FAMILY BUSINESS UK

GUIDES

NEXT GEN USER GUIDE

Finding your way in the family business

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Introduction

Welcome to this short guide, designed to help you find your way in your family business.

Being a next generation family member can be extremely challenging. You may be balancing conflicting emotions towards the business, struggling with family expectations, or just really not feel sure what you want to do with your career.

These are all completely natural and understandable – and I hope you will feel reassured by knowing this is something others in your position are going through all the time. You are not alone.

In this guide, we have set out some of the options you have as a next generation family member and how you can equip yourself to take on the responsibilities of ownership, and how to develop as a leader if that is the path you choose. You will find a series of articles to help guide you, and some practical advice on steps to take.

We hope this guide helps you on the exciting journey you have ahead!

Neil Davy
Chief Executive Officer

FAMILY BUSINESS UK

Different roles in a family business

When people think about joining the family business, they often have a narrow view that means you either work in the business every day, or you are out of it entirely. However, in reality it's more complex than that.

As the next generation, it can be difficult to find a voice and the right place for you – particularly if you don't intend to work in the business every day. But as a family member and future owner, there are many different ways to contribute to the ongoing success of the business.

Understanding these options will enable you to have conversations with others in the family and business about the kind of role you want and how this can bring value to the business.

Working in the business

People sometimes assume this is the only route to playing a role in the family business, and that it's about inevitably preparing to take on the top job.

But there are more options than that. If you want to work in the family business, first understand what it is about the business you enjoy, and develop your skills and expertise in those areas.

> "As a family member and future owner, there are many different ways to contribute".

Supporting the family governance

Good communication is key for any business. But what does good communication mean in your family business? As the family grows, the business evolves and more people work in it, speaking to the business with a united voice remains important, but becomes more challenging. This is where structured family governance plays an important part, and offers you another way to have an impact in the business.

If your family business has a Family Council or other sharing platforms where the family meet and discuss the business, getting involved is a great way to stay connected to your relatives and to the family business. The role you play in it can help strengthen the communication between the family and the business, and shape the future success of your family firm. Or if there is no such platform, you could start the conversation within the family.

Becoming a social impact leader

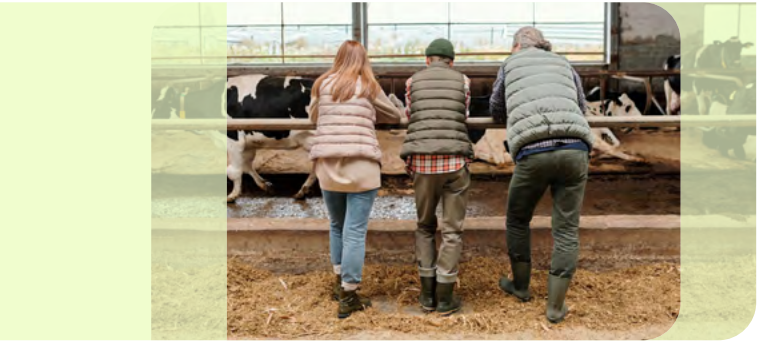
Family businesses are often involved in community and social impact activities. If you are passionate about issues like the environment, poverty alleviation or education, you could take part in dedicated family committees or task forces. For instance, you could help identify and implement relevant impact projects.

And for the younger generations, fields like impact investing are becoming more and more popular. Some family businesses establish funding pools for next generation entrepreneurial ventures that have a positive impact, as well as give the next generation a feel for the world of investing. This path could also help you fulfil your entrepreneurial flair by leading on a spin-off of the main family business.

Joining the board

If you've gained relevant experience and developed skills that could add value to the firm, you may consider becoming a family Non-Executive Director (NED).

This is an opportunity to know more about the family business and its activities, take part in strategy-making and long-term planning, and at the same time continue with your current career.



Being a family unifier

Generation after generation, families grow bigger and it becomes challenging to keep members connected. If you are part of a long-lived business, or a newer one that wants to 'keep it in the family', you could work to ensure owners and their ventures remain as close and connected as possible.

Maintaining strong family bonds is very important to preserve family legacy, keep the youngest generation interested in the business and help them develop as future leaders and responsible owners.

