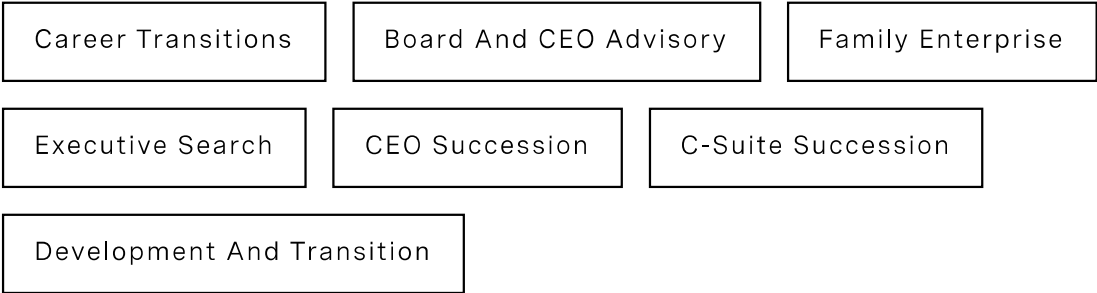




# Family Enterprises Die When Leaders Won't Let Go



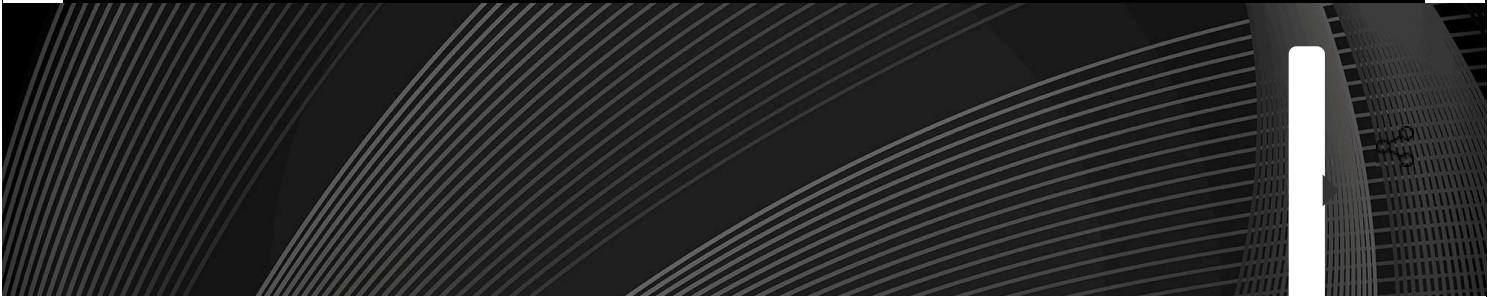
 **ARTICLE**

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**EXECUTIVE SUMMARY**

We share the current state of family enterprise succession planning, and how organizations can become more proactive.



A staggering 70 percent of family enterprises fail to pass to the second generation, and 88 percent fail to make it to the third. Too many family matriarchs and patriarchs refuse to answer the question “who comes after me?”—ignoring the reality of their own mortality, or falling into the delusion that they’re the only possible leader for the business they built and led. Regardless of the reason why, when a family enterprise fails to plan for leadership succession, they’re not protecting their legacy—they’re doing more to destroy it than any competitor ever could.

### Insufficient succession planning can undermine any business'

long-term success, but it is an especially significant risk in family enterprises. Leadership transitions in family enterprises are complex, demanding processes that require years to execute properly; a thoughtful understanding of both family and business culture (which can be simultaneously aligned and divergent); and a deft hand managing relationships with executives and family members alike.

Nearly 1 in 3 family enterprise leaders cite navigating succession and generational transition as one of its most important challenges.



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dynamics, emotional connections to the business, and sometimes conflicting vision across generations.

Successful leadership succession depends on deliberate, proactive planning, comprehensive support and skills development, and clear alignment with long-term business strategy. Organizations that master these elements experience significantly better outcomes—from stronger financial performance to greater innovation and enhanced leadership diversity.

