

305 views | May 29, 2019, 09:46am

What Do We Tell The Children? Intergenerational Talks About The Family Business And Wealth



Dennis Jaffe Contributor ⓘ

Leadership Strategy

I cover leadership of family business and wealth across generations.

Families that have accumulated substantial wealth and built family enterprises continually ponder what they want and need to do to pass on wealth and leadership to their children. With this in mind, they seek out experts and talk to each other about what would best serve their heirs. Their hope is to see them develop positive values and skills and not be hindered by the wealth they inherit. Some wealth creators plan to give much of their wealth to philanthropy, and they envision their children becoming involved in this as a family activity. They want the whole passage to go well, and they seek to make the best plan to ensure a positive outcome.

But despite good intentions, this transition can cause hurt feelings, resentment, mixed expectations and even business failure. I have seen and worked with scores of families making this passage, and time and again, the roots of failure come from a lack of true communication between the generations and difficulty in seeing the other person's perspective, needs or concerns.

One reason the process gets derailed is that each generation views the future with

a different set of questions and concerns:

Older Generation Concerns:

- How will the business provide me with retirement income?
- What will I do if I don't run the business?
- Will my son/daughter do a good job?
- How much can I influence the business when I leave it?
- What will be my legacy?
- What can I do for my other children?



GETTY

Younger Generation Concerns:

- Will they really let me run it?
- Is this truly what I want to do with my life?
- Can the business support all of us and our families?
- Will they really let me make changes?
- What if I screw it up?
- What about my brothers and sisters?

The potential for strain leading to conflict lies in how each of these questions and concerns gets answered. The business owner has created something and wants to see it continue and thrive. He or she has built up a vast store of experience and knowledge, and they wonder how they can pass this on to their successor. But their biggest challenge is that they have to let go. The younger generation needs to have both ownership and control, and at a certain point, the younger generation will have to make decisions. Still, it will not be easy for the older generation to sit back and watch, rather than influence.

The time to deal with these issues is *not* after a plan has been made. Rather, it is in the period when the older generation has some preferences to voice and their

children are beginning to look ahead to their own lives and careers. This is a good time to bring the generations together to talk about needs, interests, values and expectations—before anything is set in stone. But the older generation often fears this conversation and either puts it off or makes plans without consulting the very people whom the plans will affect.

It's easy to state the problems, but harder to prescribe solutions. What I have found helpful in aiding these intergenerational crossings is for the generations to come together for a series of focused conversations about the past, the present and the potential future. Sometimes I act as a facilitator of such conversations, and sometimes they are held by the family alone. However, many families find it hard to just sit down and talk. There are so many needs, emotional undercurrents and shared history. And far too often the family members talk at cross-purposes, each generation unaware that they are neither hearing nor answering the concerns of the other.

Such families need an outside guide who can create a safe space for them in which they can have an honest and comfortable conversation.

Creating a safe space involves setting ground rules, expectations and a clear focus and agenda for each conversation. A helpful format is for each person to have a chance to talk about what is important to them, while the others listen deeply before raising questions and sharing their own perceptions. The most important element is to create a safe environment for each generation to talk freely without feeling that they are wading into an argument or that the other generation is not willing to listen. Focus is equally important. Too often, the substance of family business talks concerns legal or financial issues; but the talks I am proposing are about the spirit of the business, about values, dreams and the meaning of one's life. These conversations are important, and they should be recorded, even videotaped.

Ideally, there should be several conversations, each presenting a particular theme or focus. Here are three conversations that can provide a good foundation to build upon:

Conversation 1: Focus on the Elders

The first conversation should focus mainly on the founder. It is a time for him or her to talk about how they created the business, what it means to them, their dreams and what makes them proud and satisfied. They should also talk about their struggles, their choices, what they know and how they learned it. And finally, they want to express what they value and want to have as their legacy. In a sense, this conversation is a living will in which the founder shares what they have done and why it is important.

The successor's job during this talk is to appreciate and listen. They can ask questions or request more details, but this is not a time for them to disagree or add their own ideas. Instead, it's about understanding their roots—the history and values of the family business and legacy they are going to inherit.

Conversation 2: Focus on the Next Generation

The second conversation reverses the roles. Now, the inheritors have a chance to talk about themselves and what they want in their lives. Rather than talking about how much money they can expect, this conversation can focus on how the family wealth can help them reach their personal goals.

The potential heir talks about their dreams for the future and the potential they see for the family wealth. It is not a conversation about planning or convincing but about sharing of possibilities.

Conversation 3: Business/Financial Future

This is a conversation in which both generations participate. The focus is on what each person sees in the future, how the business climate is changing. Together, the wealth creator and their heir can create a map of what challenges they see coming. What will be different? And how can the business adapt? The goal is not to plan what the business will do but to create some agreement about what lies ahead and what challenges will be faced. If there is some agreement about the challenges, then the design for how to respond will be that much easier.

Sometimes, operational differences stem from different views of the future, and the arguments about what to do never really get grounded in a common vision

Next Steps

These initial conversations create a base for later plans and decisions around ownership, management and generational transition. The next step is to create a set of agreements regarding where the business will go and how the inheriting generation will take it there and build on the legacy of the founders. This is a complex set of tasks, but with the foundation of some honest conversations about each person and their hopes for the future, the two generations can work and plan together with mutual respect and a shared vision of future success.

Dennis T. Jaffe, Ph.D. dennisjaffe.com



Dennis Jaffe Contributor

For the last 40 years, I have been one of the early architects of the field of "family enterprise consulting." Family enterprise consulting means primarily assisting mul... **Read More**
