



COMMITTEE REPORT: ULTRA-HIGH-NET-WORTH FAMILIES & FAMILY OFFICES

By **Jane Flanagan**

Succession Stories: Lessons Learned From Former Family Office CEOs

How to say good-bye without too much disruption

While succession is a normal, healthy part of every family's evolution, few family offices have written succession plans. Many avoid the topic because they can't imagine life without their beloved CEO. Change is scary, so many procrastinate.

At a time when many of our family office clients are three to five years away from a transition in leadership within the family, family office, family business or with trustees (or all of these at once!), we set out to learn from those who have navigated succession in the family office. We interviewed 32 former family office CEOs to collect their "succession stories" with the intent of sharing their advice and lessons learned to light the path for those who've yet to transition. For a better idea of the makeup of these 32 CEOs, see "Background of CEOs," p. 73.

While this article is written from the CEO's perspective, the family's partnership in the transition is paramount. Nothing here is intended to be prescriptive, and every family's succession journey is unique; our hope is that these stories will inform your conversations with clients about this important transition.

An Opportunity to Reimagine

A key takeaway from these interviews is that succession is much more than a talent question. Many think, "Sue's leaving; we need to find a new Sue." The reality is that the departure of a long-tenured CEO opens everything up for reimagining.



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Most of those interviewed used their succession as an opportunity to pause and seek input from the family (especially the next generation) on the state of the family office overall, often as part of a broader strategic planning process. Some hired consultants and conducted family surveys to collect input on what services were needed and valued by the family.

In some offices, the CEO role was divided among multiple hires and led to other staff changes. For others, especially when a family member decided to step away from the CEO role, succession led to conversations about the sustainability of the office and the family's desire to stay together, often resulting in the decision to transition from a standalone family office to a virtual or multi-family office. Some revisited their governance program to ensure that there was proper training and opportunity for the next generation to engage with the family and the office. None described a situation in which Sue decided to leave, so they hired a new Sue. The changes resulting from the CEO's succession touched everything from the office's mission and vision to the service menu and policies and procedures.

It's important to note that these times of transition and change, while perhaps challenging for the family and the family office staff, are ripe with opportunity for trusted advisors to offer guidance and assistance.

Triggers and Timelines

The succession stories we heard fall along a spectrum—from sudden changes—one CEO told the story of getting a call from the founder letting him know that he'd decided to go in a different direction and would be closing the office—to multi-year plans within a broader strategic planning process. The majority are somewhere in between.



The stories at the sudden end of the spectrum were tied to changes in the family or life events beyond anyone’s control. These sudden changes often resulted in succession experiences that were abrupt and not part of a carefully formulated plan. In many cases, there wasn’t one trigger but a combination of factors. For example, some noted that their desire to think about their next chapter aligned with the fact that it was time for the next generation to have “their person.” Others at the long-term end of the spectrum recognized

the need to articulate their succession plans to avoid losing their internal successor to other opportunities. Most of those interviewed initiated their succession.

Family offices that develop a successor from within and families with a family member CEO often have transitions that evolve over many years. The most common timeline for the CEOs we interviewed was between one and two years with two or three months of overlap with the successor.

Key Components of the Process

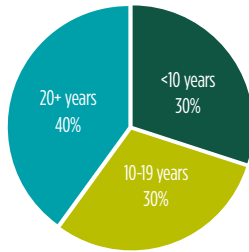
Those family office clients that are wondering where to begin should start by inventorying the current responsibilities of the departing leader. As you would imagine, the job descriptions for the successor looked very different from the incumbent CEO because the nature and needs of the family had evolved over time. In most cases, these CEO transitions aligned with a generational transition in the family, so the needs of the next generation were carefully considered in the creation of the successor’s job description.

Many noted the importance of securing next generation input on the job description and candidates. This inventory of steps in the process

Background of CEOs

Participant demographics

Family office tenure



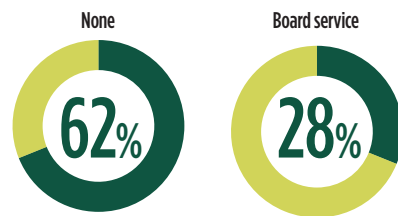
Is the CEO a family member?

87% no

Who initiated the transition?



Current role with the family



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is representative of most of those interviewed. (See “Timeline of Process,” p. 74). Every situation is unique, and there’s no one, right way.

Being thoughtful about the communication plan—how to communicate with whom, when—is critical.

Intentional Communication

The insight about the CEO setting the tone for the process came through in many interviews. Even in the sudden stories, in which the transition wasn’t planned or the CEO’s idea, there was a real commitment on the part of the departing CEO to leave things as best they could for the family and the staff. They recognized that their behavior would set the tone for everyone else.

Change is messy and disruptive. Acknowledging



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this at the start and setting expectations for succession as a process (not an event) frees everyone to get comfortable with the discomfort and open to new possibilities. Many noted that they were partners in the process with the family.

Being thoughtful about the communication plan—how to communicate with whom, when—is critical. In a family office, the CEO’s succession affects everyone. It’s important to consider the impact of this change on each stakeholder and craft a communication plan that honors each relationship. Some noted the importance of meeting with key family members in person to share the news and the discretion required early in the process to avoid hurt feelings.

