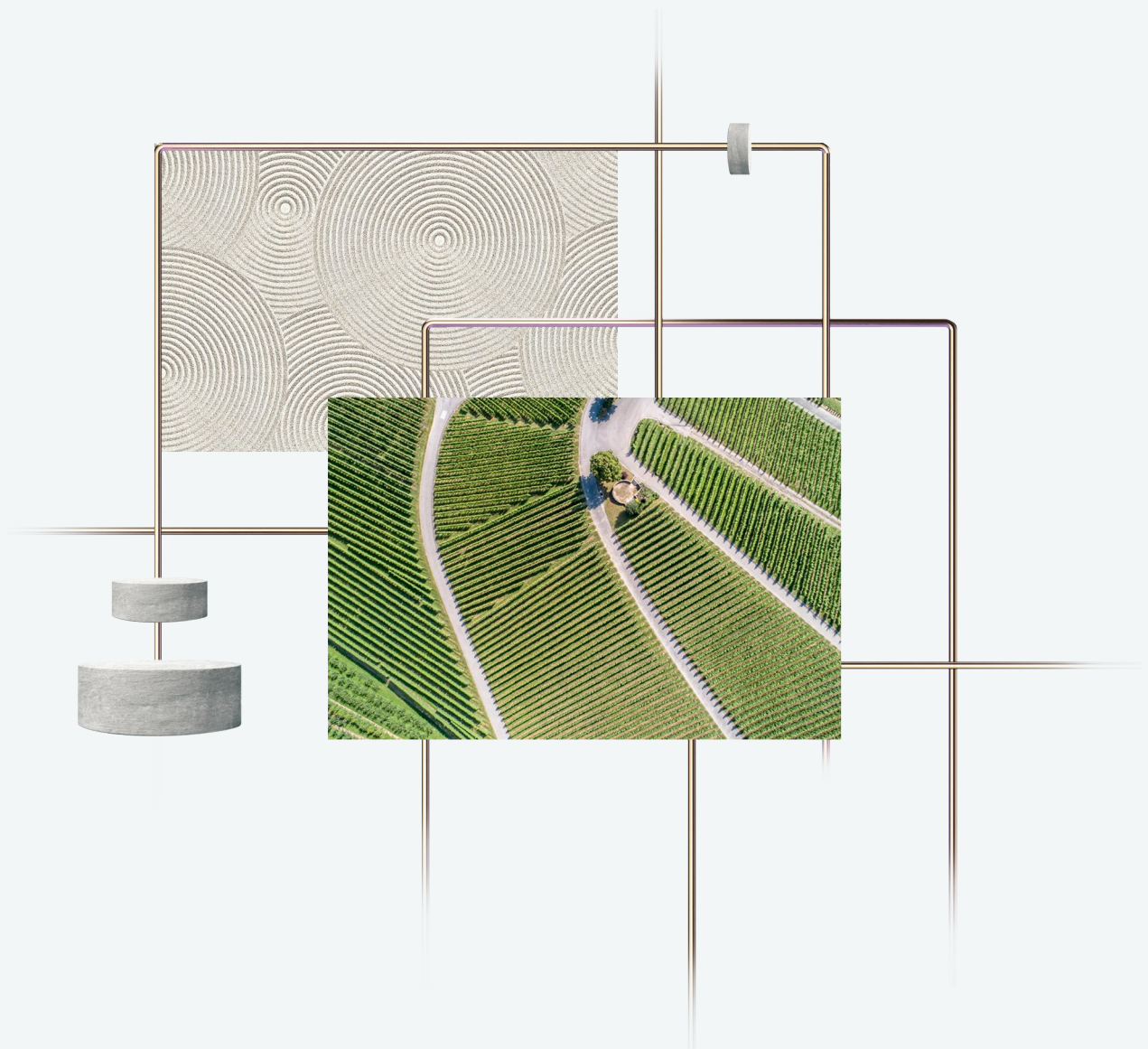
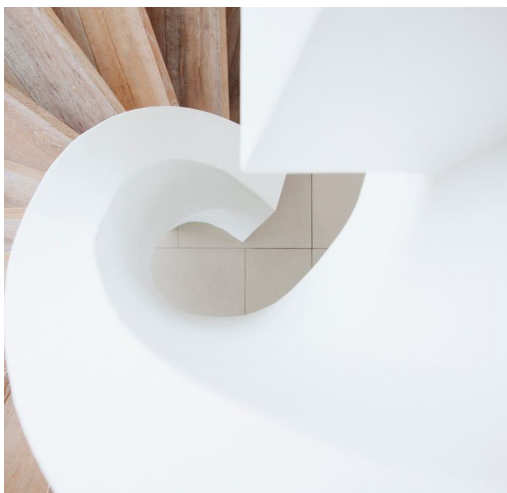




# Eight best practices for family leadership succession





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## Foreword

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There are very few things that trouble wealth owners more than the critical question of how the next generation of family members will assume the mantle of leadership of the family enterprise, be good stewards of the family wealth and contribute positively to society, culture or politics. At Citi Private Bank, we believe leadership succession planning to be a universal imperative for families regardless of their geographical, cultural or religious origins.

