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How can we set the next generation up for success?

Interview with Peter Vogel,
Professor of Family Business
and Entrepreneurship at IMD



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Peter Vogel is a Professor of Family Business and Entrepreneurship and holder of the Debiopharm Chair for Family Philanthropy at IMD Business School in Lausanne.



He's also the Director of IMD's Global Family Business Centre. He is co-author of a book entitled [Family Philanthropy Navigator: The inspirational guide for philanthropic families on their giving journey](#), which families from all over the world can use as a tool to help them make a real difference through their giving.

Pascal Nagel spoke to Professor Vogel about some of the most pressing issues currently facing families and philanthropists. They include the transition of wealth and ownership to the next generation, the need to adopt a sustainable approach and smarter giving.

Professor Vogel, can you tell me a bit about how IMD's Global Family Business Centre began?

Historically, family businesses did not play a very significant role for business schools. The main focus was on corporates. Thirty-three years ago, some quite forward-thinking professors at IMD concluded that family businesses are, in fact, very important participants in the global economy.

As a result, IMD set up arguably the first programme in the world dedicated to family businesses in 1988 – the Leading the Family Business program.

My colleagues and I have taken over this important legacy and are now working hard on taking it to the next level through the work that we do, in our advisory and educational roles with enterprising families and on the research side.

We work with a wide range of enterprising families: those with operating companies, those that have sold their companies, those with a family office, and those that engage in philanthropic activities. Many of the families we have the pleasure of working with have evolved over time into complex and holistic family enterprise systems. Every engagement we have is different in nature, which makes our work very exciting. What excites us most is the opportunity

to work on holistic and integrative transformations – on the family, ownership, businesses, investments, and family offices as well as the family's social impact activities.

Do you believe the concepts of leadership and vision can be learned from an academic programme?

Certain aspects yes, others less so. While some traits are part of our DNA, of our personality (e.g. the 'Big Five' personality traits), there are also many behaviours and activities that can be learned. Such trained behaviours might also help us overcome certain limitations we might face. For example, if you're an introvert and do not naturally feel comfortable speaking in front of a large audience, you might either accept this and end up never speaking in front of large audiences, or you can learn certain tricks and behaviours that will help you overcome your fear and still end up being a great speaker on stage. This is, of course, just one of many examples.

This is partly what we do when we teach individuals (whether from a family or not) how to be leaders. Leadership means a lot of things, especially in a family business or a family enterprise system. It doesn't just mean solely leading the business as a member of the board or as the CEO: it means leading the

family, the owners and the company, and interacting with the various stakeholders, the family office or the foundation, and depending on which role you end up taking on, you will require a different leadership style. Leadership in the family enterprise system has a lot to do with servant leadership and stewardship, as you need to manage multiple stakeholder groups with sometimes diverging interests.

Our work with family members who are preparing for future leadership positions within the family enterprise system is oftentimes focused on helping them think about how they want to project themselves in the world, how they want to be perceived and how they interact with others. All of this can be taught, because it starts with introspection around questions like "Who am I? What are my strengths? What are my weaknesses, and how do I navigate all of them and what do I want my legacy to be?"

Our goal is to help individuals become better at whatever they choose to do with their lives and careers. We help them overcome their fears, their anxieties, their uncertainties, and any conflicts that they might have in the family or lead the family out of conflictual situations. It's a bit like having a toolbox. You just need to learn when and how to use the tools that are available to you – or also to know where you can find other tools you might not have, when you need them.

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How does the next generation differ from the previous one?

It’s always difficult to generalise whole generations but overall, I would say that today’s youth – Millennials and Digital Natives – are different from their parents when they were young in many respects. A couple of years ago I wrote a book called ‘Generation Jobless?’, in which I deeply analysed today’s youth. On average, I would say they are globally connected, tech-savvy, and have a profound understanding of some of the major global issues. They also have a deep sense of responsibility when it comes to these issues.

We’re about to be confronted with a massive transfer of wealth, and whether this wealth is in businesses or family offices or other types of structures, it will be landing in the hands of Millennials and Digital Natives. If you combine that fact with the issues the world is facing, I would argue that today’s youth see themselves as being in the driver’s seat – entrepreneurially and as investors and philanthropists – when it comes to making a difference. I would argue that this constitutes a unique opportunity to fundamentally transform the way the world works.

Is the next generation driving family businesses’ approach to sustainability and the environment?

In one sense the next generation has a great opportunity because they have significant influence and power at a very young age – in what other corporate environment would you see 30-year olds sitting on the boards of companies or even at the head of an organisation?

