

Leadership development: learning to take charge

There comes a time in a family business when control has to be passed down to the next generation. But how do you prepare them to lead? Fran Lotery and Dennis Jaffe explore how families can help their offspring in this regard

George and Sam have much in common. George is fifth-generation, Sam is fourth and, although their family-owned companies differ in industry and generational stage of leadership, they are rather similar. Both come after generations who have grown the business to exceed \$100 million in revenues. Each of them feels ready to make their own mark. However, George and Sam receive little or no feedback as to what they ought to be doing, how they add value and what role they will play in the future of the company.

Working with succession and leadership within a family enterprise, we find that the current generation of leaders does not know how to set up a concrete plan for preparing the next generation. Coupled with the discomfort the next generation family member feels about taking charge of his/her career, a succession paralysis can set in. Despite this, 55% of US privately-held companies are expected to hand-down to the next generation by the end of 2007.

Typically, a family career path includes rotation through the departments of the company in order to get to know it, attending professional organisations to learn the industry and attending senior management meetings – as if listening at the heels of the current leader is all they need to be anointed the successor. They are not likely to have a mentor and are even less likely to be held accountable to a supervisor. Feedback appears to be the most difficult thing to give working family members.

RESTRICTED DEVELOPMENT

George joined the family business straight after college. He grew up working summers in the business and would appear to have worked his way up in the company. He now has the title of director of marketing projects, but does not have any supervisory responsibilities. Given that the current leadership is planning to step down within the next 10 years, George is at a loss to define the kinds of experiences he needs to add value as a future leader. If George had gone to work in a different company, he would, out of necessity, have taken an interest in his own career because no one else would. He would also connect advancement with responsibility,

performance and salary. In family enterprises, this developmental phase is often vague and left for others to decide, much like a child still under the guidance of parents.

One way to address this lapse is to utilise a 360-degree process of evaluation. These have begun to be widely used as a way to objectively assess an individual's weaknesses and strengths as seen through the eyes of people who work with that person. These views are then compared to how the person views him/herself. There are a variety of models such as those developed by the Center for Creative Leadership, Human Synergistics and the Leadership Effectiveness Analysis (LEA). We have a particular affinity for our own tool, the Family Enterprise Leadership System (FELS), which evaluates leadership capabilities in the next generation, provides a snapshot of what stakeholders view as important and forms the foundation for creating an individualised development plan that helps the person take charge of his/her career.

“Both these young men need solid ongoing feedback and mentoring to develop as leaders”

George and Sam committed to a leadership development programme that began with a Family Enterprise Leadership Assessment. This and other tools, such as personality inventories that identify thinking and behavioural styles, are important in developing a foundation for a leadership development plan. These assessments are the first steps in shifting the mindset of future family leaders from observers of their career to active owners, as well as shifting the current owner's mindset from that of observer to mentor. By receiving objective and anonymous feedback from working family, non-working family owners, peers and senior leaders, next generation candidates, such as George and Sam, can increase their self-awareness and understand the impact their behaviour has on others and the organisation.

FACING FEEDBACK

The operative word is “impact”. Without feedback, George and Sam will ultimately not be able to add maximum value to the enterprise. George has been passive about his career, assuming that his family will let him know when he is ready to take on more leadership. Consequently, he is bored, aimless and stagnant. He does his job but it is clear from the feedback that, although his raters see potential, his current performance is average. This is not the kind of evaluation a future leader would want to receive from shareholders, working family members and senior management.

Sam worked outside the family business for five years before joining the company. Family business leaders had the opportunity to observe Sam and how he handled each new challenge in his job. They knew he was adding value to the company he worked for because he was promoted and received salary increases and bonuses. When he decided to join the family business, their discussions centered on how the skills and experience he was bringing would add value. Within a year, he was promoted to a vice president position. Sam helped to close a very important deal and addressed some significant challenges between the marketing and engineering department. Still, he has been chided about how he treats other family members in meetings, especially his cousin, whom he is used to teasing and bantering with as he has always done. Given that he has been told about it many times, he has not grasped the reality of the impact this familial one-upmanship has on stakeholders’ confidence in his ability to be a significant leader. He is unaware that others are uncomfortable witnessing his behaviour.

Because there are no consequences for his behaviour, and he continues to be promoted, Sam interprets the complaints as insignificant rather than realising it affects how others trust his judgement. When the results of his 360 were discussed, Sam received the feedback in a new way because it was not just an offhanded comment but was part of an overall assessment from multiple stakeholders in the organisation.

GUIDING CAREERS

Both these young men – George, who is stuck in the mindset of a child, knowing he has his parents to guide him, and Sam, who is clueless as to how his behaviour towards his cousin takes away from his achievements and confidence in his leadership capability – need solid ongoing feedback and mentoring to develop as leaders. The feedback will be most useful if it is obtained from non-working and working family alike, superiors, peers and key outside vendors and advisors.

Sam is a bit ahead of George in terms of knowing about



There can be big shoes to fill in family businesses

managing upward, taking a proactive position when it comes to a career path and managing others, but both suffer from a lack of feedback about what they do that adds and detracts value. Both would profit by understanding what it takes to build confidence and trust and inspire others to follow them as leaders. Expectations and accountability are sometimes only defined for non-family employees as others think that experience of the business will simply pass through the working family member's DNA.

Creating a development plan that is a combination of education, responsibilities that provide stretch experiences, and a group of key people that can serve as advisors and mentors to guide the developing leader will ensure that the next generation is ready when the family and organisation are ready for transition. Critical to helping the next generation grow into the role of a family business leader is how he or she takes charge of their own leadership development programme. Through this “take charge” behaviour, next generation leaders such as George and Sam have the unique opportunity to break the barrier of discomfort associated with feedback so often in place in the family business. They can begin to engage the current senior leaders in an ongoing constructive programme of building on strengths and mitigating problems or ineffective behaviours that get in the way of building credibility, confidence and trust.

Whether George or Sam join a university-based, next-generation leader programme or become part of a programme within their organisation, the key is that it is individual and based on what they each need to learn to enhance their leadership capability within their family enterprise. ●

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