

Growing up Green:

7 Keys to nurturing worthy successors in families of wealth

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“I am not sure they are ready...” Over the last few years, we have become accustomed to hearing this complaint, or others like it, from leaders of family businesses. These anxious leaders are worried about succession, and wonder who amongst the next generation are ready to follow them as stewards of family, enterprise, and wealth. We often hear disappointment and frustration as they go on to list the many qualities younger family members are lacking: drive, discipline, a balanced lifestyle, resilience, a long-term outlook, an entrepreneurial mindset, humility, and conservatism being the most cited. Many are even opting for complete professional management, to bring stability and security to the legacy.

Most next-gen members, upon hearing this feedback, may rush to point out that their senior kin are just having a hard time letting go of the reins, or that they are apprehensive of potential disruptions caused by a changing of the guard. While there is truth in this, in our experience there is also truth in the stated concerns about the next-gen and the rarity of worthy successors. Furthermore, as family leaders struggle in the present to address this gap, we find that they are overlooking the root cause of the problem which lies in the past. A deeper look reveals that it is, in some part, a problem of their own making.

Looking back: pressures on young to-be-successors

So why is it hard to find good successors? We believe that the root issues occur much earlier in the lives of these next-gen members, linked to the manner in which they experience their family’s wealth and legacy during adolescence and early adulthood. Research in this area has revealed that youth from affluent families are far more likely (when compared to youths from less affluent and poorer families) to suffer from different forms of anxiety; if unmanaged these lead to depression, substance abuse and other harmful lifestyle choices.¹ These anxieties manifest in different ways, caused by a unique set of factors specific to each family.

We have highlighted four areas, which from our experience are commonly linked to anxiety among youth in family businesses. This list and their factors are not exhaustive by any means.

¹ Luthar, Barkin, and E. J. Crossman; “‘I can, therefore I must’ : Fragility in the upper-middle classes,” Development and Psychopathology 25 (November 2013), 1531
(https://www.researchgate.net/publication/285221097_I_can_therefore_I_must_Fragility_in_the_upper-middle_classes)

A. Self-esteem: In families of wealth, next-gen members often face the immense pressure of having to conform to certain standards of conduct and behavior. Unable to cope at a young age, many end up feeling misunderstood, not good enough, and undeserving of the legacy and wealth. As young adults they lack confidence in themselves, and fear committing to difficult tasks and avoid taking risks, as it may lead to failure.

B. Belonging: Besides being expected to behave a certain way, next-gen members can face the additional pressure of having to perform and measure up to standards set the previous heroes of the family. Those unable to hit the mark can feel like outsiders who do not belong in the legacy. As young adults they do not aspire to be part of the family firm, and thus find it challenging to fit in and commit to any role within it. They may even opt to exit, thus rejecting the system that rejected them growing up.

C. Purpose: Adolescents are curious explorers, drawn to subjects and activities that allow them to express their natural abilities. In the course of their child's exploration, parents can sometimes feel compelled to intervene and course-correct. They draw focus away from these natural passions in favor of paths chosen by wise elders. Youth, who find their passions rejected, lose enthusiasm for trying new things and feel out of place in what they are confined to do. As young adults they lack purpose, ambition, refined skills and ultimately fulfillment. They are unable to contribute to the family enterprise in a material way as they are on a path not befitting their natural desires and abilities.

D. Trust: It is common for parents to want to shield their children from the "corrupting" influence of money; however, typical efforts often create more problems than they solve. For example: To prevent any attachment to wealth and feelings of entitlement, it is common for parents to avoid discussing wealth and position with children, and even to withhold money. Alas, this approach fails to shield them as there are several other markers, obvious even to children, which indicate that the family possesses means that other families do not, e.g., nicer home, clothes, toys, cars, drivers, etc. In fact, children are likely to end up more curious about the subject. These efforts often lead to youth feeling like they are not to be trusted with money and are incapable of handling it. As they grow into young adults, they find themselves lacking confidence and skills to make healthy financial choices. They are likely dependent on others to make those decisions, which makes them vulnerable to exploitation in the long run.

