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Successfully Transferring Ownership and Accountability: Necessary Discussions to Consider

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Successfully Transferring Ownership and Accountability: Necessary Discussions to Consider

Abstract

NSRA's Next Generation Leadership Program (NextGen) is designed to help independently owned shoe stores transition from one generation to the next. The NextGen Program held prior to the Atlanta Shoe Market in January 2024, focused on preparing the NextGens for important conversations with their NowGens about the succession process. Succession can refer to many transitions including ownership and/or management. Oftentimes in family businesses, those transitions should – but may not – go hand in hand, causing significant issues for everyone involved and risking the successful transition that family firms dream about. The workshop addressed strategies to minimize this frequent disconnect.

Disciplines

Business

Comments

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Successfully Transferring Ownership and Accountability: Necessary Discussions to Consider

CAROL WITTMAYER, ED.D.

NSRA's Next Generation Leadership Program (NextGen) is designed to help independently owned shoe stores transition from one generation to the next. The NextGen Program held prior to the Atlanta Shoe Market in January 2024, focused on preparing the NextGens for important conversations with their NowGens about the succession process. Succession can refer to many transitions including ownership and/or management. Oftentimes in family businesses, those transitions should – but may not – go hand in hand, causing significant issues for everyone involved and risking the successful transition that family firms dream about. The workshop addressed strategies to minimize this frequent disconnect.

The program title was *Stepping Forward: Mastering a Leadership Transition in Family-Run Shoe Stores*. The program focused on the importance of communication, addressing accountability and ownership in concert with one another as well as the types and benefits of transfers. The session was facilitated by NSRA board member, presenter and business coach, Pete Mohr, founder of



Dr. Carol Wittmeyer

Simplifying Entrepreneurship.

The importance of the topics included in the program are highlighted in a May 2024 Deloitte Private report, *"The Enduring Family Business"*, that included a survey of 500 current and next generation members from family businesses in the U.S. The majority of participants cited "interest in succession" as a high or very high risk to their organization's transition planning, highlighting the need to focus on succession planning. The survey revealed diverging perspectives

between the generations on key elements of family enterprises including:

- > The current (NowGen) generation is more confident with succession planning.
- > The next generation (NextGen) perceives it has a lower level of participation in the overall direction of the business. In fact, members of the current generation were almost twice as likely as the next generation to say the successive generation has a very high level of participation in decision-making and direction of the enterprise (28% vs. 15%). That is, the NowGens may think that the NextGens have a very high level of participation in governance, but the NextGen does not think that is the case.

These findings reiterate the need for programs such as NSRA's so that NextGens can gain skills and confidence to help shape the future they desire by preparing for better conversations with their NowGens.

CPA Foundation: Communication, Process and Accountability

Pete works with NextGens to increase their communication skills, and business process analyses, and to align how they assume accountability in their family firms while on their path to becoming owners. This is the CPA Foundation (Communication, Process, Accountability) he shared with the students at the NextGen program held in Atlanta.

Communication

NextGen participants discussed their communication challenges with their NowGen parent(s), set goals and out-

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lined strategies to express concerns they have over the succession process and timeline including:

- **Regular Meetings** – the NextGen should schedule regular meetings with the NowGen to discuss questions and issues around succession (see Accountability section on page 15).
- **Agenda Formulation and Planning** – these include addressing questions about succession intent, timing, ownership transfer strategies, advisors (coaches, lawyers, accountants, financial planners) – and others – that should be involved in an overall transition team.

Author's note: My research on next-generation preparation focuses on the need for NextGens to be involved in decisions that relate to them. This is highlighted by the Deloitte Private report. The best planning scenarios are those when the advisors work together and are led by a coach/facilitator who can help move difficult conversations forward. The family business coach can help to make sure that all voices in the succession processes are being heard – NowGen and NextGen.

- **Executing the Plan** – many businesses use a RACI to outline succession transitions. RACI (Responsible, Accountable, Consulted, Informed) is a matrix that can be used for family business succession planning to help clarify roles and streamline the process.

