of the senior generation is often very different from the preferred leadership style of the rising generation which often leads to conflict between the generations. For example, the entrepreneur may prefer a more autocratic top-down style of leadership while the rising generation wants to transition to a more collaborative and team approach. This shift in style impacts the expectations of senior management team performance. On the one hand, the more autocratic style often rewards “dutiful lieutenants”; that is, managers who loyally carry out the directives of the senior generation owner. The rising generation leader, on the other hand, may prefer a collaborative team of executives who show more individual initiative and strategic thinking.

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4. Complimentary Competencies – The rising generation needs to build their own management team to complement their own strengths, weaknesses and style of leadership. For example, the senior generation may have been grounded in strong operational expertise, but the rising generation may be stronger in sales and marketing. Consequently, the key executives who rounded out senior generation team may be the wrong persons to compliment the strengths of the rising generation leader.

5. Strategic Leadership – With changes in the market place, especially the competitive landscape, as well as the growth and complexity of the business, the rising generation often needs an executive management team with strong strategic – not just operational – competencies. The succession between generations of family leadership usually demands continued transformation toward the professionalization of the executive management. In many cases, the best non-family managers have greater technical competency and experience than the family successors themselves. In addition, as professionalization through non-family executives progresses, the shareholders should consider developing a strong outside Board of Advisors or Directors.

6. Proactive Leadership – To address the management succession of the non-family management team and to bring a balance between the different requirements for success between generations, the rising generation needs to take a proactive role in the development of the executive management team structure and personnel that will carry the business forward into the future. In my books and workshops, I emphasize the importance of the rising generation taking the lead to design the future. Even before they have voting control of the corporation, the next generation must have a voice in designing the future, and in particular, building their own executive management team.

Resources by Dean R. Fowler, Ph.D.

[Proactive Family Business Successors](#) - an eBook

[Successful Habits of Family Business Successors](#) - a CD or MP3

New Book by James Hughes

[The Voice of the Rising Generation: Family Wealth and Wisdom](#)