How to secure the entrepreneurial future of a family business

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Regardless of whether a business has been in the family for one year or one thousand, the person in charge typically hopes that handing the reins to a close relative will ensure security for future generations. But that's easier said than done, given that 30 per cent of firms make it to the second generation of family ownership, and only 12 per cent make it to the third.

Concordia University management professor Peter Jaskiewicz believes there's hope for business owners who stay current by focusing on entrepreneurship in succession planning.

For the study, published in *Journal of Business Venturing*, Jaskiewicz interviews 21 families who've been running their own businesses for an average of 11 generations, and establishes a four-step process that can ensure an entrepreneurial transition from one generation to the next—and to the next after that.

1. Establish an entrepreneurial legacy

"A shared narrative shows the business can survive adversity and come through the other side not only unscathed, but improved," says Jaskiewicz, who focused his study on family-run wineries in Germany.

"It can be a grandfather telling his granddaughter that the family business survived 30 years of war in the 1600s, or a mother telling a son that she introduced new farming equipment when everyone else thought

she was crazy."

2. Involve the next generation

Alongside such stories, it's important to include children early on, then keep them involved through education.

"Successors should be running around the business as toddlers," says Jaskiewicz. "As they age, strategic educational choices help them recognize entrepreneurial opportunities that will bolster the family firm. For those in the business of growing grapes, that might mean a bachelor's in chemistry, an MBA and travel to visit other wineries around the world before implementing innovative ideas in the family firm."

3. Ban buyouts

One family member Jaskiewicz interviewed said that he had to pay out 50 per cent of the value of the winery to appease his siblings. It then took him 25 years to get rid of the debt. Companies can avoid such cash-induced stagnancy by preventing successors from paying out other family members in order to acquire the lion's share of the business.

4. Embrace the in-laws

"The biggest danger to family succession is the wrong partner," says Jaskiewicz. "A husband or wife who doesn't see the value of the family business has the power to break that business up. Because half of the adults in every generation are likely to be in-laws, it's important that they become part of the family early on, so that they are just as invested in the business as those with blood ties."

Although these four steps may seem easy to follow, Jaskiewicz cautions that an entrepreneurial succession starts at birth and takes at least 20 to

30 years.

"Despite the challenges that multigenerational family firms face, our research suggests that some have already built and passed on their entrepreneurial legacies and left behind this entrepreneurial roadmap for others to follow."

Future research

Jaskiewicz notes that more research on entrepreneurial legacy is needed and hopes the forthcoming special edition of the *Strategic Entrepreneurship Journal* that he is co-editing for release in 2016 will provide valuable insights.

More information: *Journal of Business Venturing*, www.journals.elsevier.com/jour … -business-venturing/
Strategic Entrepreneurship Journal , onlinelibrary.wiley.com/journa … 1002/(ISSN)1932-443X

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