



Preparing the *table*

Laying the groundwork for a smooth succession process

Part 1 of the series, *Setting the table: Succession planning strategies for family business legacies*

For businesses focused on success and longevity, a crucial question should be addressed: *Who will lead next?*

Business today seems more complicated than ever, with geopolitical uncertainty, changing talent models, evolving market preferences, and the transformative power of technologies like artificial intelligence (AI) all competing for attention. This creates a “succession paradox” particularly for family businesses that fundamentally understand that succession planning is essential, but the sheer pace and intensity of business push it down the to-do list as the urgent crowds out the important.

Proper succession planning can support leadership continuity, reinforce organizational culture and the family’s values and vision, and help minimize potential disruptions. However, without a clear, well-defined plan, family conflicts and uncertainty can arise, threatening the business’s stability, the alignment between family and business strategy, and its overall legacy.

While leaders might understand the importance of succession from an intellectual and organizational standpoint, it remains a difficult and deeply personal topic. It demands trust, self-awareness, and the courage to let go—no small feat for those who have dedicated themselves to building and leading an organization. Those lacking in these areas may consider themselves invaluable and, like an athlete in the twilight of their career, believe they are capable of one more all-star season.

As Wendy Diamond, a partner at Deloitte Tax LLP, observes:

“An important theme to address is the inability or unwillingness of the current generation to relinquish control to somebody else. Leaders that embrace a ‘stewardship mentality’—one where they consider themselves caretakers of the organization for a period, with the aim of improving it and leaving it better for the next generation—may be more successful in getting the topic of succession to its rightful place on the to-do list.”

Setting the table: Succession planning strategies for family business legacies is a three-part series that offers insight into the nuances of family business succession planning—providing a roadmap for those looking to formalize their process from beginning to end. Part 1 of the series explores the timing of a CEO succession process; the role of the board of directors; gateway considerations; family dynamics; and the importance of trust, culture, and risk management.

Continuity or *chaos*?

Our survey of 300 family business executives highlights a striking gap between belief and action in succession planning. We found that while an overwhelming majority (**85%**) agree that succession planning is important for long-term success, only **57%** of respondents have a CEO succession plan in place, and only **23%** have a plan that is actively being implemented. This disconnect is reinforced by the fact that **30%** of respondents admit their succession planning is “behind schedule.”

Given myriad demands placed on the CEO, it might not be surprising that for those who are behind in their succession journey, **62%** responded that it was “not viewed as a critical business priority at the moment.” From a risk management perspective, this view may be short-sighted. Should something unfortunate force the incumbent CEO to step down prematurely, the absence of a succession plan could create a crisis and substantial risk for the business.

Effective succession planning is not only about preparing to replace a CEO, but also about considering who that successor might be, such as a family member or an external executive. The nuances between shareholder-CEOs (often family members) and outside professional managers can have significant implications, including potential tax or liquidity considerations for shareholder-CEOs. “I think organizations could place more focus on succession by thinking of it as an insurance policy,” says Wendy Diamond. While they hope and expect never to have to deal with an emergency succession, being prepared for it can mitigate operational risks. And for businesses where ownership and leadership overlap, including family businesses, a plan can also help ensure there are resources in place to address succession-related financial considerations, such as liquidity for potential tax obligations.

Among survey respondents, **78%** anticipate a CEO transition within the next 10 years; notably, **42%** expect this change within just three to five years. Because identifying and preparing successors, building stakeholder trust, and executing a smooth transition can take several years, organizations that do not prioritize and invest in this process risk being unprepared when change inevitably comes.



