

Managing Intergenerational Expectations, Responsibilities and Relationships in a Family Enterprise

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We were never given a choice about working in the business. Our parents expected it and only one of our brothers rebelled. We've had some tough years, but the business has done well and we've given our children good lives. We just want them to be able to make their own choices.

– Second-generation family shareholder

Introduction

Planning for the entrance of the next generation to the business is still relatively informal in most family enterprises. Parents are rarely able to take an objective approach to the subject of their children's strengths and limitations, much less receive honest feedback on their performance once they have been employed in the business. And unfortunately, the damage of bringing a son or daughter into the company unprepared for the level of contributions expected of them is vastly underestimated.

These days, when a depth of organisational structure has been established and a layer of talented non-family management is contributing sophisticated strength to the performance of family-controlled growth companies, shareholders who cherish the dream of a next generation of family management must utilise a process of bringing in new family members with deliberate, thoughtful planning. They must take great care to avoid creating resentment among non-family employees, maintain a high level of motivation among its non-family leadership and ensure that each new family employee meets an expected business performance standard or receives appropriate business support in the form of coaching or mentoring – it is never appropriate to afford a family employee special treatment simply because of family status. Indeed, bringing family members into a company of significant size without adequate preparation, maturity and a well-developed work ethic can not only introduce undue stress to the family but also have a profoundly negative impact on the enterprise itself that can be felt for years.

This chapter addresses the realities that parents face as they raise children in a world of increasing material consumption and changing values. We share some hard truths about how to help children counteract these social realities to become responsible adults and potential family employees with the opportunity to bring real value to the enterprise their family controls. We have learned many important lessons from dedicated parents we have advised in the past and from conscientious members of the next generation we have mentored, as they grapple with the thorny issues of parent–child relationships against the backdrop of the family controlled enterprise.

The biggest challenge for the current generation, in our experience, has been the transmission of a healthy work ethic to children whose aspirations include attaining early in their careers lifestyles akin to the level their parents achieved after a lifetime of work. Through our work with families aiming to prepare their companies and families for bringing in its first next-generation member, we have substantial evidence of the success that can be achieved through the strategies and protocols we describe later in this essay. These procedures have also proved successful with families deeply discouraged by the poor results of earlier efforts to bring one or more of their children into the business without adequate preparation. Damage from earlier attempts to bring the next generation into the enterprise without benefit of skilled advice can be repaired slowly by developing a comprehensive plan and renewed preparation by the family under the guidance of a multidisciplinary advisory team.

While it is still relatively rare for families to seek professional advice well in advance of bringing in the very first member of the next generation, the number of forward-thinking family companies is growing. Driven by a desire to protect their business's hard-won success, fuelled by horror stories from other companies and often still smarting from their own premature recruitment to the business, senior generations are turning to business advisors to assist their preparation of formal next-generation guidelines for entry. Preparing both the company and future family employees for productive roles and the values that the family respects is a practice that requires deliberate planning, combining the art and science of proven parenting practices with regular mentoring support for the younger generation as soon as they enter the family firm.

Early preparation is essential

However, long before parents ever begin thinking about whether their children might enter the business in the future, there are steps those parents can take to guide them towards a responsible, competent and confident adulthood. When we first discuss the next generation with business-owning parents, we often hear the parents say something like this:

We just want our kids to be happy. We've given them what we never had growing up: vacations, sports, pretty much everything they could ask for. They're good kids, and it would be nice if they were interested in the business. We just don't want to do to them what our parents did to us.

– Parents of third-generation family members

Parents today feel an enormous sense of responsibility for their children's happiness. Some also feel a sense of guilt for not spending enough time with children, especially in the early years. It is not uncommon for parents who want their offspring to have a better life than their own childhoods to try to compensate by giving them too much and expecting too little of them. In *Choking on the Silver Spoon*,¹ Gary Buffone explains that children who are overindulged can become underachievers who lack motivation, ambition and drive. They

¹ Gary Buffone, *Choking on the Silver Spoon: keeping your kids healthy, wealthy, and wise in a land of plenty*, Simplon Press, 2003.

have a low frustration tolerance and are unable to go without, or delay gratification. Often, they expect rewards without effort. Children who are given everything without having to earn anything are being trained to expect everything for nothing. As Rudolph Dreikurs, American psychiatrist, educator and author of many parenting books, has cautioned: “Never do anything consistently for someone that they can do for themselves.” Individuals, in fact, thrive on overcoming obstacles and successfully completing goals, a lesson parents can help children learn early in life.

In a family enterprise, parents can also view development of the next generation from the perspective of family systems theory. Family systems literature discusses the concept of stages of family development. One of the later stages in this framework is the ‘launching pad’ stage, during which children prepare to leave home and successfully transition to independent adulthood. Even so, too many parents attempt to hold on to their children to avoid what can be termed a healthy loss. Sometimes, they will not expect anything from their offspring and allow them to live in their home unproductively. At other times, business-owning parents may pressure their children into taking jobs for which they are not suited or create positions that the business does not need in order to keep their children near home.