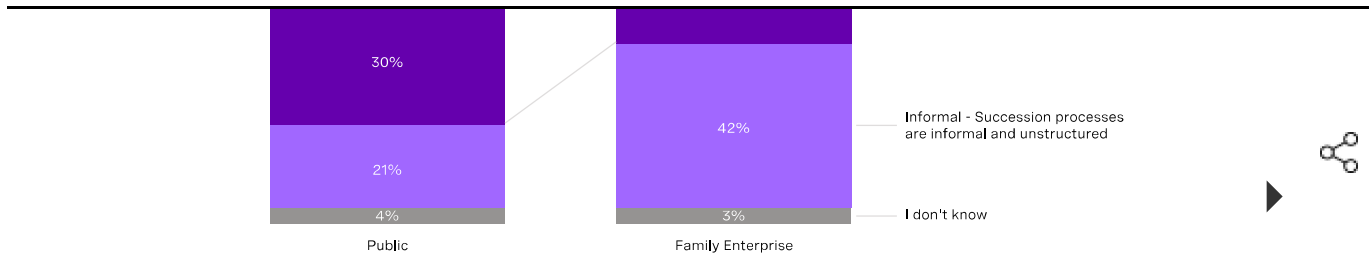


## The current state of family enterprise succession

Russell Reynolds Associates' [Global Leadership Monitor](#) reveals a concerning gap in succession planning approaches between family enterprises and their public company counterparts. Only 23% of family enterprise leaders indicate they have a proactive succession plan, while 32% indicate their succession approach is reactive, and 42% characterize their succession planning as informal (Figure 1). By comparison, 45% of leaders at public companies report having proactive succession processes in place—nearly twice as high as in family enterprises.

### Figure 1: Succession planning sophistication: Public companies vs family enterprises

What statement best describes succession practices for C-suite roles at your organization?



Source: RRA Global Leadership Monitor H1 2024, n=725 Public Organizations & n=267 Family Enterprise, Among CEOs, C-suite leaders, and non-executive board directors

Part of the gap between family enterprises and public companies may come down to the maturity level of the business: by the time a company goes public, they have typically reached a significant level of size and maturity. By contrast, family enterprises can range from founder-led companies still in the early days of existence, to more mature businesses that have passed down to a second or later generation of the family, all the way to firms that are owned and controlled by families yet run by non-family executives. As family enterprises grow and mature, so too do their practices—including around succession planning.

Additionally, succession planning in family enterprises involves an emotional aspect that isn't present in non-family enterprises, and which adds a significant level of complication to the process. This isn't simply about one executive stepping down and another stepping up; it's the continued leadership of a business that a family member established, of which generations of family feel a connection to (if not outright ownership of), and which is a physical manifestation of the family's history. Almost no non-family enterprises carry such emotional weight with their stockholders and stakeholders.

The chief human resources officer (CHRO) at one major family enterprise notes that succession planning in family businesses requires "even more emotional intelligence and patience to get right than in other scenarios," as decision-makers must balance business needs with family considerations.



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Our research identifies three critical gaps in the succession planning processes at most family enterprises:



- **Limited board involvement:**

Effective boards play a crucial role in succession planning by providing independent perspective and governance.

However, our data reveals a significant governance gap in family enterprises compared to public companies. Family enterprise leaders are less

likely to report active board involvement in succession, with only 43% indicating such involvement, compared to 56% at public companies. While this gap can be partially explained by the fact that not all family enterprises have boards of directors, we can't ignore the fact that [currently-serving board directors of family enterprises are less likely than their public company director peers to have engaged in CEO succession planning in the past 12 months \(62% vs. 73%\), and only 22% of family enterprise board directors agree they have a robust, comprehensive CEO succession plan \(vs. 50% at public companies\)](#). This governance gap on existing family enterprise boards represents a missed opportunity to benefit from independent perspectives during critical leadership transitions. Even in situations where the family enterprise does not have an independent board, the company could create a stand-alone group to advise on CEO succession to ensure outside perspectives are brought into the process.

- **Limited resources for succession candidates:** Successful transitions depend not only on selecting the right candidates but also on properly preparing them for their future roles. Our research shows that family enterprises are significantly less likely than public companies to provide crucial development resources. Only 34% of family enterprises provide development plans for succession candidates, compared to 61% of