Representing the family brand

Behind every great business is a strong brand. This is common sense, but have you ever considered becoming a brand ambassador for your family business? Getting involved in activities that contribute to family reputation and brand helps the family business today and contributes to its success tomorrow.

Clarity of brand can help family businesses attract outside talent, but also excite family members to get involved in the business. The more family members are aware and understand the brand and its purpose, the more they are driven to be part of it.

To find the best path in your family business, explore what options are available and talk to the family about your ideas and hopes. And don't wait – start those conversations now. Having that conversation can open up doors you, and your family, that none of you may have seen before.

To join or not to join the family firm

Juliette Johnson
Family Business Adviser

A much-debated, difficult topic for next generation is joining the family business, or not. They often hope for binary guidance, but "It depends...!"

Truthfully, entering the family business is not right for everybody. For some, it's a privilege to contribute to a tradition of family enterprise and to build a successful and fulfilling career; for others, expectations make working for the company burdensome or contrary to their dreams.

Considering the pros and cons is crucial, because enduring a flawed decision can be traumatic and withdrawing from a bad choice - especially with emotional pressures from the senior generation looking at succession - becomes steadily more difficult.

Once individuals realise they have joined for the wrong reasons, it may be too late to acquire skills and confidence needed for a job that is personally satisfying.

"No pressure then!"

Healthy family development is disrupted when a family owns a business, because family and business principles are not the same. In human resources, overlaps and conflicts between the norms governing family life and those applicable to business are troublesome. Emotion-based family principles, like unconditional love are pitted against business values that emphasise competence and results. The decision whether or not to join is multi-layered – it must be right for the individual and it must be right for the business itself. Appreciating this complexity, next-generation family members require soul-searching:

- What is my motivation?
- Does the family business offer a satisfying and worthwhile career?
- Am I joining for the right reasons?
- Do I get on with my family?
- Can I establish working relationships with my siblings, or will there be competition and conflict?
- Will I be able to work with them day-to-day, and live up to their expectations?
- Will I be able to contribute?
- What skills can I bring – technical and interpersonal?
- What are my long-term ambitions running the business?
- Am I equipped for leadership?
- When treated with scepticism by non-family employees, will I be able to "up my game" or will I be overshadowed by my predecessors?
- Should I get extra qualifications or experience?

What are the company's prospects?

Commercial strengths and weaknesses?

Growth prospects for the industry?

What is the family's vision for the business?

Experiencing the business before committing will help answer some of these questions, laying the groundwork for a considered decision. Structured programmes allowing young family members to sample the family business environment involve no commitment on either side – an important two-way message, so companies can assess the quality of the next generation.

Many families debate the benefit of encouraging young family members to always obtain extended outside work experience before deciding whether to join. Building their cv, skills and experience before entering the business makes a family member a much more credible and attractive proposition Many senior generation members of family firms lament that they wish they'd worked somewhere else first.

Giving the right signals about the business

Parents also play a key role in helping with the decision. They need to provide a clear, balanced message about the family business from an early age.

Next-generation family members often feel influenced by parents who put them under subtle (and powerful) pressure. Even when parents constantly offer boundless opportunities, young people frequently experience a deep sense of responsibility to family who have built the business to be passed on. So, they report joining for various emotional reasons – "Because it was my turn", "There was no one else" or "Because I felt it would bring me closer to my parents."

Parents need to highlight how the stresses and hard work of joining the business are balanced by opportunities and excitement, and to ensure their children understand that employment will be an opportunity, not a moral duty or birthright.

To join or not to join?

Young heirs or successors must make a considered decision about entering the family business, by understanding their motivations, assessing their contribution and evaluating their career prospects. The decision should rest on analysis of issues like suitability, feasibility, commitment and passion, and not the expectations of others.

For their part, the senior generation should undergo similar soul-searching about potential successors before allowing them to join, with ideas and conclusions being shared across the generations. The more thought leading to a decision, the better for the individual, the family and the business.

Guidelines for this integration help manage expectations through; a formal employment contract, clearly defined roles and reporting lines, market-rate terms, as well as opportunities to build relationships with non-family mentors. These factors should be combined as part of a long-term training and personal development programme that is relevant, worthwhile, provides regular feedback, and allows successors to achieve their potential.

