



Institute for
Family Business

Family Business Challenges

Engaging the Next Generation



The *Family Business Challenges* series

This guide is part of the *Family Business Challenges* series commissioned by the IFB Research Foundation. The series offers practical guidance for family business owners seeking to manage the unique challenges and opportunities they encounter.

The series provides concise information on a broad range of topics – covering family business dynamics, governance, performance, succession and family business wealth.

Each guide, which is illustrated by a real-world case study, is divided into three sections:

1. **Defining the challenge** – clarifying the issues and summarising expert thinking.
2. **Actions to consider** – ideas and strategies to help family business people meet the challenge.
3. **Resources** – annotated further reading.

The publisher

About the IFB Research Foundation

The IFB Research Foundation is a charity (no. 1134085) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The Foundation's vision is to be the UK's centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside *Family Business Challenges*, its work covers a broad range of publications, including:

- ***Family Business Sector Report*** – benchmarking the size and importance of the sector.
- ***Family Business Research and White Papers*** – thought leadership on key family business characteristics and issues.

- ***Family Business Case Studies*** – showcasing family business exemplars.

The Foundation disseminates knowledge and best practice guidance through printed publications, online media accessible via the IFB website and other activities.

About the IFB

The Foundation works closely with its sister organisation, the Institute for Family Business, which is a membership association representing the UK's family-owned business sector.

The IFB supports and promotes the family business sector through events, networking and representation, while the Foundation, whose board includes independent directors not affiliated to the IFB, focuses on educational research in accordance with its charitable objectives. The IFB is a member of FBN International, the global network for family businesses.

www.ifb.org.uk

Engaging the Next Generation

1 Defining the challenge

How to inspire the next generation?

Without applying unfair pressure, how can seniors involve, educate and inspire the next generation to ensure they develop a real interest in the business that will be needed when they take on ownership or management roles?

Allowing the next generation to set its own path. How can we learn to balance the responsibilities and opportunities of the family's legacy, creating space for the next generation to plan their own futures – not those set for them by their parents or by a sense of obligation?

Developing a parenting style that fosters next generation autonomy. Important attitudes towards work and the family business are formed during childhood, and the quality of parenting makes a real difference. The aim is to raise confident, well-balanced individuals, aware of their family legacy but not overwhelmed by it (see Exhibit 1).

Joining the business should be a choice, not an obligation. As well as potential benefits and opportunities, the next generation must be aware they face special obstacles and pressures. They need: *experience and self-confidence* – ideally gained in other businesses before joining; *extra skills* to address complex family business dynamics; *credibility as well as competence* to earn the respect of non-family employees and other stakeholders; *passion and commitment* – motivation to succeed personally and drive the family business forward.

Empowering via training and career development opportunities. Career development plans should be the product of inter-generational teamwork with non-family input, providing timetabled education and training that could include:

- **Work experience at the family business** during school holidays.

Exhibit 1: “Strategic parenting” – A framework for building stronger relationships with the next generation

Apply psychology and management skills at home

The goal is for children to transform into what psychologists call the “differentiated self” – separate from their parents, patient, self-controlled, well-developed young adults.

Build stronger teen–parent relationships and support teen autonomy

Teenagers experience dramatic personal change. In helping children become separate from us and capable adults, parents must recognise the need to change from care-givers and nurturers, becoming more like coaches.

Use real-time experiences to coach and teach

Look out for “teachable moments” when young people are ready to learn – help develop their interests, talents and autonomy. Later on, parents can become mentors, focusing on sharing life experiences and insights.

Reduce parent–teen conflict

Too often, parenting methods cause conflict. “Command-and-control” no longer works!

Source: Professor Randel Carlock (2008). Presentation at the IFB National Forum Conference, London, 15 May 2008.

- **Seeking high-quality formal education**, extending if possible to an MBA and other graduate level qualifications.
- **Boosting pride and a sense of connection** via family projects for next gens, such as involvement in family philanthropy.
- **Taking part in practical training** courses and outside work experience to build skills and knowledge.
- **Involvement in entrepreneurial ventures** including start-ups, encouraging the next generation to pursue opportunities and learn to take risks.

- **Socialising with the extended family**
– getting to know and relate to them, and fostering a teamwork spirit.