Transparency with the staff is key, especially in small offices where change may cause people to wonder about their own job security. Sharing the transition plan and what it means for each employee gives the staff comfort and may minimize additional turnover. Most of those interviewed told the founder or family leaders first, then key members of the staff and then the entire family.

Greatest Challenges

We asked the CEOs to reflect on their greatest succession challenge during the succession process. Their responses aligned around four key themes:

Letting go: This relates to the CEO’s readiness, as well as the challenge of helping the family let go.

It’s emotional: Many were surprised by how emotional the experience was. Leaving a role and the trusted relationships you’ve built over decades of your life, is hard.

Helping the family navigate the change: Family issues ranged from securing buy-in on what was needed in a successor to keeping the process moving and working to preserve family harmony.

Communication: Some noted the challenge of transferring knowledge that was in their heads; others spoke of the desire to help others see the opportunity amid chaos and change. Many expressed concerns about the staff, specifically about calming their fears.

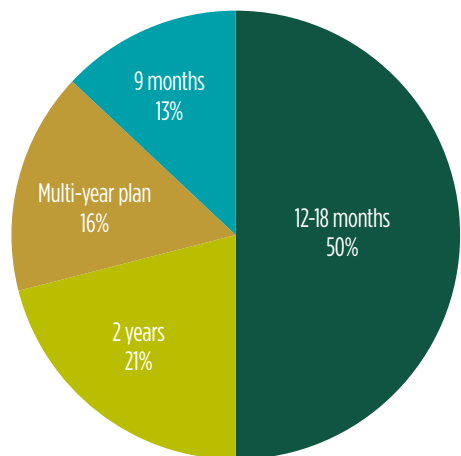
Timeline of Process

Checklist of items

Key components

- Inventory the responsibilities of the current CEO
- Develop a plan for the succession of knowledge (for example, the Family Office Manual) and relationships (for example, board, trusted advisors)
- Evaluate changes in family demographics and secure input from key stakeholders (family, board, office management) about what’s needed over the next five to 10 years
- Invest in training future leaders
- Explore the need for other key hires and maintain transparent and open dialogue with the current family office team
- Craft a job description that outlines the culture, qualifications and personal characteristics required of the successor
- Decide on an internal/external successor, and determine the decision makers
- Hire a search firm or draft a transition plan for the internal successor.
- Document a timeline with optimal overlap and training for the successor, and host regular meetings with the family leadership and office team
- Celebrate the departing CEO’s contributions and the family’s growth during their tenure

How long did the succession process take?



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Advice for Peers

The advice offered by these experienced CEOs is shown in “Advice for Peers,” this page. The top section essentially encourages everyone to start planning *now*. Under that, we see a caution for transitioning leaders to be certain of their readiness

Advice for Peers

Lessons from succession stories

“It’s never too early to be talking about succession.”

- 1 “Have an emergency succession plan in place, and start working on a long-term plan now.”
- 2 “Your last gift to the family is to walk them through this. You set the tone for the process.”
- 3 “Consider having a consultant(s) help you, especially if the succession is linked with a generational transition.”

“Make sure you’re ready to retire and aren’t looking over your shoulder.”

- 1 “Your successor isn’t your decision. Seek input from those they will serve.”
- 2 “If you stay on, have a defined project and stay away from the family. Let the new leader lead!”
- 3 “Recognize and celebrate your accomplishments and move on; it’s someone else’s turn to contribute.”

“It’s not just about succession; it’s part of a broader conversation about the family’s strategic goals for the future.”

- 1 “Revisit the service menu to ensure that it aligns with the needs of the next generation.”
- 2 “Make sure the next generation is involved in the search process.”
- 3 “Think about the entire staff and how this transition will affect them.”

“Take time to know what you want to do next.”

- 1 “Periodically stop and pay attention to you—is the role still filling you up? So often we’re so focused on the family that we forget to think about our future.”
- 2 “Make sure to think through your plan before you share it with the family.”
- 3 “Be transparent and open in discussing your transition. Secure a long runway for yourself to focus on what’s next.”

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to let go. The next section is a reminder that the CEO’s succession is an opportunity to revisit the family’s goals. Finally, they encourage their peers to take time to think about what’s next for their own futures.

Honor the Transition

Celebrate and honor the transition. Many CEOs had farewell dinners with the family and the staff where they received memory books and videos, along with well wishes.

Some tied their celebrations to anniversaries in the family business or family office to honor the CEO’s contribution and the family’s growth during their tenure.

When the transition is sudden or unplanned and a party isn’t appropriate, it’s important to offer some commemoration of that phase of the family’s history to provide an opportunity for those who remain to process their feelings about it.

Fond Farewell

The family office CEO’s transition impacts everyone and opens everything up for reimagining. Being thoughtful about the process and considering each step from the perspectives of each stakeholder—with an abundance of communication—sets the stage for a positive transition.

We asked the CEOs we interviewed for their definition of a successful succession; this sums it up:

- The family wakes up, and it’s business as usual. It’s a non-event because it’s been a gradual process.
- The family and staff have a sense of a new beginning or breath of fresh air. The next generation are engaged and a part of the process.
- The new CEO takes the family office to the next level. The former CEO has a soft landing and new beginning of their own.

We want to acknowledge the complexity of the topic of succession and to encourage you to ask your clients about their plans and how you can best support them. Our hope is that the experiences shared here provide a means for you to support your clients’ transitions with empathy and peer perspective. 