Family members should be aware of the effect of keeping families together beyond the launching pad stage, especially under one roof, because the temptation not to alter the habitual patterns of familial interactions is powerful. For example, parents can continue to treat their sons or daughters as young and incapable, and their children can continue to play out adolescent rebellion, balking at the authority of the parent. Such interactions can be unpleasant for both generations when experienced at home. When these family dramas are acted out on the venue of the family controlled company, the credibility of both the parents as leaders and their children as future leaders can be compromised.

Parenting myths

Helping children develop a sense of responsibility and accountability rather than one of entitlement has become increasingly challenging for parents. Unfortunately, the role of parenting comes with no training apart from observing the parenting styles of one’s own parents or those of other people. Moreover, there are no specific skills laid down and no licence is required for the job. Parenting can be considered akin to allowing an individual who has had surgery or watched surgical procedures on television to operate on someone else.

Here are two common misconceptions about parenting:

- **Myth one: Permissive parenting is not pampering** Many parents do not set limits and pamper their children by doing things for them. Pampering is actually a form of disrespect. The key to providing children with the skills they need to make it in the world is not to make their lives easy. Children need to experience failure, frustration and disappointment and learn to get past these difficulties. While parents should provide encouragement during their children’s challenges, they should not seek to take the challenges away.

- **Myth two: Children can be forced to obey** Some authoritative parents believe they can bully their children into complying with their expectations by criticising, threatening and nagging them, and by becoming overly involved in areas that are clearly the child's responsibility. However, this approach hinders rather than promotes responsibility.

Roadmap for inspiring a healthy work ethic

There are a number of ways in which parents (and others) can inspire a healthy work ethic in members of a younger generation. One such method is to develop a parenting model based on mutual respect. With this more democratic approach, parents still provide guidance and discipline, but they do so in a respectful manner, modelling the behaviour they expect of their children.

Parents should focus early on encouragement and effective communication, on allowing children to take on appropriate responsibilities, and on firm but loving discipline. More specifically:

- **Providing encouragement** One of the most powerful interventions a parent can use is encouragement, which consists of highlighting a child's assets in order to build self-esteem and helping their children focus on possibilities and solutions. Often, this requires a parent to 'separate the deed from the doer' when a child is frequently misbehaving. For example, if a child gets bad grades because he or she does not do homework, a parent can explain that he or she knows the child likes to be successful (relating some historical event that represents the child's desire to succeed, such as how hard the child worked to improve a tennis swing) and that, once the child figures out how important school is, the child's performance will improve.
- **Effective communication** An incredibly important skill for effective parenting is communication. Parents must listen to the verbal and non-verbal language of children. Effective communicators, whether in the family or in the business, listen and try to understand the other person's point of view and share their understanding before introducing their own ideas. When confrontation is necessary, it is done skilfully and assertively rather than aggressively and angrily.
- **Appropriate responsibility** One of the primary ways to encourage responsibility and self-sufficiency is to give children choices, where appropriate, and let them experience the consequences of their actions. For example, a parent may give a child an allowance and let them budget the money. While some portion of the money should go towards savings and some portion towards charity, the child would have the rest to spend as they choose. If the child decides to spend all the money on a video game and doesn't have money to go out with friends, the child will have to miss that chance to go out. The parent should not criticise the child's decision-making nor, tempting as it may be, bail the child out in such circumstances, which would rob the child of an important lesson.

- ***Discipline, not punishment*** While effective parents may not be happy with a child's misbehaviour, a mild emotional response allows them to take a matter-of-fact approach. The preferred method of discipline among effective parents is to use logical or natural consequences instead of punishment. With the logical-consequence approach, a child is given a choice: if the child returns home past curfew, the parents might decide that their child will not be allowed to go out again the following night. A natural consequence, on the other hand, typically requires no intervention from parents. If a teen decides to go out without gloves or a warm coat, the natural consequence of being cold should be sufficient to help the child learn more appropriate clothing choices.

Business decisions for business, not family reasons

One reality that business families must face is that not every child in the family is suited for work in the business the family controls. Doing the right thing for both the child and the enterprise sometimes means that parents need to guide their child in a direction better suited to that person's strengths and personality. When children who by nature or competence are poorly matched for available career positions in the company persist in the desire to be employed there, the company's needs should weigh more heavily on the decision maker than the desire of the child. Creating jobs for children that are unnecessary for the company creates a drain on the business, a strain on family and non-family managers, and a morale problem for company employees generally.

This recommendation applies to career positions. Availability of summer, interim, or other non-career positions need not be viewed with the same level of stringency.

Preparation and support for the entrance of the next generation

Here are the six formal steps that families should take to prepare for the entrance of the next generation into the family enterprise.

Create a family vision and next-generation employment philosophy

Draft a statement defining the family's philosophy toward family employment at the company. It can be a statement of any length, but it should be created as a guideline not only for the immediately anticipated members of the next generation who might join the company, but as a policy for future generations as well. It should include a statement of who a family member is in the context of eligibility for employment at the company – for instance, does being a spouse qualify as being a family member for purposes of employment?