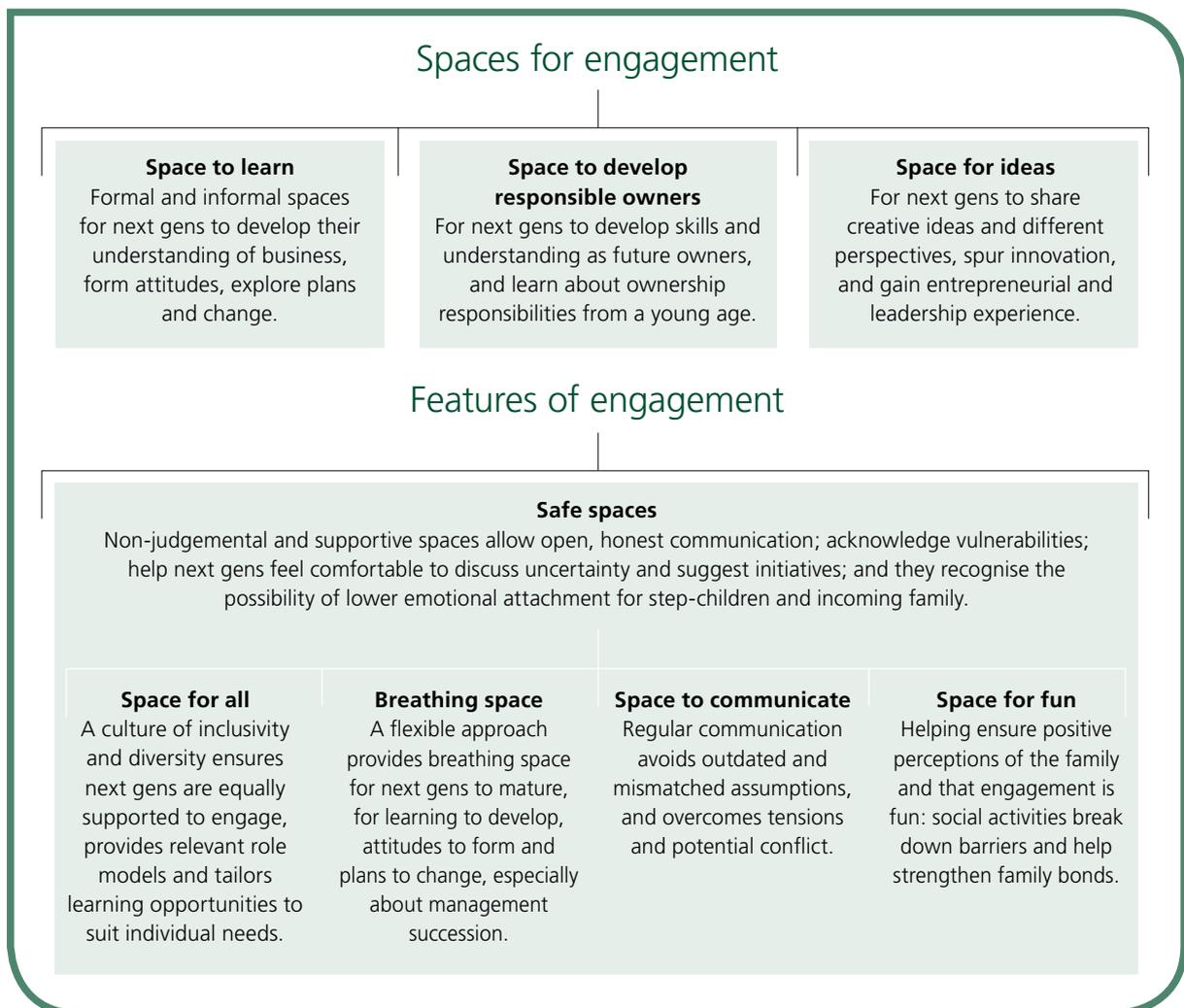
A light touch is best. Information, education and career development plans make it more likely that family members will “opt in”, but successful families understand the sensitivities – be careful not to force the issue. At the same time, recognise that being reserved and reticent, or secretive, may drive the next generation away.

A delicate balancing act. Next generation family members value a welcoming “open door” but not being pressured to walk through it. They must be engaged in planning their own future, and come to see the family business as a flexible and open environment in which they are invited to play a meaningful role.

Spaces for engagement. A new IFB Research Foundation study (see “3 Resources”) concludes that next generation engagement is about learning. Next gens talked about engaging in the family business in terms of stepping into a virtual space in which they learned, shared and developed themselves. Three key spaces for engagement were identified: space to learn; space to develop responsible owners; and space for ideas (see Exhibit 2).

What if next gens do not join the family business? If they decide not to work in the business, their choice must be respected as a personal and informed decision. Consider other ways of harnessing the next generation’s attachment, perhaps offering them roles on the family council or family foundation.

Exhibit 2: Effective next generation engagement (from Howorth et al., 2016)



2 Actions to consider

- How can we inspire interest among young family members about our family business?
- Are we investing in quality education and training likely to produce grounded adults who know themselves, their strengths and weaknesses?
- How can we help next generation family members evaluate whether developing a career in the family business would be appropriate?
- How should our next generation “Education and Development Plan” address business education, interpersonal skills training, family business dynamics knowledge and practical business experience?
- Are we making full use of the next generation’s innovative ideas, creativity and fresh perspective?
- How well are we equipping the next generation to become responsible owners of the business?

Case study: Day Lewis

Jay Patel’s family have taken a thoughtful and effective approach to engaging the next generation. His late father, Kirit, co-founded the Day Lewis chain of pharmacies in 1975 (with brother, J.C. Patel), and it now has 300 branches, 2,500 employees and annual turnover of £300 million.



