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The Succession Conspiracy

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The lack of succession planning has been identified as one of the most important reasons why many first-generation family firms do not survive their founders. This paper explores some of the factors that interfere with succession planning and suggests ways in which these barriers can be constructively managed.

Max Weber, the great German sociologist, was among the first to identify the importance of having the founder of an organization turn over power to a successor who could solidify the administrative structures required for the continued development of the enterprise. Weber (1946) referred to this process as the institutionalization of charisma and saw it as one of the greatest challenges of leadership.

In family firms, the problem of succession and continuity acquires an even greater significance. Consider the following findings: Available estimates (Dun & Bradstreet, 1973) indicate that approximately 70 percent of all family firms are either sold or liquidated after the death or retirement of their founders (Beckhard and Dyer, 1983). The failure of these businesses to continue as family firms beyond the tenure of their founders has serious social and economic consequences.

The firms that are sold to large bureaucratic firms are subject to the self-interest and standardized bureaucratic policies of the purchasing organizations. Research suggests that many of the positive characteristics associated with family ownership and management, such as concern for quality, long-term investment perspective, and strong community relations, are easily lost as a result of acquisition by larger firms (Astrachan, this volume).

The liquidation of a family firm constitutes a loss not only to the proprietary family, which often has most of its assets tied up in the firm, but also to the employees and surrounding community, whose economic well-being depends on the survival of the business.

Demographic patterns suggest that the number of business owners confronting the realities of succession and retirement is rapidly increasing throughout the economy (Sonnenfeld, 1986). Today, there are more than 24 million Americans over 65 years of age. More important, this group constitutes the fastest-growing sector of the United States

population (U.S. Bureau of the Census, 1977). In the coming decade, a large number of postwar business start-ups that weathered the economic and organizational challenges of their entrepreneurial years will face the exit of their founders.

The research that is available (Christensen, 1953; McGivern, 1974; Trow, 1961; Hershon, 1975; Barnes and Hershon, 1977; Tashakori, 1977; Ward, 1987; Dyer, 1986; Rosenblatt, de Mik, Anderson, and Johnson, 1985) shows that one of the most significant factors determining the continuity of the family firm from one generation to the next is whether the succession process is planned. Succession planning means making the preparations necessary to ensure the harmony of the family and the continuity of the enterprise through the next generation. These preparations must be thought of in terms of the future needs of both the business and the family.

First-generation family businesses are heavily dependent on the founders not only for their leadership and drive but also for their connections and technical know-how. Failure to plan for succession needlessly deprives the business of these crucial managerial assets (Christensen, 1953; Danco, 1982; Hershon, 1975; Tashakori, 1977; Beckhard and Dyer, 1983; Whetten, 1980). Moreover, if succession planning is avoided, the founder's unexpected death can force a major upheaval in the pattern of authority and ownership distribution. In this situation, conflict among the founder's heirs often becomes so intense that they are unable to make the strategic decisions needed to ensure the future of the firm. Failure to plan for succession also threatens the family's financial well-being by leaving many thorny estate issues unanswered; a distressed sale of the firm is often the result.

Yet, in spite of all the rational reasons for planning the founder's succession, experience and research suggest that leadership succession is seldom planned in family businesses (Christensen, 1953; Trow, 1961; Hershon, 1975; Tashakori, 1977; Lansberg, 1985; Rosenblatt, de Mik, Anderson, and Johnson, 1985).

While much has been said about the high incidence and detrimental effects of the failure to plan succession, little attention has been given to the issue of why planning is so often avoided. This paper provides an analysis of the critical forces that interfere with succession planning in first-generation family firms. I describe the condition of the system as it approaches the succession transition and provide some preliminary explanations for why the planning process is so vehemently avoided in first-generation family firms. The basic argument is that each of the constituencies that make up the family firm experiences poignantly ambivalent feelings about the inevitable succession transition. This

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ambivalence prevents key decision makers from engaging constructively in planning for the exit of the founder. One underlying premise of this article is that gaining awareness of the reasons for resistance among the various constituencies is an important first step toward mobilizing the planning process. While my focus is predominantly on diagnosis, the last section considers intervention strategies that can help to mobilize the system in the direction of succession planning.

The ideas presented here arise from three sources: my own personal experience as the son of an entrepreneur who chose to plan his succession, my consultation with family businesses facing the succession transition, and my research on family firms that successfully completed the transition to the next generation and on firms that were either sold or liquidated.

Ambivalence Toward Succession Planning

The succession transition imposes a wide variety of significant changes on the family firm: Family relationships need to be realigned, traditional patterns of influence are redistributed, and long-standing management and ownership structures must give way to new structures. To further complicate matters, the timing of the succession transition tends to coincide with life cycle changes in the family as well as with changes in the firm's markets and products (Davis and Stern, 1980; Ward, 1987). These changes are anxiety provoking and create a need to resolve some of the uncertainties surrounding the future of the family enterprise. At the same time, resolving these uncertainties makes it necessary to address many emotionally loaded issues that most people would prefer to avoid or deny.

People in family business adopt different ways of coping with their ambivalence toward succession planning. One common response is to compromise opposing feelings by enacting a number of self-defeating behaviors. For example, consider the case of a founder who chooses his oldest daughter to be his successor but undermines her authority by refusing to give her the coaching and training that she needs in order to perform competently in the top position (Rogolsky, 1988). Nominating his daughter as the successor addresses the founder's desire to "do something" about the continuity problem. Passively sabotaging the daughter's professional development placates the founder's need to remain in control of the firm. The two sets of behaviors prevent any real movement toward the design of a feasible succession plan.