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Developing as a leader

You've decided you want to join the business and become a leader within it. Now you have an opportunity to gain the experience, skills, and expertise to meet the needs of your family business.

You may have had conversations with family members and those in the organisation about the opportunities available, and what their expectations are. If you haven't thought about leadership transition yet, consider some of the questions you'd like to ask. What mindset does it take to be a leader of this business? What skills are required to balance family relationships and make strategic business decisions? How could you set about balancing short-term challenges with long-term resilience for future fitness?

If you're on the front foot, you are likely to be in a better position to head off transition or succession challenges in the future.

Even if you think you know the role you want within the family structure, consider whether you and the business could benefit from external experience. This could help you to better understand your industry and future role, as well as build your credentials when you do join. By gaining outside experience, you could also introduce new ideas that could accelerate innovation and support future fitness.

Consider the foundations for positive succession planning

Some families develop a rotation system for when the next generation joins, so they can learn about the diversity of business, find their feet, and build relationships with employees.

Vicki Murray, General Manager at Brickhouse Farm Holiday Cottages in Lancashire, has been on a journey within her own family business, learning the ropes to prepare for future leadership.

"External experience could help you to better understand your industry and future role, as well as build your credentials when you do join."

Vicki's parents Sue and Ian Rainford were inspired to build the business in 2012 after their youngest daughter was involved in a life-changing road traffic accident. They have built 12 cottages with disabled access and facilities on Brickhouse Farm among acres of stunning countryside to provide holiday accommodation for families, friends, and carers.

As a values-led, community-minded family business, Vicki says all 56 employees play a role in the future and succession of Brickhouse Farm Holiday Cottages. "The business sits on family land and is growing as our own family grows. To fully understand what it means to lead the business, my husband Dan and I have taken on a multitude of roles, from payroll to shepherding ducks out of the restaurant! We have multiple generations of the same family working with us, and all our employees get the opportunity to progress their career, to learn and develop their skills. Because they grow with us, our values and heritage are protected as we continue to innovate and diversify."

Vicki Murray, General Manager at Brickhouse Farm Holiday Cottages, and family

> "To fully understand what it means to lead the business, my husband Dan and I have taken on a multitude of roles, from payroll to shepherding ducks out of the restaurant!"

> "As a leader you are expected to inspire people to deliver on the vision and common goals for your busines."

Your development doesn't stop when you join the business

Take an honest appraisal of your skills, strengths and weaknesses and develop plans to address these. Ask a friend, a family member, mentor or advisor to help you identify your strengths, and areas for professional growth and development.

You are likely to need technical capabilities and management skills at the start of your journey. If your long-term goal is to lead, consider the skills you might also need as a steward of the business. These can sometimes be conflated, but management and leadership are not the same, and require unique skillsets.

As a leader you are expected to inspire people to deliver on the vision and common goals for your business. This includes being a visible figurehead, someone who upholds the family firm's culture and values. As a future custodian of the family business, the culture you nurture will be part of the legacy you pass on to the next generation.

Building a support network

With big questions like whether to join the family business, when, how and in what kind of role, things can feel overwhelming. But It's important to remember you are not alone.

There are lots of people who can bring different insight and experiences to help you on your journey, and who can learn from your experiences too. The family business community is an incredibly supportive place, and you will find people are happy to share their experiences.

Family members

One of the key advantages of family businesses is the long-term family involvement, and the knowledge that is built up – and retained – within the family over time. So, call on family members for their input, make use of their experience and their passion for the business and family.

Others in your family will have had to make choices about the best route to take. Their choices might not end up being the same as yours, but understanding how they made those decisions can be helpful to you in formulating your own thoughts.

There is a common saying in the family business world:

> "Once you've seen one family business, you've seen one family business."

Every family business is different, so there is no 'one size fits all' answer to the challenges that you will face. But it can be helpful to remember that whatever challenge you may be facing, another family has already been through it. Talking to other business families, and hearing how they have overcome those same or similar challenges, can help you find the right path forward for you, and your family.