Concerned parents also tend to over-emphasize the harmful effects of wealth in life lessons to their children. To ensure their kids avoid being manipulated, they teach them to have their guard up with outsiders. A common side effect is that the next generation end up applying this prism to all relationships in their life, including friends, significant others, relatives, etc. In doing so, they eventually find themselves unable to fully trust others, always suspicious about people's intentions – "Do they like me for who I am, or for my money?" As young adults they face social adjustment issues and find themselves in superficial relationships. They often struggle to fit in the family enterprise as employees, and to grow the enterprise as leaders as they are unable to form essential bonds and partnerships critical to move in new directions.

Bridging the Divide: 7 Keys for family leaders and parents

We find that most affluent parents here are not oblivious to the issues above; nor are they, contrary to popular opinion, neglectful or overindulgent. Instead, they are overwhelmingly concerned about the impact of money on their children, as one can note from the different examples cited above. Unfortunately, as we observed earlier, this concern does not translate to success. Their strategy to nurture their young relies heavily on applying lessons from their own life's journey. However, in doing so they fail to acknowledge that wealthy has dramatically changed the context of their family entirely.

Family leaders who are serious about creating a culture of nurturing robust next-gen talent must adapt their parenting approach to include this context, embracing their wealth as a tool to wield in their efforts. They must take a proactive approach, by focusing on understanding and addressing next-gen anxieties when they arise, and on creating structures that support and develop these younger family members. This will better prepare the next-gen youth for their future, potentially as successors within the family enterprise.

Below are 7 keys for family leaders to incorporate into their family business culture:

1. Depressurize the Home

Suniya Luthar, Professor Emerita at Teachers College-Columbia University and a PhD in clinical and developmental psychology, is known for her studies into adolescents in affluent families. In an interview about this topic, she said, "Our research consistently found if there is one thing related to problems of all kinds, it is being highly criticized by your parents. It is one of the most powerful risk factors." ²

So, where does this pressure come from? Listen to the stories of successful founders and you will hear several examples of them overcoming great odds and tremendous pressure to succeed. They wear these moments as badges of honor, and thus can easily fall into the trap of wanting the same for their children. They rationalize that as in their own journey, only heat and pressure can create the diamond.

Alas this approach is contrary to good nurturing. Simply put, parents should teach children to deal with pressure rather than pressure them to live up to standards defined by their own journey. Pressure should come from outside the home; resilience should be built inside of it.

² Ron Lieber, "Growing Up on Easy Street Has Its Own Dangers", New York Times, Jan 10 2015
(<https://www.nytimes.com/2015/01/10/business/growing-up-on-easy-street-has-its-own-dangers.html>)

2. Embrace the Different

Parents commonly fall into the trap of wanting (and pushing) their children to be like them, only upgraded (“my child should be better than me”), which often leads to the self-esteem issues. Instead, they should support their children to be the best versions of themselves. This starts by appreciating and embracing diversity in the family dynamic, including different personalities, perspectives, approaches, and communication styles. We should note that many families tolerate diversity as a compromise, i.e., they allow it in the room but ignore it to move forward. Embracing diversity drives a special family culture where differences are encouraged and celebrated, thus ensuring younger members feel worthy and accepted.

Embracing diversity also entails nurturing all forms of interests, passions, and abilities in children, and allowing them to shine, even if they do not readily conform to the needs of the enterprise. Aligning education to the child’s interests and passions will cultivate their strengths, inspiring a deeper purpose and a desire to work and contribute. Moreover, as the family legacy grows it must harness distinct sources of wealth beyond financial wealth, like societal wealth, family wealth, structural wealth, and human wealth³. Different roles and leadership opportunities will arise in areas outside the legacy business, which a fulfilled next-gen member is more likely to want to take on. Imagine the artist son of a great industrialist who grows to head up the family foundation and social impact programs.

3. Ground with values

The most proven way of ensuring the next generation do not lose their way in the presence of wealth is to instill them with a strong values system. Values-based parenting focuses on developing a foundation of meaningful family principles which guide both attitude and behavior. These values are written by the family through collaboration, based on its history, its identity, and its aspirations. They are formally adopted by the family and serve as a cornerstone for the behavior and decisions of each family member, and the unit as a whole. They even guide decisions outside the family sphere, including business, investments, partnerships and so on.

