



## DAUGHTERS IN CHARGE: A LESSON FOR ENTERPRISING FAMILIES

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*Succession in the modern era is complicated, but women may well hold the key in the family business environment!*

Family business succession (both leadership and ownership) is a complex and typically once-in-a-lifetime event. A whole host of emotional, financial and material challenges come into play. Now, especially, is a crucial time for such operations as Baby Boomers look to retire and the expectation that their progeny (Millennials or Digital Natives) will step into their shoes is proving far from a done deal.

It's nothing new that generational change brings a new perspective on how to run a business. However, the NowGens and NextGens have an entirely different view on how to manage their wealth and what they would like to do with their lives or careers, meaning they might not want to take on the leading role of their family business.

Young people today are mindful of having their own careers, are becoming more purpose driven and are increasingly individualistic. It's been levelled at millennials that they are the most entitled of recent generations. One comeback is that they are not selfish - they just have more time to be themselves.

Whatever the catalyst, today's family businesses often struggle to find their successors, especially in the SME sector. As a result, many of those who would otherwise have been orchestrating a family handover are instead preparing their company for sale.

### **Where succession gaps and female leadership do not converge**

It usually takes several years to manage a succession process. Over the past few years there have been multiple studies on the tens of thousands of SMEs that are approaching a generational change worldwide. Simultaneously, women are increasingly stepping into leadership roles, also inside family businesses. However, surprisingly often – and Western societies are no exception – family businesses are not moving (as fast) with the times in terms of gender equality.

The STEP 2019 Global Family Business Survey found that just 18% of its respondents – termed as the primary shareholder, which was most often the CEO – were female. In the words of the report, this is “a relatively small percentage suggesting that the ‘glass ceiling’ at the top remains a challenge.”

That said, new research is helping to fuel progress. In the words of Professor Francesca Maria Cesaroni, co-author of *Do dreams always come true? Daughters' expectations and experience in family business succession*: “Over the last decade, scholars and researchers have shifted their focus from the obstacles and barriers that women face in family businesses to ways of creating better business environments that enable women to reach their full potential. Daughters are no longer viewed as a problem to solve but as a resource to value and an opportunity to seize.”

## **Further factors at play globally**

With people living longer, and increasingly complicated demographic and societal changes, many other regionally specific challenges are appearing. In such contexts, sidelining women only serves to make life harder.

Take China, where favouring the men might mean that even if you end up with a son under the former one-child policy, he might not have the ability to assume control. Then in Germany, in 2018 the FT reported how retirement planning has become a thorn in the side of family businesses. For one firm, keeping the company in family hands would have meant the brother owners working until they were 75 as only then would their children be old enough to take the reins.

Quoting a survey by publicly-owned German lender KfW Banking Group, the paper wrote: “Over the next five years, more than 840,000 owners of small and medium size enterprises in Germany — the famed German Mittelstand — will face the same quandary.” The upshot would be a forced change in ownership, or closure, by 2022.

## **Women better option than men**

The argument for involving women is two-fold: yes, traditional methods of succession are no longer appropriate, but they are also ineffective. This is because businesses run by women outperform others.

One American Express report analyzing businesses that were at least 51% owned, operated and controlled by one or more females found that, between 2014 and 2019, the number of female-owned businesses climbed 21% to a total of nearly 13 million. Employment grew by 8% to 9.4 million, whilst revenue rose 21% to \$1.9 trillion.

Studies published in Forbes also show that women-led companies appear better at meeting overall job satisfaction needs than those led by men. Employees tend to be more engaged, inspired and satisfied; factors that also happily lead to superior returns. Research conducted by The Harris Poll shows that half of Americans want to work for a female leader.

## **Fostering female next generation leaders**

If enterprising families want to ensure they leverage all their chances of long-term success, they might want to consider a few things. It is essential that families systematically rethink their governance related to succession (leadership and ownership). I believe enterprising families need to seriously rethink their decade- (if not century-) old succession policies and advance their governance (family, business and ownership) into the 21st century.

Furthermore, girls, already at a young age, need to be given equal opportunities when it comes to the family business, or else they will never develop the intrinsic drive and interest in the business. If they know that their family / ownership governance does not allow them to take charge, they will have a hard time to develop the necessary skills, capabilities as well as social ties within the business and industry to make a meaningful contribution to the success of the family enterprise system.

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One way to get women to feel more inclined to lead family businesses would be to foster a spirit of “intrapreneurship”, getting them emotionally attached to the business and piquing their interest in taking over. While an entrepreneur takes a leap of faith to launch a business venture, an intrapreneur leverages the existing structures of their organization to propel the venture forward. Seen in this light and given half a chance, women could well become the saviors of family businesses.

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