Another way in which people attempt to cope with their ambivalent feelings toward succession is by projecting the side of ambivalence that they feel least comfortable with onto others (Smith and Berg, 1987). In succession planning, such splitting tends to occur across generational lines, with the older generation becoming the primary defender of the status quo and the younger generation becoming the sole advocate of change. In these situations, each group enacts an opposing side of the ambivalence; together, they prevent the system as a whole from making any progress in planning for

the future. Consider the case of a founder who is repeatedly badgered by his oldest son about the absence of a succession plan. With every attack, the founder becomes increasingly defensive and moves to reassert his control over the family firm by procrastinating further. As the conflict escalates, the son becomes increasingly unaware of some of his own misgivings about the future (for instance, any doubts that he might have about his ability to perform competently in the top position or his fear of his father's death). Likewise, the founder loses sight of his reservations about preserving the status quo (for example, his secret yearning to retire from day-to-day operational management). The result of the struggle is that the two cancel each other out. Unless each of the critical actors comes to terms with the side of the ambivalence that is being denied, it will be difficult to reach the level of cooperation needed in order for planning to take place. Let us examine the issues that the succession transition raises for each of the constituencies that make up the family firm.

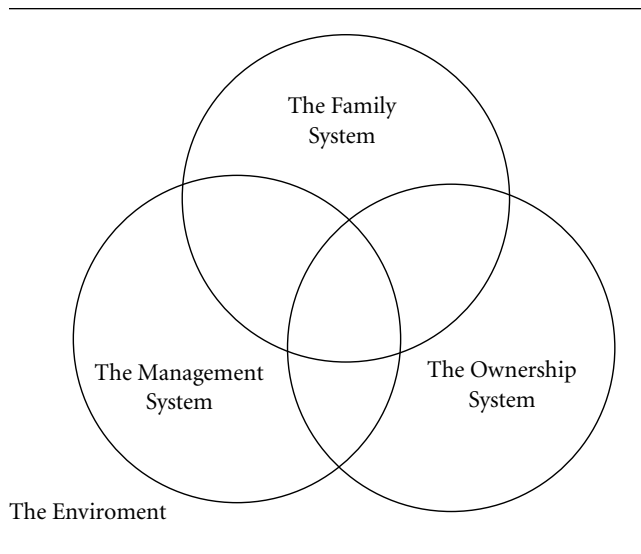
Stakeholders and Their Perspectives

In order to understand the impact of succession on a family firm, it is necessary to differentiate the perspectives of the various stakeholders that make up the system. Figure 1 constitutes a pictorial representation of a family firm. It depicts four basic constituencies: the family, the owners, the managers, and people external to the firm. (Similar frameworks have been developed by Davis and Tagiuri, 1986 and by Davis, 1983.)

Each constituency tends to have different goals and expectations (Lansberg, 1983). For example, family members often view the firm both as an important part of the family's identity and heritage and as a source of financial security that will enable them to satisfy their life-style expectations. This view of the firm is rooted in their membership in the family and in a symbolic representation of the firm as a "mother" whose function is to provide nurturance and a sense of connectedness among family members. In contrast, those in management see their careers as tied to the firm and tend to regard the business as a vehicle for professional development and economic achievement. From their perspective, the firm's primary goal is not to look after the needs of family members but to generate profits and ensure their continued career growth. Accordingly, those involved in management expect that the firm's resources will be allocated to those who contribute directly to its growth. Finally, owners view the business predominantly as an investment from which they want to receive a fair return. Their expectations stem from an ownership right that is often difficult to exercise in the context of a family business. It is also important to note that individuals can belong to more than one group at the same time. It is, therefore, possible for the same person to hold conflicting views about the ultimate goals of the firm (Lansberg, 1983).

While I assume that each constituency will be ambivalent toward succession planning, my primary focus will be on

Figure 1. The Family Firm System



the negative side of the ambivalence, because the available evidence indicates that the forces against planning tend to dominate in the majority of cases.

The Founder. Throughout the development of the family business, the founder tends to be the only person who is a dominant player in all three constituencies. (Throughout this article, I will be referring to founders, as male, since the vast majority of entrepreneurs facing succession within the next decade are males, and our data is predominantly from male-run firms.) This position of centrality gives the founder a pervasive influence over the family firm system, making his own strongly felt ambivalence toward succession planning particularly problematic.

While founders are often aware of many good reasons for developing a succession plan, they also experience strong psychological deterrents to managing their exit. One difficult deterrent to succession planning is the founder's reluctance to face his own mortality. For a founder to plan succession, he must come to grips with death. This is not an easy task for anyone (Becker, 1973), lest of all for an entrepreneur who typically has guided his life in the firm belief that he controls his own destiny (Gasse, 1982; Brockhaus, 1982). Succession planning forces founders to go through a kind of premature death ritual. As one founder I interviewed commented, "Planning my succession was like being actively involved in all of the arrangements for my own wake."

In her work on death and dying, Elizabeth Kubler-Ross (1969) proposes that the process of coming to terms with impending death follows a predictable sequence of states: denial, rage, depression, negotiation, and finally acceptance. Succession planning requires that founders go through this difficult cycle as a time when they are still feeling strong and vital—when those around them continually remind them that they are the indispensable hub of the family firm. Under these conditions, it is very difficult for founders to move

beyond the denial state. Consider, for instance, Armand Hammer, the ninety-year-old entrepreneur who is legendary for his unwillingness to plan his exit from Occidental Petroleum, the firm he has run for the past thirty-one years. "Asked by a *New York Times* reporter to comment on why he had not chosen a successor, he said, "And if I pass"—and here he paused, caught himself, and amended his statement—"When I pass, the board of directors will pick my successor. They are a good group" (Williams, 1984, pp. 1-3).

Frequently, founders develop a complex set of rationalizations and compromises that prevent them from engaging in succession planning. The most destructive maneuver is used by the founder who repeatedly goes through the motions of choosing successors only to undermine their authority and fire them after a given period on some capricious pretext.