Father and son: Kirit Patel and Jay Patel

While Kirit was the CEO and business leader, the second generation were making their mark. Jay, 37, was

Chief Innovation Officer, working alongside his younger sister, Rupa, who was in charge of people values and culture, and his brother Sam, who held a Chief of Staff role. All three siblings took roles as executive directors after the sudden passing of their father in 2016.

The Patel children have warm infant memories of being taken to meetings by their spontaneous and entrepreneurial dad, watching him striking deals to buy pharmacy stores. “It looked exciting,” says Jay, “and I caught the bug at a very early age. From about nine years old I’d decided I wanted to be a pharmacist, and later I chose courses at school to fit with this. I was always comfortable with family expectations that I’d join the business.” The family’s experience bears out how such

expectations, sensitively held, need not amount to unfair pressure. The business was not kept a secret – on the contrary, it contributed to the closeness of family life – and Kirit was honest about his hope that his children would become involved. But they knew they were not being press-ganged: “If at any stage along the way we’d said, ‘This is not right for us,’” Jay explains, “my dad would have just changed the plan, bringing in outside professionals instead.”

Balanced expectations have been backed up by second generation development plans focused on personal identity, choices and quality education. Jay, Rupa and Sam all have MBAs and understand the importance of networking outside of the family business. Family unity is an essential value for all the next generation as they embark on succession planning.

Engaging the third generation may be a distant prospect at Day Lewis, but Jay and his siblings are already looking ahead, conscious of the dangers of family members working so hard in family firms that parenting can be jeopardised – a particular issue in second generation businesses where brothers and sisters have big shoes to fill. “If you’re not careful,” says Jay, “family businesses can suck you in, and family life and parenting suffer. We’re not going to let that happen.”



3 Resources

Articles and reports

Next Generation Engagement in UK Family Businesses

Carole Howorth, Caroline Parkinson, Claire Leitch and Valerie Stead. London: The IFB Research Foundation (2016).

The report presents research findings from this major investigation into the nature and extent of next generation engagement, identifying best practices that families might adopt and pitfalls to avoid.

Great Expectations: The Next Generation of Family Business Leaders

PWC Next Generation Survey, April 2016.

A global study of the next generation of family business leaders – their attitudes, concerns and ambitions. The survey reveals next gens focusing on how to prepare for senior roles and create the right career path.

Coming Home or Breaking Free? A Closer Look at the Succession Intentions of Next Generation Family Business Members

Thomas Zellweger, Philipp Sieger and Peter Englisch (2015). London: Ernst & Young.

An analysis of succession trends in family businesses, and what conditions them across the globe. The family business is seen as an effective training ground for developing entrepreneurial and business skills of the next generation, and previous involvement in the business is shown to positively influence the succession intentions of young adults.

The Critical Pathway Between the Family Business and the Next Generation: Lessons in Emotional Ownership

Family Firm Institute Practitioner, June 2010 (Volume 6).

This article analyses why families cannot take it for granted that next generation members will experience a strong bond with their family business.

Engaging the Next Generation

Jennifer East, *The Northwood Stephens Perspective*, Summer 2008.

The author's starting point is that next generation family members must become engaged in planning for their own future in order to lead fulfilled, productive and happy lives.

Books

Emotional Ownership: The Critical Pathway Between the Next Generation and the Family Firm

Åsa Björnberg and Nigel Nicholson, published by the IFB Research Foundation (2008).

This guide provides broader perspectives on family business ownership and next generation engagement.

Raising Financially Fit Kids

Joline Godfrey, published by Ten Speed Press (2013).

A practical guide to preparing children and families for financial independence, stewardship and philanthropic effectiveness.

Perpetuating the Family Business: 50 Lessons from Long-Lasting Successful Families in Business

John Ward, published by Palgrave Macmillan, New York (2004) *Lesson 19: "Next Generation Early Education"*.

Lesson 19 provides a perceptive review and is full of ideas, examples and strategies designed to engender interest and enthusiasm about joining the family business.

Ready, Willing and Able: The Next Generation in Family Business

Nigel Nicholson and Åsa Björnberg, published by the IFB Research Foundation (2007).

A case-based perspective on next generation issues in family businesses.

Family Business Challenges

The *Family Business Challenges* series of guides offer practical guidance for family business owners. Each guide identifies issues commonly faced in a particular topic area, suggesting strategies for managing the tensions and competing demands that arise. Titles include:

Family business dynamics

- Understanding Family Business
- Maintaining Family Values
- Developing Stewardship
- Promoting Sustainability

Family governance

- Managing Differences
- Building Family Governance
- Strengthening Family Communication
- Fostering Responsible Ownership
- Managing Communication:
Owners and the Board

Family business performance

- Fostering Entrepreneurship
- Professionalising the Board
- Maximising People Capital
- Employing Advisers
- Branding the Family Business

Family business succession

- Engaging the Next Generation
- Planning Succession

Family business wealth

- Selling the Family Business

Growing successful enterprises
for generations to come

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