Founder Exiting the Business? Here Are 5 Tips for a Smooth Transition.

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Just about every founder believes he or she will be able to keep growing his or her business well into the future. But the reality is, bringing a startup to stabilized growth takes a certain set of skills while moving into larger expansion and development takes another. Most founders reach a point where they plateau and simply can’t grow the business any further. This isn’t because they’re poor leaders. It’s just because, as the saying goes, “What got you here won’t get you there.”

Not only is making the decision to let go and bring in someone new to lead one of the biggest decisions a founder can make, but the transition itself can also be tough for two main reasons.

First, founders usually put an incredible amount of personal risk and sacrifice into their companies over many years. They don’t want to lose what they’ve built. Second, a change of the guard can disrupt the culture of the company. Most founders have a strong personality, and the way they control the flow of data and who does what is a major driver of the business. When they unplug, the business loses its North Star, which creates risk and uncertainty. Investors can become wary and perceive the business as less stable and riskier to support. It takes time for new management to replace that sense of direction and safety.

Despite these hurdles, businesses can use these five best

practices to move forward without too much interruption.

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1. Be crystal clear on the objective and timing

Make sure everyone knows the answers to a couple of important questions. What are the benefits the company will get from new management? What will the company be able to do with someone different at the helm?

Once leaders within the business can pinpoint a vision with all the positive advantages and lay this out clearly for their team, they should be able to identify exactly when the handoff will happen. Look for a period that will provide the fewest disruptions. A concrete date on the calendar will allow both individuals and teams to prepare mentally and logistically before the change happens.

2. Set clear expectations for the founder's role

Founders may choose to have no involvement at all with their business after the transition, or they can opt to maintain connections by putting on a different hat. For example, they can have a seat on the board, stay on in a specific capacity like heading the product department or continue to consult.

If they choose to be involved, then they and the teams they support will need to understand the specific role they hold and the authority they do or do not have. With those boundaries in place, it can be easier for the founder to start practicing new responsibilities and for workers to start expecting a different type of support from them.

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3. Gain agreement and commitment from the founder about the plan

Most founders like having control. They get used to being in charge and not being challenged. As such, they can become married to the way the company is run and resist the transition. Solidifying buy-in and a unified front between the old faction and the new makes for a smoother transition and provides reassurance to workers and investors.

It goes without saying that the company board should get the founder and new leadership on the same page as quickly as possible so there are no mixed messages or conflicts. There should be consistent check-ins to ensure the founder and new CEO both understand that working together against any negativity, undermining or disruption is the best path forward. As the founder and new CEO work out disagreements, make sure not to let any issues be known to the company or market, as this can undermine the new CEO’s plans and objectives.

4. Communicate the plan both internally and externally

Many customers and teams love their founders. This can cause some resistance and negative sentiment regardless of what the new management is like or what their qualifications are.

Good internal and external communication can break down any ill will by setting clear expectations and showing that the transition plan has been well thought through. It also reduces the odds that those overseeing the transition will undermine the CEO by being inconsistent or not being transparent.

5. Aim for no overlap

Lengthy overlaps between the founder and the new leader can create confusion about who is really in charge. To mitigate this, the founder, new CEO and company board should collaborate to make the handoff of responsibilities as efficient as possible. Ideally, there should be no overlap at all.

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These best practices work. In a recent acquisition, a founder and his wife had funded their business from credit cards while their children were young. You can imagine the fear and personal sacrifice that comes with putting your family in that situation. Several of their kids worked within the business too, which created really strong ties to the company. So, the founder and his wife were very selective about whom they sold to and made sure the sale of the company wouldn't result in sunsetting their product.

They put mechanisms in place to ensure employees would be appreciated and the work environment they'd created would continue, but the key here is they resisted the urge to re-engage. Because they took those precautions and left immediately, we were able to build relationships with their team and move forward in a positive way. Ultimately, the transition went really smoothly.

Even though bringing in new leadership isn't easy, it can absolutely be the right move. With these guidelines to keep you on track, the shift from one to the other can be one of the most powerful things you do to energize your company and jumpstart its next chapter of success.

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