Ultimately, this statement of the family's philosophy should become part of the constituent documents that guide and support the family's culture and core values in the business enterprise.

Create a policy for family member entrance qualifications and criteria

Early in the preparation process, create a formal policy of entrance qualifications and specific criteria for all future family employment at the company. Be sure to include in this policy:

- the required level of education;
- the number of full-time-equivalent years that a family member must work for another company before earning the right to work in the family controlled company;
- protocols for compensation, evaluation and termination; and
- mentoring support during the first few years on the job.

Collaborate with established human resources processes

Work in close collaboration with the company's director of human resources to identify the family candidate's appropriate point of entry, which should be consistent with the needs of the company and commensurate with a position that is a suitable match for the incoming family member's education, experience, skills and desired level of involvement at the company. In addition, support the Human Resources Department in establishing a carefully structured plan of training and professional development for the family member's initial position at the company, for evaluation of performance, and for any developmental changes in the role.

Establish clear boundaries between next-generation employees and their parents

Parents should interact minimally with their children during the working day and treat them as they would any other employee. Parents need to give their children the space to develop friendships among their fellow employees. They should also protect their time together outside the company in order to preserve harmonious family relationships.

Provide mentoring support

Mentoring is a key component of this comprehensive plan. Initiate a mentoring process that is individually tailored to support the success of each new next-generation member. It should provide non-judgmental advice and support as well as honest feedback for the new family employee about meeting the expectations of the job.

Sessions should be regularly scheduled, over a period of at least two years, for confidential conversations with an outside advisor who understands the culture of the company and ideally is part of the family's trusted advisory team. In addition, an internal mentor (usually a member of the company's management team) should be provided. This internal mentor can be changed over time to provide regular guidance for the new family member in adjusting to the demands of the job and the culture of the company.

Preparation for the management team

When the time is appropriate, communicate regularly with the management team about the integration of the next-generation member into management in order to maintain confidence that their own roles are respected and remain critical to the success of the business. Ask for the team's input as to whom they would recommend on the management team to mentor the new next-generation member once that member has become a manager. Ideally, the mentor would not be a family member nor someone on the new family member's team.

Management should be encouraged to treat the new family employee as they would any other employee and provide honest feedback to senior management regarding the new family employee's skills and performance.

Tips for new family employees

Here are some clear rules as expressed by a successful family employee whom we have mentored for the past three years. He has offered the following insights to share with those just beginning the journey:

- Don't try to come into the company too early – you might not have the maturity level or the work might be too difficult for you to succeed.
- Act like a regular employee.
- Don't try to use your name to your personal advantage over non-family employees.
- Don't put non-family supervisors in a difficult position by asking a parent in the company to override an action or decision the supervisor has made.
- Try to take the same steps that every other employee must undertake in order to advance in the job.
- Go to your parents as a last resort, not to pull rank.
- Be ready to put your head down and work hard for no more money than anyone else would make in the same job.
- Pay your dues: don't expect anything to be handed to you.
- Meet with your external and internal mentors religiously – you need them all. They're behind the process for your success and it will make a big difference. Knowing you have someone to talk to about situations that come up at work is critical. They can provide the needed perspective and understanding of the bigger picture to help you work through the issues, navigate the bumps, and even sometimes be talked off the threshold of giving up and going to work elsewhere.

- Find out what it means to be a great employee at the company. Ask your mentor what the traits and skills of elite performers are, and strive to rise to that level.
- Remember that the extra benefits of being a family member should come from the family source, not the business enterprise.

Conclusion

Family enterprises can offer great opportunities for the next generation to develop and succeed in contributing to the success of the company. But being born into a family shareholder group is not sufficient to ensure a child will integrate into the business seamlessly. Rather, preparation is critical to ensuring a family member's competence. Without it, the results can be disastrous for both the organisation and familial relationships.

To prepare children adequately to take on the responsibilities expected at the company, parents must learn how to be effective at instilling responsibility. The earlier that families begin the process, the greater the chance they will succeed in helping their children develop a sense of confidence, a healthy work ethic and an understanding of the responsibilities that come with a job at a company representing the family's legacy. In addition to preparing their children, parents must also understand and prepare family managers and non-family leadership as well. By following a methodical approach, the ideal outcome will be a competent next-generation employee who is excited about working in the family enterprise, is welcomed appropriately by non-family managers, contributes to the company's success and is appreciated by other employees.

How the next generation is prepared for entrance and mentored during and after the process of entering the company are key determining factors in whether the enterprise continues to be family-managed in the future, or controlled by the family but led by skilled non-family professionals – or even whether the family owners sell the enterprise. Unless the entrance of the next generation is approached with thorough and deliberate preparation by both the family and senior managers of the company, and working at the company is considered a privilege to be earned by the younger generation rather than an easier path to the lifestyle to which they may have become accustomed, issues will arise despite the best intentions of all parties.