But the challenge they face is that they also must navigate the family system – their parents, aunts and uncles who might think in a more old-fashioned way and are likely to resist when members of the younger generation say, “I want to transform our business model”, “I want us to disinvest from something that is harming the environment” or “let’s get into impact investing”. They’re often confronted with the senior generation’s more conservative outlooks, and that can be a huge struggle, leaving them partially paralysed within the system. In our work with the next generation, we put a lot of emphasis on empowerment and in supporting families navigate through generational transitions. It is our role and mandate to help both, the senior generation and the next generation, make best use of this once-in-a-lifetime opportunity for cross-generational collaboration and transformation. But these things typically take time in a family business context.

In contrast, we see the corporates transforming much quicker these days. There are a number of factors that contribute to this. First of all, CEOs have a much shorter tenure in nonfamily businesses than the CEOs in family businesses. Hence, the modernisation rate in the corporate world tends to be much quicker. Secondly, you might find activist shareholders putting pressure on corporates to transform and become more sustainable – e.g. BlackRock’s Larry Fink. In a family business you don’t necessarily have that external pressure because you’re the owner, but you’re oftentimes also the chairperson and the CEO, so nobody’s putting pressure on you except for yourself and maybe your children.

Therefore, while there’s an opportunity for the next generation to step in to drive change, the risk I see is that change might happen too slowly.

In my view, family businesses really need to speed up and start walking the talk. Sustainability has been a hot topic among business-owning families for a long time, but making it happen by, for example, transforming their supply chains and moving towards more sustainable production and more sustainable business models requires real action. In a family business the capital will (typically) not walk away because the capital is held by the decision-makers at the top. The risk is that if family businesses are too slow to improve their practices, the sustainability train will leave the station before they’ve even got on board.



“What do we want to do, what do we want to stand for as a family?”

A recent Barclays report referred to the future of giving as ‘smarter giving’. What’s your view on this?

The world of philanthropy is transforming and evolving, and this is exciting. I think philanthropy has a bit of a dusty image because the old traditional way of philanthropy was - “Let’s make money by doing business here and let’s do philanthropy over there” – and there was no connection or overarching purpose to the two activities whatsoever. Things are now modernising, with pressure on philanthropists but also on NGOs, to become more performance-driven and more effective and efficient.

The whole field of philanthropy is transforming, and this is quite exciting. We see many dynastic families asking themselves very profound questions related to their identity. “Who are we, what do we want to do, what do we want to stand for as a family?”, especially for those families that don’t necessarily have an operating company any longer. What do these families want to be known for?

At IMD we get to work with decision-makers around the world – owners, board members and executives – and if we can instil a more philanthropic mindset into their thinking, their strategy, their leadership approach, the way they invest, the way they operate their companies, I think we’ll be helping them

transform their business models for the better. And it works the other way around, too – we can take good business practices around strategy and leadership from the corporate world and apply them to the world of philanthropy.

So, the entire space is professionalising. Playing a part in this transition was also our mission when we wrote the Family Philanthropy Navigator: we wanted to help families professionalise, so they can be more effective and efficient in their giving, while at the same time thinking about the value chain in the philanthropy sector and how foundations and NGOs can also professionalise.

Overall, this is a hugely exciting area. Evidently, philanthropy is not just about doing good to the outside. Philanthropy can also play a very significant role for the families themselves. It’s about how families can leverage philanthropy for human and social capital development in the family. Philanthropy can help them educate family members, transfer values, prepare the next generation for succession, and allow family members to work together across generations.

“We want advocacy, we want to be visible so that other people get on board.”

What are the different approaches to philanthropy around the world?

At IMD we've carried out interviews with philanthropists around the world and there are some huge differences. Some are cultural, some are religious, and of course some are also driven by external factors, like tax systems.

Every culture and every religion have different views on how people should approach philanthropy. For example, some interviewees from the Middle East told us that they are expected to give as part of their religion, so philanthropy is part of their DNA. But they typically keep a rather low profile because others might tell them, “Why are you bragging about your giving? It is expected from you anyway, we all do it. So why boast about it?” It's a very different story in, for example the US or the UK, where philanthropists have a much more public profile.

In Europe you see a bit of everything, while in Asia it's maybe a bit more private in nature. In a few interviews with families from South or Central America as well as Africa we heard people say they keep their philanthropic activities rather quiet because it has security implications – you don't want people around you to know how wealthy you are for fear of being targeted.

What about in Switzerland?

When it comes to money, Swiss people are, on average, are a bit more secretive. In those cases that philanthropists do adopt a public profile in Switzerland, typically they do so to serve a broader purpose – in other words, they're saying: “We want advocacy, we want to be visible so that other people get on board”.

However, we've also talked to many Swiss families that would never publicise their philanthropy – they just do it as they see it as part of their responsibility. They sometimes don't even have foundation websites, they keep a very low profile, and they make silent donations to big organisations but don't want their names to be shown anywhere. This is a bit of the Swiss nature of understatement.

