

Preparing the next generation

– Juliette Johnson

Grooming the next generation members for managing business is very important for a business family to ensure the continuity and long-term survival of the business. In this article, Juliette Johnson – a family business advisor, mentions that family businesses often fail to invest the required time and effort to groom the next generation members of the family into responsible owners and effective managers. She warns that this neglect is detrimental to both the business and the family, as it can lead to decline in business and distress among family members. The author suggests how family firms must approach this issue with a strategic perspective.

Is family business an opportunity or birthright? The author suggests that families need to decide whether the next generation considers entry into business as a birthright or values it as an opportunity. Increasingly, family firms are enforcing merit criteria for joining the family business and presenting it as an opportunity to the next generation. Families must take an early lead in managing the expectations of next generation members by clarifying the entry criteria and specifying requirements with regard to - education, work experience etc. The nature of their engagement in business must also be clearly spelt out. In most family businesses, these details are left undefined and family members make assumptions about their involvement in business. Their assumptions, if misaligned with reality, could become potential sources of conflict.

Outside Experience – Many family businesses now encourage their next generation members to obtain work experience in an external organization before they join the family business (some have even made it mandatory). Experience gained outside the family business helps an individual to develop the ability to manage business affairs on their own and learn from their mistakes. This hones their skills and gives them confidence. It also enhances their sense of self-worth as they have something more to offer the family business than just their family name.

Formal Policies - Family firms often lack formal policies with regard to family members' roles and responsibilities. This needs to be changed. The next generation members must be provided clarity on assigned responsibilities, compensation, reporting authority, performance appraisal mechanism, feedback and support. Formal policies will minimize subjective decision-making and provide a transparent, level playing field for all family members.

Support System - Next generation members often face unique challenges in family business, such as - sibling rivalry, high expectations of parents, feelings of unworthiness, lack of formal training, absence of timely and objective feedback and isolation from professional colleagues or peers. These conditions may leave them quite lonely and shake their confidence. Therefore, family firms must ensure that a support system of mentoring and coaching is developed with an aim at planned career advancement of the next generation.

Responsible Ownership - Family firms often neglect to train their next generation members to be responsible owners. Responsible ownership requires that the next generation develops a good understanding of the business, can act in unison with other family members, can take along other stakeholders, and remains committed and willing to financially support the business. Business families must focus on the next generation's - (1) **knowledge building** – knowledge of business history, values, vision, shareholder rights and responsibilities, financials of the business, and (2) **skill development** - team building, decision making, managing differences and resolving conflicts.

The senior generation must not only initiate this grooming process but also ensure active involvement of the next generation. A well-planned grooming process equips the next generation members with required knowledge & skills and thereby, helps in strengthening their commitment to the family business.

Source: "Preparing the next generation," by Juliette Johnson, STEP Journal (online), February, 2011. (<http://www.step.org/preparing-next-generation>).