

## BRINGING THE NEXT GENERATION INTO THE FAMILY BUSINESS

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**More than half of family offices have a succession plan in place, up a remarkable 11 percentage points in a year, and most (28%) of next gens will take control of the family wealth in the next 11 plus years, at the average age of 45, says *The Global Family Office Report 2019*. However, the biggest challenge facing the majority (37%) of families is their discomfort in discussing the sensitive topic of succession planning.**

Some 36% of families say the patriarch or matriarch is unwilling to give up control and 33% of families say they don't have a next gen member qualified to take over.

The majority of next gens aspire to be future leaders or wealth holders by 2025, through executive director (41%) or major shareholder (29%) roles with the family enterprise, according to PwC research. However, one in five feel they do not have a 'licence to operate', with the need to prove themselves before putting ideas for change forward, with one in 10 saying they are hardly ever listened to.

So how can next gens make it to the top positions within family enterprises if they do not yet have the trust and confidence of their forbearers? What steps do they—and the current generation, for that matter—need to take over the next five years to transition successfully into these roles? Here are some ideas on how to start this process.

### Communicate

This is to perhaps state the obvious. One of the identified attributes of millennials is the ability to communicate and express their views; this is a generation who possess stronger interpersonal skills and who are not afraid to talk about money nor challenge convention. In return the current generation need to be open and transparent and prepared to listen. This is all very aspirational, and of course in reality these ideals rarely happen in the way theorised. What is needed though are advisers who can engage all members of a family at all levels and to cultivate a sense of collective buy in and challenge assumptions and misconceptions across generations.



Do the current generation even anticipate passing the family enterprise to the next generation? Only 57% of those surveyed by PwC plan to pass ownership and/or management to the next gen. What is their game plan otherwise, and has this been communicated with the next generation? What do the next generation want; are they united in their desire to continue the enterprise as a collective, or do they each wish to go their separate ways? What can the current generation do to ensure the enterprise does not become fragmented? All these issues should be addressed as part of the dialogue across generations and plans implemented accordingly.



### Identify and nurture future leaders

One key consideration in any family enterprise is to identify the future leaders. It is also important to ensure there is a common understanding between generations as to who that person or people should be. Often the current wealth holder will have identified a successor to the business, but does that person know they are? Is that person actively engaged in the enterprise already? Should they be now? A programme of mentoring the next gen will ensure that within five years they have the requisite skills needed to give the current generation the confidence to hand over value and/or control.

### Identify the needs of the business

Technology is disrupting all business sectors in an increasingly competitive world where brand and reputation are key. As digital

natives, millennials bring a new unique set of skills to the table which the current generation do not possess. This is the perfect opportunity to bring the next gen on board and add value to the family enterprise. It might be for the next gen to make the business case and highlight the need for digital innovation where the current generation are likely to be disengaged with the process, but identifying this need will only arise through dialogue with the current generation.

### **Start early and start small**

Next gens can seek to prove themselves in other ways by running discrete ventures under the family enterprise or the family office, perhaps commercially motivated ones or those focussed on social responsibility or an ESG [environmental, social and governance] strategy which could tie in with the need for the business to evolve and develop a corporate socially responsible role in the future. Such projects enable next gens to flex their leadership muscle and prove their value to the current generation to foster the confidence needed to bring them into the business fold.



Of course, each family enterprise is different both in terms of their assets and family and business history, and what works for one family may not work for another; there is no one size all approach. If next gens are really to step up in the next five years though, they need to start the discussions now and be on the front foot and make collaborative decisions and plans with the current generation.

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