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# How To Keep A Family Business Strong Through Multiple Generations



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While the large marketing budgets and the majority of press coverage tend to favor larger public corporations, there are many family-owned small businesses that create a major impact on the U.S. and world economies from generation to generation.

According to the [Small Business Administration](#), small businesses in particular "accounted for 61.8% of net new jobs from the first quarter of 1993 until the third quarter of 2016" and [produced](#) 46% of private nonfarm GDP in 2008.

However, as someone who has grown up with a family business, you may be aware it's not all sunshine and rainbows. Some family businesses may fail or be sold before the second or third generation can assume ownership. Personally, as I took control of the day-to-day processes of my family business, I focused on creating systems and accountability. Unfortunately, the existing employees did not agree with the idea of accountability and metrics and felt the need to part ways. Change is often a challenge for an older business, and as hard as it may be to change, having the business become stagnant or obsolete would be harder.

If you own a business that one day you hope your children would have the option to take control of or you have recently taken control of your family business, there are a few ways that you can focus your energy to ensure your legacy will continue to transfer to the next generation.

## **Respect**

The first way to build a sustainable family business is to cultivate an environment that develops respect for experience. A big challenge for many businesses is that the transitions between the generations

may come at the cost of losing generations of experience and having to learn lessons from making the same mistakes that were made before. Preserving the prior generation's experience and mixing the ambition and innovation of the next generation is one key to a successful transition of power.

## **Development**

Developing your family around the concepts of running a business, from evaluating new proposals to reading a balance sheet, should also be at the core of multi-generational growth. If your family member is not aware of the basic system on which your business is built, they may not feel confident about stepping into a leadership role. Develop a strong leadership training program to provide exposure to every level of the business to help future leaders understand how the company operates and come up with creative solutions if a problem should arise in the future.

## **Change**

It can be hard for an established generation to embrace the change and innovation that a young perspective can bring. There are no limits to how many times you can re-invent your business focus or mission statement. Each generation can bring its own unique perspective and skills into the management of a business.

Understand that mistakes will be made and that the team can learn from them; this is all part of how a business can and will change through multiple generations of ownership.

## **Core Values**

Creating a culture of strong values can help sustain a family

business, as it is much more resilient than the system that the business is built upon. Those who run a business know that the people both in front of and behind the system are the most valuable resources and that when you create a culture with strong core values, the people will be able to more easily guide the business through a generational transition.

If you are lucky enough to grow up in a family that has a legacy business, you hopefully do not feel that it is your obligation to carry on the business if it is not your passion or does not suit your lifestyle. One of the benefits of running a family business is that you are not required to satisfy any outside interests or public shareholders. There are many options if the next generation is not ready to step up, as it is possible to close the business for several years or license the brand.

Generally speaking, the family business sometimes has a distinct advantage over publicly owned companies in that they are able to take a long-term view of trends and adapt quickly to the changes of the industry. Small businesses may in some ways be able to withstand external impacts, natural disasters and economic downturns more easily due to their long-term strategic view and lack of shareholders that expect positive growth every quarter. The successful leaders of family businesses I've worked with tend to focus on the goals for the next generation and not the next quarter.

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