

# How Elders In Business Families Can Make Room For New Generations Without Sacrificing Themselves

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“Grandpa still runs the business and comes to the office every day. He is 96.” The tale of the timeless business founder/leader is meant to inspire awe and respect, but it also signals a grave problem for the family, and even for the elder leader. If the leader is doing what he (almost always) has done for decades, does he remain as effective as he was years ago? What does his continuing presence mean for the rising generations that follow him?

Over time, the heroic family patriarch can become the family’s hidden problem. When a family leader stays forever, the family may find itself meeting in secret, depleting its storehouse of trust, or even plotting coups, all of which undermine the future of the business and the possibility of a smooth intentional transition that allows the business to grow and thrive. Rather, the most successful families have family leaders who understand their legacy rests on their ability to shift their roles at an opportune time to mentor and support the creation of a new generation of leadership. If they stay on too long as leaders, they may miss the opportunity to create an effective new generation. To build resilience, the family leader takes on the new role of an *elder* rather than stay in control forever.

Family business CEOs have a longer tenure than public company leaders. This encourages stability, focus on long-term goals, and a culture where employees feel respected and valued. But like leaders everywhere, they may begin to feel omnipotent, irreplaceable, even immortal. Over time, this can lead to staleness, tiredness and being on cruise control just when agility and adaptation are needed. Since the family leader-owner answers to no one, the future of the business is endangered.

Family business founders may value their wisdom so highly that they stop listening to others. One of the perks of leadership, they feel, is that they no longer need to learn and grow. They know everything they need to know, and they can't leave because everyone else is lacking. The leader becomes so identified with the business that it is hard to imagine *not* being in control. Sometimes nature takes its course, and the issue is resolved by death or disability. But with today’s longer life spans, fortunate timing is less and less likely. Something has to give way.

## **Preparing Leaders-in-waiting**

In many ways, the problem of the successful, long-term family leader is generic. Yesterday’s force of nature can become today’s disappointment. But a family business contains a mediating element that can temper the leader’s tendency to overstay their usefulness: rising generations of young leaders-in-waiting impatient for their turn. Because the leader cares about them, and wants them to emerge, the emerging elder now has a reason to look beyond his own tenure.

A major concern of both family patriarchs and matriarchs is effective preparation of their children. They want their inheritors to be motivated to develop capabilities to take up the challenge of business stewardship. Are they ready to take over as owners? But that is only one side of the question. Elders must also consider what they offer their offspring; how are they presenting the opportunity attractive for young talent. They need to find the optimal time to make the shift from being leader to letting go, mentoring the rising generation and preparing the business for new conditions.

### **Styles of Leaders' Departure**

There are many accounts of how to become and act as a leader, but few about how and when to leave leadership. Too often, the organization has to remove a leader who effuses to leave quietly, with painful and tragic consequences. Yale School of Management associate dean Jeffrey Sonnenfeld developed a classic account of the four roles taken by departing business leaders, which he applied to family business founders.<sup>1</sup>

Sonnenfeld identifies two departure styles—Monarchs that only depart on their death, and Generals, who plot their return after being deposed—that undermine the continuity of the enterprise. Two more facilitative styles—Ambassadors, who let go of leadership but continue as advisors and Governors, who leave for other activities, allow for a less contentious transition and greater continuity. The style of departure emerges from the leader's rivalry with younger family members, his own heroic sense of identity with the business, and fears of loss of status and recognition.

Sonnenfeld suggests that many business families decline after the first generation due to the prevalence of Monarchs and Generals, and the lack of positive role models for leaders to become Ambassadors or Governors. Family businesses benefit from the presence of Ambassadors and Governors, but too often they are undermined by Monarchs or Generals who do not willingly support an orderly transition. How can a family encourage elders to become Ambassadors and Governors as they depart leadership?

### **Eldership: A Useful New Life Stage**

As founders age and as rising generations make their request for leadership loud and clear, business families make the transition to a new leadership generation with the founder taking the Ambassador or Governor role. While they leave active leadership, they do not leave the family business; they depart only to return in a new role. Family business leaders should realize that running the business is not their final stage of life but a pursuit for mid-life, which they eventually outgrow. They must discover new frontiers and challenges after being CEO.

