

## Next Generation Leaders: Don't Throw the Baby Out with the Bathwater

It is not unusual for the successor generation leaders to seek to professionalize their family business. Establishing systems, processes and policies seems an obvious way to improve business performance and profitability as a founding entrepreneur passes the reins to the next generation.

Efforts to change organizational practices are often a source of conflict between generations. Treasuring freedom and personal control, the founder may resist efforts to systemize procedures. For example, in his opinion, the boss should decide on employee bonuses not some impersonal system. Organizational charts, policies and procedures spell bureaucracy to the entrepreneur, threatening to crush the life from his corporate creation. Any company can have systems and procedures, a business founder told me recently, and companies that rely on systems and procedures end up being all the same. We offer our customers something different and better than our competition. If we depend on systems and procedures, we'll lose our culture and what makes us unique.

The younger generation wanting to professionalize the business the older generation resisting changes, supporting hands on management and the way we do things around here. So who's right? They both are.

A young and capable family business leader sought basic managerial changes. Her goals included creating an organizational chart to clarify reporting relationships, formalized planning, compensation policies, performance appraisal systems, and more. All of these changes and more promised to reduce confusion, improve productivity, and increase profits.

Her father, the business founder feared the impact of such changes on long-term employees and the costs of increased paperwork, meetings and overhead. You are throwing the baby out with the bathwater, he said during many heated discussions.

Her father was right. A family business strong and distinct culture is often a key competitive advantage. At the same time, the daughter was right. Lacking appropriate systems and procedures, a growing business is vulnerable to a variety of risks and performance problems which can make remaining competitive problematic. Indeed, success increasingly requires outstanding management, state-of-the-art systems and processes, and the uniqueness provided by a strong and distinct culture.

Next generation leaders must focus not only on developing and implementing systems and procedures, they should also work hard to understand and appreciate their company's culture and to develop means and methods for transmitting culture to the company's constituents. Training, communication strategies and other methods of reinforcing culture should get priority treatment by next generation leaders. These efforts can be fruitfully coordinated in efforts designed to improve systems and procedures. Performance appraisal systems, for example, should recognize and reinforce employee behaviors that build the company's culture.

Building structure and building culture are processes that should reinforce, not oppose, each other. Thoughtful successors work hard to make sure things work that way.