Founders also resist succession planning because it entails letting go of their power to influence the day-to-day running of the business. In many cases, founders become entrepreneurs precisely because of a strongly felt need to acquire and exercise power over others. Surrendering power over the firm is thus experienced as the first step toward losing control over life itself. Founders' strong needs for power and centrality are evident in the way they structure their businesses (Hershon, 1975; Tashakori, 1980). Researchers have documented the tendency of founders to make themselves indispensable to their businesses by resisting the delegation of authority and insisting that they be involved in decisions that would be better handled at lower levels in the organization (Tashakori, 1980; Hershon, 1975; Dyer, 1986). This self-reinforcing tendency for centrality leads many founders to develop an exaggerated image of the disastrous consequences that their retirement would bring. This image is frequently shared by others in the family firm, and it often becomes an integral part of the family firm's culture (Dyer, 1986; Schein, 1985). The gloomy outlook, in turn, creates a powerful rationale for avoiding succession planning and reinforces the founder's need to remain involved in day-to-day decisions. While it might well be true that the founder is indispensable at any given point in the life of the family firm, the fact remains that the founder has the power to break the dependency cycle, since he is largely, though not entirely, responsible for perpetuating it.

The fear of losing control of the business is often compounded by the thought that retiring from the firm will lead to a demotion from one's central role within the family. As a successor in one company put it, "My father refused to let go because he feared that after retirement he would no longer be Papa—no longer the patriarch that all his children would look up to and depend on. He wanted to die ruling the family and the firm, and, unfortunately for all of us, he did."

It is interesting to note, in this regard, that even those founders who do plan their succession out of management of the business often retain ownership control of the firm until their death. They do so in spite of the considerable

estate tax advantages of passing control of stock ownership to heirs while the founder is still alive.

In addition to the loss of power, founders also resist succession planning out of fear of losing an important part of their identity. For an entrepreneur, his organization defines his place in the community and in the world at large. Moreover, the firm forms an integral part of his sense of self (Levinson, 1971; McGivern, 1978). The business is often his most significant creation. And, unlike his children and, possibly, his wife, it is a loved one he can keep. Thus, founders suffering from the empty nest syndrome at home can become even more attached to their businesses (Rogolsky, 1988). At a time in life when the founder is struggling to come to terms with the meaning of his life's work, when there is too little time to redo some of his life choices, the thought of separating from the organization is disturbing and painful. Even founders who have gathered the courage to forge ahead with a succession plan often find themselves disoriented after their plan is made public. In one family company that I studied, the founder worried that he would be ignored and cast aside by the financial community and by his business associates after he announced his succession plan. Whether or not he was invited to business gatherings and conventions became a major preoccupation, as did the title that he would put on his business cards. He also worried a great deal about whether he could keep his office in the company's building, even though he was still the sole owner of the firm.

Finally, as Levinson (1971) and others have indicated, founders struggling with succession often experience powerful feelings of rivalry and jealousy toward potential successors. Some psychoanalytic researchers have suggested that for a male entrepreneur the firm may constitute an unconscious representation of his mother. For example, Levinson (quoted by Goleman, 1986, p. 30), says, "The son symbolically defeats the father by starting his own business. He simultaneously builds and marries his organization; it represents the mother he could never win away from his father."

Succession triggers in the founder the same rivalry he experienced toward his father in the early stages of his life. This time, however, the struggle is reenacted with the successor, a younger rival who waits to take over the founder's place with his beloved organization. Simultaneously, the founder may be experiencing similar displacement in his daughters' affections through their choice of younger male partners (Rogolsky, 1988). These feelings become evident in a persistent distrust of the successor's competence and ability. In one company that I studied, the founder's mistrust and rivalry with his successor reached a point where the founder spent most of his time minutely documenting every decision the successor made in order to build a convincing case for not retiring. The fact that the company was actually making a sizable profit under the successor's leadership was not sufficient evidence of managerial competence. Instead, the founder argued that until the successor learned to take care of the details (like turning the lights off at night and

using good grammar on internal memos) he would not be fit to assume the management of the firm. After a painful struggle for control, the successor left the company, and the founder has since repeated the cycle with two other successor candidates.

Most analysts of the succession problem limit their attention to the founder. While the founder is unquestionably the critical actor in succession planning, it is important to realize that the founder is not alone in resisting the planning process. The founder's own family frequently exerts strong pressures to avoid the emotion-laden issues of succession.

The Family. In order to understand the family's reaction to succession planning and the reasons why its members might want to avoid the planning process, it is important to consider the stage in the life cycle at which a family is likely to be at the time of succession. The need to start thinking about succession planning does not typically arise until the founder and his spouse enter the last stage in the life cycle (around age sixty). Family theorists (McGoldrick and Carter, 1982) have described some of the issues confronting married couples at this juncture in their lives. By this time, the last of the children has left home, and the couple is struggling to adjust to the vacuum produced by the empty nest. Unresolved marital difficulties that for years had lain dormant, masked by the continuous pressures of child rearing and business startup, reemerge during this period. The death or illness of the couple's parents, who are by now well into old age, exerts additional pressures. The thought of growing increasingly dependent on others is especially difficult for couples who place a strong value on managing for themselves.

Retirement and the changes of status that come with it further exacerbate these difficulties. Couples at this stage resort to emotional strategies, such as denying the need to deal with succession, refusing to relinquish power, and reasserting their authority and centrality in both the family and the business hierarchies. For the offspring, this is also a time of stress and adjustment, as they are themselves adapting to the multiple demands of the adult world, including marriage and (for many) divorce, careers, and parenthood. In addition, the children are eager to establish their own financial independence and autonomy at this stage of their lives. These conditions make it unlikely that the offspring will be patient and supportive of the parents' attempts to assert their power over family members. On the contrary, the offspring may resort to displacing their own difficulties with succession onto the founder, who is viewed as the only obstacle to their own advancement within the firm. Often, those among the younger generation who most eagerly want to bring about the exit of the founder experience a good deal of unconscious guilt that leads them to sabotage their own chances of being effective successors.

