

# Family Business Education for the Next Generation

By JoAnne Norton and Nicole Bettinger  
The Family Business Consulting Group, Inc.

Soccer analyst Cobi Jones once wrote: “You want to teach the next generation so they can learn a little bit faster and a little bit more so everything becomes that much better.” Jones’ prudent advice applies not only to sports but also to family business owners who want the family and the business to transition smoothly to the next generation. That’s why the families who are successful in both provide education for both: the family and the business.

## Early Family Business Education

Most of the time, family business education begins naturally and quite informally as parents take their children to work for fun or out of necessity. Very young members of the next generation have the opportunity to see the excitement of entrepreneurs or the generational pride of ownership on the familiar faces of those they love, which can leave a lasting impression. The impact of this experience can be powerful enough to provide inspiration for decades.

Family education can continue almost effortlessly, though certainly intentionally, over long vacation drives or around grandmother’s dining room table. When family tales are told, researchers claim that it could pay huge dividends. Robyn Fivush, Marshall Duke, and Jennifer Bohanek out of Emory University suggest that children who know their family history show higher levels of emotional well-being,<sup>1</sup> making it great for the family and for the business.

## Family Education and Family Governance

By the time younger generation members reach high school, they should be learning about the industry or type of business the family is in, particularly when there are many siblings and cousins involved. Young adults also need to know if they would be welcomed into the business, should they decide they want to work there, and under what circumstances.

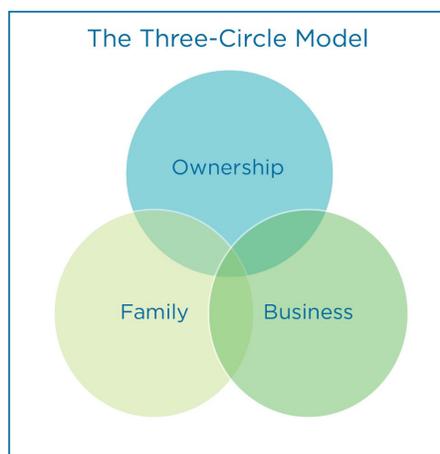
In order to make sure all members of the next generation are treated fairly, a family employment policy, agreed upon by members of the senior generation, should be in place. The present family owners need to decide if they wish to own the family business for another generation and if ownership has the possibility of being extended to their children. If the decision is to continue, more formal education should begin when teens are seriously considering career choices.

## Formal Education

From our years of experience working with family businesses as well as in academia, we have found that those family owners who have had the most success have invested in their family education in four areas:

### 1. Understanding How the Family, Ownership and Business Systems Could Collide

One of the most critical points of understanding for the next generation is Renato Tagiuri and John Davis’ Three-Circle Model of the Family Business System.<sup>2</sup> The Three-Circle Model includes three groups (or systems)



*The Three-Circle Model of the Family Business System by Renato Tagiuri and John Davis*

all functioning at the same time: family, ownership and business. This model provides families with a framework to discuss the overlapping, interrelating tendencies of family owners as well as explaining the multiple sources of tension. The next generation frequently feels pulled or torn among these three circles, and this model gives them a practical way to think about what they are experiencing.

## 2. Knowing How to Play Nicely but Productively

Communication and conflict resolution skills are absolutely crucial to positively contribute to a family business. Particularly as the family and ownership group grows and evolves, keeping everyone informed becomes ever more important. People have their own way of communicating and how they perceive communication from others.

Understanding these differences goes a long way in the success of the next generation. Navigating a family business transition isn't easy and brings up many tough conversations; however, if the future generation has enough emotional intelligence to steer through these sensitive issues together, everyone benefits.

## 3. Comprehending Business 101

Up-and-coming family business members must also possess a basic financial and business skill set. Even if they may not be the next CEO or president of the family business, having at least a fundamental knowledge of the business's purpose, function, competition, advantages and financial structure will benefit both the next generation and the business as a whole. The lack of simple skills, such as being able to read a balance sheet or a budget, are to the detriment of the current and future ownership groups.