Family values once adopted are taught to children from an early age, through consistent demonstration and application by family members, and through family activities and education programs. These values are refreshed from time to time, usually prompted by the younger generation who wish to add their imprint on the family culture. Affluent families commonly use values like *responsibility*, *humility*, and *charity* to highlight the positive side of wealth, which serves the next-gen members well as they grow into future leaders.

³ Dennis Jaffe, “Six Dimensions of Wealth: Leaving the Fullest Value of Your Wealth to Your Heirs,” *Journal of Financial Planning* (April 2003), 81

4. Lower the Shields

As noted earlier, isolating youth from wealth can have negative, lasting consequences. Instead, parents should incorporate this context into the family dynamic. This starts with open and honest communication, appropriate to the child's age, about the family's wealth and position. These conversations present the family's wealth as a privilege and a tool of responsibility (means), rather than a goal to be achieved (ends). Success is established as mastery of skills and effective actions linked to goals and values, rather than the attainment of further wealth.

Complementing this, children should be taught about money, its uses, and how to responsibly spend it and take care of it. As young adults they should be encouraged to invest limited amounts, both for learning and to give them early insights into longer-term perspectives of owners. Finance skills, tailored to one's ability, should be taught and reinforced over time.

Finally, family leaders should within reason disclose and discuss family assets with the next generation once they reach a mature age. This should be complimented with discussions on various paths of involvement within the family enterprise. Succession methods and systems within the enterprise, which will be relevant to them at a later stage, should be introduced.

5. Encourage failure

Parents who demand success actually instill a fear of failure. The child feels they only matter if they succeed. On the other hand, parents who encourage failure cultivate resilience and an entrepreneurial spirit. The child here feels supported and worthy even if they fail. They are excited to try new things in pursuit of a passion to master, and as they grow and encounter other failures, their resilience motivates them to keep trying, instilling ambition and drive. Listening and supporting new ideas from young adults, whether in family or business, and supporting them through potential failures further empowers and strengthens their resolve.

These qualities are all essential to the future sustainability of any family legacy. A resilient and entrepreneurial mindset is needed if a family decides to pivot and diversify the family holdings; or if a crisis is at hand and new ideas need to be conceived and implemented quickly; or if in the worst of circumstances, the family enterprise fails, and the legacy must be rebuilt.

6. Cultivate social bonds

Parents in affluent families should encourage their children to nurture trusted social bonds from a young age, ideally with people from all walks of life. This will support healthy integration within different societal contexts and allow for lasting and fulfilling relationships. Honest conversations about, and associations with families of lesser means are also important to impart social context, while giving them a glimpse into lives where struggle is key to fulfillment. They will be protected from manipulation, given their education around wealth and finances.

Participation in community engagements and charitable activities from a young age will

ground them further, enhancing a sense of responsibility and respect for money, and inspiring a deeper purpose and a balanced lifestyle in the future.

7. Parent in teams

Like everyone else, parents also come in all sorts of shapes, sizes, personalities, and abilities. Thus, it is not surprising that very few parents we come across can master all the keys listed above. Most of them need help to cover their bases and ensure the next generation is thriving. To make this happen, parents need to think of parenting as a team sport!

They should seek support from both within the larger family group (seniors, relatives, etc.), and from skilled outsiders such as teachers, mentors, coaches, experts, and advisors. The approach should be tailored to each child and balanced across multiple areas: natural abilities vs. family priorities, soft skills vs. hard skills, and individual effort vs. teamwork. The team should keep an eye out for any issues, such as the anxieties listed above, and deal with them collectively. Lines of communication with the next-gen must be strong and channeled through team members who are the most effective in relaying it, e.g., a team member who is closer in age and perspective to the youth might have an easier time adapting a key message and communicating it to the next-gen member. Finally, parents themselves must play the role of captain of this parental team, ensuring frequent and open communication, and strong alignment among all.

Conclusion

Leaders of successful family enterprises will be the first to tell you that their family's riches are not their money and assets, businesses, factories, and investments, nor their charities and foundations. Instead, their riches lie in their younger generations, in whose hands ultimately rest the fate of their legacy. For this legacy to flourish and sustain, family leaders must follow the 7 keys to create a strong and united family culture, which embraces and wields the platform of wealth to nurture their young. These efforts will yield resilient and productive youth, with deeply grounded values, who will thrive and mature, and later in life will be ready to assume the mantle of stewards and guardians of the legacy.

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