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Involvement concept of young entrepreneurs and  
owners of family businesses in participating regions

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1<sup>st</sup> Version  
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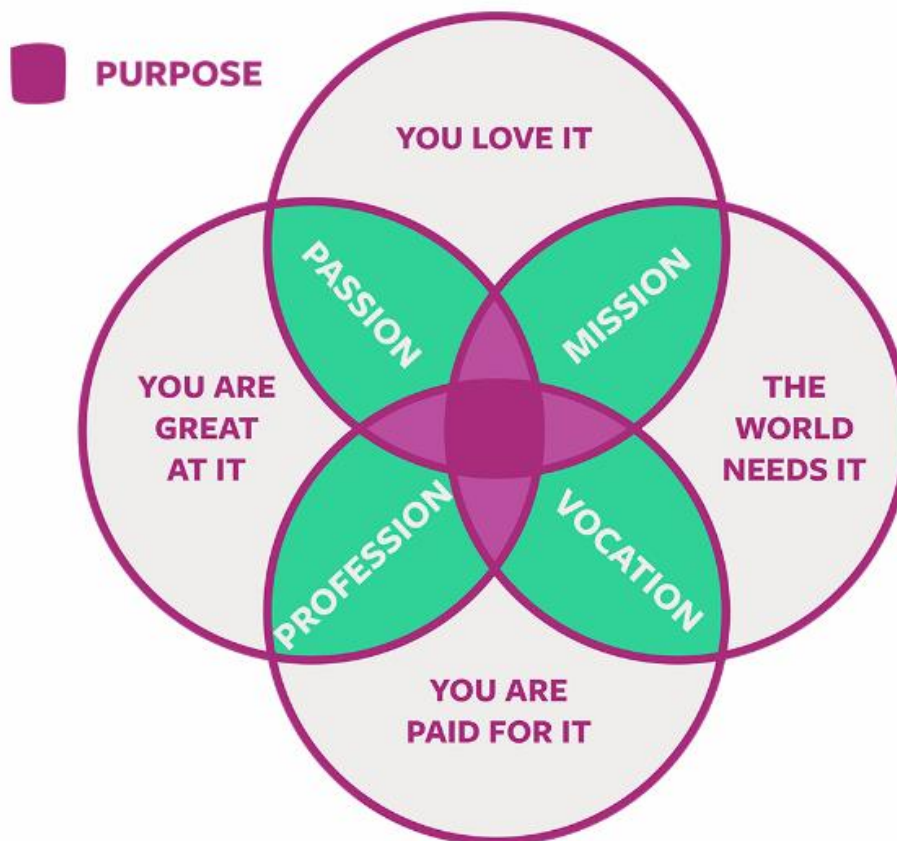
## Introduction

For seniors in companies, it can be really difficult to find right ways to motivate teenage or young-adult children in general towards work in the family business. It is even more difficult if you have your own good working business and you will need a successor in future. How should you work with your children at least to make them think about business succession? As a parent you should ask your children for example how do they want to contribute to the world, what is the most important for them or what are their long-term and short-term career goals. These issues and ideas will be elaborated in this document together with common mitigation measures.



## 1. First step - conversation

You may have had conversations about what your family values are, or your kid picked up these principles over the years. Now you have a young adult, who may be on a path to finding their purpose in life, or they may feel completely lost and unsure of what to do. Finding purpose can be a lifelong endeavour—something you may still be working through yourself. Young adults are in a time of their life when many questions, ideas, and insecurities can emerge. It is at this time when you can help them think about the meaning of what they do and what they are interested in. Important is purpose.



<https://www.parenttoolkit.com/social-and-emotional-development/advice/self-awareness/how-to-help-my-young-adult-find-their-purpose>

### 1.1. Start with mentors

Ward and McClure recommend, when the children enter the business, they should work for a mentor rather than with the parent. The mentor should be the most valuable, loyal, secure, and long-lasting employee. That person should be the one who does all of the things that you don't like to do. Bhalla and Kachaner (2015) said, that you should motivate the best employees and foster



their support. The company needs to ensure that these executives have opportunities to develop professionally and take on new responsibilities and that morale remains high. Surrounding the new leader with a strong and supportive senior team is a key ingredient for success, and the departing leader should ensure that such a team is in place.

The findings of the paper of Tobak (2018) says: „The history of family-owned firms shows that in order to maintain appropriate business succession activity the family management has to plan in advance. Passing the baton to the next generation successfully is a complex and long-term family management role and it has strategic importance. To ensure business continuity, the successor has to take over the business and operate it well. That is why the sharing of knowledge, the innovation performance and the best practice are important parts of family company's culture, and they consequently play an important part in the pass the baton project within family-owned firms“.

According to Bhalla and Kachaner (2018) is very important to start with planning of family businesses succession early. Families may hesitate to plan succession because they are uncertain how the interests, choices, and decisions of different family members will play out over years or decades. But succession planning should start as soon as possible despite this uncertainty. Although things may change along the way, leaders can often anticipate the potential scenarios for how the family will evolve. Issues to consider when developing scenarios include the number of children in the next generation and whether those individuals are interested in the family business as a source of full- or part-time employment or purely as an investment. Families should also consider how the scenarios would be affected by marriages or the sudden demise of a family member or potential successor. It is important to plan a succession process and outcome that will work for the different foreseeable scenarios. According to Bhalla and Kachaner (2018) is also important to set expectations, philosophy, and values upfront. Although setting expectations, philosophy, and values is central to many family-business issues, they have found that doing so is essential when it comes to succession planning and must be done up front, even if the specific mechanics of succession come later. In their experience, the family businesses that thrive and succeed across generations are those that possess a core philosophy and set of values linked not to wealth creation but to a sense of community and purpose.