Leadership succession is always challenging, requiring careful preparation and execution, as illustrated by the numerous disappointing outcomes - from failures to missed opportunities - in corporate successions. But family leadership successions are undoubtedly riskier given the complexity inherent in leading a family. While corporate leadership provides a clear delegation of authority, family leadership is exercised among siblings or family branches who view themselves as peers equally sharing ownership, control and decision-making authority.

Finding a path toward leadership in a family of wealth can be fraught with uncertainty and risk. So, how might a family approach such transitions in a way that acknowledges the differences and nuances in roles, attitudes and motivations?

Citi Private Bank's Global Family Office Group has the privilege of serving some of the world's wealthiest individuals and families. Our Family Office Advisory

team has deep experience guiding on family office creation and management, family leadership and transitions, and next-generation engagement.

Those who successfully navigate generational leadership transitions typically approach it in a manner which can be summarized in the eight best practices that we outline in this white paper. They require nuance and adjustments based on the family's particular set of circumstances and dynamics, even if the basic tenets remain the same.

We hope that this whitepaper and the outlined best practices prove to be beneficial, and we welcome the opportunity to partner with you and discuss the particular needs of your family.



**Hannes Hofmann**  
Global Head  
Global Family Office Group



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## Identifying eight best practices for family leadership

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Common best practices among families who successfully navigate leadership succession, or a wider generational transfer of senior positions of authority within the family, rely on the ability to embrace open communication and change.

They are flexible in their outlook, agile in their approach, encourage a range of options while making the family's needs clear, and in the end, accept that decisions are not made for the whole of their lives. Aligned with this thinking, we put forward these eight best practices to follow:

## 1. DEVELOP A SHARED FAMILY VISION

Leadership is ineffective unless you know where you are coming from and where you want to go. Successful families invest time to explore and agree upon a shared vision for their future together. They identify why they choose to stay together, what they want to avoid, what they seek to preserve and where they want to go as a family.

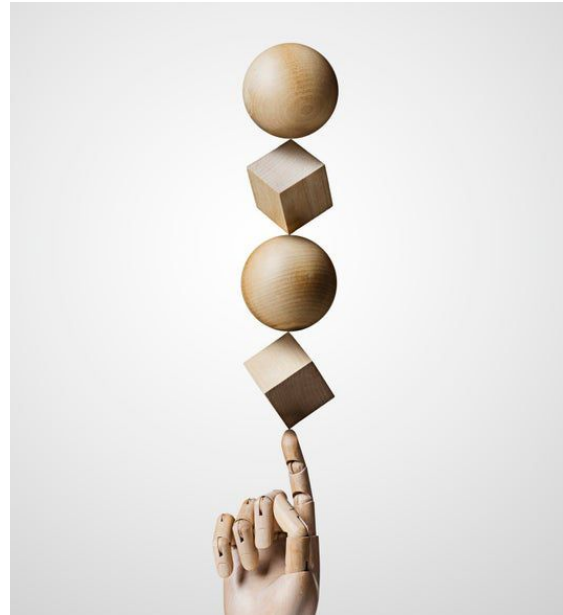
Leadership successions are an opportunity to revisit and sometimes reimagine that vision, to ensure that there is alignment and excitement from all family members about their shared destination. For example, what values do they want to transmit to future generations, do they wish to have a philanthropic impact with their wealth in their lifetime, to create jobs in their community, or to restart the cycle of wealth creation by fostering a new generation of entrepreneurs?

## 2. DEFINE THE LEADERSHIP SKILLS NEEDED TO ACHIEVE THE VISION

The most common mistake in succession planning is to look to future leaders for the same skills which characterized their predecessors. The adage “what got you here won’t get you there” has never been truer – mainly because the environment changes, the family grows and the challenges or opportunities evolve. Only once you know where the family is going and what skills will be needed to get there can you then start identifying and developing tomorrow’s leaders.

## 3. DEVELOP NEW LEADERS THROUGH EDUCATION AND EXPERIENCES

An essential element of an effective family leadership development process is the identification of key opportunities and resources available to the next generation of family leaders.



Ideally, such development is viewed as a lifelong process and addresses both emotional intelligence skills and management-oriented leadership development. Common approaches include formal and informal education, along with mentoring.

An effective approach will include both technical educational elements (for example, business, the arts, finance or social work), as well as personal emotional quotient (EQ) development (for example, self-awareness, communication and problem solving). Arguably, the most effective leaders in any context combine elements of both technical skill and strong emotional intelligence.

Families will often create an age-appropriate timeline of personal development resources, such as exposure to family history and stories for teenagers, next-generation programs for those who have just finished college, and roles in the family enterprise or on family committees for those aged between 25 and 40+ years.



#### 4. COMMUNICATE OPENLY AND FREQUENTLY

Successful families recognize the need to proactively manage the development of future family leaders, but unfortunately many of their peers fall short. Although it is rare for family principals to disavow the importance of leadership succession, they may put little effort and few resources into creating a robust process. This results in initiatives that are begun far too late in the leadership succession cycle, or even not at all.

