

The Authority Gap After Succession

WHEN THE PLAN IS COMPLETE BUT THE TRANSITION IS NOT

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EXECUTIVE SUMMARY

Succession planning can transfer ownership, title and formal decision rights without changing how a family business makes decisions. A successor may be capable of leading while employees, advisors or the outgoing generation continue to orient around the predecessor. The structural transition is complete, but the operating transition remains unfinished. This authority gap can slow consequential decisions, weaken the successor's credibility and leave the enterprise dependent on a leader who has formally stepped aside.

This article gives advisors a way to distinguish the successor's capability from the organization's recognition of that successor's authority. It describes the four conditions created by those two variables, four signs that authority has not transferred in practice and four ways advisors can help. The distinction matters because training will not correct a predecessor's continued control of key decisions, while broader decision rights will not correct a capability gap.

The Title Transferred Before the Authority Did

The following anonymized case illustrates a succession in which formal authority transferred before the organization recognized it in practice. Identifying details have been changed to protect confidentiality.

A second-generation CEO had been named by his father to lead the family business. The documentation was complete, and the announcement had been made. By every structural measure, the transition was done.

Yet day to day his father still attended every major meeting. The executive team, which he had not chosen, remained in place.

Their deference had never transferred to him, and some executives were openly disrespectful. He wanted to modernize the business but held back in rooms where he had full standing to lead. Instead, he ran a small initiative on a modest budget outside the company's core operations while the business continued largely as before.

The structural handoff was complete; the operating handoff was not. He held the CEO title and its decision rights, yet the company's decision patterns continued to place final authority with his father.

Early in our engagement, I asked how he understood and exercised his authority. The pattern became clear: he still approached leadership primarily as his father's son, while the organization required him to act as its CEO.

The authority gap is the distance between formal authority and authority recognized in daily operations. For an ultra-high-net-worth family whose operating company carries financial capital, reputation, employment relationships and legacy, that gap is not merely a management problem. It can weaken enterprise continuity and the family's capacity to steward wealth across generations.[1]

This engagement involved a son succeeding his father. The pattern does not sort by gender. I see it with daughters, with mothers in the outgoing seat and in every combination of successor and predecessor.

What the Authority Gap Is

The authority gap appears when a successor holds the title but authority has not fully shifted in practice. Family-business research has long treated succession as a process of mutual role adjustment rather than a single transfer event. Its quality depends on the incumbent, successor, family and organization changing together.[2] The gap exists both in the successor's view of themselves and in the way the company responds to them.

A successor may know the business deeply and still have had little formal leadership development. Research on successor identity and post-succession innovation shows why capability alone is not enough: legitimacy is constructed through relationships, while continued incumbent involvement can constrain the successor's discretion, visibility, independent identity and ability to change the business.[3]

The gap between holding the title and exercising its authority is where technically sound successions become vulnerable. It becomes visible when the successor must make a consequential decision, hold a boundary, manage out an inherited hire or address a conflict with a parent directly.

This is not necessarily a failure story. I often see the gap during a successor's first year. Once advisors recognize and name it, the family and company have something specific to address.

A two-axis diagnostic. Before recommending action, assess two questions separately:

Can the successor make and implement the decisions required by the role? This is the capability axis: competence and readiness.

Do the predecessor, family, executives and employees recognize the successor as the decision-maker? This is the recognition axis: legitimacy and authority in practice.

TOGETHER, THE AXES PRODUCE FOUR CONDITIONS:

Capable and recognized. Formal and recognized authority are aligned. The successor decides, and the organization follows the new decision structure.

Capable but not recognized. This is the authority gap: the successor can lead, but consequential decisions continue to flow elsewhere. The response should focus on decision rights, boundaries and legitimacy rather than basic skill development.

Not yet capable but recognized. This is an exposure risk: formal authority exceeds current readiness. Pair defined decision rights with development, safeguards and staged responsibility.

Not yet capable and not recognized. This is a premature transition: neither the person nor the system is ready for the handoff. Revisit readiness, role design, sequence and timing.

