

Engaging Next Generation Members in the Family Business and Family Enterprise

By Megan Helzner, Principal, CFAR

As 76 million Baby Boomers prepare for retirement, there will be an enormous transfer of wealth to Gen X, Millennials, and Gen Z. According to estimates by Merrill Lynch, what is commonly referred to as The Great Wealth Transfer means that more than \$80 trillion in assets will shift from Boomers to the next generations over the next two decades.¹

This demographic reality² (see Figure 1) has enormous implications for family businesses and family enterprises (including family offices and family foundations) writ large. If an unprecedented amount of wealth—in the form of liquid assets, shared investments, shared philanthropic commitments, or family enterprises—is to be transferred, it is vitally important to consider how to effectively shift ownership, control, decision-making, and management from one generation to the next in a way that drives value and preserves family harmony. While families could simply shift ownership and decision-making, the longevity and health of the enterprise are at risk without meaningful engagement and development of the next generation over time.

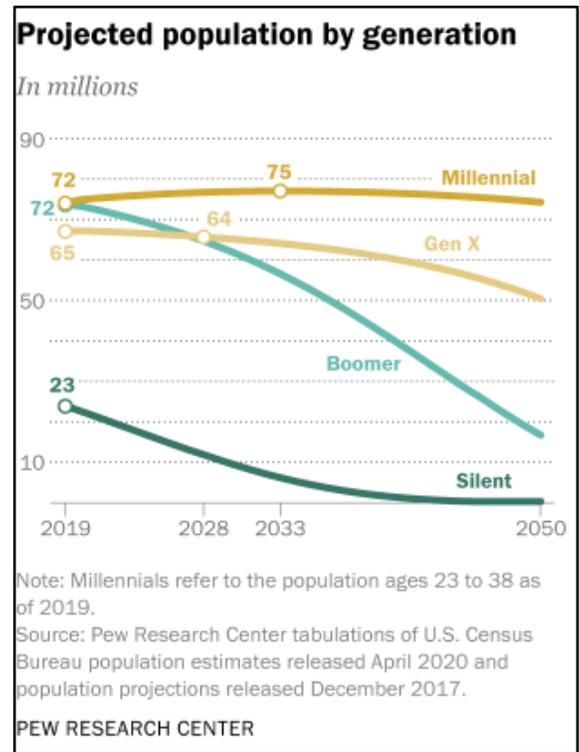


Figure 1

In our view at CFAR, engaging the next generation is never a “one-and-done” process between two people (imagine Dad and Daughter) or two parties (imagine Leading Generation and Next Generation). Rather, engagement is an artful dance. It requires a *systemic approach* that focuses on how family inside the enterprise and outside, non-family leaders (if they exist in your system), and trusted advisors can help.

¹ “Will the ‘Great Wealth Transfer’ transform the markets?” Merrill Lynch, a Bank of America Company. <https://www.ml.com/articles/great-wealth-transfer-impact.html>

² “Millennials overtake Baby Boomers as America’s largest generation,” by Richard Fry. 28 April 2020. Pew Research Center. www.pewresearch.org/short-reads/2020/04/28/millennials-overtake-baby-boomers-as-americas-largest-generation

N.B.: In what follows, we will talk about “governance,” and specifically, we will talk about “family governance” and “corporate governance.” In short, governance refers to how decisions are made and who is responsible for what. When we say “family governance,” it refers to structures like a family council and processes like educating next generation members and consolidating shareholders’ many voices into one. When we say “corporate governance,” it refers to structures like a fiduciary board responsible for overseeing the corporate entity and acting in the interest of shareholders.

Why is engagement important?

Any transfer without planful engagement leading up to it reduces the likelihood that the transition will “stick” long-term. Engagement is about setting a strong foundation by sharing history, passing on institutional knowledge, building credibility, getting to know the people in the system, and learning how to collaborate across and within generations.

Imagine two mid-market food production companies, each founded in the 1960s. We’ll call the first company Birdsong and the second company Blaize Finest Foods.

- Birdsong’s first generation (G1) led the company into the 1980s, at which point the second generation (G2) took leadership. G2 are squarely in the Baby Boomer generation. Over the last 15 years, Birdsong’s G2 leaders have involved their next generation members in a variety of ways. Some third generation (G3) “next gens” have interned, others have played roles in the annual employee picnic, a few are climbing the ladder as employees, and several have shown no interest, though they have been invited. Whether in the business or not, next generation members are all on an age-appropriate development pathway, learning about the company, sharing family assets, and giving back to the community. For the last 15 years, in ways both subtle and direct, the G2s have expressed their intent to family and to non-family employees that this be a multi-generational family enterprise.
- Now, imagine Blaize Finest Foods. Their G1 founders led the company into the late-1980s. G2 (also Baby Boomers) took leadership right around then. The G2 have worked hard to grow the business and have been successful. For a variety of very good reasons—including family dynamics and the physical plant/work environment—G2 have not engaged the G3 next generation in any way. G2 has not invited G3 in as interns, for job shadows, as employees, or for governance roles. After growing up with tremendous pressure to enter the family business, G2 felt they were doing a service to the next generation members by leaving them out of it and allowing them to pursue their passions. Retirement felt far off for G2, but it is approaching faster than any imagined. They want the company to be a multi-generational entity; however, there have been no discussions about the future with the next generation’s family members or non-family employees.

Which company do you think is likelier to make it to G4? The company whose G2 leaders invited in next generation’s participation and expressed their intent that the company live on as

a family-owned business? Or the company whose G2 leaders—for good reasons—have not discussed the future nor invited the next generation?

We hope that this fictitious example demonstrates why engagement is important. Now, let's explore what engagement looks like.

What do we mean by “engagement?”

