Acta est fabula

The family business structure has been a key factor in the unprecedented growth in material prosperity that we have experienced so far in the Middle East North Africa region. Such businesses enhance the common good by providing employment, acting as a role model, producing required goods and services, and creating wealth that extends beyond the business family itself. Their contribution to society is so great in fact that the prosperity of the Middle East can be directly correlated with the presence of the family business. For these reasons alone, in today's environment, failure of a family business is not an option, but, with good succession planning, nor is it inevitable.

History books are littered with names of people who have left a legacy, be it good or bad. Whether taken to mean the transfer of one's values and beliefs or the more materialistic definition of leaving assets, legacies invariably aim to benefit one's family or society as a whole.

Similarly, most business founders aspire to leave a legacy in the form of the continuation of the family name. The onus rests on the heirs and successors to support and maintain this legacy. Asking the successors what this entails, and whether they know what the family name actually stands for invariably reveals conflicting viewpoints. And as always, there are two sides to every story.

Ask the legatees why they are uncertain about carrying on the family legacy and you will undoubtedly get at least one of the following answers: our parents take us for granted, our parents fail to listen to us, or our parents live in their own bubble.

Ask the founders why such a mismatch in expectations exists, and inevitably the response will be one of the following: our children do not appreciate the suffering it took for us to reach this stage, "the West" has polluted our children's minds with gadgets and so-called "modernization" or "our children have other priorities[1]."

Leaving a legacy is more than bequeathing the ownership of a family business to one's successors and expecting them to carry on the family name

While there is often merit to the arguments of both sides, part of the role of Family Governance is to help bridge this divergence and encourage better understanding between the generations. Often, the unavoidable generation gap between the founder and successors is blamed, but fundamentally, there are much larger issues at play.

"For the world has changed - and we must change with it"[2]

Leaving a legacy is more than bequeathing the ownership of a family business to one's successors and expecting them to carry on the family name. While it is invariably true that the founder has invested a significant amount of his own time and energy into the business, he has undoubtedly had to make sacrifices along the way, ultimately, to provide his family with a comfortable standard of living as well as leaving behind a more intangible legacy. But it is essential that certain "tools" are provided to the successors to enable them to perpetuate this same wealth and legacy, otherwise the legacy itself becomes a burden, and risks dying shortly behind its founder.

In this regard, it is important to understand that succession planning and estate planning are not the same thing. Estate planning is the process of anticipating and arranging (during one's own lifetime) the disposal of one's estate in the event of incapacitation, or passing. It provides a structure that determines the inheritance that will be received by the heirs and other legatees.

Succession planning, on the other hand, extends beyond the distribution of tangible assets and is more the process of ensuring the orderly transition of the management and ownership of a business to the next generation. Essentially, succession planning is the handover period from the founder to his successors. A handover period is common practice in many scenarios, be it the sale of a business, the change of employees or the appointment of a new president.

The vendor of a business will normally continue to be involved for some months, or years even, after the sale to ensure the smooth transfer and continuity of the business. He invariably retains a sense of pride as well as a financial interest in the future success of the business, and so may provide commercial or operational support and assistance, as well as passing on existing business relationships.

Upon the departure of any member of the personnel in a family business, there will almost certainly need to be a handover period. Be it the long-serving and loyal factotum who is leaving, or a highly skilled senior manager, it is recognized that they both need to hand over the know-how they have acquired and the relationships they have built to their successor.

These examples beg the question of why it should be any different upon the departure of the founder, upon the "gifting" of the business. The right answer is that it should not be any different. Yet, unfortunately, the intrinsic elements of succession planning and the handover are often systematically ignored when handing over the family businesses to the next generation. While inheritance matters are usually accounted for in the form of the distribution of tangible assets such as company shares, real estate, private jets and art collections; the management of a business and the distribution of the intangible assets (experience, leadership, vision, etc.) are left to fate.

This is a cause for concern, particularly when considering the business landscape in the Middle East in which families dominate the business sector with

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over 85 percent of privately held businesses being family-owned or controlled. Such families therefore have a significant role to play in relation to the region's economies, investment environment and job market.