Many of the developmental challenges of this stage interfere with the family's ability and willingness to engage in an open discussion of succession issues. For the founder's spouse, the succession transition creates a complex set of challenges and uncertainties. On the one hand, spouses may

worry a great deal about the economic and emotional future of the family and continuously work to mediate conflicts that emerge between the founder and the next generation or among the siblings themselves. For this reason, spouses are often supportive of succession planning and in many cases serve as a powerful influence in mobilizing the founder to confront his difficulties in facing the transition. On the other hand, the founder's spouse faces a number of issues that can deter her from addressing the succession issue. For the spouse, too, the firm constitutes an important center of activity and a major component of her identity (Rosenblatt, de Mik, Anderson, and Johnson, 1985). Like the founder, she may be confronted with letting go of many important roles she has played in and around the business over the years. These roles vary significantly from firm to firm and include anything from running a part of the business or managing the company finances to helping employees with their family problems and organizing social activities for clients (Rosenblatt, de Mik, Anderson, and Johnson, 1985). At times, spouses can discourage succession planning because they fear that a substantive discussion of the future of the family business will disrupt the family's harmony. In one family business that I studied, the founder's spouse played the role of emotional guardian of the family, constantly shielding the family from the emotionally upsetting issues of succession. By actively discouraging any of the children from engaging in discussions about the future of the family business, the spouse enabled the founder to continue procrastinating on development of a succession plan. Sometimes, the founder's spouse resists bringing in an outside consultant because this would violate the privacy of the family and expose the family's dirty laundry to public view.

Many other family factors can interfere with the open discussion of succession. For example, as the result of such factors as gender and birth order, the parents can differ significantly in their preference for the children. These differences have a powerful effect on each parent's assessment of which child should be the founder's successor, and they heighten the chances that the choice will be experienced as preferential treatment. While the emotional response to the choice of successor is often mediated by such factors as the family's ethnic background and traditions (in particular with regard to primogeniture) as well as by the configuration of family coalitions and the developmental stages of the key participants, the decision tends to be emotionally loaded for the majority of business families.

In addition, most Western cultures have norms regulating family behavior that discourage parents and offspring from openly discussing the future of the family beyond the lifetime of the parents. This is particularly true of economic and financial matters, such as estate planning, an open discussion of which is typically viewed as a breach of etiquette or as denoting self-interest and a lack of mutual trust. These norms are functional in ensuring that relationships within the family are guided by personal caring, not by such motives as economic opportunism. However, when businesses are

operated by families, the same norms can serve to discourage the necessary discussions of succession planning.

Other investigators have noted that many families have difficulty talking about inheritance and the economic future of the family. For example, Rosenblatt and his associates (Rosenblatt, de Mik, Anderson, and Johnson, 1985, p. 192) argue that the anxieties about succession and inheritance may also result from the fact that the stakes (financial and otherwise) are high for the founder's heirs: "What people will inherit or fail to inherit is not only something of financial value but also an occupation, a status, and a place in the community." Families fear that an open discussion of these issues might only serve to fuel invidious comparisons among the heirs that could destroy the fabric of the family.

Finally, the younger generation sometimes avoids succession planning because it arouses strong fears of parental death, separation, and abandonment. In one case, an entrepreneur's adult son told me that "deep down inside" he did not even want to think about what life would be like in the absence of his parents. He feared that addressing succession would be so upsetting that it might actually bring about the death of his father, who, incidentally, was in very good health. Given the anxiety that the succession transition generates, it is not unusual for family members to harbor very negative expectations of what would happen if succession issues were to be openly discussed in the family. While it is unquestionably true that families differ in their ability to cope with the stress brought about by succession planning, such fatalistic expectations often prevent even the healthiest of families from confronting the need to plan.

The Managers. The difficulties with succession are not limited to the founder and the family. The firm's managers are also confronted with difficult emotional issues that lead them to resist planning. This section discusses the senior nonfamily cadre of managers who constitute the upper echelons of the firm. This group is often composed of older managers who have worked with the founder from the start of the firm.

Many senior managers are reluctant to shift from a personal relationship with the founder to a more formal relationship with a successor. In most cases, these managers have developed unique ties with the founder that extend well beyond the parameters of a contractual work arrangement. Over the years, the founder may have personally managed each senior manager's training, evaluation, and compensation and tendered personal favors to the managers and their families. For example, in several of the firms that I studied, the founder had helped secure loans to the senior managers for the purchase of their homes. For many senior managers, personal ties with the owner constitute the single most important advantage of having worked for a family firm over the years. The founder's succession may also confront the older managers with the reality of their own aging and retirement. In conflictual situations in which the founder and the younger generation are struggling for control, the older managers not infrequently side with the founder in

favor of the status quo. The families of senior managers may also have personal ties to the founder and his family, so that the shifting hierarchy in the founder's family may stimulate changes in the families of senior managers. In many cases, several members of a single family are employed by the firm, so that a change in leadership can threaten the employment of these families as well. In some of the larger family firms, the senior managerial ranks include younger professional managers with shorter tenure in the firm who aspire to formalize the structure of the firm in the future (Dyer, 1986). These managers are often eager to purge the firm of relatives (both of the owners and of the other managers) who in their view are not contributing to the growth and development of the firm.