## 4. Appreciating Our Family Roadmap

Next-generation family members must also understand how their family governance structure works. While they may be subject to a family employment policy, family constitution, code of conduct, or other documents enacted by the family, they most likely were

not involved in the creation of them. Therefore, they will need education surrounding the motivation for these processes, their construction and their formation. Future family business leaders will be the ones charged with evolving these policies and moving their family governance structure forward, so they will need to know how and why both were established in the first place.

## Capturing the Hearts and Minds of the Next Generation

During times of change, there is a need for good strong family leaders, "champions of the cause," who can convince others to come along for the journey and that the journey itself is an important one. Even great ideas seldom succeed without a champion.

When it comes to the next generation's formal education, the first step is finding one or two leaders from the next generation who can be champions, who can convince others in their generation that it is important, relevant

and worthwhile. That's why we suggest forming a "Next-Generation Education Committee," choosing the best, brightest, and most interested to lead the process. They would determine exactly what education would be needed and the best way for it to be delivered to their siblings and cousins.

This committee of next-generation leaders would also

take advantage of the experience of both the family and the business leaders of the senior generation for advice and guidance. In turn, the future leaders would share their own expertise with their fathers, mothers, uncles, aunts, and cousins to ensure the very best for the future.

Leadership coach, Marshall Goldsmith, in his best-selling book, *Global Leadership: The Next Generation* wrote, "If future leaders have the wisdom to learn from the experience of present leaders, and if present leaders have the wisdom to learn new competencies from future leaders, both can share leadership in the way that ultimately benefits their organization."

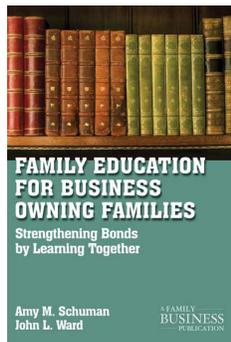
**"If future leaders have the wisdom to learn from the experience of present leaders, and if present leaders have the wisdom to learn new competencies from future leaders, both can share leadership in the way that ultimately benefits their organization."**

*Marshall Goldsmith*

The goal of family business education for the next generation is acquiring collective wisdom that could last centuries. That's why the time and the effort to provide it are so worthwhile for the family and the business.

<sup>1</sup>“Do You Know? The power of family history in adolescent identity and well-being” by Robyn Fivush, Marshall Duke and Jennifer Bohanek

<sup>2</sup> The Three-Circle Model was first published in the *Family Business Review* in 1982 in Taguiri and Davis' classic article “Bivalent Attributes of the Family Firm.”



For more information about family education, please see *Family Education for Business Owning Families* by Amy Schuman and John L. Ward.



**Nicole Bettinger** is a consultant with The Family Business Consulting Group, Inc. She can be reached at [bettinger@thefbcg.com](mailto:bettinger@thefbcg.com) or 608.206.2261.



**JoAnne Norton, Ed.D.** is a consultant with The Family Business Consulting Group, Inc. She can be reached at [norton@thefbcg.com](mailto:norton@thefbcg.com) or 714.273.9367.

To learn more about The Family Business Consulting Group and how we serve families like yours, call us at (773) 604-5005 or email us at [info@thefbcg.com](mailto:info@thefbcg.com). There is absolutely no obligation.

The copyright on this article is held by Family Business Consulting Group Publications®. All rights reserved. All forms of reproduction are prohibited. For reprint permission, contact [editor@thefbcg.com](mailto:editor@thefbcg.com).

THE FAMILY BUSINESS CONSULTING GROUP, INC. and FBCG are registered trademarks and the FBCG logo is a trademark of The Family Business Consulting Group, Inc.

Reprinted from The Family Business Advisor®,  
A Family Business Consulting Group, Inc.® Publication

The  
**Family Business  
Advisor**