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FAMILY BUSINESS FORUM

Developing the Next Generation

By Donald Levitt

I call this the family business owner's dilemma: your adult children will never be as smart as you; or as hard-working; or as personable; (or even as handsome!).

Many family business owners feel this way – and in a certain sense they are right (except for the handsome part...). The owner will always have 25 years more experience than their adult children. And, psychologically, the owner will always see their adult children as children.

This is the dilemma when it comes to preparing the next generation for leadership – the “kids” never seem quite good enough in the owner's eyes. Nonetheless, they need to be developed for leadership, and having a structure or “game plan” for this development can help both generations feel more comfortable with this preparation.

Start ‘Em Young

It all starts at the dinner table. This is where children hear their parents complaining about employees, customers, the bank – and then the children are promised “Someday this will all be yours!” These are your future leaders' first lessons about building business relationships and solving problems.

Childhood is also the time when some children come to see business ownership as an entitlement – part of their birthright. Other children come to see future leadership as an obligation – as the only way to please mom and dad. Twenty years later these same parents will be complaining that their adult child has a “bad attitude” regarding the family business. Funny how that happens.

Early Management Development

One of the best ways to help children develop into responsible adults and capable business owners is to make sure that they spend some time in the real world of adults – away from their parents. After graduating from college (which is part of growing into adulthood for many families), it is strongly recommended that potential successors spend 3-5 years working elsewhere in positions of increasing responsibility. This builds self-confidence, and helps to overcome any feelings of entitlement or obligation. Once they have succeeded on their own, it may now be time for them to enter the family business –

but only if there is a real vacancy which they can fill. Once hired, they should have clear objectives and have their performance coached and evaluated regularly – preferably by someone other than their parents. Remember – you want them to be entering the adult world of business – not coming to work for mom and dad.

Leadership Development

If your adult children have reached their late 20's or early 30's and still look like good candidates for successor, then it's now time to create a more formal plan for leadership development. This can include:

- Rotation through various job assignments throughout the business
- Involvement in corporate activities such as strategic planning and board meetings
- Participation in outside learning activities and structured peer groups
- Being mentored by an external member of the board or other external business person
- Opportunities to run their own department or profit center
- Increasing levels of responsibility.

Selection of Successor

If there are several potential successors, it's time to set up a decision-making process. Clearly defining selection criteria, the selection process (i.e., how the decision will be made), and a timetable helps to make the process more objective – and thus more acceptable to all involved. Making decisions sooner rather than later, and avoiding a prolonged “horse race”, has many advantages: it allows those who are not selected to pursue other career options if they so choose; it reduces the risk of the best candidates leaving for other jobs; and it minimizes the effects on the business of the sudden death or disability of the current owner.

Some family business owners decide that “co-successors” makes sense. While this approach usually reflects an unwillingness to make the difficult decisions – in some cases it may actually be a good solution. The co-successors should demonstrate an exceptional level of collaboration and conflict management before this option should be considered.

The Tip

They'll never be as good as you – of course – but systematic planning over many years can help your children to become excellent leaders – and give you the confidence to turn over the reins.

Donald Levitt, president of Levitt Consulting, helps family businesses to succeed as both a business and a family. More information about this month's topic, and other family business issues, can be found at LevittConsulting.com.