

Developing the Emerging Generation in Family Business

By Dr. Natarajan Krishnan

Parents of the senior generation often express a sentiment: “We’ve allowed our children to decide their own paths” (“Ja Jee Le Apni Zindagi”). This autonomy is valuable, but have we adequately guided them in exploring options before making choices?

Too frequently, the next generation’s career decisions are influenced by peer trends rather than their own strengths, interests, and available opportunities.

Sadly, families often neglect to provide information about the business and its opportunities. Consequently, the next generation might seek opportunities outside the family business, leading to a lack of understanding upon entering.

In some cases, when other options don’t pan out, the next generation may reluctantly join the family business.

In extreme scenarios, the senior generation may issue an ultimatum, pushing the next generation to settle down or join the family business if other endeavors fail.

This scenario leads to the next generation feeling entitled rather than responsible when entering the business, diminishing the sense of privilege.

So, how can we groom the emerging generation to become successful successors in the family business?

As family enterprises prepare for generational transitions, several critical questions arise:

- What should the next generation be prepared for?
- How significant is this challenge, and how will it be addressed?
- Is the priority to develop family human capital or future leaders, or both?

Family businesses face numerous challenges, including a rapidly changing global landscape and the need for effective portfolio oversight. As the stakeholder group diversifies, a new breed of talent is required to manage both business and ownership matters. Choosing capable and credible individuals to assume specific roles and responsibilities becomes pivotal.

Developing Next-Generation Leadership:

Ideally, the next generation should work outside the family business in a role that can benefit it. They could intern or gain experience in an organization that aligns with the family business, enhancing relevant capabilities. Some businesses mandate that the next generation work externally before entering a role within the family enterprise. This external exposure facilitates benchmarking against best practices.

A structured induction program immersing the next generation in all aspects of the family business is crucial, complete with regular reviews. Assigning a senior mentor to provide guidance enhances the learning process. Projects aligned with the individual’s interests, reviewed with measurable outcomes, can establish accountability.

However, feedback and performance evaluation for the next generation are often lacking. There's a need for a constructive model to guide their career development and objectively assess their potential contribution to the family enterprise.

Creating a feedback process and Individual Development Plan (IDP) enables the emerging generation to chart a developmental path, aiding their transition to becoming future custodians of the family business.

While many next-gen individuals aspire to address significant issues like sustainability or ocean waste management, they lack proper guidance on how to tackle these challenges effectively.

Key Questions to Address:

- Are emerging generation members receiving adequate career guidance?
- What capabilities are essential for next-generation family members to add economic value to the business?
- Do differences exist between male and female perceptions of capability, and how do these affect the Senior generation's views?

Stakeholders emphasize the importance of interpersonal skills, understanding stakeholders' needs, and decision-making accountability.

Ultimately, the family enterprise should focus on preparing future leaders who can make informed decisions, build relationships, and balance financial goals with family values.

For a family enterprise to succeed across generations, it's crucial to foster a culture of responsibility, connection, and stewardship. This involves promoting self-earned success, intergenerational connections, leveling experiences, and transparency in decision-making.

As generational transitions loom, family enterprises must equip the next generation with not only educational and industry skills but also the emotional intelligence and collaborative mindset needed to manage relationships and balance various demands.

By following these steps, a family business can create a dynamic pipeline of talented leaders prepared to steer the enterprise through the challenges and opportunities of the future.