

Educating Family Business Owners: The Fundamental Intervention

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Education is vital for developing effective successors and ensuring family business continuity. It makes family members aware, helps them build capabilities and gives them direction. This article discusses two distinct approaches to family education and their strengths and shortcomings. It suggests how family businesses can strategically design their education programmes to fulfill the needs of both the business and family.

What is Education?

In the broader sense, education is the process of learning that involves enriching knowledge and information, improving comprehension and capabilities and acquiring skills. Education is significant as it improves the learners' awareness, equips them with problem-solving capability and makes them realize their potential.

In the family business context, education makes family members aware of the challenges they face like, succession planning and leadership transition. Education provides cognitive tools to manage changes like, definitions, timetables, terms of engagement, priority lists. It also becomes a vehicle for business families to fulfill their growth aspirations. Thus, education is about investing in the human capital of family business.

Two Approaches to Education

The authors categorize two distinct approaches to education: (1) Deductive Learning and (2) Inductive Learning.

(1) Deductive Learning: This is traditional or formal training that involves classroom sessions on theoretical frameworks of family business. Such learning can take several forms like, reading books and materials, attending formal family business executive programmes, case discussions, customized in-house workshops, expert sessions, family business conferences and e-learning programmes. The authors term this technique as '*outside-in*' approach. It requires identifying the sources of knowledge and new ideas, and comprehending those in family business context.

This approach brings clarity in participants' understanding of fundamental concepts and building blocks of the family business. Participants can benefit from the large range of topics and rich academic resources that can be a part of formal education. However, a serious drawback of the approach is that it can become dry and uninteresting for the participant, especially if he/she cannot connect it to the situations or challenges by his/her family business.

(2) Inductive Learning: This approach uses real-life experiences for learning and

mastering skills required to lead the family business. It provides the learners the space to reflect on the experience and draw generalizable ideas, i.e. learnings that can be applied in similar situations in future. Family members can collectively gain a shared insight from a common experience and learn to collaborate effectively. Inductive education or '*inside-out*' approach can take place in many forms like, carefully designed internships, mentoring programmes, forming next-generation teams or committees or objective oriented task force.

Some family businesses provide experiential learning opportunities to their younger members by assigning them in subsidiary firms, job roles similar to their future responsibilities in the larger family business. Learnings obtained in the former setup come in handy when they join the latter. Inductive learning is effective because the participant gets immersed in the experience and relates to the context. However, a serious shortcoming can emerge in this approach, if the participant does not get the space and opportunity to reflect back on his/her experience and probes: "*what exactly happened and what did we learn from it?*" Without serious reflection, the experience will not result in real learning.

Organizing Education Strategically

Family businesses need to strategically manage the educational process. This requires:

(1) assessing the learning needs of family members,

(2) exploring and recruiting educational resources (like speakers, coaches etc.),

(3) evaluating internal and external education options (like internships, executive programmes, workshops etc.),

(4) budgeting and cost monitoring,

(5) creating policies for family education (like terms of inclusion/exclusion and equitable distribution of access) and

(6) annual assessment of education outcomes and future plans.

Family businesses would do well to integrate both inductive and deductive approaches to family education. This would provide a good mix of theoretical knowledge with experiential learning that would contribute to the all-round development of the family members. Educational interventions must be given a central role and seniors need to commit their time and effort for the programme to be effective.

Practical Implications

Family businesses need to realize that education is not a one-time exercise but an ongoing process. Besides preparing the young generation for their future roles, education is also needed when the businesses decide to enter new sectors or markets. Therefore, education and training must be given strategic importance. Timely anticipation of learning needs and effective development and delivery of education programmes would enhance the capabilities of family members and ensure family business sustenance.