

Preparation vs. Separation for the Next Generation

By: Tom Emigh, Drew S. Mendoza and Amy Wirtz, The Family Business Consulting Group

When two or more next-generation members are working in the family enterprise, it is normal for them to be assigned to different functional areas of the business. Here are two commonly held rationales for keeping next-generation members siloed: First is to place the next-gen member in an area of the company that interests them. The theory being, if they like the work, they are more likely to excel.

The second reason commonly observed in keeping siblings or cousins separated in the workplace: to avoid a horse race with potentially divisive outcomes. Doing so allows each next-generation member to thrive and develop without having a sibling or cousin to compete for attention or the role of president in the company.

Every decision should be made with intention and reflection when running a family business. We urge all parties involved to discuss openly why someone is entering the family business. Is it intended to be this family member's career entry or merely a placeholder until they find something more in line with their passion? How does a role in the family business fit into the next-gen's long-term career path?

Planning the Obvious

Placing next-gens into silos can have adverse effects too. Being left to excel in one area of the business, such as sales, may rob the board of the opportunity to have multiple family candidates to consider when

a management transition must occur. An alternative to silo expertise for the next-generation is to create a company culture and strategy where next-gen leaders have an outlined curriculum of company education that exposes them to all areas of the business. This education would expose each member to a broad-based education program wherein each member would learn about the industry, the competitive landscapes, and awareness of industry-wide disrupters as well as the department expertise. An educational program of this nature takes time to develop and adopt inside of the family and business systems

Many prospective client families are motivated to call us because the time to select the company's next leader is practically on top of them. What clients in this position deal with is a puzzle with two or more family candidates who have spent the bulk of their professional careers insulated in silos and as a result, the answer is anything but self-evident. Instead, things have become or are headed toward divisively unhealthy competition, with in-laws beginning to look at the other family candidates as threats rather than mutually supportive collaborators.

Meaningful rotations completed with specific ends in mind are recommended to avoid divisiveness. What are some specific learning goals of each rotation? Take a look at what our colleagues developed in "Rotational Systems: An Approach to Career Development"¹ outlined in the table below:

Advantages of Rotational Systems	Disadvantages of Rotational Systems
The NG can learn about many different areas of the company in a relatively short period of time. At the same time, a wide variety of employees gets to meet and interact with the NG.	Moving around too much gives the NG only a superficial understanding of the company. Employees may perceive the NG as shirking the hard work needed to gain a full understanding of the business.
Typically, careers of non-family employees are left undisturbed; no one is displaced or held back to make a position for the NG.	The early years of a career are important opportunities to get frontline experience, have real budget and P&L responsibility, and learn how to manage people. Rotational systems often don't permit this type of responsibility.
The NGs don't have to stay in a job they don't like for too long, but they are required to have some experience in every important part of the company.	The NG is getting a very unrealistic, sheltered view of the workplace if the person never has to endure unpleasant, tedious or boring jobs. The NG is never really accountable and misses the satisfaction of earning a promotion by dint of hard work and perseverance.
Moving around the company gives NGs a chance to find areas where they can make the biggest contribution and increases the chance of finding a good fit for their careers.	Being in a continual learning mode can become tedious and boring for the NG, especially if the person never gets the opportunity to gain and demonstrate deep expertise.

There is no one, perfect approach. Each has its pros and cons but, in our experience, what's most important is for the next-gen candidate(s) to:

- Experience enough “hits above the water line” to be humbled and to recognize the gravity of making good choices, but not so bad as to sink the ship; and,
- Behave in ways, both in and outside of work, that reflect servant leadership, respect for EVERY employee and person they meet, a serious demeanor when it comes to representing the company, its brand, the responsibilities of ownership, and gratitude for the hard work of team members.

Trust us when we say, if you are a next generation family member working in the business, you must prepare yourself to be scrutinized in ways you never imagined. Other employees will watch your behavior, the car you drive, the watch you wear, who you marry, where your children go to school, where you live, what time you arrive and the time you leave. The amount of respect you will have built by the time you take the reins will be directly correlated with the perceptions you create of yourself by others.

Accepting the Challenge

An often-avoided aspect of the next generation's career development plan is embracing challenges and being allowed to fail — particularly if the organization is large enough to have standalone divisions with divisional financial reports. FBCG alumni Steve Miller's research² determined that more than any other factor, the proven ability to impact profits is a determinant of the next-gen's likelihood of success. There is nothing quite as exhilarating as seeing how the decisions YOU made have had a positive impact on the company's financial performance and profitability. However, it is not reasonable to expect the next gen to hit home runs in every departmental deployment. Overall, the idea is to play to the next gen's strengths while shoring up areas of weakness.

The current generation of leaders may find it helpful to outline a project they attempted to develop where it failed and the lessons they learned from failure. The next-gen often only sees the successes their elders have created and know little of the risks and failures their leaders have endured. Elders need to share that the lessons that shaped them are often lessons learned from their failures not their successes.

FBCG consultant Asin Nurani shared his recent informal poll of current leaders' succession plans given the global crisis: "Most respondents leaned towards delaying succession, reasoning the next-gen are unprepared and cannot act decisively. Interestingly when asked about training that could prepare one for such times, most agreed there were none. Ironically, when prompted to reflect on their own life experiences which best prepared them for today's world, many spoke about younger times when they were forced into an unplanned, difficult family business leadership situation, needing to deal with uncertainty and act quickly."

An Action Plan for Next Generation Members Who Want the Top Job

Family businesses that acknowledge the need for an intentional conversation about development and continual evolution of each generation's identity and leadership skills have a significantly higher degree of successful transfers of ownership, healthy family structures, and business systems. This work must be an intentional plan made with consideration of each generational viewpoint.

There are four distinct aspects to this work all intertwined and ideally happening simultaneously and repeatedly:

1. Be intentional about the work and create a plan. We make plans to achieve desired outcomes. If several next gens want to be on the path to top leadership, then putting each of them on a plan that has both elements of individualized development as well as common areas of focus can both help the next gens grow and develop while also allowing the entire organization to see their development in real time.
2. Be patient and flexible with one another when implementing the plan. Plans inevitably require updating. Allowing each next-gen to customize their learning can help all parties understand "fit" and "potential." Finally, patience and flexibility give each next gen participant room to understand that

he or she might have different goals or aspirations regarding leading in the family business as they learn more about the business and themselves.

3. Seek wise guides for each person in development. Non-family mentors, peer groups, and board members are great options. If the goal is learning and preparation for great responsibility, the next gen will benefit from having a variety of guides in that process. The key is to make sure that all the guides are a fit with business and family goals, values and culture.
4. One tension we observe between generations is too little affirmation. Give blessings to each member in the manner that they can hear best. Think about giving praise for learning new lessons rather than just hitting a financial goal. Next gens can affirm the current gen by noting that they are standing on their shoulders. The current gen can affirm the next gen by appreciating their energy and innovation. If we start from a place of gratitude, we tend to avoid some of the common pitfalls associated with succession and continuity transition processes.

Conclusion

It is important to provide opportunities for up-and-coming family members seeking that corner office to have their mettle tested early and often but in a spirit of professional development. Leading any company is hard work. Leading a family business is equally challenging, but in ways that are different. If leading your family's business is something you aspire to, look for opportunities to show your courage, curiosity and a willingness to put the future needs of the company ahead of your comfort zone.

¹ Jennifer Pendergast and Amy Schuman, "Rotational Systems: An Approach to Career Development" *The Family Business Advisor*

² Miller, Stephen P. 2015. "Developing next-generation leadership talent in family businesses: The family effect." Unpublished dissertation.

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