The most innovative and energetic leaders are in the 40-60 age group. If they want their children to become the family CEO or Board Chair, parents should expect to transition to

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<sup>1</sup> (Jeffrey A. Sonnenfeld (1988) *The Hero's Farewell: What Happens When Chief Executives Retire* (New York: Oxford University Press), and Sonnenfeld, Jeffrey A and Spence, Padraic L. (1989) *The Parting Patriarch of a Family Firm*, *Family Business Review*, Vol 2: No. 4.)

elderhood for a long period after their own tenure. They have to be ready to step aside into a new form of leadership before they have begun to lose few steps.

After a period of leadership, the family founder, now an elder, designs a new role that offers counsel, support and encouragement for a new generation to take the family enterprise in new directions. The new life stage is not a minor adjustment. Becoming an Ambassador means giving up power and control and learning new skills to serve the family enterprise. Governors take off in other directions, but may leave some time to help their family.

Unfortunately, the family business elder does not have a parallel in non-family firms. When public company CEO's leave, they depart, maybe after a year of oversight on the board. They do not usually continue to play a role, and the business can lose their wisdom and experience, while the family business elder will be present until death.

How can elders continue to contribute and support young leaders? Becoming an elder requires some tough learning and adjustment. Passing on ownership and control means the business will no longer be "yours". This is a huge change and a deep loss. After having advisors, colleagues, customers and employees at your bidding, now the leader is no longer the center of the universe. This gets complicated because the founder's relationships are personal, and even though there has been a transition, these employees and contacts still look to the founder. The new leaders, now adult children or non-family executives, struggle to feel legitimate. There is an adjustment period where the new leaders caution and even challenge the former leader, in order to take their authority. Resentment can arise from both sides. If there is not clear communication, trust and respect can break down. This is where many families devolve into open conflict that can be highly destructive to the business culture that has grown up over the years.

### **The Many Facets of Eldership**

The key to this transition is that the elder has to find a new purpose and meaning. Ambassadors can work with the new leader to define how to use their collective wisdom on a special project or take on a new and important task for business development. This offers the elder a critical area to continue to help, while allowing the new leader space to exercise his or her authority. Elders who adopt the Governor role can start a new project or entity for himself or for the family. For example, some elders move into an investment role with the family portfolio, stepping back from leading their legacy business. Sometimes, they have bought or started new businesses that add further value to the family.

Elders offer an enormous store of knowledge and wisdom. While no longer controlling owners, they may add huge value by personally mentoring their children and successors. They teach what they know, and support and help each of their rising generation to discover their own path, inside or outside the business. For the rising generation, after a business patriarch acted as the sole leader, the new leaders find there are more than one role to fill. While one heir may be designated as the CEO of the legacy business, others can be on the Board, or lead in other

areas like philanthropy, family investments or non-financial family activities. All these rising generation leaders can benefit from the elder's guidance.

The major challenge for an elder is to be a model, an example, sometimes a mediator, helping the many family members to work together and fairly share family wealth and resources. Instead of being in control, elders can teach and support cooperation, compromise fairness and respect. Too many families find that by driving their children for excellence and having high standards, they have created competition among siblings that they now have to help moderate.

The elder enters new territory that propels the business into the future. After a period as business leader or active parent, the elders pursue their own development. Jay Hughes<sup>2</sup>, one of the few who has written about the elder role, suggests that the elders role can include several wonderful and creative pursuits:

- The Bard, who tells educational and inspiring stories that define the legacy and remembers the wisdom of the family's past.
- The Healer, who helps family members overcome and close old wounds and hurts.
- The Mediator, who helps overcome conflict to restore trust and fairness.
- The Explorer, who finds new opportunities and builds on a lifetime network of important relationships.

For a family with huge resources, huge value is added by taking on these roles. If the elder did not do this, there might not be anyone who can provide these benefits to the growing family and its business. These roles can help and support the new generation of family leaders to take the family enterprise in new paths. By stepping aside, the family elder does not compete or interfere with the young leaders. They exercise influence by the value of their advice and the trust they have, rather than their former power.

The founding generation of a family business face a huge challenge after they have succeeded in building a successful business—setting the conditions for it to continue to adapt and succeed. The demands of that challenge mean that the founders and leaders must develop the capacity to make a huge shift in what they and who they are, in middle to late life to take on a new role that of an elder. These thoughts begin to imagine the nature of this role.

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<sup>2</sup> <http://jamesehughes.com/articles/TraitsAndCapacitiesOfElders.pdf>