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[CEO of the Year](#)
[CEO Interviews](#)
[Events](#)
[Conversations with the Editor](#)
[About Chief Executive](#)

Articles/Archives

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[Governance](#)
[Brand Leadership](#)
[CEOs & Technology](#)
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[Supply Chains](#)
[Best Co's. for Leaders](#)
[Diversity](#)
[Route to the Top](#)
[Top Cars for CEOs](#)
[Business Schools](#)



Marv Soiland, president and founder of Stony Point Rock Quarry, was in his 70s when the issue of a successor for the business he had owned and run for more than two decades first arose. Like many entrepreneurs, Soiland envisioned his company remaining in the family, preferably under the stewardship of one of his seven children. So when his third son—a capable manager with industry experience—expressed interest, Soiland acted swiftly, dismissing current management and naming Troy Soiland general manager and heir apparent of the Cotati, Calif.-based construction supply company. From there, everything crumbled.

“My brother and my father couldn’t come to terms on ownership transition,” recounts Marlene Soiland, Marv Soiland’s daughter and the company’s CFO. “Troy wanted to buy my father out and be top dog. My father, who to this day still works seven days a week, wasn’t willing to do that—so things got pretty tense.”

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When it became clear that father and son had reached an impasse, mediators were brought in. But the two sides couldn’t come to terms, and eventually Troy jumped ship, leaving Stony Point with a gaping hole in place of its former management team.

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For those familiar with leadership transitions in private companies, it’s an old story. A troubled succession has led to upheaval and turbulence for many in a perfectly healthy business. Despite that well-known fact, failing to develop a succession plan is all too common. In fact, in a recent survey of private company CEOs, 60 percent of those planning to retire within five years reported having no successor chosen.

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Why the disconnect? Leadership gurus point out that private companies are not as scrutinized on governance issues like succession as their public company peers. But most agree on a far bigger roadblock: that succession for the private company CEO is unavoidably linked to disturbing thoughts of loss of power and, ultimately, mortality. What’s more, it’s often fraught with familial emotion and politicking, and is almost always just downright messy.

“Nobody likes dealing with this stuff,” says Jeff Kunde, chairman of Kunde Estate Winery & Vineyards, a California winery in its fourth generation of family ownership. “It’s much easier to focus on running your business than on who will run it next.”

Ultimately, however, there is no excuse to neglect succession planning, points out Francie Dalton, president of Dalton Alliances, a Maryland-based business consulting firm. “You face difficult decisions about allocating resources and competitive strategy every single day,” she says. “Why let yourself off the hook when it comes to something this important?”

Getting the next-leader conundrum right starts with defining the role of the CEO, says Beverly Behan, managing director of the Hay Group, a New York City-based consulting firm. “The job is not exactly cookie cutter,” she points out. “Being the CEO of a high-tech company growing by acquisition requires a very different skill set than leading one where union relationships are crucial.”

What’s more, the role itself may be in flux. Leadership skills crucial to navigating the current marketplace may differ vastly from those that will be in demand when the sitting CEO steps down. If the anticipated transition is

10 years down the line, management will need to do what it can to predict future conditions and what competencies and leadership style are likely to suit the industry, and the company's position in it. At the same time, succession plans must take into account unexpected near-term developments.

"There's also emergency succession planning—what to do if the CEO gets hit by a bus or in an Eliot Spitzer scenario, where everyone on the management team is taken away in handcuffs," adds Behan. "Who on the executive team or among your board members has the competencies to step in?"

Define and Discuss

Once the leadership qualities are clearly defined, that criteria can be used to vet internal candidates. To add objectivity, some family business CEOs bring in a behavioral expert to assess the competencies of potential successors, or appoint a panel to guide the process.

"Don't be myopic and think you can only look at family members," advises Dalton. "If you don't have a child or family member who is a reasonably talented successor, face up to that and start looking outside."

Having defined criteria helps smooth such a decision, adds Peter Johnson, director of the Stockton, Calif.-based Institute for Family Business, who advises business owners to develop strict policies around employing and advancing family members.

Conditions such as a maximum salary level or requiring a college degree and a certain number of years of industry experience prior to employment can help mitigate unrealistic expectations. "If the policy is in place before the question of appointing a family member arises, it can't be viewed as personal," adds Johnson.

It's also critical that the heir apparent and the sitting CEO hash out a working philosophy for before, during and after the leadership hand-off. "The roles of the founder and new CEO coming in must be clearly defined so they don't get in each other's sandboxes," says Behan.

That made all the difference for Stony Point Rock Quarry. After the company recovered from the aftermath of the botched succession effort, another of Marv Soiland's sons stepped into the picture. This time, father and son were in sync on a transition process, and things went more smoothly. Today, the elder Soiland remains involved in the business, but his son Mark has controlling interest.

"Rather than pushing for control, Mark looked at it more as a team effort—that we all bring separate strengths to the equation," says Marlene Soiland. "That approach enabled my father to feel comfortable giving him more control, and our family to feel good about the situation. We're all relieved to be on the other side of that roadblock."

[Previous](#) |