

What the Show *Succession* Teaches Us About Planning for a Family Business

Corporate News: A Legal Update

By Eric Fogel on September 7, 2023

"I love you, but you are not serious people." This is the curse that Logan Roy, the founder and business titan of Waystar RoyCo, intones to his three stunned children during a poignant family moment. The three siblings (Kendall, Siobhan and Roman) vie for control of Dad's media empire, and are monsters to each other. Yet, despite the hyperboles and cartoonish nature of the characters, the show reveals essential truths about succession planning for family businesses.

According to the U.S. Bureau of the Census, about ninety percent of businesses in the country are family-owned or controlled. These businesses produce more than half of the jobs and more than half of the gross national product. Yet, when it comes to succession planning, many of these businesses falter, sometimes with tragic consequences.

There are many reasons for this. Mom or Dad do not have the gumption or nerve to identify a clear successor to avoid upset. Perhaps Mom or Dad think they will live forever, or believe the family employees are inept, undereducated, or have not "earned it." Into this mix are parent-child rivalries, sibling rivalries, unresolved childhood tensions, and family versus outsider rivalries.

This is all to say that there is a high degree of irrationality that goes into succession decision-making. Case in point: the final episode of *Succession*. The Board of the company, Waystar RoyCo, meets to vote on a change-in-control transaction to a Swedish competitor, GoJo, that is run by Lukas Mattson. The stakes are sky high as this vote will determine whether the business stays within the family, or is lost forever. The vote is tied at six-to-six, with the tiebreaker going to Siobhan Roy, the sister. (Spoiler Alert: Do not read if you plan to watch.)

Siobhan is furious at Mattson because he promised her that she would become the President of the U.S. Operations. Mattson double-crosses her by revoking the prize, and instead offers it to her estranged husband, Tom Wambsgans.

Yet, at the moment of truth, when her family dynasty is on the line and it's all down to her, Siobhan races out of the Board room, as the vapors of intra-family rivalries course through her. She tells her eldest brother, Kendall, that she will not vote for him and that he would not be good for the company. Kendall begs

her to vote his way, even citing primogeniture. But Siobhan votes in favor of her betrayer, Mattson. Why? She would rather give away the family business to a stranger than to a brother that she loathes, for spite's sake, even if it affects her status and standing in the world. Irrational? Perhaps in the long run, but emotionally satisfying to Siobhan in the present.

This is how it frequently goes in family business succession squabbles. Sometimes siblings are torn apart and the battle erupts into ruinous litigation for them and the business. Sometimes even spouses get divorced over it. There are very few business courses taught on family succession planning. There is no "how to" manual. Succession planning involves the two strongest forces in the world, familial love and hate, at the intersection of the best interests of the business.

Shakespeare's greatest play, *King Lear*, is devoted exclusively to a family succession plan gone haywire. At the play's outset, the King, who has incipient dementia, demands that his three daughters publicly demonstrate their love for him to secure their inheritance. The two eldest daughters participate in the charade, while the youngest and most credit-worthy declines (perhaps Shakespeare's own swipe at primogeniture). The youngest is disinherited and banished, and the two elder sisters are at each other's throats for power and dominance. In the balance, Lear is disrespected by the two daughters who inherited Lear's kingdom and goes mad ("How sharper than a serpent's tooth it is to have a thankless child"). Lear eventually comes to realize that his youngest daughter was the only truly devoted and loving daughter but it is too late, as virtually everyone of substance in the play is dead and the kingdom is in disarray.

So too in the business world. The best succession plan I ever saw was made by a father who had two businesses. He had two sons and gave them each his own business, and each made his business a much bigger success. If this is not your situation, and you cannot for other reasons articulate your plans, then I urge you to write a clear and well thought out succession plan in a letter and put it in your safe. Tell your family and confidants that if you die or become disabled, then all are to follow the succession directions in the letter. In the end, your family will continue to love you, your legacy will be secure, and all those who work with your insufferable family will give thanks for your foresight.

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