The Leadership Imperative

Identifying and onboarding your next-generation executive.

WhittierTrust

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A role in the family business isn't necessarily a birthright. It is, however, a responsibility, and one that requires careful consideration on both sides. It's possible your children don't have the same talents and ambitions as you, but they may bring other interests and skills to the table. More importantly, your employees are counting on the company's continued success and longevity. A potential role should be aligned with the individual's unique goals and the long-term needs of the company.

Your child may be a "chip off the old block," but it is unfair to assume they will be successful in the same ways you have been. Family expectations can cause undue pressure all around, possibly pushing people into positions that aren't beneficial for the company or the individuals. You may wonder if it's even possible for your successor to live up to your standards. Conversely, many young people are overconfident and may think the entrepreneurial "secret sauce" is already in their genes, not realizing how much work is required.

Knowing that each situation is unique, we have witnessed enough of these exchanges to have formed some helpful tips. Here are five strategies to help you prepare the next generation for the opportunity to lead your family business.

START YOUNG

It's never too early to expose children to the business. However, your initial approach should be informal. You don't want to create the expectation or assumption that your offspring will become CEO someday. The goal is simply to gauge each child's interest and encourage open dialogue about the potential role they might play.

It's important to be honest and discuss all possibilities without any expectation that your child will continue the family legacy. The goal is to empower (not pressure) them into a role that fits. Encourage them to start with internships or summer jobs. Remember, there are plenty of roles other than CEO that might be the best fit for them. You want to create a space where you can have open discussions about their interests, knowing those interests are likely to change with maturity and experience.

A good place to start is by looking for opportunities to take your child to work. One of my clients at Whittier Trust shared how when her kids were young, her son loved watching factory operations, while her daughter was intrigued by negotiations with vendors. Early on, each of them displayed curiosity that would later become more apparent interests aligned with their personalities.

TELL YOUR STORY

That same client was also open with her kids about owning and operating a business. She wanted to be sure they understood the risks, rewards and personal sacrifices of entrepreneurship.

Talking about your origin story and lessons learned can be an approachable way to teach the next generation, while also assessing their thinking and problem-solving skills. How were you inspired to start your business? Who helped you? What opportunities did you seize along the way? What setbacks and failures did you overcome? After all, no career follows a perfectly straight path.

Sometimes we forget to tell those closest to us about the milestones that have shaped us. Storytelling can be a powerful way of including family in the business and understanding where they might fit.

USE PHILANTHROPY AS A TRAINING GROUND

Another way to build valuable skills that may apply to your family business is to involve your children in your family's philanthropic efforts. Philanthropy draws on the same skills used in business, just applied in a different context. Making decisions around charitable giving is a safe way for family members to learn business concepts and gain experience in vital skills, such as reviewing financial statements, managing cash flow and analyzing the strengths and weaknesses of an organization prior to making an investment. It can also enhance your company's values and reputation.

Philanthropy helps teach values in addition to skills. Another client recently told me their whole family discusses which organizations they're going to contribute to and why. She said, "Each of our teenagers has to explain their thought process and confidently support their position." This simple exercise helps the family to connect in a meaningful way, while providing a platform for younger generations to demonstrate their critical thinking skills and receive feedback from their elders.

Your financial advisors can be useful partners in setting up a family foundation, donor-advised fund or other philanthropic account. At Whittier, for example, we work with families to set charitable objectives that allow younger members to demonstrate increasing levels of responsibility and accountability.

WEAVE MENTORING INTO EVERYDAY LIFE

Never underestimate the value of kitchen table talk. Even a casual chat can give your family member a window into your work while letting you see how they think and respond. One client described a challenge he was facing at work over a cup of coffee with his daughter, then asked her, "If you were in my shoes, what would you do?" He was thrilled to report back that he'd had a big success with one of the creative ideas she'd proposed.

Non-family members can also be critically impactful mentors. Look for valued staff, friends and consultants who not only could be willing shepherds for your progeny, but also want to be.

A non-family mentor may also be the person most likely to run the business in the future. Creating bonds between your heirs

and future company leadership before the idea of succession is in play can circumvent the awkwardness or frustration that may occur if a child feels passed over for the position. If the future leader has mentored your heir, there's a better chance of mutual respect and support. This might naturally evolve into having an outside hire, such as a COO, succeed you in managing the business while your family members take on other meaningful roles within the company.

PREVENT SIBLING RIVALRY

Wealth distribution can be a tricky topic when a family business is involved. For example, a child working in the business may receive a larger share of revenue than their siblings when the business is sold. It's important to have honest and transparent conversations about wills and trusts with the whole family.

As a witness to many of these conversations, I strongly urge you to consider having your advisors and attorneys assist as facilitators. An experienced advisor can apply the lessons of past generations to help you usher in the next.

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