Regardless of his or her competence and skills, a successor is seldom able to replace the entrepreneur in the eyes of the older managers. With the change of leadership, it is not only inevitable but also appropriate and necessary for many of the functions that the founder performed to become institutionalized (Greiner, 1972). Senior managers often expect that formal controls, such as budgets, management information systems, and personnel systems, will restrict their autonomy and influence. These expectations lead them to resist both the planning and the implementation of the succession transition. It is not unusual, therefore, to find the senior managers colluding with the founder and members of the family in avoiding serious discussions about succession.

The Owners. Besides the family and the senior managers, the owners also encounter difficulties addressing succession planning. In most first-generation businesses, the founder alone has complete control of the ownership. In some firms, the founder has given or sold some ownership interest to older managers, relatives, or both, either to give them an incentive to further their involvement with the business or to limit estate taxes. In these cases, the founder typically retains ownership control of the business. In larger firms, the founder has often secured the financial backing of outside investors who are given some share of the ownership in return for their investment. Typically, these outside investors are old friends of the founder and themselves owner-managers of other family firms in the community. Still other family firms are dealerships or franchises in which larger firms have a direct ownership involvement. Like other stakeholders in the family firm, the owners, in whatever capacity they serve, also experience difficulties actively engaging in or mobilizing the succession planning process.

For owners who work in the firm, whether they are family members or not, the difficulties typically stem from the way in which they acquire their share of ownership. Often, the founder has passed along some share of his ownership to these individuals as a paternalistic gesture of goodwill or in recognition of some special contribution that these people either have made or are expected to make. However, this gift or sale carries with it an implicit expectation of loyalty and allegiance to the founder that makes it very difficult for internal minority owners to raise questions about succession

planning without appearing to be disloyal.

Outside minority owners who are old friends of the founder are often themselves involved in resisting succession planning with their own firms and as a result tend to avoid discussions of succession planning altogether. As one founder whom I interviewed put it, "The moment I announced that I had finally decided to do something about succession, my partners and business colleagues jumped on me and told me that I was crazy. They inquired whether I had received bad news from my doctor. It took me a while to figure out that what I was doing confronted them with their own succession anxieties."

Not all founders have the wisdom to separate their own anxiety about succession from that of others. The problem of succession is a generational issue that confronts all members of the same cohort at about the same time. The reluctance of the founder's partners and peers to face up to succession often reinforces the founder's own resistance to planning his departure from the firm.

Family firms that belong to the dealer network of a larger firm are seldom constructively encouraged to plan for the succession of the founder. At best, large firms deal with the succession issues of their dealer principals by specifying in their contract that a "suitable successor" (*suitable* is usually left undefined) must be found in order for the franchise agreement to be renewed beyond the tenure of the dealer principal. It is evident in many cases that the head office does not have much understanding of how the complex interaction of family and business affects the dealers' ability to cope with succession. In the parent organization, management succession is typically handled through a formal process that has been institutionalized for a considerable period of time. Often, the parent organization expects that dealers will approach succession with the same degree of bureaucratic rationality that is presumed to be used to handle management succession at headquarters. While the threat that the dealership agreement will be terminated does raise awareness of the need to do something about succession, the bureaucratic rationality imposed from headquarters actually serves to inhibit consideration of the way in which the personal dynamics of the founder and the founder's family might be interfering with succession planning. In addition, the imposition of vague contractual limitations in the absence of supportive processes and structures serves only to increase the tensions that are characteristic of dealer-headquarters relations. Headquarters frequently becomes a target onto which the founder and others in the family firm can displace much of the anxiety and anger that they experience as a result of the succession situation.

The Environment. Resistance to the succession planning process is not limited to the individuals who are directly involved with the family firm system. Environmental forces also create barriers to succession planning. These forces consist of the clients and suppliers who have grown dependent on the founder as their primary business contact in the firm.

These people know that the founder is the person to whom they must speak when they want action. Although it is clearly in the client's long-term interest that the firm plan for its healthy continuation, clients and suppliers worry about losing their connection to the top and frequently side with the founder in avoiding the effort to plan succession. In one company that I studied, the founder had retired and moved a thousand miles away and was still getting and responding to daily calls from clients three years after his departure from the firm. In service businesses, in which the founder's personal network is one of the firm's most critical assets, the founder's connections can become a powerful reason for perpetuating centrality. In many cases, the founder's network results from a lifetime of shared experiences with members of his cohort who do not easily develop links with the successor and others of his or her generation.

It is worth noting here that our cultural values do not generally support leaders who plan their succession. In fact, until fairly recently, management scholars have not paid much attention to the generic problem of leadership succession. As Sonnenfeld (1986, p. 321) has indicated, "How a leader leaves office is as important to his or her constituents as how the office is acquired. Nonetheless, our attention is not balanced between these events. We hear regularly of the violent warfare surrounding prominent cases of corporate executive succession struggles, yet that is where the discussion begins and ends. The collective wisdom on leadership departures does not appear in the best-selling management guides, research reports, or classroom texts."

The stereotypes that we carry are of legendary leaders who have "died in the saddle" or "gone down with the ship," not of leaders who have thoughtfully planned their exit. Perhaps our own collective ambivalence toward authority interferes with our ability to come to terms with the fact that leaders do not just fade away—they die. In this context, succession planning is viewed more as a sign of weakness or as a deficiency of character than as an essential component of responsible leadership. Since founders view themselves as centrally responsible for the well-being of their families and their firms, they do not take such cultural messages lightly.

Mobilizing the Succession Planning Process

The preceding analysis presents a preliminary answer to the question, Why do so many first-generation family firms avoid planning the exit of their founders? The question is important because the lack of a succession plan is a critical factor in the failure of many family firms. I have painted a picture of a gridlocked system, in which critical stakeholders experience a great deal of ambivalence toward the planning process and consequently tend to procrastinate, compromise, or get stuck in nonproductive conflicts with one another. Although only some of the obstacles that I have identified may be operating in a given situation, it is critical for decision makers and consultants to be attentive to the ways in which these forces can interfere with stakeholders' willingness to

participate in constructive planning for the founder's exit. An important first step in the effort to develop strategies for mobilizing the development of a succession plan is to diagnose the resistance from the perspective of each critical constituency.