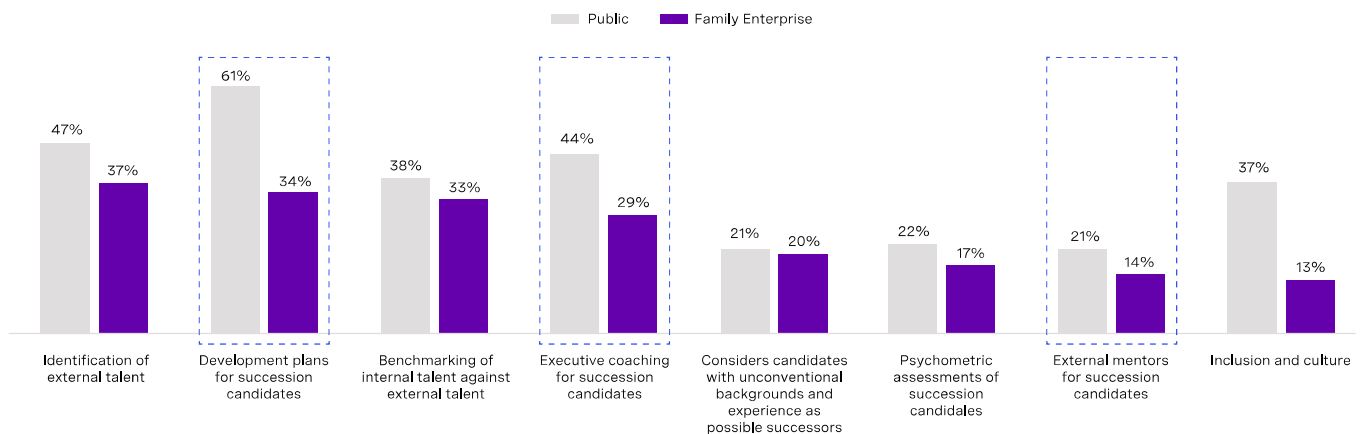


areas of need and importance for their current company, and developing these leaders creates optionality for the owners when the time comes to pick a new leader.



**Figure 2: Succession planning practices: Public companies vs family enterprises**

To the best of your knowledge, which, if any, of the following does your organization routinely include as part of its succession process? (% selecting yes)



Source: RRA Global Leadership Monitor H1 2024, n=718 Public Organizations & n=262 Family Enterprise, Among CEOs, C-suite leaders, and non-executive board directors

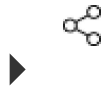
- **Lower overall satisfaction with succession processes:**

Perhaps unsurprisingly, given the gaps identified above, leaders who have participated in succession processes at family enterprises report lower satisfaction levels. Only



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These gaps collectively create significant risks for family enterprises, including potential misalignment between generations, weakness in the leadership pipeline, and ultimately, threats to business continuity and success.



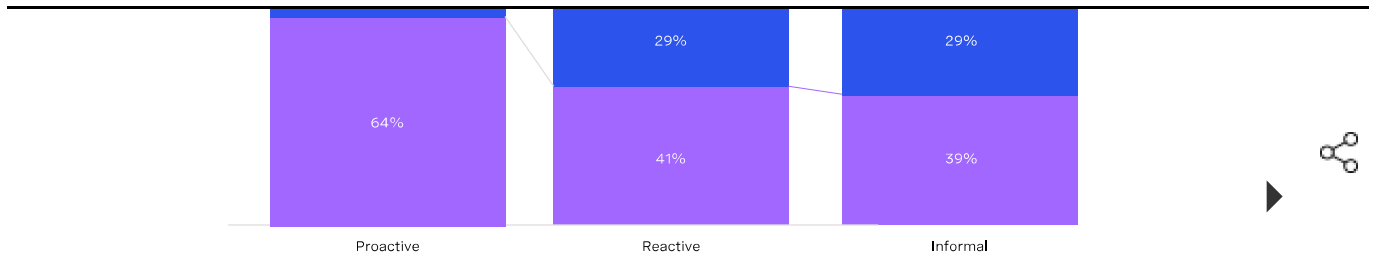
## The benefits to family enterprises who proactively plan succession

A [recent McKinsey study](#) of high-performing family enterprises identified a relentless focus on talent as one of the five strategic actions that drive value creation. It's not surprising then that our research shows that family enterprises with proactive succession plans report significantly better outcomes across multiple dimensions:

- **Enhanced organizational performance:** Family enterprises with proactive succession plans report better organizational performance, with 64% of leaders at these organizations rating their performance as excellent or very good. This stands in stark contrast to those with reactive (41%) or informal (39%) succession approaches (Figure 3).

### Figure 3: Overall organization performance X Succession process maturity

Considering the macro context in which your organization operates, how would you rate the overall performance of your organization?



Source: RRA Global Leadership Monitor H1 2024, n=257 Family Enterprise CEOs, C-suite leaders, and non-executive board directors

- **New skills and perspectives:** Leaders at family enterprises with proactive succession planning are more likely to report positive outcomes from their leadership transitions. An overwhelming 89% of leaders at organizations with proactive succession planning report that their leadership transitions have added new skills to the leadership team, compared to just 59% at organizations with informal processes (Figure 4). Similarly, 87% report gaining new perspectives (versus 62% at organizations with informal processes), and 79% indicate their succession planning is clearly aligned with long-term business strategy (versus only 38% at organizations with informal approaches).

