The Idiot Son, Do You Have One?

We all love our children but are they as smart, experienced and passionate about your business as you are? If the answer to this is not an immediate “Yes” then maybe you are in a difficult position.

We often come across successful business owners who hope that one of their children should take over from them and run the business. Sometimes this works, we currently have a Melbourne based client where the son is doing a magnificent job as CEO.

Unfortunately, we know of many inter-generational transitions where the daughters or sons have proven incapable of running their parents’ business.

The cost of a son or daughter failing in their role as CEO of the family business is much more than just financial. It can lead to lifelong feelings of failure and worthlessness for the son or daughter, rancour from other family members combined with guilt and sadness for the parents.

We acknowledge that nepotism has its place but realise that you also need to protect and grow your business for the benefit of your whole family and the staff that have served you.
The rather offensive term “Idiot Son” is often bandied around when the next generation fails. We dislike this term; it ignores the fact that it is the business owners’ responsibility to ensure that he or she does not pass management to an ill equipped son or daughter. Succession failure is typically not the fault of an “Idiot Son” it is the fault of an over optimistic and unrealistic parent.

How do you avoid such a failure? We recommend the following:

- Structure your business so that a CEO from outside could come in and run the business
- Work out the necessary characteristics for a CEO to replace you
- If a family member wants to be next CEO then train them
- Rigorously assess the capabilities and adequacy of your son or daughter
- Allow the new CEO, a family member or outsider, to really be the CEO

Let’s now look at each of those goals and how you can achieve them.

Structure your business so that a CEO from outside could come in and run the business

Put simply, if you structure your business so that an outsider can come in and run it you will be putting in place the systems and processes necessary to protect the business from being over reliant on you. This will have the benefit of not only making successful succession more

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likely but it will also make your business more resilient and capable of being sold should that ever become your goal.

Practically you will ensure that you have the right people reporting to the CEO. These will be competent, reliable and enthusiastic people that run their area of authority with very limited assistance from you. Such roles might include; sales manager, stock and inventory manager, accountant and the appropriate technology and innovation drivers.

We recently spoke to a potential client who wanted to sell his business but because the business was so reliant on him he was unable to sell. Potential buyers were effectively telling him that it was too risky for them to replace him with a new CEO because the support structures were not in place. It would be unfair to appoint your daughter or son without first properly structuring your business.

Work out the necessary characteristics for a CEO to replace you

If you were writing a job description for a 3rd party employee, what would be the key skills, knowledge and experience you would be seeking. You would look at what attributes had made you successful in the role. You would assess how the future requirements and scale may vary. You would look at the support team and their associated skillsets and see what the key gaps were likely to be.

Rigorously assess the capabilities and adequacy of your son or daughter

An external advisor or Board Member that can speak truth to power is useful here. Someone that can do everything is often not truly great at anything and that is where the thought process of identification of must have characteristics versus nice to haves naturally heads. Supplementation is possible, but not if they are not able to develop core skills required for the role. If given the role prematurely, without caveats and upfront performance criteria, then either the business or family relationships are likely to suffer. Ken Rosewell recently made the press for supporting his son beyond where reason or logic suggested – as a parent, that is the challenge you could create for yourself. The role of COO or GM might be a prudent intermediate step.

Family member CEO training

The starting point is a gap analysis between a realistic assessment of your child and the criteria of the CEO role. Then there is the question of whether they are coachable – ego is the enemy in that respect. Just as with an external candidate, external training, shadowing and mentoring would be mechanisms you would use to try to bridge these gaps.

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Allow the new CEO, a family member or outsider, to really be the CEO

Once you have ascertained with sufficient confidence that they have the required skills and experience to be CEO, you need to let them be CEO. Operational matters then become their sole jurisdiction, your role if now Chairman is strategy only. There is a reason it is regarded as poor governance to go from CEO to Chairman in Public Companies – our egos become attached to being right and our reasoning generally leads us to believe we are right. The new CEO is not you, they will do it differently, they will make mistakes where you would have got it right and vice versa.

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