*„Understanding individual and collective aspirations. Understanding family members' aspirations, individually and collectively, is critical to defining the right succession process“.* (Bhalla and Kachaner, 2018). First of all, leaders of the succession process should meet with family members and discuss their individual aspirations for involvement in the business. They should ask family members, if they want to work for the business or lead the business, or, alternatively, focus on the family's philanthropic work. The family's collective aspirations can emerge from the effort to establish a philosophy and values. Does the family want its business to be the largest company in the industry? Is maintaining the business as a family-owned-and-operated company of paramount importance, or does the family want to relinquish operational responsibility in the coming years? Understanding these aspirations helps in managing expectations and defining priorities in the succession process.



## 1.2. Strategies to encourage productivity

There are few simple strategies that will help to encourage productivity in your young employees. According to White it is:

- Creating work teams, because young adults like being part of group, setting work-related goals for each of your groups and emphasize how important it is for every member of the group to participate in order to make the team successful,
- Providing a variety of work tasks, because young workers can become bored easily. Mix it up a bit and challenge them by giving them some variety in their work duties,
- Provide positive reinforcement, and don't be too quick to criticize. If they make mistakes, correct them in a positive manner and encourage them to try again and continue trying until they succeed. Most young adults--and people in general--respond well to positive reinforcement,
- Listen to your young employees and show them the same respect that you show to your older workers. Young adults may not have the experience that your older employees do, but they can still make valuable observations and suggestions. Pay attention to what they tell you, show them some respect, and they'll be more likely to do the same for you.

## 2. Advantages of business succession

There are many advantages and disadvantages in everything. Also there is no difference in context of business succession. When family leaders think about business succession, they should tell their youngs about following benefits according to Lecouvie and Pendergast (2014):

- **Economic** - A feeling of shared purpose – the sense that coming together will prove financially rewarding— carries obvious economic benefits, since everyone is focused on the objective of financial success. That's particularly the case in challenging economic conditions, where significant obstacles and issues can often bring families closer together. Studies have documented that family-owned businesses often financially outperform other companies. A 2011 study by Credit Suisse and Ernst & Young of members of the Family Business Network International in 33 countries found that family companies were more profitable than public companies in many cases, despite certain economies of scale that researchers expected would work against the family-run enterprises.
- **Sociological** - Here, the question of “Why are we here?” becomes central. A family's vision and purpose can positively impact their community through charitable giving and other community -minded programs. Further, that sense of community focus can help guide future generations as they uphold prior generations' core values.
- **Psychological** - Financial rewards are far from the only reason prompting succeeding generations of family members to bond. A sense of common vision and purpose offers a valuable emotional asset—a feeling of satisfaction, commitment, and group fulfilment. Families stay together because they have certain values that 20 FAMILY BUSINESS SUCCESSION bind them. Family governance authority James Hughes describes this as a



“family of affinity,” which is bonded by positive feelings, not merely genetic lineage.<sup>4</sup> Purpose becomes inclusive, not exclusive. Further, those values are principles that guide them in their day-to-day lives and have created a family that they can be proud of. They want to be able to sustain those values.

- **Practical** - Family values and purpose also provide direction in making central practical decisions related to strategy, structure, organization culture, governance, and human capital development, as seen in our example above.

Another valuable aspect of the social responsibility of the family council is the managing the details of family get-togethers. In working with families, we recommend that family gatherings be roughly focused in thirds, divided as follows:

- **Fun** - “Fun” is defined and interpreted many ways, but may include activities like group hikes, golf outings, fishing, sitting around the pool, picnics, games, or other forms of enjoyable recreation. Family gatherings should offer enough fun to make them appealing. And activities should be selected so they are inclusive of the interests of the broad group.

- **Education** - This covers a wide spectrum of topics, some of which include education about the business, financial analysis, estate planning, personal and/or professional development, team building, affinity groups, philanthropy, wealth management, and parenting.

- **Development** - It is critical to business and family continuity that the family develops policies together, with the family council taking the lead on ensuring the completion of these initiatives. This might include developing a protocol for elections, family employment, content for future family retreats or education ideas for the next generation.



### 3. Resources

LECOUVIE, Kelly and PENDERGAST, Jennifer. 2014. Family business succession, your roadmap to continuity. New York: PALGRAVE MACILLAN. ISBN 978-1-137-28089-3.

BHALLA, Vikram and KACHANER, Nicolas. 2015. Succeeding with Succession Planning in Family Businesses. URL: [https://www.bcg.com/publications/2015/leadership\\_talent\\_growth\\_succeeding\\_with\\_succession\\_planning\\_family\\_businesses.aspx](https://www.bcg.com/publications/2015/leadership_talent_growth_succeeding_with_succession_planning_family_businesses.aspx)

TOBAK, Júlia. 2018. The main factors determining effective operation in case of a family business. URL: <https://www.emeraldinsight.com/doi/abs/10.1108/IJEBR-04-2018-0203>

McCLURE, Stephen L. and WARD, John L. Family Business Succession: 15 Guidelines. URL: <https://www.thefbcg.com/Family-Business-Succession--15-Guidelines/>

WHITE, Cindy. How to Motivate Young Adults to Work. URL: <https://work.chron.com/motivate-young-adults-work-8907.html>

How to Help My Young Adult Find their Purpose, URL: <https://www.parenttoolkit.com/social-and-emotional-development/advice/self-awareness/how-to-help-my-young-adult-find-their-purpose>