Here's how to apply it:

- **Identify Key Tasks:** List all tasks involved in the succession plan (e.g., selecting a successor, training, legal documentation).
- **Assign Roles:**
 - **Responsible (R):** Person(s) who perform the task.
 - **Accountable (A):** Person ultimately answerable for the task.
 - **Consulted (C):** Individuals consulted for their input.

Generational Perceptions of Succession, Risk and Participation

Deloitte Private released *"The Enduring Family Business,"*¹ a survey of 500 current and next generation members of U.S.-based family businesses. The report reveals how different generations of family businesses approach leadership, risks and decision-making. Notably, 63% of respondents cited "interest in succession" as a high or very high risk to their organization's succession planning, exemplifying how this crucial aspect of family businesses is not rising to the top of leaders' agendas.

The survey revealed diverging perspectives between NowGens and NextGens on key elements of family enterprises:

- The current generation is more confident with succession planning.
- Risks to the business are a greater concern among the current generation.
- The next generation perceives it has a lower level of participation in the overall direction of the business. Members of the current generation were almost twice as likely as the next generation to say the successive generation has a very high level of participation in decision-making and direction of the enterprise (28% vs. 15%).

"Family businesses face an added complexity that comes with finding common ground across generations. Our survey findings show the challenges and opportunities in this area," said Wendy Diamond, Deloitte Private U.S. family enterprise leader and partner, Deloitte Tax LLP. "Exploring both the disconnect and alignment between the current and next generation can not only help strengthen family enterprises moving forward, but also establish a foundation for trust to accomplish short and long-term goals."

¹ <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/deloitte-private-survey-generational-disparities-emerge-in-succession-planning-and-priorities-shaping-family-businesses.html>

- **Informed (I):** Individuals kept informed of progress.
- **Create the Matrix:** Develop a table with tasks and assign RACI roles for each task.
- **Communicate and Review:** Ensure all family members understand their roles and review regularly to adjust as needed.

Process

The NextGen class also discussed tips for creating effective business processes – strategies used to implement accountability goals successfully.

- **Establishing Standard Operating Procedures (SOPs):** If you do something the same way in your business more than three or four times, it

deserves a process. Many small business owners are tied to their businesses as they are the only ones with the answers. They have not taken the time to create standard operating procedures so that others can follow what needs to be done. Often, owners have been habitualized to make the decisions over time because they had to when the business was smaller, but as it grows, it becomes a glass ceiling to growth.

- **Documenting and Communicating Processes:** The only way to grow and be free of making all of the decisions is to properly lay out what you want done in simple and clear language, both on video and in written word, so that other people can repeat and

continued on page 15

NextGen continued from page 13

execute without your involvement.

• **Good Processes Should:**

- **Prevent** recurring issues.
- **Reduce** overwhelm.
- **Clarify** tasks and expectations.
- **Evaluate** performance and outcomes.
- **Simplify** operations.
- **Systematize** the workflow.

Accountability

Many think succession means transferring ownership. However, there is another aspect – the succession process related to accountability – being responsible for the business. It requires setting goals and holding each generation

responsible for those goals. Often the transfer of accountability happens before the transfer of share as NowGens work to offer NextGens ongoing mentoring while they phase into leadership roles with more responsibility and accountability. Frequently the trigger for transferring accountability without ownership is because the NowGens involved want to work towards retirement, and at the same time want the NextGens to step up, grow the business and increase the value of the business. If those goals are successful, the result could be that the NextGens have the burden of buying the business at a higher value than when they started assuming accountability. Concurrent with this situation is the notion that many NextGens' compensation may be lower than they could earn elsewhere, so they may be wondering why they should stay at the family business if

ownership transfer plans are unclear.

Using Pete Mohr's CPA Foundation can help families in business work together to make a succession process that families dream of for their vision of generational self-sufficiency. ■

Pete Mohr is the founder of Simplifying Entrepreneurship, a coaching venture designed to help business owners navigate the complexities and ever-changing landscape of running a business. He owns two Shoetopia stores in Ontario, Canada and serves on the NSRA Board of Directors. Additionally, Pete regularly contributes to NSRA's Shoe Retailing Today magazine.

Dr. Carol Wittmeyer is Director of Family Business at St. John Fisher University. She has taught at the Family Business Center at Loyola University of Chicago and is also a founding faculty member of NSRA's NextGen initiative.