Boards and councils: *Catalysts for effective succession*

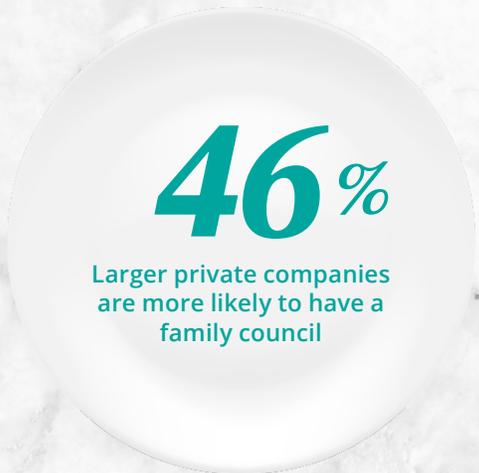
A well-structured board of directors is a powerful asset for any organization, providing independent oversight, impartial guidance, and strategic perspective—qualities that are especially critical in family enterprises where business and family dynamics often intertwine. The board brings in outside perspectives on what's needed in a CEO successor, broadening the discussion beyond what the family alone might consider. As an independent forum, the board can help address potential family issues, offering clear and unbiased feedback about the suitability of next-generation leaders. This not only supports the organization's future but may also help maintain family harmony.

Overseeing succession is a central responsibility of any well-functioning board. In our survey, **76%** of companies with revenues between \$100 million and \$500 million had a board of directors, a figure that rises to **96%** among organizations with more than \$500 million in revenue. Larger private companies are also more likely to have a family council—**46%**, compared to **29%** for smaller organizations. These structures demonstrate how formal governance enables organizations to balance business needs with family interests, especially as companies grow. There's opportunity for smaller, growth-oriented family businesses to enhance oversight and inclusivity by establishing boards and family councils.

When these governance bodies are in place, CEO succession is often a more regular topic of discussion—**49%** of boards and **50%** of family councils say it appears on the agenda at least once annually. While there's no "correct" frequency for these conversations, it's important for boards and families to treat succession planning as a high-priority, ongoing effort, tailored to where the organization is in its succession journey.

Maureen Bujno, managing director at the Center for Board Effectiveness at Deloitte & Touche LLP, notes,

"Risk intelligence is central to effective governance, with risk and culture at the core of Deloitte's Governance Framework.¹ By combining thoughtful oversight with an understanding of the organization's unique culture and risks, boards can help safeguard continuity and stability through each leadership transition."



46%

Larger private companies are more likely to have a family council



29%

A minority of smaller companies have a family council

Gateway considerations: *Deciding the path forward in succession*

Path 1: Family successor

A pivotal—and often challenging—step in succession planning is determining whether the next CEO must be a family member. This choice can be a watershed moment, with far-reaching impacts and inherent complexity. If the family and/or current CEO is committed to continued family leadership, several key questions may arise:

- Why is it important that a family member be in the CEO role?
- If a next-generation leader has been identified, are they ready for the role? Do they have the skills and experience needed to take the organization into the future?
- Could other family dynamics complicate the decision, especially if multiple members/owners favor different candidates?

Path 2: Non-family successor

If the board and current leadership believe the next leader should come from outside the family (i.e., professional management), a different set of issues may arise:

- Will an external leader's vision align with the values and vision of the family?
- Are they committed to sustaining the organization's brand, legacy, and community impact?
- Do they understand family strategy, family dynamics, and the potential challenges of balancing the need for capital spending versus dividends for the shareholders?

61%

Say at least one family member is interested in the CEO role

23%

Believe the identified family successor is ready for the role today



Part 1: Preparing the table

Family strategy adds a layer of complexity to an enterprise. Along with considering the operations and relevance of the business, it considers family goals, harmony, wealth creation and management, roles and responsibilities, careers, communication, education, family values, legacy, and philanthropy. Laura Pearson, Deloitte Private US Family Enterprise leader and partner at Deloitte Tax LLP, notes that “any leader, whether they be from the family or an outside manager, needs to ensure both dimensions of strategy—family and business—are addressed for the overall success of the family business.”

Notably, turning to external leadership is not without barriers. Among the family enterprises surveyed, **55%** report difficulty in recruiting outside executives, with family dynamics and influence cited as the top challenge (**61%**).