This section suggests a number of interventions that can help to loosen the resistance toward succession planning. These ideas are aimed at those who may be able to help bring about change, including consultants, lawyers, accountants, directors, and other key decision makers directly involved with the firm. As the available data on the rarity of succession planning suggest, systemwide resistance to succession is a powerful force. Mobilizing the development of a succession plan requires a great deal of patience, skill, and persistence. It is important for those who attempt to bring about the design and implementation of a succession plan to have the credibility and legitimacy needed to work with all the critical constituencies. In recognition of the complexity of the problem, the ideas presented here should be viewed not as a recipe for "fixing" the succession situation but as suggestions that must be tailored to the specific conditions of any given case. They are based on the assumption that the family is a healthy one in which any conflicts and difficulties that do exist result not from serious pathology but from normal life cycle stressors (Walsh, 1982).

I shall first present some ideas that can help to mobilize the founder to undertake succession planning. Subsequently, I explore system-level interventions. Most of these suggestions are based on the idea that, in order to mobilize the system, we need to find ways of strengthening forces that favor succession planning while simultaneously weakening or redirecting the forces that work against it.

Working with the Founder. Given the centrality and influence of the founder, his willingness is a necessary, though not a sufficient, condition for effective succession planning to take place. At the very least, getting the founder to accept the need to plan should be an important priority during the early phase of any planned intervention effort. Let us examine what can be done to strengthen the founder's willingness to address succession, paying particular attention to his emotional and cognitive needs.

It is important to address the founder's emotional needs and insecurities about succession first, since these typically constitute a major obstacle to the development of a plan. The principal aim here is to create conditions that may help the founder to work through his most critical resistances to the planning process.

One option is to help the founder develop a support network of founders who have themselves done succession planning and as a result understand what the process entails. Conversations with these peers may help the founder to gain some perspective on his own resistances to succession. More important, comparing experiences with others increases the likelihood that the founder will understand his reluctance to let go as a common response of any founder faced with the succession transition—as a hurdle generic to the situation

that can and should be overcome. Peers and elders who have successfully planned their succession and thereby ensured the continuity of the family business are most likely to transmit to the founder a sense of pride and accomplishment about having faced up to the challenges posed by succession.

Interestingly, many of the founders whom we interviewed who had planned their succession had recently had a close encounter with death, such as a heart attack, a near fatal accident, or the death of a close friend or relative. The interviews suggest that contact with death, either directly or vicariously, helped to mobilize these founders to face their own mortality and plan their succession. Being attentive to the occurrence of such events may help interveners to identify times when the founder is more receptive to the idea of planning his own succession. Once a founder has had time to grieve and work through the loss of a close friend or relative, he may be less guarded and more willing to come to terms with the consequences that his death could have on his own family and business. Here, too, a support network can help a founder to work through his fears by offering help from peers who have faced similar circumstances. For instance, founders who have planned their exit often envision the institutionalization of the firm as a realistic way of perpetuating their values and beliefs—a more tangible form of immortality. This perspective may help the founder to reframe the succession process as something that he would be doing for himself as well as for others. In addition, founders can also gain much from others who can serve as role models and describe the process they went through to plan their exit as well as their feelings about their new roles.

It is important for the family to understand how difficult and painful it is for the founder to let go. The entrepreneur is the symbol of strength and self-sufficiency in the family. This image may make it difficult for the family to perceive and empathize with the founder's difficulties around these issues. Helping family members to understand what succession means emotionally for the founder will help them to develop ways of supporting him through this painful transition. This process can take the form of helping the family to reframe "erratic" or "irrational" behavior as a natural reaction to the process of letting go. For example, a successor-to-be who is attentive to the founder's emotional difficulties with succession is more likely to react constructively to attempts by the founder to interfere with the transfer of power. By being firm and supportive rather than adversarial, the successor-to-be may help the founder to take the necessary steps.

Sharpening the founder's awareness of the need for planning is also important. Frequently, it is helpful to sensitize the founder to the degree to which the family business is dependent on him. The critical diagnostic questions at this stage are, What would happen today if the founder died unexpectedly? What is likely to happen in the family? What is likely to happen in the company? What would happen from the point of view of the ownership and estate taxes? How would the outside world (for example, banks, critical

suppliers, clients) react? Typically, these questions help to create a sense of urgency about the need for planning.

It may also be helpful to strengthen the founder's sense of responsibility as a father and CEO by validating the fact that succession planning is the leader's highest duty. For example, it may be useful to expose the founder to case studies of family firms in which the founder assured the continuity of the family and the enterprise through a carefully planned and orchestrated succession.

The raising of awareness must be coupled with concrete ideas about what to do about the problem. The basic tasks involved in succession planning include

- Formulating and sharing a viable vision of the future in which the founder is no longer in charge of the family firm
- Selecting and training the founder's successor as well as the future top management team
- Designing a process through which power will be transferred from the current generation of management to the next
- Developing an estate plan that specifies how family assets and ownership of the enterprise will be allocated among the founder's heirs
- Designing and staffing the structures appropriate for managing the change, including a family council, a management task force, and a board of directors
- Educating the family to understand the rights and responsibilities that come with the various roles that they may assume in the future.

While it is beyond the scope of this paper to explore the preceding list in depth, it is important to stress that, unless the founder understands the specific tasks involved in succession planning, his resistance to the process is likely to be heightened.