Effective family transition practices begin with a sincere dialogue among key family members on the importance of leadership succession. The goal is to go beyond casual conversations and to probe the fears, interests and expectations of both seniors and successors. This requires stepping out of 'parent-child' roles and other traditional patterns of communication to create a forum for candid and honest interaction. This is not easily accomplished, and many families will turn to a trusted third-party facilitator such as an estate attorney or skilled consultant to mediate this process.

The outcome of this dialogue can be a simple agreement on a timetable and actions or, as is often the case, formally set out in a document that confirms the family's views, key roles, policies, and commitment to leadership development and succession. The document serves as the basis to communicate these views openly and transparently to the extended family and interested parties.

#### 5. ESTABLISH A PERPETUAL PROCESS

Successful families do not only acknowledge the need for an effective leadership process but also embrace a clear and open transition policy. It is predicated on the notion that leadership development is an ongoing process, and an understanding that "leadership" takes many forms in the family and its enterprises.

Families will typically set forth what is required of potential leaders regarding education, work experience within or outside the family enterprise, personal conduct, characteristics and values, as well as key measures of success. Successful families shun nepotism and set high standards for family members or leaders brought in from the outside. They never compromise when filling key leadership roles and avoid giving family members preferential treatment for promotions, compensation or leadership opportunities. They also take a multi-generational view on transition and embrace the activities that continually groom potential new leaders with a range of backgrounds and experiences.

Setting eligibility expectations for board, executive or family roles, and believing in a perpetual development process makes it clear to all what is expected of current and future family leaders, regardless of age or role. It serves to emphasize the importance of succession in the family and allows many forms of leadership to take shape.





## 6. FOSTER COLLABORATIVE LEADERSHIP

Many first- or second-generation family matriarchs or patriarchs grew up within a model of autocratic family leadership where the family leader was the sole arbiter of major life decisions, proper behavior, and reward and punishment systems.

But contemporary successful family leaders avoid autocratic behavior and instead take a collaborative approach to communication, engagement of family members and decision making. They are comfortable reaching across generations to obtain input and promote dialogue and collaboration from a wide range of sources and engage non-family members in key governance roles.

## 7. UNDERSTAND MOTIVATIONS

Families who successfully navigate complex transitions understand the motivations of the key participants. What is often said during a transition conversation may not reflect the true underlying motivations of the participants. Occasionally, seniors or successors may themselves not be in touch with their true feelings about giving up or assuming leadership responsibilities.

Not everyone desires to lead or even be involved in the family business. Avoid making assumptions and encourage open communication between the next generation, seniors and extended family about their desires to be involved in family endeavors.

Creating a relationship, environment and process that allows for the expression of true feelings – and articulating, hearing and challenging those feelings – will enhance the likelihood of success. For some, this may be a more natural process, but for most it requires a skilled facilitator and many hours of candid conversation to gradually expose underlying feelings.

## 8. ACKNOWLEDGE AND CORRECT MISTAKES

As with anything else in life, there will be failures in leadership succession in either the developmental or formal leadership role stage. Understand that not all efforts will be successful and act quickly to remedy bad situations. Consider implementing formal roles and performance guidelines, periodic candid feedback, remediation plans, and making swift changes in roles and responsibilities when necessary. Some of the most common mistakes and failures can be avoided by adhering to a few basic principles:

- **Have formal role and performance guidelines:** Absence of clarity around expectations concerning both “what” needs to be achieved and “how” it should be achieved would result in a misaligned agenda. Formal role, objective and performance guidelines need to be spelled out in as much detail as possible.
- **Periodic candid feedback:** There are no substitutes for effective communication. Providing thoughtful and balanced feedback on a regular basis is essential to identifying problem areas early and reinforcing favorable behavior.
- **Remediation plans:** When challenges to performance, personal style or communication arise, identification of the problem areas must be accompanied by thoughtful remediation plans.
- **Action:** As and when the determination has been made that change is necessary, undertaking those changes promptly and fairly ultimately serves the best interests of all concerned.





# Applying best practices

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In closing, our experience suggests that much can be learned from families who successfully navigate leadership development and succession. Having outlined the eight best practices for family leadership, we believe that it's critical to facilitate clear pathways and processes to bring about their most effective deployment.

Family principals must take the lead here and remain cognizant of the vital need for an effective succession process. What is expected of current and future family leaders needs to be made clear by the family principals and the supporting organization.

As mentioned earlier in this paper, it requires a constant emphasis on the vital need for leadership development, role definition and succession. We wish you well on this important journey and stand ready to assist you.



# About the Global Family Office Group

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We offer clients comprehensive private banking and family office advisory services, institutional access to global opportunities, and connections to a community of like-minded peers.

For more information, please contact your Private Banker or the group head in your region.

[citiprivatebank.com/globalfamilyoffice](http://citiprivatebank.com/globalfamilyoffice)

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