

Successor Manager Development: A Case Study

By Loyd H. Rawls

www.seekingsuccession.com

The development of capable successor managers is a critical factor of family-business succession. Regardless of the quality of family harmony, if there are no capable managers to take the baton of succession, the relay will end and the business will not succeed through the next generation. Without hesitation, I can confirm that with over 25 years of personal experience as a succession planner, successor management capability ranks second only to family harmony as the greatest area of parental concern.

Reflecting on the talents needed to be a manager in a family business brings to mind a succession planning experience with an automobile dealer. This client whom we will refer to as Wally had two sons involved in his business. Uniquely enough, one son, who we will refer to as Frederick, graduated from college with honors and continued to get his MBA at a recognized school. The other son, Jack, barely made his way out of high school.

Frederick, the first born, was a classic highly ambitious, driving dynamo. As a manager, he required the people under his supervision to "perform or move on." His reputation preceded him as someone who knew all the answers and someone you did not want to cross. A meticulous dresser, he was the model of the organization. He was punctual to the minute and was intolerant of anyone who did not act in the same manner. The word was that he divorced his wife because she was always late for church. Jack, a contrastingly different personality, was the middle child. There was a sister three years younger than Jack. His shirt always seemed to need a little more starch, and he was not much on organization. Amazingly, it appeared that he never forgot a name. Employees approached him to talk about everything from complications with inventory and business operations, as well as ball games, children, friends, dogs, etc. Jack had limited concern about time. He would talk to you about anything at the cost of being late or even missing a meeting.

To put it mildly, these two brothers were very different. Their father, Wally, owned three dealerships and was perplexed as how to structure a succession plan with two sons having such contrasting personalities. Wally was the driving personality type so he related to Frederick better and just did not have confidence that Jack could be a dealer. Frederick exasperated the situation further because

For more information:

www.seekingsuccession.com

info@rawlsgroup.com

Successor Manager Development: A Case Study

as a workaholic he resented his brother's easy going "loose" approach to business. Wally asked me to help develop a plan which he expected would involve Jack working for Frederick.

My research pointed out that Frederick was a task master who used employees for the achievement of his goal. He was respected for his commitment and drive, but not well liked. A small, highly motivated group of employees expressed a desire to work with him. The balance of the employees, about 90%, were fans of Jack. They said that if Frederick took over, they would have to find work elsewhere because they just did not fit his mold. I further confirmed that much of the success of the business enterprises was due to loyalty of these employees to Jack. After extended discussions with Frederick, Jack and the employees, I concluded that their personalities were too polarized to work together harmoniously. Jack confided that he tolerated his brother for harmony sake, but had no intentions of working under his hammer after his father withdrew from the business.

When Wally heard my recommendation to split the dealership between his sons, he told me I was unrealistic. He felt that Jack needed Fredrick to survive in business. He told me I was crazy when I responded with, "Actually it is Fredrick that needs Jack." He liked my ideas so much that he told me to go home and I should not wait by the telephone for his call.

This was around 1983. In 1986, Wally called back and said Fredrick and Jack had a big argument about a year and a half after I was there. Jack had quit the family business and gone to work with another dealer in another state. Wally said Jack was doing very well, but the reason he called was that he wanted Jack to come home. The only way Jack would come home was if he had his own store and did not work with Fredrick. He asked me to help him work this out.

It did not take long to work out the logistics of Jack's return. He took over one of Wally's stores with Mr. Organization, Frederick, managing two. A year later, in 1987, Wally totally retired. Two years later, in 1989, the automobile business entered a bloody depression. In order to survive, both Fredrick and Jack cut back their expenses like everyone else in the business. Leading the way in this cut back was management compensation. I got another call from Wally in 1991 telling me he was back to work trying to help Fredrick, who had over leveraged himself with expansion during the red hot market of the late 1980's. When Fredrick cut back the compensation of his managers, they hit the road looking for better jobs. Bad became worse for Fredrick and the banks were threatening to shut him down. Wally had come

For more information:

www.seekingsuccession.com
info@rawlsgroup.com

Successor Manager Development: A Case Study

back to work not only to help Frederick, but also to protect the income stream he had been receiving from the business. When I looked closer into the situation, I learned that Jack was also compelled to cut his staff's compensation. However, his loyal managers stayed with him to weather the storm. They took pay cuts to help out during the tough times. Jack also never figured he was smart enough to manage several stores so he had just reinvested profits in his single store.

To make my point about the value of people skills, where are Wally, Fredrick and Jack today? Well, Wally has retired again. Fredrick has only one store and is still struggling with debt. Part of his debt is to Jack who loaned him serious money to keep the bankers off of his back. Jack now, very humbly, owns four very profitable stores, but spends more time playing golf than working. Some of those managers who took pay cuts a few years earlier are now Jack's partners and the general managers of his stores. Jack contends that "If I went to work I would just screw things up." He would get no argument out of me. He has a great organization and every one of his managers would die for him. Any day I expect to get a call from Jack (Wally would be too proud to call) asking me to help him take over Fredrick's store.

In summary, by the time a young person begins work in a family business, little can be done to enhance the young person's aptitude as a future manager and business owner. The die has been cast and the cards have been dealt regarding the intellectual, social and emotional potential of the young family member. At this point, assuming there is reasonable management aptitude, success depends upon the quality of the management orientation and training program. Without a doubt, the implementation of a well thought out management training and support program is a critical factor in the succession process.

For more information about this topic, email lhrawls@rawlsgroup.com

Lloyd H. Rawls, CLU, ChFC, MSFS, is President/CEO of The Rawls Group in Orlando, Florida, and has specialized in family estate and succession planning for closely-held, family owned businesses since 1973. Well respected in his field, Mr. Rawls is a highly requested speaker and has published numerous articles and publications such as "Seeking Succession: How to Continue the Family Business Legacy," and "The Succession Bridge: Key Manager Succession Alternatives for the Family Owned Business. For more information or to order books, visit: www.seekingsuccession.com.

"Seeking Succession: Successor Manager Development" ©, Lloyd H. Rawls. Publication, reproduction or use of this article other than that of this publication is strictly prohibited without the express permission of the author.

For more information:
www.seekingsuccession.com
info@rawlsgroup.com