How to Keep a Business Family Alive: Families that fuel next generation family business leaders

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Growing and maintaining a business family is not easy. While family business owners successfully meet customers’ requests in the marketplace, they often struggle to develop next generation leaders.

Here is what we learned from 21 business families running German wineries that are, on average, in their 11th generation. We conducted more than 80 interviews over seven years that allowed us to get to know these families and develop a sharp picture of what helps cultivate next generation family members who are competent, motivated, and entrepreneurial.

We often talk about family businesses as if they were all the same, but each family and family-business combination is unique. We found that we could categorize these combinations into four basic types – “James Bond,” “Eternus,” “United,” and “Steward.” Each makes different decisions, brings up the next generation differently, and engages in different succession processes with unique outcomes. Understanding these types might be a pre-condition for helping them develop next generation leaders and ensuring the continuity of the business.

James Bond Families

In the “James Bond” business families we interviewed, an authoritarian family CEO cuts the family off from the business. The family CEO runs the business like a non-family firm while (typically) his wife is responsible for raising and educating the children. The family patriarch towers above this type of business and keeps other family members out. He runs the business like a secret mission without involving the next generation. Because he does not talk about the business at home, the next generation is neither motivated nor prepared to take leadership roles when the time comes. The succession decision – when, how, and who – is made by the family CEO upon retirement, but by then the next generation has usually embraced successful careers elsewhere and refuses to join the business. Not surprisingly, many of these family firms are sold when the family CEO retires, and the connection between the business and the family is lost.
Perhaps with the help of trusted advisors, these firms might avoid such an ending. For instance, advisors might initiate succession planning earlier, help with next generation leadership development, and find ways in which the next generation can gain relevant work experiences at other companies in the same or related sectors so they can be viable succession candidates once the time comes.

**Eternus**

The second type, like James Bond, is an authoritarian family leader who usually leaves the children’s upbringing and education to his wife. However, instead of focusing only on the business, he integrates the family into the business. He speaks openly about the business with other family members and leverages their talents in the business. He sees himself not only as the business leader but also as the family leader. Because he involves selected family members in the business, he often develops potential successors, but his authoritarian style makes it hard to step away until the very end. Eternus family leaders often fail to appoint a successor despite developing options, and the longer he remains in charge, the more his relationship with potential successors deteriorates. Successors who might have stepped up seek career satisfaction elsewhere, leaving the business to suffer from foregone entrepreneurial opportunities.

A trusted advisor would be of great help to Eternus. An irony is that he is, by his very nature, unlikely to listen to a trusted advisor despite the seemingly obvious advantages. Trusted advisors could help manage rising transgenerational tensions and/or help bring the (competent) next generation back once the patriarch finally steps down.
United

Like Eternus, United-type families integrate the family into the business, but unlike Eternus and James Bond, United is not an authoritarian patriarch. S/he is an authoritative leader focused on developing next generation talent; s/he asks for family input and nurtures the family’s interest and involvement in the business. The next generation is involved in the business and willingly comply with expectations in the hope of taking on more important roles over time. By actively encouraging and involving the next generation, Uniteds often achieve a successful succession. They nurture one or more competent and committed next generation member(s) who engage in entrepreneurial projects with the leader prior to succession. While United seems to be a winning type, a more detailed look reveals some fine cracks that could be prevented, or at least managed, with the help of a trusted advisor.

In selecting a competent next generation member, United rejects other (competent) family candidates, which can cause them to exit the business and take their valuable human capital with them. A trusted advisor can help United-type leaders develop a succession process that chooses a successor without alienating other candidates. Alternatively, an advisor might help Uniteds find a way to structure the business so that a duo of competent and motivated siblings can assume succession as a team.
“SUCCESSION IN [STEWARD] FAMILIES COMES WITH LITTLE CONFLICT AND SUCCESSORS ARE, ON AVERAGE, HIGHLY QUALIFIED, MOTIVATED, AND ENTREPRENEURIAL BECAUSE OF THE RESOURCES DEVOTED TO TRAIN AND EDUCATE THE SUCCESSOR AND THE HIGH EXPECTATIONS SET BY A COHESIVE AND FOCUSED FAMILY.”

Steward

Stewards differ profoundly from the other types by the extent to which the family and business spheres are interwoven. Not only are family members brought into the business, but the business permeates the home, and the extended family – grandparents, aunts, uncles, and cousins – are involved in the business and in each other's lives. Raising children, for example, involves the entire family network. Succession in these families is taken-for-granted in the sense that there are rules in place designating the successor, usually the eldest son. Succession in these families comes with little conflict and successors are, on average, highly qualified, motivated, and entrepreneurial because of the resources devoted to train and educate the successor and the high expectations set by a cohesive and focused family. Although there is one designated successor, other children are also educated and involved in the business, and the older generation supports the younger generation as they bring their new knowledge into the firm and fuel innovative projects that lead to "entrepreneurial leaps.”

While it might seem that these families do not require external advisors, it is fascinating that these families are the most proactive in using them. Many have long-standing relationships with advisors who help them successfully integrate future in-laws into the family and organized annual retreats that involve all current and potential in-laws. A communication advisor and conflict mediator can help Steward families better understand their communication differences and manage potential issues on the horizon. This is particularly important because, although a designated successor helps focus resources, those who are ignored because of gender or birth order need emotional support and opportunities to foster their contributions to the family enterprise.
To conclude, one key learning from our research journey was that it is pivotal to analyze the *business family* as well as the associated *family business(es)*. The different family-types require different types of support for different individuals and sub-groups within the family. Another key lesson that we learned from this longitudinal research is that advisors need to tailor their suggestions to the unique families behind different family businesses. Different families behind similar businesses might require a completely different approach to address current and future hurdles.

A part of our findings is described in more detail in the following academic publications:


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**About the Contributors**

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