

Family Business Founders' Departure Styles



By Lucio E. Dana

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The parting patriarch

In family business literature the founder-owner-manager is viewed as the main influence in the family business and the leader's final act is to leave the business. In an insightful article entitled 'The Parting Patriarch of a Family Business' Sonnenfeld and Spence *Sonnenfeld, J. & Spence, P. 'The Parting Patriarch of a Family Firm' FBR, Vol. II, No. 4, 1989* highlight four departure styles which vary depending on the leader's identification with the family business and those around him: monarchs, generals, governors, and ambassadors.

Aging and its effect on workers

The authors, whose conclusions are summarised here, point out that the study of retirement is largely the study of aging and its effect on workers. Many workers identify themselves with the organisations for which they work, and measure themselves by the accomplishments they achieve at work. They identify retirement with the approach of old age; by resisting retirement and prolonging their careers, workers are attempting to minimise the trauma of old age.

Chief executives and retirement

The transition to retirement is especially difficult for chief executives for the following reasons:

- Limited transferability of their skills. Because chief executives are valued primarily for their adeptness at managing others, their skills are not in demand in a reduced role, as are those of subordinates with specific technical skills. Accordingly, the leader's need for the presence of the organisation makes the concept of retirement especially threatening.
- The job of chief executive is often an enjoyable one with challenge being an often cited reason for seeking the position. The substantial stress of holding the job is reduced somewhat by their ability in their central decision-making role to translate energy into action, thereby relieving some of that tension on the job.
- There is a high frequency of Type A behaviour among chief executives. Involved as they are in a constant struggle to achieve and surpass their earlier accomplishments, they find it difficult to choose not to continue to pursue their careers. They enjoy their work, feel they still have much to offer, and often set higher goals for themselves as they age.
- Chief executives usually have a very strong self-image and an ego ideal toward which they strive; they constantly attempt to close the gap between their idea and actual self-perception.

Barriers to exit for the leader

Two barriers to exit for the leader with an heroic self-concept are 'heroic stature' and 'heroic mission'.

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- Heroic stature refers to the unique position of power that top leaders hold which provides them with an identity within the firm above that of other employees and allows them to stand above the group. Respect of subordinates, father figure, voice of the firm...given the extent of the chief executive's heroic stature, especially in family business, it is easy to see how relinquishing leadership can be a painful decision.
- Heroic mission refers to the leader's sense that he has a unique ability to fulfil the responsibilities of his job. The chief executive fears the loss of heroic mission...frustration at leaving office before attaining their highest goals.

Departure/Retirement style and behaviour on leaving office

- **Monarchs** do not leave office until they are forced out, either by death or by an internal palace revolt. The palace revolt may take the form of resignations by top officers, direct action by the board of directors, or ultimatums delivered by top management.
- **Generals** also leave office only when forced out. They leave willingly but plan a return to power, and they come out of retirement to rescue the company from the real or imagined inadequacy of their successors. The general returns to office to regain his former glory and attempts to reach new heights of achievement on his return.
- **Ambassadors** leave the firm willingly and maintain contact with the firm in an advisory capacity. Their exits are graceful, and their interest in retaining a role with the firm is to assist in the transition process. They often keep positions on boards of directors.
- **Governors** rule for a bounded term of office and then leave for other ventures. They tend to make a clean break with the firm, maintaining little contact after retirement.

The exit style of monarchs and generals is characterised by succession conflict, leaving scars in the company and difficulties in developing further. The exit style of ambassadors and governors leaves the next generation free to take the company in new directions.

The retirement style of monarchs and generals prevalent in family businesses

Sonnenfeld and Spence point out that although one finds all four of these exit styles in family firms, monarchs and generals are prevalent in these types of businesses. The family business founder owner usually has a closer bond with the business than non-family managers and this increases their feeling that they are the only ones who are able to make or keep the firm successful. This is manifested by closer links between the leadership of the family and of the business and a reluctance to give up control of the firm to outsiders if there are no suitable family successors. Accordingly, chief executives of family firms have a greater tendency to want to remain in the post indefinitely, or be tempted to come back to rescue the firm from successors whom they perceive as incompetent.

What action to take

Internal struggles and ensuing organisational paralysis in family businesses can be anticipated and avoided if greater efforts are made by relevant stakeholders to understand the family business owner's attitude toward retirement and succession and to develop plans which take this attitude into consideration.

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