Whether it's talking to other next generation family members about how they are finding their way, or how they handled difficult conversations, there is a huge amount of wisdom with the family business community to learn from.

These are connections you can maintain and develop throughout your career. Along the way, you can learn how to encourage your own children to take an interest in your business, or how to deal with a difficult family member. These are all things someone else will have found their way through before you, and can be there to offer you support and help.

Board

Having a Board, which includes independent directors, has many advantages – including provide you with a source of expertise you can call on for advice and guidance. Your Board can help bring new ideas to the business, as well as providing another viewpoint when it comes to assessing investment and growth decisions.

As a next generation family member, you may find building a relationship with non-family Non-Executive Directors in your business gives you a senior non-family member to ask questions to.

Mentors

A mentor is an invaluable resource for anyone looking to develop their career. Whether in your business, or your industry, they can support and challenge you. You may choose to have a mentor from a family business, or more than one mentor. The key is to find someone you respect, with whom you can have honest conversations, and who can act as a 'critical friend'.

Advisers

As well as those your family may already turn to – lawyers, accountants, etc – there is a growing network of professional advisers who can support you with many of the common issues that family business owners face.

Family businesses have a different set of complexities, and getting the wrong advice could be expensive and damaging. So, before you engage an adviser it's useful to make sure they have experience of working with family businesses, and you all understand what it is you are working towards. Getting referrals and recommendations from other family businesses who have used that adviser is always a good idea.

Employees

Evidence shows that employees in family businesses feel a greater sense of loyalty than those who work in other types of businesses. Part of this is due to the fact that they are more likely to regard their managers as good at responding to suggestions and allowing them to influence final decisions.

Building an environment that encourages employees to communicate with you can be a great way to harness the new and innovative ideas that will help your business to continue to grow.

So remember...

You are not alone.

Whatever issue you are facing, there are plenty of people you can turn to for advice on every dimension of owning and running a family firm.

Family Business UK is always here to offer support, and to help you make the connections you need to address your challenges and find new inspiration.

Toolkit

In this toolkit you will find more resources to help you navigate some of the questions you may now have

Finding the right role: Family Council Member

- Find out more about the role of a Family Council, how you might add value, typical areas of where the council may offer input, roles available, and impacts expected.
- Who should be involved in my decision? Family Council Chair/Head, Senior independent NED, Board Chair or relevant family member.

Podcast: The Family Council

GUIDE: Strengthening Family Communication

Finding the right role: Non-Executive Director

- The specific role of a family NED depends on the skills needs within the business, and the skillset of the individual.
- Who should be involved in my decision? Company Secretary, Board Chair, or relevant family member/Owners.

Podcast: Non-Executive Directors in the Family Business

Resources: HBR - Are you board ready?

Finding the right role: Representing the brand

- Learn more about the considerations, opportunities, and risks of being a family Brand Ambassador, and the power of the family business story in building a brand, and a responsible business.

GUIDE: The keys to successful family business branding

Podcast: The Importance of Storytelling

Life outside the family business

For some the family business might not be the best route. Skillsets or opportunities may not align, and your passions may be elsewhere. We have discussed alternative ways in which you can engage with the family business, as a NED, Ambassador etc.

- **Hear more about how life might be outside the family business here.**

Podcast: Life outside the family business?

Building a support network

Joining a community of peers, who understand your challenges (growing up in the family business, legacy, family values) can be a genuinely transformative experience, helping you to a greater understanding of yourself, your peers, your purpose, and passions.

Connect with your peers via a facilitated, peer-led community such as FBUK's Next Gen Community.

To find out more, please get in touch with us:
info@familybusinessuk.org

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NatWest

At NatWest, we know Family businesses are a cornerstone of the UK business community, responsible for a significant proportion of private sector employment.

You need a bank that understands your dynamics as a family business, and one that is committed to supporting you at every stage of your journey.

Whatever the challenge, be that succession planning, maintaining sustainable growth, governance, expanding into new markets or one of the many other challenges that a family business might face, our team of Relationship Mangers are here to support you.

Plus, we provide family businesses with actionable insights and tips from our team of specialists.

To find out more, be sure to speak to one of our Relationship Managers or email Familybusinessenquiries@natwest.com

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