The distinction matters because the same visible behavior can come from different conditions. Training will not correct a predecessor's continued control of key decisions, and broader decision rights will not correct a capability gap. The diagnostic connects four of the UHNW Institute's Ten Domains of Family Wealth™: Leadership and Transition Planning; Governance and Decision-Making; Learning, Development and the Rising Generation; and Family-Advisory Relationships.

Why Family-Business Succession Creates This Gap

After ownership, governance, estate and tax work are complete, the family may return eighteen months later with an issue that resists easy diagnosis. The structure holds, the trusts are funded and the shares have moved, yet the business is drifting. The successor or predecessor may identify the issue, or advisors may need to interview people in key working relationships and observe how consequential decisions are made and escalated.

An external CEO also faces challenges of context, culture and relationships. The family successor faces those same demands after a lifetime of identity formation inside the organization they are now expected to lead.

For fifteen or twenty years, sometimes more, next-generation CEOs have learned who they are in relation to the people around them. The founder is not only the former CEO. That person is also a parent. The long-tenured chief financial officer is not only a direct report. That person may remember the successor at fifteen. The head of operations was hired by the previous generation and spent two decades looking to that leader for direction.

Succession requires more than a change in responsibility. It requires everyone involved to revise the relationships through which decisions have historically moved. Careful ownership and governance planning can establish decision rights, reporting structures and successor input. It cannot, by itself, alter the relational patterns through which authority is exercised and recognized.[4]

Most advisory engagements are not designed to address this dimension directly. The ownership transfer, trust design, tax work and governance build require so much expertise and attention that the successor's relationship to authority can be left to resolve on its own.

The UHNW Institute's recent paper *The Person in the Plan* identifies a related individual layer: governance failures, hiring disputes and stalled transitions can originate in identity and emotional readiness rather than a weak technical plan.[5] The authority gap is one operating expression of that individual layer.

FOUR SIGNS TO LOOK FOR

The client above showed several patterns at once: the predecessor remained at the center of major decisions, the executive team had not reoriented and the successor's initiative stayed outside the company's core operating agenda. An advisor can assess similar situations by watching for four patterns.

Deference after the handover. The outgoing generation remains in decision processes it was expected to exit, often as a form of transition support. This usually is not the result of one person's conduct. The predecessor may be relinquishing a role central to their identity, while the successor still experiences that person as a parent whose judgment carries enormous weight. Employees continue to direct decisions to the person who has historically made them. Together, these behaviors preserve the prior authority structure even when nobody intends to undermine the handoff.

Conflict avoidance at the top. Decisions are made to preserve relationships rather than serve the business, most visibly in

personnel matters. Long-tenured executives are a specific version of this problem. Their loyalty formed under the previous CEO; they do not need to be openly resistant to constrain the transition. They may simply continue to orient toward the relationship that shaped them. Realignment takes time and sometimes does not occur. Replacing a legacy executive can feel like rejecting the predecessor's judgment, especially when that person is also a family friend or symbolic link to the company's history. Until the successor separates the business decision from the implied judgment of the predecessor, the personnel decision is easy to defer.

Replicating the predecessor's leadership pattern. The successor runs meetings as the parent did and preserves the same implicit agreements with vendors and employees. The inherited practices may be sound. The problem is that the successor has not examined or deliberately chosen them. When the first consequential test of authority arises, the leader has no articulated position on what they stand for and why.

Leading through a peripheral initiative. The successor pursues an initiative that reflects their own vision but keeps it at the edge of the business, with a small budget and limited visibility. The project may be valuable, yet it remains outside the company's core operating agenda. The arrangement temporarily serves both generations: the successor has room to build, the predecessor retains the core business and neither must resolve the authority question. It also postpones the succession.

What Changed for This CEO

The coaching did not begin with strategy or operations. It began with his identity as a leader.

He clarified the leader he intended to be as CEO. He articulated the values that would define his leadership, the organization he wanted to build and the scope of responsibility he was prepared to own. Those commitments were neither an imitation of his father nor a reaction against him.

