

Generational strengths in family businesses



The multi-generational structure of many family businesses can be a strength but also a weakness. It's important to consider how to accentuate the strengths.

By multi-generational I am referring to those businesses where each new generation, either naturally or by design, plays an active part in the business.

The strengths

The positives that flow from this multi-generational structure will often include:

- Shared values across the family;
- A long term perspective;
- Accumulated wisdom retained within the business.

In summary, there is shared history in the business which can guide it in the future and also bind it together in the present. That collective knowledge and sense of direction can be a significant driver in the success of family businesses.

The weaknesses

However, such a structure carries the risk of being the cause of significant problems for family businesses. These include:



- A risk of more intense and intractable disputes if shared values cease to be shared;
- A focus on the past which inhibits change;
- An unwillingness to accept the validity of new ideas or approaches.

The classic problem which arises is where the control of the business resides with the older generation but the younger generations are operating at the sharp end and have new and different ideas about how the business should be run.

If these ideas are dismissed or not given a fair hearing then resentment can quickly build up. Questions begin to be asked about who the business is being run for and what is the point of being in a business where you cannot stretch your wings. This can lead to a fracture in the shared values which leads to conflict or the departure of talented people from the business.

Accentuating the strengths

In order for any business to grow and develop there is a need to consider possible futures and make decisions in the present, based on the knowledge gleaned in the past. This process is multi-dimensional in terms of time.

The advantage which long established family businesses have is that they often have a knowledge base in relation to past decisions residing in the older generations which would be the envy of other businesses.

At the other end of the generational spectrum, and increasingly so in a world divided between “digital natives” and those who grew up in a “pre-digital” or “pre-internet” world, the younger generation may have very novel and challenging ideas about how the business should be taken forward.

Provided that a shared core value about the future of the business is maintained (e.g. that it is to remain a family business for the benefit of the family) then this multi-generational combination of accumulated wisdom plus ideas for the future can be very powerful.

The challenge is to recognise the strengths and weaknesses of each generation’s perspective, and address these in constructive discussions.

Thus the older generation must be prepared to listen to the younger with open ears. In a rapidly changing world they must avoid the trap of thinking that what has worked before will always work.

The younger generation must not dismiss the wisdom of the older generation. Whilst they may have been grappling with different problems their problem solving skills and experience is often invaluable.

Each generation must listen to and learn from the other in order to reap the rewards of a multi-generational structure.

Summary

Family businesses will often have a unique perspective on the past, and also the future, which can power successful decision making in the present.

Many such businesses will employ this perspective quite naturally and this will be a key component of their success.

Other businesses may need some external support, the assistance of third party advisers, to help them see this perspective and guide them along the process.



How we can help

Family businesses can be a complex juggling act. Financial and personal motivations are closely linked and often emotional factors are at play. If you have a question or need advice, please contact our expert [family business team](#).



[Ed Weeks](#)

Partner