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## Avoiding Fights Among Your Successors



Choosing a successor to run your business is one of the most challenging decisions that you'll make as a business owner. It can be especially challenging if the successor you choose isn't the one everyone expects, which could lead to disagreements, fights, and chaos. Here are a few things to consider when choosing a successor for your business that could position you to exit your business on your terms.

### 1. It's Your Call

The most important thing to remember when choosing a successor is that it's your call. You may find that when announcing your successor, some people may try to pressure you to choose differently.

As long as your successor gives you the ability to exit your business on your terms—that is, with financial security and in ways that achieve your other goals—then the decision you make is most likely the right one for you.

It's entirely appropriate for you to ask for expert advice about your decision. However, if you make a decision that's good for you that other people may not agree with, it's important to remember that that's okay.

### 2. Make Sure You're Choosing Correctly

How can you know that you're making the right decision with your successor? There are a few guideposts that you can use to give you confidence that the successor you choose will position you for success. Some of these guideposts include:

- Working with a team of trusted advisors to determine what you must do to achieve financial security
- Requesting advice from your Advisor Team about what it would take for your successor to succeed in ways that help you exit on your terms
- Making sure that your chosen successor wants to be your successor
- “Battle testing” your chosen successor by giving them more responsibilities to see how they would run the business

As always, the most important thing to consider is whether your chosen successor can help you achieve financial security. Your Advisor Team can help you determine what it will take for you to achieve financial security while offering guidance on whether your chosen successor gives you the opportunity to achieve it.

However, an overlooked aspect of choosing a successor is ensuring that your chosen successor wants to be your chosen successor. Sometimes, outstanding workers have no desire or ability to run a business. They're happy being key employees without the added responsibilities of ownership.

Determining whether your chosen successor wants to be an owner is something to do early in the process. It can give you time to train them to do the job, reassure them that they can indeed do the job, or, if all else fails, find a more appropriate successor.

Once you've ensured that your chosen successor wants to succeed you, you can then allow them to take on more responsibility to make sure that they're up to the task. “Battle testing” your potential successors early in the process, such as by taking an extended vacation and allowing your potential successor to run the business in your stead, can give them and you more confidence in their abilities.

### 3. Be Clear About Your Choice

In many cases, potential successors and employees want clarity about what will happen related to the business in the future. This is especially true if the successor you choose isn't the most obvious one.

A classic example is a business owner who wants to transfer ownership to someone other than the oldest child.

It's common for people to assume that if an owner is keeping the business in the family, the oldest child will inevitably run the business. But what happens if you want to hand the reins to a younger child while giving the older child a less prominent role in the business?

A strong place to start is to be upfront with why you're making your decision. It may be because the younger child simply has better skills than the older child. It may also be that the older child is exceptionally good at what they do but adding ownership responsibilities will take them away from the thing that they are really good at.

Regardless of why, it's crucial to explain to stakeholders why you're making the decisions you're making.

This does not mean that if people don't like your decisions you have to change them. What it does mean is that open communication can help you anticipate pushback, offer strong explanations for your decisions that assuage concerns, and prepare everyone for your decision. This in turn can help you prepare yourself and your company to move more smoothly through the ownership transition process.

### 4. Start Early

Choosing a successor, especially if it's one that people may not have expected, can create big, sometimes unexpected consequences for your business. By beginning the process early, you can give yourself a better chance to anticipate and address the consequences of your decision, whether they're good or bad.

As an example of a good consequence, you might find that choosing a successor creates a sense of harmony among potential successors that you didn't choose. Going back to our older versus younger child decision, you might find that the older child was dreading that you were going to ask them to be the successor owner because they had no desire to do that but didn't want to disappoint you. By taking this potential outcome off the table, that child may be able to better focus on the things that they're good at, which could create unexpected efficiencies in your business.

On the other hand, if your choice is upsetting to a key employee or child who expected to succeed you, starting early gives you more time to address their concerns, reassure them of their importance to the business, or, in the worst-case scenario, prepare to replace them.

The earlier you start planning to install a successor, the more time you will have to navigate any unexpected consequences. This can help you avoid rushing your decision while positioning your chosen successor to ramp up for responsibilities related to ownership.

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