

## Welcoming Up and Comers of the Next Generation

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The rising generation of family members coming up through high school, college and young adulthood also need to be welcomed and educated about the nature of the family and respective businesses. Families seeking ownership continuity find ways to engage the rising generation who are often very busy with school, new jobs and living a full life. We see a variety of exciting and effective ways that families engage their rising generations.

### Direct Engagement in the Family Business – Summer Jobs and Internships

Enterprising families often encourage high school-aged family members to work summer jobs in the family business to gain a general understanding about the business. They can also offer college-aged family members internships that are a more intense immersion focusing on a specific aspect of the family business. Ideally, internships align with the college-aged family member's interests and support the individual's career direction. Still, the goal of the internship is exposure to the enterprise and learning more deeply the culture of the business. Internships work best when work responsibilities are well defined, reporting relationships are clear, and the intern both receives feedback at the end of the internship and is asked to present a summary of their experience, including key learnings and observations.

Often, high potential, rising generation family members who meet the family employment policy requirements are directly recruited to come into the enterprise. These families are interested in building family talent within the enterprise and may hire rising generation family members to engage in a specific area of the business

(Operations, Marketing, PR, Finance, Accounting, Customer Service, IT, etc.).

Alternatively, new hires may enter a rotational management program for rising generation family members who wish to gain a broad exposure to their business for eventual placement. Rotational programs require significant advance work to define the rotations, create real work opportunities, clarify desired outcomes and reporting relationships, and monitor progress. Family members rotating through the various functions of the business usually seek placement into an area of the company based on mutual agreement while balancing the rising generation's interests and company's need. Rotational programs are often used to prepare family members for governance roles as directors or family council leaders as well.

### Shadowing

Another learning-focused work opportunity is where family members learn about various parts of the company by shadowing one or more executives. These experiences are time-limited and generally culminate with the young shadower providing feedback to the owner or family on what was learned and whether they would be interested in pursuing a career in the firm. This approach is often used for late high school or early college-aged students who want to explore various aspect of the work world during a school break or other limited timeframe. While they do not necessarily need to shadow someone in the family's business, it does provide for the opportunity to discover more about the family business's culture and work processes while learning about an occupation.

Participating in industry-related activities is another good method for young family members to learn about their business and its place in the marketplace. Typically, these experiences are offered to college-aged students, but not mandated. Allowing the rising generation family member to opt-in is important so as not to create an experience of negative pressure. Many trade associations have “next gen” programs, usually for young adults who are post-college.

Many business owners with active boards of directors create board observer seats to allow the next generation to learn how the board functions. While some may do this as a way of training up-and-coming family board members, it also is a meaningful, rich learning experience for future owners who may never serve as a director.

To derive the full learning possibilities from these experiences, many families schedule pre-meeting calls where board observers can review the board packet with a knowledgeable director or business executive, and then also post-meeting calls where the board meeting can be debriefed for maximum learning. It is important to clarify boardroom protocol and the observer role prior to the meeting so observers are clear about whether they can ask questions or participate in discussions. For most, observers are just that — there to pay attention, listen attentively and learn but not fully participate in board discussions. These experiences are generally offered to rising generation family members after they have completed their formal education.

### Structured, Activity-Based Education

When a family business has a large number of rising generation family members, they may create specific learning activities designed to expose the next generation to the business and simultaneously build their teamwork. Typically, these opportunities are offered to late college or post college-age up-and-comers. Both family and non-family executives can provide support for this kind of activity. We have seen a number of different approaches to this, including:

- Dissect the vetting of a new business opportunity or investment.
- Develop a marketing or social media plan for a product or service now provided by the company
- Conduct a key competitor analysis and make a

presentation to the executive team or a shareholder group.

- Create a set of scenarios for how the business will look 20 years from now.
- The executive group assigns the next generation group a real problem for them to consider and solve or make recommendations on. Ideally, the question the cohort group takes on is something the business is currently wrestling with and the cohort group will make a formal presentation about the matter, concepts to consider, recommendations and next steps.

### General Business Exposure

We know of family businesses where the senior generation realizes that it is important for the rising generation group to begin working on teamwork, long before they become active shareholders. A few interesting approaches include:

- Start a next generation investment club with seeded money, overseen by those interested in the concept. The goal here is to learn about investing, and the club will need rules so teamwork results from working through the rules of the game and ongoing investment review and decision making.
  - Create a limited investment pool that next generation family members can tap into for new business creation. This would require significant clarification of rules for application, methods of review and oversight, accountabilities, and defined relationship between funder and receivers. As the goal is to encourage collaboration among rising generation members, preference can be given to those concepts submitted by multiple family members. While some may prefer a sink or swim approach (go make it work!), senior family leaders can also serve as an informal advisory board should the up-and-coming investors request this feature. Because the goal of this activity is learning, recouping investment capital and growing assets is considered a bonus rather than the primary focus of this approach. Please note that this concept is very different than when families create an investment pool of family assets and allow younger generation family members to pursue wealth building opportunities.
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- Private equity research for new investments, overseen by family members who have talents in this area.
- Collective service projects, such as Habitat for Humanity, that the group can complete as a team.

## Conclusion

We often hear elder family business leaders express concern that their children or grandchildren do not understand the importance of the family enterprise to the family or to society at large. They wish everyone had greater passion and appreciation for the enterprise and all it takes to make it successful. In truth, you can't love something that you do not know well. It is our hope that the concepts presented in this article will help you nurture a knowledgeable, well-educated and appreciative future ownership group.

Consider the following to begin this journey:

- Gather the parents and grandparents of the up-and-coming generation to determine whether

engaging the next generation is a worthy goal that all can support.

- Identify the types of engagement that up and comers could reasonably participate in given the state of the business, and business resources and family leadership available.
- Engage in a discussion with your firm's human resource officer to add input to the discussion.
- Assign a member of the parent or grandparent generation that will lead this process to make sure that the concept of engaging up and comers in the family has a champion.
- Bring the next generation together and talk with them about the types of engagement they would like to participate in, perhaps from a limited list developed in the second bullet above.
- Make it happen!

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To learn more about our firm 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.

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