

Leadership Development Planning: Guidance for the Rising Generation

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For family businesses to thrive from one generation to the next, they must effectively transition leadership in a thoughtful manner. While that may seem obvious, leadership continuity planning can be one of the most complicated and challenging efforts family businesses ever endeavor. One of the primary reasons for this is rising generation ("rising gen") family members often struggle to know how to engage and lead in their family enterprises effectively when there is a lack of a clearly understood and agreed upon plan for their development. Unfortunately, 60% to 70% of all family businesses don't have well-defined business succession or continuity plans.^[1]

We see successful family businesses taking a proactive approach to enable rising gens to progress through their career stages to ensure an engaged and capable pool of next-generation leaders who understand how they fit into a long-term vision. If you want to set your family business on a path for long-term continuity across generations, we suggest the following guidance for your leadership development planning efforts at three key career stages.

I. Early Stage Career

When rising gens are early in their careers, they aim to gain professional work experience and build functional capabilities. This can often be best achieved away from the family enterprise, where family members are freer to have their own identities rather than stand in the shadows of their parents, grandparents, aunts, and uncles. This is especially true when those rising gens are shareholders in the enterprise with the same last name as the owners, as other team members may stereotype them rather than develop more productive peer-level connections. We also recognize that taking pathways outside of the family business may mean a more difficult return into the



business (or possibly no return at all!), which is a risk that individuals and families need to assess.

While they can gain work experience in any number of settings, it does help for rising gens to begin determining what they are passionate about in their careers. Do they enjoy working in a large corporate environment with one primary functional role, or do they prefer a smaller team setting where they might wear many different hats? Do they want to be in sales, operations, product development, or finance? What types of environments and people do they resonate with? Self-exploration and exposure to different experiences early in one's career are incredibly beneficial because they help rising gens learn more about themselves, where they shine, and where they may struggle.

Rising gens might benefit greatly from participating in outside training and education programs and connecting with mentors and coaches who can promote individual development and growth. While formal processes might exist for this in larger corporations, rising gens in family businesses can help promote their development by proactively researching appropriate learning programs

rather than waiting for more of a top-down approach to be established. It might be harder for rising gens to identify and engage directly with their own mentors, but most family business leaders have strong industry connections and other community contacts. If not, perhaps senior executives already in the business can be resources if rising gens come forward requesting this additional support.

Explicitly identifying a family's core values like integrity, humility, and learning from one's mistakes also clarifies expectations and accelerates a rising gen's development arc by ensuring they understand the cultural expectations that will help them be successful. This stage of the rising gen's career can be one of self-exploration and development to help identify the areas where they thrive and manage the areas that need growth. These elements should be included in their leadership development plan and their progress monitored.

To help rising gens progress and build the skills they need to succeed, we suggest a targeted self-evaluation process that can assist in feedback and development. Asking the following questions during one's early stage career and reviewing your responses with your family business leaders can provide simple information that can be integrated into a larger development plan:

1. What am I doing well right now?
2. In what areas do I need to grow?
3. Where am I going next, and how do I get there?

II. Mid-Career

As rising gens come into their family businesses and start to focus their careers in areas that interest them, the focus on enhancing functional skills and individual strengths becomes increasingly important. By this point, rising gens have likely gained relevant outside experience and exposure to various aspects of the family enterprise. That means they can begin defining roles within specific business areas by collaborating with existing leaders. They can also start considering their progression to higher levels of leadership responsibility as part of their career plan. This is the time for rising gens to go deeper into the areas they want to pursue and those that the management team may recommend. Rising gens will also need increasing responsibility and corresponding accountability to

showcase their talents and grow.

In addition, rising gens will need to learn to manage the multiple family business roles they play as part of their leadership development plan. As they develop their personal skills and careers, they will also want to hold an owner's mindset by building a sense of servant leadership and stewardship. Rising gens succeed best when they understand that these multiple roles are inherent to a family enterprise. They can gain valuable experience through guidance from established leaders in how they make decisions in line with each of these roles. For example, delineating the difference between management, board, and ownership decisions can be a valuable way to learn how to manage these complementary yet different responsibilities.

Owner's Mindset

Servant Leadership: A leadership style that puts employees first and prioritizes their growth, empowerment, and well-being by fostering an environment that enables everyone in the organization to thrive rather than focusing more directly on company performance and results.

Stewardship: The job of managing or the responsibility of caring for something special, like the family's enterprise and legacy.

Some valuable questions to ask at this mid-career stage are:

1. What are my career goals?
2. How can I best contribute to the success of our family business?
3. What skills do I still need to develop to maximize my contributions?

III. Late Career

In the later stages of a rising gen's career, the final steps might be tied to certain roles, such as assuming CEO or CFO responsibilities. They might also shift from focusing on operational management to ownership and board governance. For the business to continue, family leaders need to make that shift at some point from being active managers to more supportive mentors. As rising gens

successfully transition into these higher-level leading gen positions, they might shift their focus to the next generation of rising gens coming up behind them. At this stage, they will use their experience to help others develop and assist in the business' continuity by ensuring the next rising gens have their own opportunities to develop and grow as they once did.

This is when perpetuating the family's legacy becomes paramount to one's identity. This can look and feel different for everybody. In one family, maybe it's engaging in philanthropy and community service through their professional position. In another, it could be creating a targeted mentoring program for rising gens so they can succeed in their early-stage careers. Whatever the specifics, it's about leading by example and serving as a positive role model by stepping back from one's own professional development and career pursuits to provide specific development opportunities for others to begin shining brighter within the family enterprise. Showing leadership by helping the next rising gens develop their own continuity plans is a way to ensure that this process continues as part of the family's culture to create a lasting legacy.

1. Questions to address during one's late-career stage include:
2. How can I ensure my smooth transition out of the family business?
3. What knowledge and skills do I need to impart to our next generation?
4. How can I help our next generation assume greater leadership and continue our legacy?

Summary

While the above playbook may seem relatively linear and straightforward, please know that complex, multi-faceted processes like this never go exactly according to plan and that adapting to evolving circumstances is a reality. Leadership development can be a personal process that brings unexpected challenges and opportunities. For this reason, one of the most critical success factors with leadership continuity planning in family businesses is managing the bumps in the road and adjusting to your new realities as they emerge. If you stay focused on your intended finish line, you will be better able to take any number of life's detours and still reach your intended destination.

At the end of the day, success in family business leadership continuity planning is often the result of good communication and a collaborative group approach. When family members believe they win together, they are less likely to experience infighting or toxic interpersonal issues. Instead, everybody tends to stay aligned around the intended outcome: preserving the family's legacy and the legacy family business. Thoughtful plans that are adaptable provide the required structure for rising gen leadership development to be a positive ongoing process.

lil Source: Marsh McLennan Agency, LLC, Private Client Services 2024 Family Office Benchmarking Study

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To learn more about our firm and how we serve families like yours, call us at (773) 604-5005, email info@thefbcg.com or visit www.thefbcg.com. There is absolutely no obligation.



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