LEADERS

BEATING THE FAMILY BUSINESS ODDS

These five strategies can help your company to stay on track through a generational leadership transition. BY C.J. PRINCE

WHEN KEVIN HANCOCK graduated from college, the family business wasn't even on his radar. A sixth-generation member of Hancock Lumber—one of America's oldest family businesses—he hadn't ruled it out; he just never considered it. "I was interested in teaching and coaching, and that's what I pursued right out of college," he says.

"You see a lot of people get trapped in family businesses where they felt like it was something they had to do."
—Kevin Hancock, Chair, Hancock Lumber

But life had other plans. His father, then CEO of the company, was diagnosed with cancer, and Hancock found himself making a sharp pivot. "I came to work at the company, spent quite a few early years not really sure that I liked it or that it was a good move. But it all turned out to be just right for me."

Hancock Lumber's longevity is not the norm. While family businesses are the backbone of the economy, accounting for 64 percent of U.S. GDP, their survival rate through generations is shockingly low: fewer than 30 percent make it to the second generation, and only 12 percent endure to the third. With $83 trillion in generational wealth expected to change hands over the next 20 years, today's family business CEOs face a critical question: How do you transition leadership without derailing the business—or your children?

To answer that, we spoke with leaders who have successfully navigated the challenges of succession. They offered these five lessons.

1. Don't assume your kids will—or should—take over.

One of the biggest mistakes a family business CEO can make is assuming that their children will automatically want to take over the business, or that they're right for the role.

Matt Powell never expected to run the family business. Growing up in Virginia, far from the Midwest headquarters of Century Companies, he had no plans to follow in his grandfather's footsteps, instead building a career in investment banking on Wall Street, helping other families sell their businesses.

But the more deals he worked on, the more jaded he became. "I got tired pretty fast of the 90-day sprints and five-year flips," Powell recalls. "I started to have an

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appreciation for companies that were seeking the long term. That's what prompted me to give my grandfather a call."

For Reynolds Machinery CEO Parker Mays, a bit of reverse psychology might have been at work. "I never felt any pressure from my dad to join the family business—maybe that's why I wanted it so much," says Mays, a third-generation leader. "I just wanted to continue the legacy and make my father and my grandfather proud."

Mays has three boys, ages six, four and two—still a long way off from a job at Reynolds—but he plans to treat them the way his parents treated him. "They'll have that opportunity if they want it, but I don't want them to feel any pressure from me whatsoever."

Bottom line? Not every next-generation leader grows up dreaming of the job. Some will come to it in their own time—others never will. And if they don't want the job, you don't want them in it.

2. Require outside experience first.

Having future potential heirs gain external work experience before joining the family business ensures that the next generation brings fresh ideas, a strong work ethic and credibility.

Mays' father insisted on that for him. "At the time, I was like, 'Oh, come on, let me just come in.' But looking back, it was definitely the right decision."

Rob Sligh, who was the fourth-generation CEO of his family's furniture business for 22 years before selling it to Lexington Home Brands. "We had a rule in our family that you had to work somewhere else first. When people see the family member coming back, having succeeded on the outside, they have more confidence in that person. But most importantly, the family member has confidence in themselves."

PHOTO COURTESY OF PARKER MAYS

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You may want your adult child involved out of school—and they may want the same—but your other employees are far more likely to respect a successor who has proven themselves in the outside world rather than someone who was handed a leadership role from day one.

3. Plan far ahead for the transition.

If there's one universal truth about successful succession, it's that it doesn't happen overnight. It requires a deliberate, structured approach that starts years before the actual leadership change.

Mays began discussions about succession four years before officially taking over. "We started conversations way earlier than any transaction was going to take place," he says. "I'm very thankful for that because it takes a lot of time to work through feelings, questions and conversations that you don't even realize you need to have."

Billy Busch, of the famed Anheuser-Busch family, saw what happens when there isn't a solid plan. "You have to have a succession plan, and it has to be very black and white," he warns. "If it's not, there's a lot of room for squabbles and problems. And the only people who make out well when that happens are the lawyers."

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> –Matthew Powell, CEO, Century Companies

Hancock's father's illness forced him into leadership earlier than anyone had anticipated. Fortunately, his father had already put non-family leadership in place as a transition buffer. "There was a gentleman who had been a top manager in the company, and he ran the business for a short time while my dad was sick," Hancock recalls. "That helped create a much smoother transition."

4. Clearly define roles, responsibilities and decision-making power.

One of the most overlooked but crucial aspects of succession is clarity on the plan. "As your children start taking on more responsibilities, be sure to create a clear timeline for their transition," says Thomas Samuels, president of Cardinal Expo. "Outline their roles and responsibilities, what they do and do not have the authority to decide, and what your expectations are at each stage."

Powell learned this the hard way. "I worked for about a year on an acquisition, got the purchase agreement drafted, and we were about to close. Then, at the last minute, someone else had the right to say no—and I didn't even know they had that authority. It was a huge setback." His advice? "Make decision trees. Who has the right to say no? Who has the right to give suggestions? Clarity is everything."

5. Leadership of the company must be earned, not just inherited.

Having the right last name isn't enough; leadership has to be earned through hard work and demonstrated capability. "My grandfather always made sure that his successors knew the business inside and out," says Busch. "They had to go through each department, understand every part of the company, and put themselves in the employees' shoes."

Sligh, who is now a senior consultant for The Family Business Consulting Group, shares a similar philosophy. "When you're a teenager working in the business, you have to be the first one there, take the shortest breaks, have a smile on your face and be the last one to leave. People might not remember if you were good at the job, but they'll remember your attitude."

Powell adds, "I don't believe in coronations. If my kids ever want to join the business, they'll go through the same process as everyone else and start from the ground floor."

The Work Is the Reward

Ultimately, the leaders who have successfully navigated family business succession understand that it's not just about passing on a company—it's about passing on a legacy. "I believe I'm borrowing this company from my grandkids," says Powell. "So when challenges come up, I remind myself—it's not about me."

Busch, reflecting on the lessons of his family dynasty, notes: "If you want to keep a business in the family, make family your priority. Everything else follows from that."

Hancock attributes his company's longevity in part to the fact that no premium is placed on family leadership.

When he decided in 2023, after a quarter-century as CEO, to transition to chair, it was an outsider, then-CFO Paul Wainman, who took the reins, not Hancock's daughters, who are each pursuing other careers.

"You see a lot of people get trapped in family businesses where they felt like it was something they had to do, but it was maybe never really their true authentic path in life," says Hancock, who notes that his daughters are participating as shareholders and board members. "There are lots of different ways to be good stewards of the company. Our first focus has been each family member following their own voice and doing what's going to light them up. And the best person to be CEO should be CEO." CE

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