He then acted before he felt ready. He spoke directly with his father and the executive team about what his authority meant in daily decisions, a conversation many successors defer for years.

After those conversations, he moved his initiative into the company's core operating agenda and assumed greater responsibility. He set explicit expectations for the executive team, scheduled one-on-ones and created enough operating visibility to see whether those expectations were being met. He also made personnel decisions that had been deferred for years.

The work followed a sequence: clarity, confidence and control. Clarity meant defining his leadership identity, principles and exclusive responsibilities. Confidence meant making and implementing decisions before certainty while building any capabilities or team support the role required. Control meant establishing consistent conduct and an operating system that made expectations and performance visible.

FOUR WAYS ADVISORS CAN HELP

Create private space to assess the authority gap. Is the successor exercising the CEO role, or defaulting to the family role that preceded it? Ask what they stand for that differs from the predecessor's approach. Ask what they want for the company over the next three to five years and what they want for themselves. Then ask what decision they would make differently if the predecessor were not involved. The answers, or the difficulty producing them, indicate how much of an independent leadership identity has formed.

Test for an identity gap before treating hesitation as incompetence. A successor may need leadership development, but hesitation alone does not prove that they lack courage, vision or readiness. They are navigating a genuinely difficult transition that may never have been named as a distinct stage. Treating every hesitation as a competency problem can confirm the successor's fear that they were never ready for the job. Ask instead what must change in daily decisions and relationships for the executive team, the predecessor and the successor to recognize where authority now resides.

Define the predecessor's role transition rather than assuming it. Work with the family to give the transition an explicit timeline. Specify which meetings the predecessor will stop attending, which decisions belong to the successor alone, how employees will be redirected when they bypass the new CEO, where the predecessor's counsel remains welcome, how it will be offered and when each change will occur. Many handovers specify ownership and title while leaving operating authority and the predecessor's next role undefined.

Move the successor beyond peripheral initiatives. A successor leading only a small initiative on a modest budget remains outside the decisions that shape the company and may tacitly accept that boundary. Identify opportunities for the successor to gain meaningful exposure and responsibility across the organization. When decision rights, support and accountability are clear, responsibility for the profit-and-loss statement, budget and personnel decisions allows the successor to establish credibility as leader of the whole business.

Succession Is Not Complete When the Title Changes

The field has built rigorous tools for nearly every dimension of succession: ownership transition, trust and estate design, governance, conflict resolution, competency readiness and next-generation education. Those tools are essential.

One final diagnostic question remains after the structural work is complete but the business still is not moving:

Has the successor internalized and begun exercising the authority of the role?

If not, are the predecessor, family and organizational structure supporting or constraining that shift?

The answer becomes visible in whom the executive team consults when a consequential decision arises, who maintains boundaries when generations disagree and whose strategy guides the company. None of these patterns appears on an organization chart.

An authority gap is evidence of a succession still in progress, not necessarily a failed one. Naming the gap gives the advisory team specific conditions to address: decision routes, role boundaries, leadership development and the successor's willingness to exercise the authority conferred by the formal structure.

Endnotes

1. Amelia Renkert-Thomas, On the Threshold: Planning for Family Business Ownership Succession (The UHNW Institute, 2024), https://o2bow9.infiniteuploads.cloud/2024/01/On-the-threshold-Planning-for-Family-Business-Ownership-Succession-Renkert-Thomas-2024.pdf; Miruna Radu-Lefebvre, James H. Davis, and William B. Gartner, 'Legacy in Family Business: A Systematic Literature Review and Future Research Agenda,' Family Business Review 37, no. 1 (2024): 18-59, https://doi.org/10.1177/08944865231224506.

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4. Amelia Renkert-Thomas, On the Threshold.

5. Perry Gladstone, Anna Nichols, Meredith Straight, and Bryn Monahan, The Person in the Plan: What Family Enterprise Advisors Need to Know About the Individual Layer (The UHNW Institute, 2026), https://o2bow9.infiniteuploads.cloud/2026/07/ThePersonInThePlan_TheUHNWInstitute_WP_071726-2.pdf.

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