

# Fob and the successor

Psychology, Success



Todd (2007) has proposed a framework that was proposed after extensive literature review and case studies of successful and failed FOBs. The conceptual framework would attempt to cover the following aspects. The framework is a co relation between the present incumbent of a FOB and the Successor: Quality relationship - the more positive this relationship from any angle, the better the transition; mutual respect leading to trust leading to feedback which cycles back into the relationship.

Motivation- how does the incumbent view leaving the firm; as losing control and a death sentence and psychologically difficult or is the motivation one of the natural process, a positive letting go for the family legacy. Personality- delegating vital for the successor to make own mistakes and successes while still being guided; the opposite is a micro manager hanging on too long causing resentment Abilities - proven management skills backed up by experience; legitimacy; interpersonal skills. Ground rules - weakest area in the literature having to do with succession guidelines.

Succession plan - known throughout the family for long time. Shared vision - overall family business goals firm, supported by all and known by all.

Nurturing/development of successor - training of the successor

Formal education- college degreed successors have smoother transitions than high school degreed successors. Training program - the more formalized the better; demonstrates focus and increased successor profile, grows involvement in the firm. Transfer of knowledge - begins at home but increased to the firm as a growing involvement; relationship with incumbent pivotal.

Careerdevelopment - exposure to the business so the earlier the better for credibility, experience and interpersonal contacts. Outside work experience - working outside the firm to establish an independent reputation; often one of the strongest criteria for success. Incumbent phase out/transition and new role - mentoring relationship to ease the transition can be positive if handled well by both sides. Having a new " job" or plan ready in the outside world can satisfy incumbents need for purpose. Successor phase in - clear responsibilities and time frame for each to occur very helpful is smoothing the transition.

Well-defined boundaries for incumbent creating successor independence. The hypothesis of the study has been framed after a through literature review. The following hypothesis have been put in place. For a second and third generation FOB to succeed, there should be a satisfactory succession plan, the organization should have a professional management team with adequate decision making power and the financial structure must be equitable and well balanced meaning that even if the owner wishes to withdraw somemoney, it has to be entered into the proper in the appropriate voucher or expense statement.

The hypothesis would further cover areas such as expansion into related and non-related markets and further introduction of new products or expanding the current business line. The following terms stand defined as per various literature reviews done in the previous sections: Incumbent: The present head of the FOB who is managing the business. Successor: The person next

in line who would be expected to take over the business once the incumbent relinquishes the business.

FOB: A family owned business that is managed by a family or a single individual who manages the business. Has provided a rigorous literature of different theories that relate to FOB. The section has examined certain common critical success factors in FOBs and suggest that: planning a successor, having clear financial and capital structures, providing a vision, placing an emphasis on quality personnel and employees and vesting them with sufficient decision making powers, are crucial.