It is also beneficial to help the founder to develop a clear vision of his future roles both inside and outside the family business. Founders who develop strong interests in activities other than management of the family firm have an easier time planning their succession. For some founders, this means pursuing new careers outside the firm. For example, a founder who longed to be actively involved in teaching became a highly successful management professor at a local college. Another retired to pursue a career in music. He is now the conductor of the town's symphony orchestra. Still another founded a consulting firm and spends his time advising other founders on the subject of family businesses and succession.

It is also important for founders to design the interim or transitional role that they will occupy after they turn over management of the firm to their successor. Clarifying this role helps to reduce uncertainty about the future and appeases the founder's fear that he will be totally disconnected from the firm on retirement. This transition role may vary significantly from one case to another. In some of the firms that we studied, the founders were out of operational management but continued to serve as

chairmen emeriti in an advisory capacity on new projects or on overall policy matters. Others served as elder statesmen who worked to promote the firm in new and established markets. Still others managed to design an internal role well insulated from day-to-day management. One founder whom we interviewed is a highly successful engineer who invented an important manufacturing process. Basic research is his first love. He turned over the running of the firm to his son (also an engineer) and, at age seventy, returned to the bench. Now eighty-three years old, he has developed a number of new patents since his return to research. Needless to say, there is a very real risk during the transitional period that a departing founder may infringe on his successor's territory and autonomy. It is important for the boundaries around the founder's involvement to be drawn very clearly and for both the founder and the successor to monitor this aspect of the transition carefully. Clarifying future roles (both external and internal) facilitates succession planning by reducing uncertainties about the future. In addition, if the founder is drawn out of day-to-day management by his own excitement over new activities, the pain of surrendering power is mitigated by the attractiveness of the new challenges ahead.

Working with the Family. In order to help a family to overcome its resistance to succession planning, it is helpful to structure a process that brings together different subgroups of the family to discuss succession. The timing of these meetings is important.

During the early phases, it is important for the founder and his spouse to reach a mutual understanding about the necessity of planning. First, the couple should articulate what they would like to gain from the planning process. Together, the founder and his spouse constitute the leadership of the family business system. It is critical, therefore, that they develop a shared vision of the future. This vision should include a statement of their aspirations for themselves and the rest of the family as well as a list of the specific activities that they would like to share in the future. The primary aim is to help the couple to support each other throughout this process and to help them realize that they can be instrumental in achieving a good life in the future. This is important, because unless they feel empowered to design and implement a succession plan, it is unlikely that they will be able to exercise their leadership effectively and help others in the family and the firm come to terms with the challenges posed by succession. Sometimes, couples find it beneficial to seek marital counseling and advice on personal financial planning before they address succession planning. In these cases, helping the couple to make such a decision can be an important first step in mobilizing succession planning.

Once the founder and his spouse have had a chance to clarify their expectations and issues, it may be useful to create a family council. This group can be composed of all family members who are key to the future of the business, including the founder, his spouse, and children as well as other relatives who have a significant stake in the family business.

The council comes together with the purpose of discussing issues that arise as a result of the family's involvement with the business (Ward, 1987). These issues include, Should the family perpetuate the business, and if so why? How will family members in and out of the business benefit from perpetuating the firm? What are the family's shared values? How should these values be represented in the firm? How can the family give support to relatives who choose not to work in the business? Structurally, a family council should operate only as an advisory body to the company's board of directors. That is, the family council's function is to articulate the views of the family so that those in the board can make decisions and design policies that protect the overall values, needs, and wishes of the family owners.

For the family, the council provides a setting in which differences can be aired and worked through without interfering in day-to-day management of the business and without contaminating the family's non-work-related relationships. In the council, family members can articulate their expectations of one another and explore the specific roles that they expect or wish to play in the future. A family firm that I work with has made very effective use of such a family council. The council is made up of the founder, his wife, their children, and the children's spouses. In one of the early meetings of the council, each person wrote a description of himself or herself and the family business in five years. I encouraged them to think about this future scenario from the perspective of ownership, management, and family. Individuals then met with their spouses to share their individual expectations for the future. Each couple presented the conclusions from its discussions to the others. This was the first time that the family had come together to discuss their professional and family expectations. Moreover, the meeting served to clarify the views that family members had of one another. As one of the second-generation participants commented, "This was very helpful, since it allowed me, for the first time, to appreciate the professional aspirations and the capabilities of my siblings."

The family council can also serve to bring together subgroups within the family that do not usually communicate. In one business, the founder and his son were the only family members directly involved in management; the other three siblings had long been kept in the dark about the true financial status of the firm. As a result, these family members had unrealistic expectations about the economic health of the business and about the financial benefits that it could provide. The family council made it possible for the founder and his son to educate the rest of the family about the financial constraints on the firm. This in turn helped those in the family who had not been involved with the firm to bring their expectations for the future into line with reality.

The family council is also a forum in which family members can come to terms with the end of an era in the family's history—that of the creation of the business under the leadership of the founder. Having an opportunity to

discuss, enjoy, and mourn the pains and joys of this period in the life of the family helps to pave the way for succession planning. As numerous authors on human change have argued, the ability to achieve closure on a given period of life enhances successful transitions to the next phase (Bridges, 1980; Tichy and Devanna, 1986; Smith and Berg, 1987). Finally, a family council gives the next generation of leaders in the family an opportunity to become reacquainted with one another as adults. All too often, siblings unconsciously perpetuate early patterns of behavior. In family council meetings, siblings have an opportunity to rediscover one another by working on a common problem. The creation of the council may by itself be one of the most significant ways of mobilizing the system to engage constructively in succession planning.