**Figure 4: Results of recent senior leadership placements X Succession process maturity**

To what extent do you agree or disagree with the following statements? Recent senior leader placements resulted in... (% strongly agree or agree)



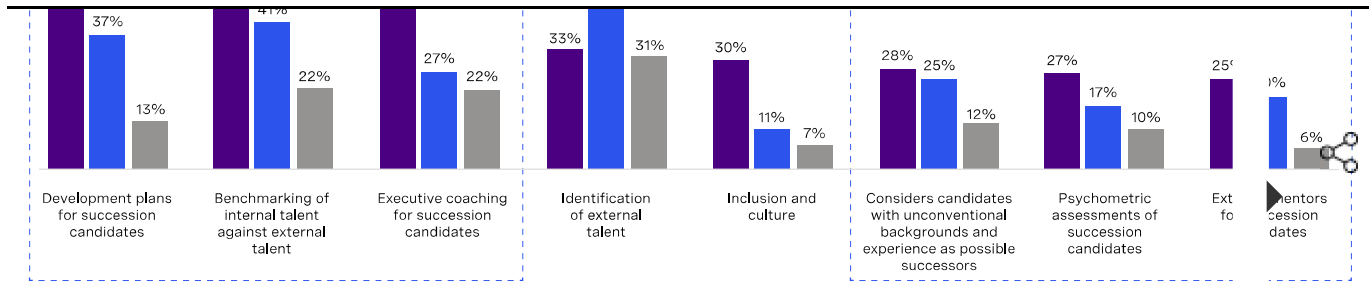


Source: RRA Global Leadership Monitor H1 2024, n=257 Family Enterprise CEOs, C-suite leaders, and non-executive board directors

- **Comprehensive support initiatives:** Family enterprises with proactive succession processes are much more likely to implement supportive practices. Nearly three-quarters (73%) provide development plans for succession candidates, and 45% benchmark internal against external talent to ensure they're selecting the best possible leaders (Figure 5). Executive coaching is also prevalent, offered by 44% of family enterprises with proactive succession planning. Furthermore, 28% consider candidates with unconventional backgrounds, 27% use psychometric assessments to evaluate candidates, and 25% arrange external mentors to support successor development—all key practices for comprehensive executive support.

### Figure 5: Succession planning practices X Succession process maturity

To the best of your knowledge, which, if any, of the following does your organization routinely include as part of its succession process? (% selecting yes)



Source: RRA Global Leadership Monitor H1 2024, n=254 Family Enterprise CEOs, C-suite leaders, and non-executive board directors

These data points demonstrate the clear link between proactive succession planning and positive organizational outcomes. Investing in robust succession processes isn't just good governance—it's good business.

## Four steps toward proactive family enterprise succession planning

Based on our research and experience advising family enterprises through leadership transitions, we recommend the following steps to strengthen your succession planning process:

- 1. Formalize your succession planning process:** Developing a written succession plan with clearly defined timelines, responsibilities, and decision-making processes provides the foundation for effective transitions. Establish objective criteria for evaluating potential succession candidates to reduce the influence of subjective or emotional factors. If the company has a board, consider creating a succession committee that includes directors, current leadership, and potentially key family stakeholders to oversee the process. For companies without boards, consider establishing an external advisory team to bring in perspective and expertise. Ensure you review and update any



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potential succession candidates is a crucial step in preparing them for future leadership roles. These plans should be complemented by executive coaching to help candidates build the specific skills they'll need as they advance. Establishing formal mentoring programs, including external mentors who can provide independent perspectives, further supports successor development. Finally, offer stretch assignments and rotational opportunities to build broad business understanding and expose candidates to different aspects of the organization.

3. **Leverage the CHRO as a strategic partner:** Position your CHRO as an unbiased talent expert who can help manage the emotional aspects of succession, particularly in family enterprises where personal relationships may complicate decision-making. Engage HR in creating robust assessment processes for evaluating succession candidates based on skills, experience, and potential. Work with HR to develop comprehensive development programs for future leaders that address both technical and leadership capabilities. Finally, leverage the CHRO's expertise in change management to facilitate smooth transitions when new leaders assume their roles. If you don't believe your current CHRO is prepared to take on this role, seek out external talent advisors who can advise specifically on succession to complement your existing team.
4. **Address family dynamics directly:** Creating forums for open discussion about succession expectations among family members can help prevent misunderstandings and conflicts. Consider using a family council or similar structure to separate family decisions from business decisions, providing clarity about the distinct roles and responsibilities in each domain. Develop clear policies regarding the roles family members can play in the business, including qualifications for leadership positions. For particularly sensitive discussions, consider engaging external facilitators to help navigate potentially emotional conversations about succession and legacy.



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and secure its legacy for generations to come.



## Authors

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