



TO BE, OR NOT TO BE, THE NEXT-GENERATION FAMILY BUSINESS LEADER

FOUR QUESTIONS YOUNGER FAMILY MEMBERS SHOULD ASK THEMSELVES

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How and when do you best prepare to run your family's business? For Eric Babolat, the question came unexpectedly and tragically early.

Eric belongs to the fifth generation of the Babolat family, which owns and runs the oldest tennis company in the world. Some 140 years ago, Babolat invented racquet strings about the same time the game of tennis itself was born.

Eric joined the company in his early twenties after his studies as a product manager and was committed to learning about the tennis business from the bottom up. He thought he had plenty of time to prepare to take on a leadership role.

But when he was 28, his father Pierre, the CEO of the family business, was killed in the crash of Swissair Flight 111 off Nova Scotia while returning from the US Open tennis tournament.

"We all were totally caught by surprise," Eric says. "My sister and I had to instantly take over the responsibility for the business and on top of it manage ownership and governance issues."

Besides having to cope with grief and a changing life, Eric and his sister had to help steer the business through a crucial period. Babolat had just launched its first line of tennis racquets in Europe and required strategic leadership to grow into the US market.

Could Eric and his sister have been prepared for this situation? "Probably not," he says. "We wished at the time that we had been trained in what it really means to 'stand in' and take over as a business leader and an owner and a family successor."

Although Eric's case is exceptional, it highlights two important issues. One is the need for family businesses to build and train a critical mass of potential successors to secure a sustainable competitive position into the next generation. Second, what questions should next-generation members ask themselves before joining the family firm? We would suggest four:

Do I want to join my family business?

Belonging to the next generation of a family in business is often seen as a great privilege for a young adult: it's a chance to develop personally and become financially secure. But it is also a huge responsibility, and some next-generation members prefer not to make such a fundamental decision early in their lives. Not everybody intuitively knows like Eric and his sister that they want to own and lead the family firm.

Parents might not openly discuss the question of the next generation joining the family business, because they don't want to put pressure on them. But children can intuitively sense their parents' expectations. Potential next-generation successors are observed and compared to their predecessors, both within the family and by outsiders, to see if they can step into their shoes. Next-generation members need to not only develop their executive leadership skills but also have a fine sense of "family acumen" to manage their relations inside the family system.

What role should I play?

There are many ways to find a place and add value to the family business. Ambitious family members may aim to become the CEO or board chairman of the family firm, but only a few are up to the task. Others prefer to pursue professional careers and interests outside the family firm.

In between these two extremes are many possible paths, such as the family strategy committee, family to business advisory board, family assembly, next-generation committee, head of human resources, family council, social responsibility and sustainability committees, family investment committee, entrepreneurial fund and non-core projects, family office, overseer of the family mansion and archives, family foundation and philanthropy, head of an "information circle" and "study groups" to educate next-generation owners, social events chair, and leader of a "memory project" to record the history of the family firm and individual contributions to it.¹

When should I get involved?

Contributing to the family business really has no “best timing”. It depends on, and evolves with, the individual’s life stages and personal development. What counts is the commitment and initiative to strengthening the family glue.

Next-generation members who enter the family firm right after school or university receive training from the bottom up and build credibility within both the business and the family. But they need to be patient, because decision-making power will not be granted to them immediately. Family businesses have become very professional and often expect family members to outperform their non-family colleagues to demonstrate their ability to step into their predecessors’ shoes.

On the other hand, gaining external experience with an unrelated corporation supports the personal development of next-generation members by building credibility, self-confidence and networks. Promotion there depends on skills alone, and if the family business calls, then next-generation members with outside experience may have the edge over non-family executives.

