THE FAMILY BUSINESS CONSULTING GROUP

Money and Meaning: Planning for the Next Generation

By David Lansky
The Family Business Consulting Group, Inc.

Brittany, freshly graduated with a Master's degree from an Ivy League university, arrived with great expectations at the Midwestern headquarters of her family's 80-year-old company. Her mother's family, a client of ours, owned and ran the company, which was the largest employer within a radius of 50 miles. The family was well known and respected in the community and their roots ran deep. Brittany came with a strong mission in mind: She was "going to help the company go green." Brittany's uncle, who was CEO, was more than excited to have Brittany join them: She was the future.

Within six weeks, Brittany was packing her bags and headed back to her East Coast home. She lost her job, alienated her uncles, and almost set off a family feud. What went wrong? Brittany's position in the company was well defined prior to her arrival—she was to assist with a recycling initiative. But she expected more—she wanted the company to reduce its carbon footprint; she was offended that she was not accorded more attention by the company's leadership and employees; and she assumed a casual manner toward her uncle, the CEO, during company meetings that were intended to help her get her project off the ground.

Josh, a bright young man in his mid 20s, was an inheritor whose family was served by a family office that had been in existence for more than half a century. The family office handled most of the family's investments. When a large distribution from a trust was made at Josh's 25th birthday, he claimed the right to invest it himself in a tech company that he had learned about from a Facebook friend. This set off a quiet controversy among his family. Rather than argue with him, though, the family office president gave him some guidelines for conducting research using resources on the Web. Within weeks, Josh returned to the family office, convinced that the tech company was not the investment he thought it was.

Jennifer, at 26, was the youngest of four daughters in a family that owned a mid-size manufacturing company in a small Northeastern town, but she had never worked in her family's business. She had an MBA and divided her time between the city, where she was a business consultant, and the country. Her family's business was experiencing some difficult times and Jennifer, an extremely loyal daughter, announced to the family that she had made plans to return to the family business to lend her expertise to the rescue operation. Her plan was to spend "one to three years" in the company, then leave to pursue her next dream. Her parents thanked her for her commitment, but were disappointed that she did not make a longer term plan.

These scenarios illustrate qualities that characterize the youngest generation currently in line for succession and inheritance among our clients today. I believe that it is important to understand the generational influences on their motivation and perspective; otherwise, it would be far too easy for advisors, employers and family members to criticize and personalize certain behaviors that, albeit frustrating, are characteristic of their cohort and that have their own logic and value. This is important for those who wish to have harmonious and productive relationships with members of this generation.

These young people are largely children of the baby boomers, born approximately between 1965 and 1979 ("Gen X") and between 1982 and 2002 ("the Millennials"). Much has been written about these generations and how they compare to previous generations. The younger members of Gen X and the Millennials are growing up in a world with a perspective completely different from the previous generations'—the "Silent Generation", 1925-1942; the "Baby Boomers", 1943-1964. Their definitions of their place in the world, loyalty, time, communication and success are often different from the previous generations'. I address each of these qualities briefly below:

Their place in the world: The term "helicopter parents" has been coined to describe the parents of the youngest generations. Parents have been much more involved in everything from school to sports to friendships than parents of the previous generations. As a result, these younger people often expect the kind of special attention and immediate feedback that they have been accustomed to in their homes growing up. They expect others to support them in their efforts to accomplish and achieve. But they are also self confident and willing to take risks, because they have experienced substantial support in the past. This was one reason why Brittany had so much difficulty when she appeared for work in her family's business: She expected much more attention than she received. She also expected to be welcomed and respected for her opinions and viewpoints in company meetings, even before establishing her own credibility.

Loyalty

They have been raised in a world in which little is constant—from Enron, to nationwide layoffs, to the tech boom and bust—they have observed constant change and disappointment in once-solid institutions. As a result, loyalty must be earned. It is not enough that an institution or advisor has served the family for many years—late Gen X'ers and Millennials will rely on their own personal experiences to determine where they place their loyalty. This was reflected in Josh's experience with his family office. The family office president managed the situation exceptionally well, by supporting Josh's efforts, respecting his independent entrepreneurial nature, and creating an opportunity in which the value of the family office could be experienced firsthand by Josh.

Time: The Millennials seek work-life balance more than any previous generation. They are accustomed to being exceptionally busy, but they view relationships and "fun" as an essential part of their lifestyle. Therefore, promises of promotions, career advancement and long-term benefits may be less motivating than shorter-term rewards such as the ability to balance work and fun, time off from work, travel and opportunities to meet new people. This is illustrated in Jennifer's scenario, where she wanted to exercise her loyalty to the family firm, but not commit for the long term.

Communication and Feedback

Immediate. Constant. Multi-channel. E-mail. Text messages. Voice mail. They dislike ambiguity, expect structure, direction and clarity in their business relationships, and want expectations to be well articulated and quantified. A colleague told me the story of a Millennial who, without an appointment, walked into the office of the managing partner of a national accounting firm. "Well," he said, "now that I have been here for three months, I thought it would be a good time to share with you my concerns about the firm." This illustrates the expectation that feedback and communication should be immediate and frequent, expectations laid clearly on the table.

Money and Success

They tend to be driven more by what money can afford them, rather than by accumulating wealth, per se. They have not known as a group the deprivations that their grandparents knew. Their parents have been relatively affluent and have wanted their children to have the best of everything: education, relationships and experiences. Success is measured not only in financial terms, but in the quality of their relationships, their experiences and their opportunities to enjoy themselves.

These qualities have significant implications for estate and financial planning and should be taken into consideration by advisors and family members. Although there are certainly more, I have listed below a few of the conclusions I have drawn from these observations, which may be helpful guidelines in working with members of this generation:

- They expect to be respected and listened to, whatever their actual knowledge base and relevant experience.
- Relationships with advisors are built upon face-to-face experience; history is less important.
- Communications should be immediate and electronic.
- They are more likely to be motivated by non-financial incentives such as those provided through “green” investing.

David Lansky, Ph.D. is a principal consultant of The Family Business Consulting Group, Inc. He can be reached at 847.266.1000 or lansky@thefbcg.com.