

How the World is/isn't Changing

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ON Jan. 1, 2000, people who own family companies will worry about competition; make numerous business decisions both trivial and significant; hope their children will find satisfying careers and loving relationships; feel older and wonder about the future; and wish their lives weren't so complicated - Just as they did on Dec. 31, 1999.

The turn of the millennium is a powerful symbol that makes predicting dramatic changes almost irresistible. Family business owners will be hearing all kinds of speculation about how the world will be different. Will these common assumptions prove to be true?

Assumption 1: With the demographics of an oversized aging generation, look for a senior group of Methuselah owner-managers to hang on to control long beyond a reasonable retirement age.

Not-so-obvious reality: The baby boomers are getting older, all right, but that doesn't mean they want to extend their careers as heads of the family business into four and five decades. Perhaps their large numbers and expected longevity will not automatically lead to hanging on to the company for dear life. Better health, more harvestable wealth, and a culture that targets them as a primary market is going to catapult them out of the big office and into the art collection/winery/adventure eco travel/foundation/senior tour realms. The old line, "If I weren't running the company, what else would I do?" seems sillier every year. Advertising departments are bombarding seniors with 1001 answers to that question, each one

requiring the equipment, travel, training, and support services that the senior generation is now able to afford.

Our assumptions about the preoccupations of this senior generation may be entirely off base. Of course they will think about succession planning and the continued success of the business. But their attention is likely to be much less narrowly focused on the business than was their fathers' a generation ago. In my recent work with seniors between the ages of 55 and 65, three dilemmas have been most often raised—none of them tied to the president's chair:

- How do I stay healthy?
- How do I manage my spouse's and my financial security and minimize our vulnerability to economic downturns?
- How do I help my children deal with their life crises (particularly divorce), and how do I connect well with my grandchildren?

I believe the average "transition age" for owner-managers (nobody uses the word retirement anymore) is going to start going down, not up. The problem is not going to be getting these aging leaders out, but getting any of the younger generation to come in. The offspring of the successful baby boomers, who in past generations would have been successor candidates, now often have long-term financial security due to estate planning techniques and trusts. They are more aware than ever of the sacrifices and risks involved in joining the family firm. Their reluctance to commit to a life in the business is a strong impetus for the

family to “cash out” the operating companies, especially while the economy continues to encourage acquisition and consolidation by large public corporations.

Assumption 2: The “invisible woman” will continue to be a significant force in family businesses.

Not-so-obvious reality: The traditional behind-the-scenes role of women in family business was actively discussed in the late 1980s. In the '90s, the role of women was less invisible, but still a curiosity. In the next two decades, women-owned family companies will become part of the mainstream—in fact, they may well become the mainstream. The progress of women into leadership roles is well along, and the trend will accelerate. But what kinds of organizations will women choose to lead? The first thrust of the equal opportunity movement of the past three decades encouraged women to make it in the high-visibility “man’s world” of the professions and public corporations. That proved even less appealing for many women than for the men. Sexism still dramatically constrains the corporate senior executive opportunities of women. So the second thrust will be for women to capitalize on their control of financial assets and to create their own work environments.

Family companies are a remarkable opportunity for these women, especially when capital is readily available and technology is lowering barriers to entry in many sectors. Women are not going to stay in the supportive role. The classical family business world described by Léon Danco will barely exist in the new millennium. We are already seeing a significant increase in situations where, instead of working behind the scenes as an invisible woman, a wife will start her own business or take over a family business different from her husband’s family company, and the children will have a choice of two family businesses to enter.

Incidentally, the same forces are working for ethnic minorities. The door to advancement in public corporations has been opened a crack, but racism, like sexism, is a powerful impediment. The death of affirmative action will fur-

ther slow penetration and absorption of minorities into senior corporate roles. A rapidly growing younger generation in the Asian, Latino, Arabic, and Eastern European communities is seeing a family business as their best opportunity to capitalize on their education and skills. In many cases they carry a cultural tradition of family enterprise. Now several decades of stable economic growth and high employment have allowed their parents to accumulate enough family capital to bankroll growing family businesses. The first 20 years of the new millennium may be the magical time when the formerly invisible become visible through successes in building their own family companies.

Assumption 3: The American family is a dying institution, and the rest of the world can’t be far behind.

Not-so-obvious reality: Social commentators have been reading eulogies for the family for decades. Divorce, peer pressure, TV, drugs, self-absorbed parents, seemingly inevitable infidelity, latchkey kids—how can the concept of families survive?

But it does, leading to the conclusion that the link between parents and their children is deeper than any cultural trend. Hedonism, consumerism, and the desire for stimulation and experience cannot supplant our powerful biological and psychological bonds with our genetic relatives. In fact, interest in all aspects of families seems to be on the rise. Witness the number of family histories and biographies being written, the elaborate family outings, vacations, and reunions of recent years. Look at the expanding efforts in business families to build connections among cousins from a very young age. Note all the reports in the media of highly visible leaders in business and public life who have altered or left their careers to refocus on their families.

WHAT DOES IT ALL MEAN?

What would be the result of senior generations disconnecting from their companies in their

prime (not hanging on); of younger generations with financial resources saying no- thanks to inheriting the company (not fighting to be CEO); of women following their own entrepreneurial dreams (not maximizing their behind-the-scenes influence); and of a heightened psychological attachment to the extended family (not its dissolution)?

The result, to me, is a new prediction: In the future we may not talk about “the family business” as much as “family enterprise.” Younger family companies, particularly those started by women and minorities, will continue to enter the economy. But the owners of older, more mature businesses will not feel the same obligation to maintain owner- manager continuity in the core “legacy” company. Families will begin to act as economic clans—even families whose assets are a far cry from the Rockefellers.

When the right liquidity opportunity comes along, the members will cash out of the core company, but not to go their separate ways. Instead, they will pool their resources to maximize their financial impact and psychic rewards. They may purchase or start other ventures which fit with the skills and passions of the rising generation. Or they may not control any single company, but instead create integrated portfolios, educational centers, family offices, family foundations—a network of interconnected financial, social, and philanthropic activities that reflect family values and change over time. They will become co-investors and patrons.

Picture it: Strong family networks headed by publicly active matriarchs and patriarchs, their offspring, and the extended clan. That would be a future very different from the “common knowledge” about our society’s slide into a bland, corporate, peer-over-family pop culture. Blame it on the millennium. ■

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