Engagement could involve taking on a particular formal and developmental role for a certain period of time, e.g.:

- Working in the business, family office, or foundation as an intern or as an employee
- Serving on the family council, which is a family governance structure that many multi-generational family enterprises choose to set up
- Being elected to the family business's, family office's, or family foundation's fiduciary board
- Joining any one of the family enterprise's board of advisors, if boards of advisors exist in the system

Serving in one of these positions gives the next generation an opportunity for exposure and to contribute in ways small and large. It offers the leading generation a chance to see what the next generation members are made of and to benefit from their perspective and work. It also affords non-family members who are involved the opportunity to interact with another generation of the family. Of course, taking on any formal role should require meeting specific qualifications, which should be documented and can be drafted by a consultant or advisor.

Engagement could also be lighter touch but still developmental in nature, e.g.:

- Participating in “one-off” family philanthropic work like a volunteer day
- Joining “meet and greets” with key business leaders
- Touring company sites or facilities
- Attending an industry conference
- Participating in a family business conference

Engaging in one of these lighter touch ways could spark early interest or could be a more doable, “bite-sized” way to participate for the next gens busy in school, working elsewhere, or with families.

Engagement is about action and communication. We recommend regular, repeat communication with the next generation and the family as a whole. Why? Having “one-off” conversations between two people can lead to information asymmetries. Repeat communication helps messages stick. Marketing experts say that for information to be absorbed, repeated exposure—ideally, even seven touchpoints—is key³.

Engagement is also a state of mind. It is a two-way street, requiring a deliberate approach to inviting the next generation’s interest and involvement, challenging the leading generation to make space, and watching for the next generation’s signs of hunger. Next generation members can wonder, “How do I establish credibility?” while leading generation members may question, “Are they really interested?” With these questions and, more often, swirling beneath the surface, engagement requires honesty, collaboration, and commitment.

Engagement is about meeting people where they are. For some families, that could mean taking advantage of the enthusiasm and hunger next generation members are showing and launching a process that outlines family employment guidelines, gets young people into internships, and starts an annual family meeting cadence. Think: energy and activity.

For other families, this could mean pushing out information to the family regularly via email, texting, or calling some family members with the same information if email is not their preferred communication tool. It could mean becoming comfortable with the idea that a few people may engage now, and more may (or may not) engage five or 10 years in the future. Think: a patient process that accounts for people’s different levels of interest.

Finally, engagement, when done well, results in *something*. Good engagement could result in next generation family members getting “deployed.” In other words, it could result in their entering the business as employees, gaining the respect of non-family members working in the business, climbing the ladder over time, and adding value to the business. Good engagement could result in increasing cohesion among family members so that they look forward to getting together, respect one another’s opinions even if they are different (which becomes more likely as the family tree grows), know how to resolve differences, and can work together as current or future owners. Likewise, good engagement could mean that non-family employees simply see the next generation of the family being involved in some light-touch way, and that gives them confidence that the organization—and their jobs—are here to stay.

³ “Marketing Rule of Seven.” University of Maryland Baltimore, Communications and Public Affairs. <https://www.umaryland.edu/cpa/rule-of-seven>

We invite you to consider our Engagement-Development-Deployment graphic as food for thought.



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Figure 2

How and when can engagement begin?

Engagement can begin with kids as young as elementary school and with people well into adulthood. Each family enterprise and family system is unique, but some developmental roles we see or recommend for next generation members include:

- Young kids: Join family members to work for an afternoon or participate in a family- or company-supported “giving back” activity. See “lighter touch” activities above.
- Teens: Help in the business during school breaks or over the summer. *It will be important to create guidelines on job shadowing, internships, and employment if they do not already exist.*
- 20s/college-age: Intern in the business or join a site visit to a recipient of the family’s philanthropic support.
- 30s/beyond: Work in the business (ideally after working for another organization first), serve on the family council, or serve as a board member. *Note that while board service requires a special skill set, it can be developed through training and study.*

While engagement can start young, it is never too late for individuals or the family to engage in the family enterprise. We have worked with:

- A family member who did not have much to do with the business for decades but came to the table at age 60 to support the family as they developed their first-ever family council.

- Many family members in their 30s, 40s, and 50s who were encouraged by leading generations to pursue their educational and vocational passions (Think: medicine, marketing, cybersecurity, and more) chose not to work in the family business. These individuals want to support the family's economic engine and add value by lending their professional training to board service.
- A family that avoided engaging the next generation because the leading generation bore some battle scars on account of working together. Why would they want to subject their children, nieces, and nephews to the challenges they endured? Somewhere along the way, the leading generation decided that their thriving business needed the next generation's buy-in and talent to endure as a multi-generational concern. So, they brought us in to engage their G4 in an educational and social process. Now, this group is well on its way to becoming prepared future owners, and some may soon begin working in the company, too.
- A family member who showed no interest in the business during his teens, despite (or perhaps because of!) strong family pressure, but then discovered a passion for business in college. Ultimately, he pivoted his studies to align better with the family business's needs and worked in the business starting in his mid-20s.

Conclusion

The Great Wealth Transfer means that an unprecedented transfer of wealth—in the form of businesses, liquid assets, and shared investments—is happening now and on the horizon. In the face of this reality, family enterprises that prioritize systematic, meaningful engagement and development across generations position themselves not just to survive this transition but to thrive through it—preserving and enhancing both family relationships and enterprise value for generations to come.

About CFAR

[CFAR](#) (the Center for Applied Research) is a management consulting firm with nearly 40 years of supporting family businesses in succession, governance, next generation engagement, leadership development, and strategy. CFAR was one of the founding voices in the field of family business study. Today, CFAR proudly helps some of the nation's most notable family businesses, family foundations, and family offices.