Working with the Managers. Senior managers also need an appropriate forum in which to discuss succession issues openly and frankly. One option is to create a special task force whose mission is to develop a five-year management continuity plan. Ideally, such a plan addresses the problem of continuity not just in terms of finding a replacement for the founder but also in terms of training individuals to fill critical senior management positions in the future. In

other words, such a group has primary responsibility for designing and staffing the management structures needed to institutionalize the firm. Thinking about continuity from a systemic perspective requires an assessment of the future needs of the family business. What kind of organization do we want to have in the future? What skills should top leaders have in order to manage this organization effectively? Do we have the people in place who can perform effectively in that future organization? If so, what kinds of training do they need in order to manage the future system competently? If we do not have the people internally, how will we go about recruiting appropriate candidates? These are some of the critical questions that need to be addressed.

In order to reduce resistance to addressing the critical issues, it may be helpful to structure some special incentives into the design of this task force. For example, the succession task force can be treated as a prestigious group in which only the founder's most trusted managers are invited to participate. It may also be useful to give members of this task force some financial incentives for their service.

It may also be beneficial to create some incentives for older managers to address their own retirement issues. These incentives can include an early retirement plan or career and

Figure 2. Strategies for Mobilizing Succession Planning

Strategies for Mobilizing the Founder

- Help the founder to develop a supportive network of peers who can empathize and share learnings.
- Be attentive to timing, paying particular attention to how the founder is coping with his fears of death.
- Heighten the sensitivity of the family to the needs of the founder.
- Provide the founder with specific data about the steps involved in the development of a succession plan, and, if possible, get him to develop a timetable.
- Help the founder to design a role for the future that will motivate him to let go of his present involvement in operational management.

Strategies for Mobilizing the Family

- Help the founder and his spouse to develop a shared vision of the future.
- Help the founder and his spouse to seek marital counseling if needed.
- Develop a family council that facilitates meetings of the family in which members discuss their values and expectations for the business and for one another.

Strategies for Mobilizing the Managers

- Create a succession task force and build in incentives that reward serious involvement in the development of a succession plan.
- Encourage planning for succession for senior managers as well as for the founder.

Strategies for Mobilizing the Owners

- Create a board of directors that is appropriately staffed and that provides an independent perspective that can safeguard the interests of the owners.

outplacement counseling. In addition, it may be desirable to create incentives for managers to train and develop their replacements as an integral part of their regular job responsibilities.

Working with the Owners. The most effective way of mobilizing the owners to develop a succession plan is to activate the board of directors. Typically, family businesses underutilize their boards. Founders often assign board responsibilities only to inside employees. Often, these individuals are too dependent on the founder to be able to serve effectively as advisers.

A well-designed board of directors can provide a much-needed source of expertise and perspective during succession planning. More important, the board can serve a continuous monitoring function by overseeing that the transfer of management responsibilities from one generation to the next goes according to plan. When structuring a board, it is important to keep in mind that its primary function is to safeguard the interests of the owners by ensuring that the enterprise is effectively managed in keeping with its mission. It is important, therefore, for decision makers to be attentive to both the design and the composition of the board.

From the design point of view, it is desirable for the responsibilities of the board to be clearly articulated and for the board to have the power and authority necessary to fulfill its duties effectively. It is generally recommended (Ward, 1987; Danco, 1982) that such a board be predominantly staffed with outside directors who can provide an external and relatively unbiased perspective and that the size of the board be kept to a reasonable number (seven, plus or minus two). While this is sound advice, it is not always possible to structure an entirely external board. For one thing, many family firms cannot afford the cost of a totally external board. These businesses may have to work very hard at encouraging independence in the board by carefully selecting, training, and endorsing thoughtful insiders.

Ultimately, whether the board works effectively depends on the willingness of the founder to design it well and to abide by its recommendations. Some founders do use their boards effectively. For example, one founder in our study explicitly charged his board with the task of alerting him to any unconscious attempts on his part to undermine the design and implementation of a succession plan. In this case, the founder was aware of his own needs to resist the succession process and recognized the value of developing a process for monitoring his own behavior in the context of succession.

Finally, it may be helpful to bring together representatives of the family council, the succession task force, and the board of directors to work on specific problems. If these exchanges are appropriately orchestrated, they can be an extremely useful way of educating people in the various groups about each other's needs and perspectives. For example, family members in the council who have never worked in the firm may learn about the professionalism and technical knowledge required to manage the business effectively.

Managers have an opportunity to know the family as a whole and to get information about how the family is likely to treat management when the founder is no longer involved with the firm. It may also be useful to bring together the family council and the board from time to time. For example, the board may benefit by hearing directly from family members about their values, goals, and expectations as these pertain to the mission of the family enterprise.

Summary

In this paper, I have analyzed the forces that interfere with succession planning in first-generation family firms. My purpose has been to provide a set of hypotheses that can help us to understand the often cited failure of first-generation family firms to plan the exit of their founders. The central theme has been that the founder, the family, the owners, the senior managers, and other stakeholders typically experience poignantly ambivalent feelings toward succession planning. I have argued that these feelings cause the constituents in family firms to procrastinate in developing a plan. If they wait until the founder's death, it is often too late to rescue the firm, and the family undergoes tremendous stress.

The resistance to succession planning is difficult to change. Nonetheless, I have provided some suggestions for mobilizing the planning process. Figure 2 summarizes these recommendations. I argue for a systemic approach to succession planning and for multiple interventions aimed at addressing the resistance of the founder and his spouse, the family, the senior managers, and the owners. Contrary to common practice, I maintain that it is essential to develop structures, such as a family council, a board of directors, and a succession task force, that can involve those whose cooperation is critical for the development and implementation of a continuity plan. In the final analysis, it is very unlikely that a first-generation family firm can mobilize itself for succession planning unless the founder is willing. In a very real sense, the founder retains his power to perpetuate or destroy his life creation right up to the very end.

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