Demographic trends point towards the fact that in the Middle East, the first cohort of founders who have so far created successful empires are now approaching retirement age. Succession planning is a critical challenge for the region's business families.

If it is to be successful, the founder must see succession planning as a priority, to be dealt with alongside (not instead of) lucrative business deals. It is not something to put off until a quieter or more convenient day. The founder, used to being indispensable, needs to begin to implement a strategy to prepare the next generation "champions" to step up to the mark. If successful, this strategy should see the founder manage himself out of the leadership role into more of a consultant role. This transition provides an opportunity for the founder to impart his tacit knowledge and experience of the business onto the successor and ensure that all parties, himself included as well as other family members, employees, customers, suppliers and stakeholders are at ease.

Just as the founders have invested in their business, it is their role to invest in its human capital as part of their duty to the business, its people, the family, and to society at large.

"The best time to plant a tree is twenty years ago. The second best time is now"[3]

The ability of a family business to survive is largely based on its capacity to produce sustained and high-calibre leadership over time. Founders cannot wait passively for the future to manifest itself; they must craft the future by investing time, thought and planning in order to ensure the quality and continuity of leadership talent.

While patriarchs grapple with the idea of letting go, they should realize that a new generation of extremely qualified men and women, these next generation champions, are ready and able to take the reins. It is the responsibility of a patriarch and of his advisors to identify and select these champions. Additionally, there is an equally important onus on the chosen champions to show willingness to take over the business and its responsibilities and demonstrate that they are capable of so doing. It is a reciprocal relationship and all parties have a duty to be intimately involved in the process.

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These next generation champions ought to see themselves as "works in progress" in terms of their learning and development, while the patriarch and the rest of the family must provide them, now and in the future, with the appropriate support and resources. A champion with the desire and inclination to take over the family business must actively seek to evolve and progress on a personal level in order to have a positive effect on the business. Champions must arm themselves with the required competencies and skills to be credible within the business and beyond and be able to demonstrate their added value.

These key competencies and skills go beyond any formal education. A university degree or an MBA, while still desirable, is no longer sufficient in isolation if the family legacy is to live on in the business. The champions need to advance themselves beyond what can be achieved from education alone.

The Champions have a responsibility to invest in themselves to ensure that they have obtained the requisite Education, Training and Development in anticipation of their career within the family business. More importantly, they must continue to invest in themselves to hone and add to the relevant skills throughout their career. It is the duty of their predecessors, the founders, to trust in them, to have faith in them and consequently to empower and support them in these endeavors. For after all, they are the future.

"Men at some time are the masters of their fates: The fault, dear Brutus, is not in our stars, but in ourselves, that we are underlings"[4]

The present-day business environment is constantly evolving. The rapid growth of emerging technologies, a demand for more social responsibility, greater expectations from employees, suppliers and stakeholders, not to mention fierce international competition make the market very different to what it once was.

Founders cannot merely give their successors a template to follow. They should instead build a framework which gives them the tools, flexibility and support to enable them to succeed. Today's boys and girls, the next generation, are not clones of their successful parent; they are entitled to live their own dreams and to drive their own life experiences. We need to recognize that after the transition to the next generation, the champion is more than a mere steward, he, or she, has responsibility for the sustainability of the family business, both for the benefit of the rest of the family, but more critically, to society as a whole.

Today the sustainability of the family business is more far-reaching than estate planning or the continuation of the family name as the legacy, it is a moral obligation that cannot be left to destiny. As such, the table below highlights the way forward for each of the players within the business.

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The way forward

Founders/Patriarchs/ Matriarchs	Next generation champions	Executives within the business
1. Recognize that the world has changed. 2. Trust the next generation champions. 3. Respect and take stock of any differences of opinion.	1. Live your dreams. 2. Act as the first generation entrepreneur. 3. Work relentlessly in pursuit of excellence.	1. The interests of the family you serve always come first. 2. Listen and put reason before emotion. 3. Communicate and always tell the truth.

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Endnotes

1. Based on personal interviews.
2. Barack Obama, Inauguration Speech, January 20, 2009.
3. Chinese proverb
4. William Shakespeare, *Julius Caesar*, Act I, sc. 2

Acta est fabula: "The play is over" Emperor Augustus' last words.