



CM ADVOCATES LLP



## CAN YOUR FAMILY BUSINESS SURVIVE WITHOUT THE FOUNDER?

**M**any family businesses are built around a remarkable founder. The founder knows the customers, approves major expenditures, resolves disputes, negotiates key contracts and often has the final say on virtually every business decision. This hands-on approach is often the reason the business succeeds in its early years. However, it can also become the business's greatest vulnerability.

A question every family business owner should ask is: ***If I stepped away from the business tomorrow, would it continue to operate successfully?*** If the answer is uncertain, the business may be overly dependent on the founder rather than the systems and structures needed for long term sustainability.

Becoming an institution is not something that happens automatically as a business grows. It requires deliberate planning and the establishment of structures that create accountability, preserve institutional knowledge and provide continuity across generations. Some of the most important of these structures are discussed below.

### **A) GOVERNANCE STRUCTURES**

As businesses grow, decision making can no longer remain concentrated in one individual. One of the most

important steps in building an institution led business is establishing effective governance structures. This may include a board of directors, an advisory board or management committees that provide oversight and strategic direction.

Governance structures help ensure that major decisions are made through a structured process rather than personal discretion. They also provide accountability, independent perspectives and continuity during leadership transitions. Most importantly, governance ensures that the success of the business does not depend entirely on the founder.

### **B) A CLEAR SUCCESSION PLAN**

Many family businesses delay succession planning because discussions about leadership transitions can be uncomfortable. However, succession planning is not about replacing the founder but about preparing the business for continuity.

A succession plan should identify future leaders, outline transition timelines, define leadership development pathways and establish contingency plans in the event of unexpected circumstances. The strongest businesses are those that develop leaders long before they need them.



### C) FAMILY CONSTITUTION

As families expand, differing views on ownership, management, dividends and future direction often emerge. A family constitution can help address these issues by documenting the family's vision, values, governance principles and expectations regarding participation in the business.

A family constitution provides a framework for decision making and helps align family members around a common purpose. It also helps establish clear processes for handling family related matters and business related decisions, ensuring that each is addressed through the appropriate channels.

### D) SHAREHOLDERS' AGREEMENT

Ownership disputes are among the most common causes of conflict in family businesses. A well drafted shareholders' agreement provides clarity on key issues such as voting rights, transfer and transmission of shares, dividend policies, exit mechanisms and dispute resolution procedures.

By establishing clear rules in advance, businesses can reduce uncertainty and minimize the risk of disagreements escalating into disputes that affect operations. A shareholders' agreement serves as a critical safeguard for preserving both family relationships and business stability.

### E) PROFESSIONAL MANAGEMENT STRUCTURES

Many founder led businesses rely heavily on informal processes, personal relationships and the founder's direct involvement in day-to-day operations. While this approach may work in the early stages, it often becomes difficult to sustain as the business grows and becomes more complex. Institution led businesses, on the other hand, invest in professional management structures that allow the business to operate efficiently regardless of who is in charge.

This begins with clearly defined roles, reporting lines, performance expectations and decision making authority. Employees should understand who is responsible for what, how decisions are made and who is accountable for outcomes. By reducing reliance on informal arrangements, the business becomes more resilient, scalable and better equipped to navigate leadership transitions.

For family businesses, professional management also requires establishing a clear **family employment policy**. One of the most common sources of tension in

family enterprises is uncertainty around the involvement of family members. A family employment policy can set objective criteria for joining the business, promotions, compensation and performance evaluation. This helps ensure that positions are filled based on merit and competence rather than family relationships.

Family businesses should also recognize the value of engaging trusted professional advisors. As the business grows, relying solely on the founder's experience and judgment may no longer be sufficient. Professionals such as accountants, company secretaries, lawyers and business advisors can provide specialized expertise, independent perspectives and strategic guidance that strengthen decision making and support long term growth.

### F) DOCUMENTED POLICIES AND PROCEDURES

One of the risks in many founder led businesses is that critical information and experience are concentrated in a single individual. Key customer relationships, supplier arrangements, operational procedures and strategic decision making processes are often based on personal knowledge rather than documented systems. While this may work when the founder is actively involved, it can create significant challenges during a leadership transition.

Institution led businesses reduce this risk by documenting key policies, procedures, workflows and operational practices. By capturing institutional knowledge and embedding it within the organization, the business is able to maintain consistency and ensure continuity even when key individuals leave or retire. A business that documents and puts proper systems in its operations is less reliant on any one person and is better positioned to adapt, grow and thrive over the long term

### G) ESTATE PLANNING STRUCTURES

For many family businesses, succession is not only about who will manage the business, but also who will own it. Without proper planning, the transfer of ownership can create uncertainty and disputes among family members, and even threaten the long term viability of the business. Family trusts, wills and other estate planning structures can help ensure that ownership transitions occur in a clear and orderly manner that is consistent with the founder's wishes.

These structures provide certainty by setting out who will inherit ownership interests, how ownership rights will be exercised and how important decisions affecting



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the business will be made. Effective estate planning helps preserve the business for future generations by protecting key assets, maintaining continuity of ownership and reducing the risk of disputes. By addressing ownership and succession issues early, families can help ensure that the business remains a lasting source of value.

## CONCLUSION

The true test of a successful family business is not whether it thrives under the founder's leadership. It is whether it can continue to thrive after the founder

steps aside. Creating an institution led business requires deliberate effort. It involves putting governance structures in place documenting processes and creating frameworks that support continuity.

While these steps may seem unnecessary when the founder remains actively involved, they are often the difference between a business that survives one generation and a business that endures for many. Ultimately, the goal is not to reduce the founder's importance, it is to ensure that the founder's vision, values and legacy continue to guide the business long after they are no longer at the helm.

## ABOUT US

The Family Business Services Practice Group at CM Advocates LLP is dedicated to supporting individuals and families in putting in place clear, practical and effective governance and estate planning structures. Our services include:

- a) **Family Governance & Constitutions:** Family councils, advisory boards and charters tailored for multinational operations.
- b) **Succession & Leadership Planning:** Transparent leadership transitions, next-generation coaching and succession planning across borders.
- c) **Decision-Making & Conflict Management:** Consensus protocols, mediation, shareholder agreements and international dispute resolution.
- d) **Corporate Structuring:** Family holding companies, trusts and corporate structures aligned with global compliance and business growth.

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