Based on our survey results, it appears that the preference for the next CEO shifts as companies grow. Companies with less than \$500 million in revenue are evenly split between favoring a family member (**47%**) and a professional manager (**46%**). For companies with more than \$1 billion, a strong majority (**63%**) believe the most likely successor is a professional manager, compared to just **32%** who expect a family member to take over.

Once family businesses have crossed the chasm to professional management, there appears to be a recognition of the value delivered, with **75%** of non-family-led private businesses planning for future CEOs to be professional managers (non-family CEOs). Acknowledging the value of tacit knowledge and understanding the culture of an organization, **54%** of respondents believe these would be internal promotions.

It's important to realize that there is even more complexity to the succession process than choosing between internal (family) and external (professional management) candidates. Market dynamics today, including the great wealth transfer as the current generation prepares to step down, are leading organizations to consider other options as well.

According to a recent Deloitte Private Global Family Business Insights survey, multiple ownership and financial options are being considered across the globe, including:



26%

Targeting outside investment or private equity



19%

Increasing non-family management's ownership



12%

Going public



3%

Selling the business outright

Trust: *The cornerstone of successful succession*

As companies evaluate their options and implications regarding succession, one factor emerges as critical to success in any scenario: trust. Multiple dimensions of trust—such as family trust, leadership trust, stakeholder trust, and employee trust—should be carefully considered throughout the succession process.

Family owners

Family owners need to trust that the incoming CEO understands, and is genuinely committed to, the family's long-term vision. This requires transparent communication, shared goals, and clear articulation of how the new leader will honor core values while guiding future growth.

Stakeholders

External stakeholders and partners need to trust that, despite a change in leadership, the company's foundational values and business principles endure. This reassurance enables continued support while allowing room for evolution in strategy.



Leadership team

Executives need confidence in the new CEO's vision as well as their own roles within the company. Organizations should foster open dialogue and work to understand the CEO's decision-making style—eliminating ambiguity and aligning expectations. For example, clarifying intent when the CEO defers a decision helps prevent misinterpretation and maintains trust.

Employees

Strong succession planning offers employees stability and clarity about the business's direction. This can strengthen morale, enhance workplace confidence, and deepen engagement during a period of change.

Conclusion

The common denominator in building trust among these groups is time. That's why the concept of a "long road to succession" can be valuable. Providing as much visibility as possible to family members, other executives, stakeholders, and employees is key in building trust, support, and loyalty. It also works to reinforce the culture of the enterprise.

Laura Pearson adds,

"When you have the right level of alignment and trust, it enhances culture. And culture, driven by the mission and vision and values of an organization, can become a true differentiator."

As the succession journey continues for family enterprises, elevating its importance can help guide the path forward, even when challenges arise. While navigating this process isn't always easy, we hope the insights shared here will smooth the way. In our next installment, we'll focus on preparing family members for leadership—covering development plans, stakeholder expectations, hands-on experience, and the vital importance of mentorship and education.

Questions for consideration

- Are we allocating sufficient and regular time on the board's agenda for short-term (emergency) and long-term (planned) succession planning?
- Do we understand family strategy, and is it aligned with the strategy of the business?
- How important is it to have a family member as CEO and, if we choose to go outside for talent, do we have a compelling story, strategy, and framework to attract the right candidate?
- What skills and leadership qualities will the next CEO need to have to succeed, given our strategy, risks, and market realities?

Endnotes

1. Deloitte Private, Family business insights series: Defining the family business landscape, 2025.
2. Deloitte's Center for Board Effectiveness, Deloitte Governance Framework: Framing the future of corporate governance, 2024.



About the survey

A survey of 300 executives from family businesses with knowledge of CEO succession planning was conducted online by an independent research firm in September 2025. Respondents included C-level executives, board members, and partners/owners of family-owned companies across the United States, each with annual revenues ranging from US\$100 million to more than US\$1 billion.

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