Successful Transition: A New Approach to Passing the Torch

THE PUBLIC RELATIONS STRATEGIST

BY JOAN CAPELIN, APR, FELLOW PRSA

During her career, Joan Capelin, APR, Fellow PRSA, has helped build and protect the reputations of professional-service providers, particularly in the design and construction businesses.

At age 33, the architect was the youngest partner the firm had made in more than a century. For the entire prior year, morning, noon and night, he had pursued a 10-year-long contract with a bank to move its headquarters into a building across town. Finally he closed the deal — and got the coveted title as a result. This was the day he was to move into his spacious partner office.

Despite his derring-do and justifiable pride in his uncommon achievement, he was not sure of himself on this momentous day. So he casually asked one of the senior partners what he should do first. "Well, you can design your office for starters," was his first suggestion. Then came the second suggestion, wise but shocking: "Oh, and pick your successor."

It was far easier and faster to design his office, our young architect came to realize.

ryan mcvay

Transition is great as a concept but in reality often fraught with anxiety — for everyone involved. It is challenging for owners to define the visions of their firms, get the next generation primed to take over and then, one day, surrender leadership.

During a lifetime of working with and within business-based professional-service firms, I've seen many transitions. Transitions are different and more complicated for them — PR agencies, along with lawyers, accountants, management consultants, and design and construction professionals — because these firms are unusual.

For starters, their leadership is essentially flat: Either you're an owner or you're not. The ownership makes the decisions together, with a nod to the other titular leaders. Moreover, once someone becomes a partner, he or she will likely stay for a long time. This is certainly not like the outside world of the corporate revolving door.

After World War II, many professional-service owners decided to continue their firm into the next generation rather than take down their shingle and retire. Times changed, along with longevity. To make succession possible, as in mainstream business, they now develop a group of experienced, trained managers interested in taking over. Eventually, they prepare detailed documents about the finances of the company, an employment agreement, remuneration package and possibly some kind of contract for outgoing management. They spend hours doing the strategic financial planning, choosing their successors and mapping out how to have the transition

Transition is great as a concept but in reality is often fraught with anxiety — for everyone involved.

work. There are business consultants, lawyers and accountants for both the outgoing parties and the incoming new leadership.

Despite all this preparation, all these deals, all this expensive advice, people nonetheless grumble. The selling generation complains, for instance, that the buying generation doesn't have the depth of understanding they have; the buying generation complains that the current leadership hasn't sufficiently trained them.

What's so tough about transition?

Why the disconnect? Because the focus is usually on the deal, rather than on leadership and its more elevated form — stewardship. That intensely negotiated deal isn't worth the paper it's written on if the firm folds because the staff is demoralized and leaves, if the clients become perplexed and disloyal, if the marketplace grows concerned and goes elsewhere and if the community starts to gossip about all of this.

What's missing? An awareness of what is really being sold or bought: the principles at the heart of the success of a professional-service business. Principles are the real equity of the firm. Principles underpin the firm's reputation, approach and ability to retain staff, future business possibilities, relationships, excellence and culture.

The good news is that the principles that drive a business are one of the strongest reasons that people want to work there. Principles guide the firm's every decision about work style, client marketplace and attitude toward money.

Oddly, many firms haven't articulated their principles — *why* they do something as opposed to *how*. Some firms operate from negative principles that harm them, without quite understanding how this happens. Others might have principles but not use them (you can be sure that the staff has picked up on this deficit).

Forming principles

There is a simple three-step process to articulating your own principles:

1. Identify a situation that yielded a powerful experience. What made it beneficial — or a horror that you would never want to repeat?
2. Identify and state the principle behind the success or the negative principle that caused the disaster. Keep asking yourself why that happened ("and that's because . . . ?") until the principle emerges.
3. Communicate that principle to others. It's not going to become codified unless others understand the principle, buy into it and use it.

Here are some principles regarding transition gleaned from a recent workshop I conducted:

- Transition is a process, not an event.
- Keep thinking clearly; transition is messy.
- Leaders act in the best interest of the firm, not of themselves.
- Ownership and leadership are not the same thing.
- Find the level of risk that makes you comfortable.
- Prepare for change by communicating what will be different, not just what will be the same.
- Open the books.
- Mentoring staff helps some people to advance and others to retire.
- Different generations need different kinds of leaders.
- Live the company's vision statement.
- If you don't want surprises, be prepared for the unexpected.
- Articulate the benefit; most people won't know it otherwise.
- Invest in the firm and in your own future.
- Think of the firm as your life, because it is. Whether it succeeds or fails will transform you.

Dealing with change

Succession, transition and transformation preoccupy both the lead generation of a firm and also the next generation in line to take over.

What we in public relations seem to have professed in being professional is being of service forever.

Change is the leitmotif.

The May cover story of *Fast Company* was titled, "Change or Die." Apparently, the odds against change happening are nine to one. "Some 90 percent of heart-bypass patients can't change their lifestyles — even at the risk of dying. No wonder changing people's behavior is the toughest challenge in business," wrote the author, Alan Deutschman.

Businesses may change for a variety of reasons, not just generational shifts in ownership. But the principles on which the business is based endure. Put another way, that issue of not trusting the next generation to take over may be an aversion to altering roles and perhaps of not wishing to cede control.

But if the firm's principles have been secured, then they can be adapted by the next generation. So the real test of a principle lies in its resilience. When the firm's principles are sound, the firm is viable and stable.

This stability, this clarity on what matters to a firm, reassures staff, clients and the larger community during good times and turmoil alike. Announcing a change in leadership becomes one more opportunity to express how the firm remains true to what it values and perpetuates.

Transitioning out

A recent conference honored an 81-year-old architect and urban planner who is still going strong. Once the first-named partner in his own firm, he is now a consultant to his architect daughter's firm. Reflecting on his rare long career, one of the speakers observed, "Your single most important act after assuming responsibility for a firm is letting go."

But then what happens? One Boston-based architect, president of a firm with a long history, points out, "By the time someone is at partner level, they are steeped in the traditions, principles and context of the firm. Transition is inevitable, but transitioning out is more difficult than transitioning in. There is no training for letting go and generating a new life."

Vanish from the firm you have created or guided? Not for our octogenarian, nor for many others who still want to be active in their area of expertise. They just invest in the next phase of their career. Well, why not?

However, they need to think about this while they still have control of the firm's reputation and resources. Then questions like: "What choices do I have?" "What happens to my self-image?" "If I no longer own the firm, can I still be involved?" and "Will I be relevant?" will be simple to answer, and the answers will be exhilarating to contemplate.

When I think of the so-called retired members of the PRSA College of Fellows, it's amazing what that next phase can be. What we in public relations seem to have professed in being professional is being of service forever.

There are many things that new nonowners with their invaluable institutional memory and relationships can do to remain involved just in their company's sphere. Think of 90-something Robert Mondavi's latest title of "ambassador" for Mondavi wines, a company he no longer owns. Yet, he continues to serve the business, the Napa region and the wine industry on a daily basis.

People first coming into leadership are not yet clear on their value to the firm, the profession or the various communities and organizations in which the firm is involved. But those who are handing off ownership are accustomed to being stewards — and they understand the principle that "the real worth of a professional is not derived from the price received at the sale of the practice." ■

Joan Capelin, APR, Fellow PRSA, is president of Capelin Communications in New York, one of the first PR firms to specialize in professional services. She is author of "Communication by Design."