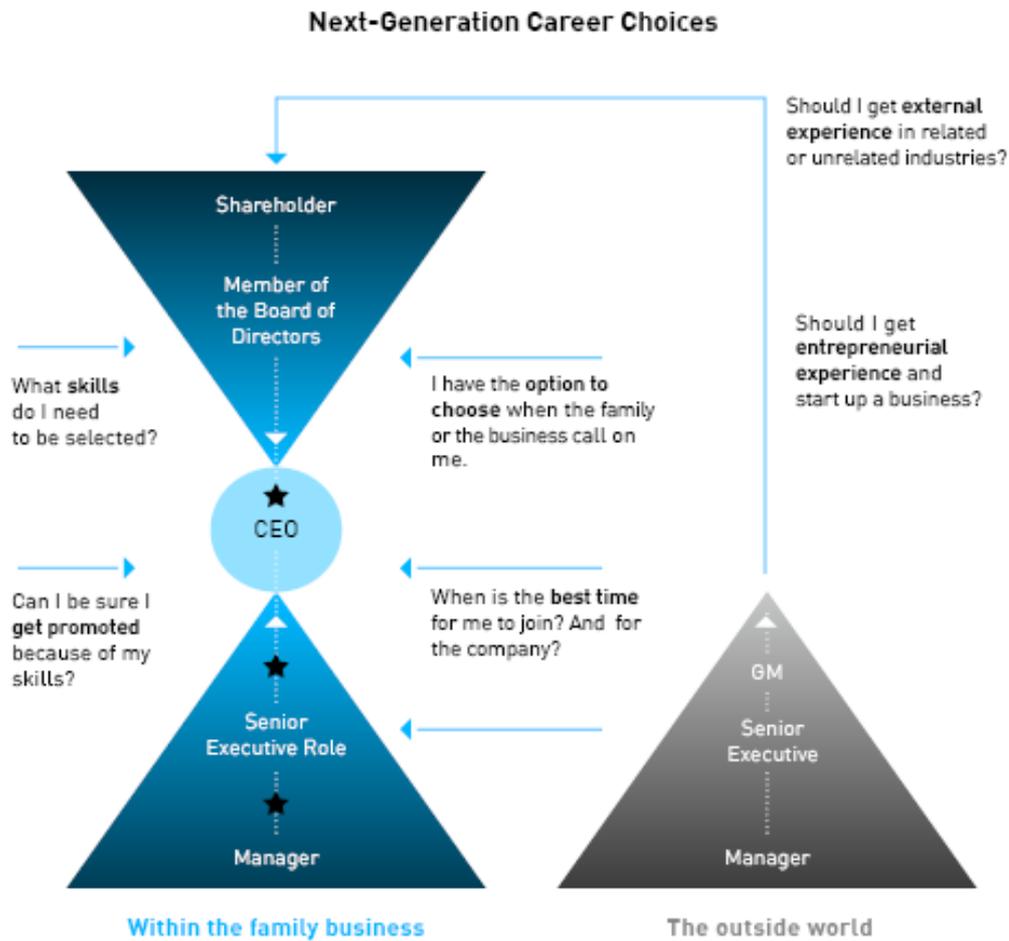
What does it take to succeed in a family business?

A good education is certainly important. Strategic business orientation and big-picture thinking are difficult to teach in a classroom, but next-generation members should learn about topics such as responsible ownership and board governance and acquire a basic financial skillset. An international outlook, experience of living and working abroad, and a mastery of languages all help too.

Besides these “hard skills,” young potential leaders in family businesses should also learn about what it takes to lead a family – the pitfalls and the tools that might help a family to structure itself and take the business to the next level. Understanding family communications and one’s own role in a team of family members helps to separate individual from team dynamics and enables the next-generation member to become a responsible family shareholder.

What cannot be taught in a pressure cooker is the commitment to the concept of stewardship and a particular family’s principles. Teaching their juniors a solid and sustainable set of values and beliefs and providing opportunities to realize them is ultimately part of the parents’ job.

It takes time and effort for a family in business to develop the next-generation talent to take on stewardship and leadership roles. As Eric Babolat quickly discovered, the challenges are huge. But so are the opportunities to strengthen the business, wealth, identity and unity of the family.



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References

¹ Schwass, Joachim/Lief, Colleen; History as a Guidepost for the Future: Possible Roles for Next Generation Family Members.

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