

The critical pathway between the family business and the next generation: Lessons in Emotional Ownership

By Åsa Björnberg

Can we take it for granted that next generation members experience a strong bond with their family business? Do they have a deep care about the destiny of their family firm? Do they feel involved and close to the business? For many next generation members this is indeed the case – they have a strong and enduring bond with the family firm. But for others the tie is substantially weaker. Some families even fear that long-term future of the family business is threatened due to waning interest in the coming generation.

What creates this bond, and what erodes it?

Any firm that wishes to remain a family business needs to engage with the next generation (NxG). The very building blocks for sustained “family capital” – the family quality that adds unique value to a business – is created in the connection between the next generation and their family business. In essence, the link between the future and the past of the family firm is sustained through this tie. This link we call “emotional ownership” (EO). EO manifests itself through a next generation member’s *identification* with and *attachment* to the family business, and exists quite independently of financial ownership.

This article is concerned with understanding this bond, what fuels it, impairs it and what can be done in practice to strengthen it. I shall try to address a number of questions that business-owning families often ask. In seeking to answer these questions I draw from key findings of research, and consider what families need to think about in order to engage effectively with the next generation. These questions include:

1. When should we start talking to our children about the family business? We don’t want to alienate them by either overloading or excluding them from business talk around the dinner table.
2. The next generation seems to become increasingly disengaged. How do we engage them?
3. We have a lot of conflict in our family. We are worried on the long term impact on the family of our strife, particularly if we expect the next generation to be stewards of the business going forward. Does conflict weaken the tie between the firm and the next generation?
4. How can we inspire interest among young members to join the family business as employees? Especially daughters?

Background

The concept of “emotional ownership” arose from observations made in an in-depth study conducted for 60 next generation members in 8 UK family firms (Nicholson & Björnberg, 2007). Three important findings emerged from the participants’ replies to questions regarding ownership:

- There was a wide variation in terms of experienced emotional closeness or distance as expressed by the interviewees. Although the common thread was the presence of this emotional bond, some individuals expressed a clear sense of detachment from the firm.
- For almost all respondents there appeared to be a substantial overlap between the self with the family business system. Being part of the family business appeared to be relevant to the participants’ identity, and growing up in the family business system was reported as having shaped their definition of self.
- Having a formal ownership stake in the business appeared to be irrelevant with regard to the presence (or absence) of this bond, either as an expression of emotional closeness or identification.

Both identity and attachment were deeply embedded in interviewees’ stories about family relationships, which frequently featured parent-child relationships and childhood experiences. There was great consensus around the chosen topics and the language used by the interviewees when speaking about ownership. Coupled with this was a strong desire among the next generation to have a voice in the family business system – to be seen and appreciated for their contributions, whether made through formal employment or other ways.

EO – Analysis of the concept

In order to understand the causes and consequences of this concept, a large scale international survey built upon the previous UK-based interview study (Björnberg & Nicholson, 2008). On the face of it, EO is intangible and difficult to quantify. However, we showed it was possible to measure the concept through the creation of a scale, based on both the in-depth interview findings and on theories from family psychology literature. The scale decomposes the concept into its two key elements: identification and attachment. When asked “How do you feel about the family business?”, participants in the research responded to eight statements on a rating scale from “disagree strongly” to “agree strongly”. Sample statements include “The family business is an important part of who I am” and “I feel close to the family business.”

The next generation sample

Using this measure we surveyed over 600 next generation members from 67 different countries. No prior definition of “next generation members” was utilised; next generation respondents were simply asked to self-select for this survey. Respondents were almost all between the ages of 31-40 years, with a very small number older or

younger. Just over one third were female, and close to half of the sample had no ownership stake in the business, or work in the family business.

Overview of findings

Overall, we concluded that a high level of EO is the default condition for the next generation – four out of five reported having strong or very strong EO. Having an ownership stake in the business was found to be associated with higher EO, yet, over half of the sample were not owners, and most of them expressed strong EO. This suggests that ownership may be at best a contributing factor to create emotional ownership, not a guarantee of it.

Being male, having an MBA and work experience in the business are some of the demographic factors associated with EO. Generally, the “insiders”, that is, those young members who work in the business, had higher levels of EO. Additionally, larger (but not older) firms were more likely to build this bond.

Combining all the factors measured in the survey generated a clear pattern of the factors with the strongest influence. EO comes from:

- 1) Involvement and personal career investment in the business**
- 2) Coming from a flexible adaptive family**
- 3) Having and using support structures**

Overall, these findings tell us that next generation members will have stronger EO if 1) they belong to a culture that supports a strong future vision of NxG involvement, 2) the firm has weight and substance and 3) they at an earlier stage have had some involvement in the firm.

Next, we turn to the questions raised in the beginning of the article. What guidelines do the results of the research provide us with?

Key findings – and key lessons

1. When to start talking with the children about the family business

Before parents even get to the point of talking with their children about the family firm, the process of influencing them in terms of emotional ownership has long been underway. Our findings show that family climate plays a major part in creating and sustaining EO. This means families who are adaptable and practice open communication among their members are better positioned to stimulate EO in their young. In addition, families who are cohesive and generally attentive to the needs of their younger members – whilst offering clear boundaries in terms of authority – tend to build EO to healthy levels.

Early experience of witnessing talk about the business around the dinner table is generally positive. Children exposed to such informal exchanges from the early school years were found to have higher levels of EO. However, parents should be

aware that it is important to paint a realistic picture, without undue focus on the troubles of the firm. Nor should one let conversations be dominated by the family business. In our case studies we encountered examples where the topic was completely avoided for fear of putting too much pressure on the young members. At the same time, there were also cases where the next generation actively rejected the firm, because family discussions had been taken over by business issues. So it is important to establish, and if necessary change, how topics related to the business are handled in everyday conversation.

2. Engaging the next generation

Engaging the next generation is best achieved through informal, personal, face-to-face involvement. Impersonal and written communications (such as web-sites and newsletters) do little to stimulate EO directly. However, such practical measures may assist in initiating a dialogue, especially for firms with an ownership base that is geographically dispersed. Importantly, the business has to be tangible to the NxG, so they can feel close to it on a personal level. Thus, EO can not be expected to be stimulated by formal AGMs – in fact, these are associated with weaker EO.

It is important to forge a sense of personal connection and nurture pride in the family values and what the business represents. One way of ensuring felt closeness to the business is through work experience, from a relatively young age. Whether holiday-work or longer term employment; all forms of hands-on-deck experience contribute to EO. In addition to work experience, the NxG can also be invited to run their own charitable projects through the business, or get involved in writing or updating the family history. Education and networking are also inroads to EO, as well as being part of a network with other young family business members.

The overall lesson is the importance of proactive involvement – the next generation has to be invited to play active roles, not just be the passive recipients of benefits. It is a two-way street. Senior members who take a consultative approach and are accessible to the next generation, are able to stimulate young members to exercise voice in the system. This means there needs to be a transparent method for approaching the firm and asking questions of the elders. From their point of view they need to know where are the points of contact when they have questions about the business. This may be determined via the family governance system with in-built ways of representing and integrating the NxG. More than a technical perspective of ownership is needed.

3. Conflict and emotional ownership

Certain types of conflict do reveal that a weakened state of EO exists among the next generation. It is not all bad news, however. Only conflicts over ownership erode this bond; other types of conflict are unrelated to EO. On the minus side, survey results revealed that there are alarmingly high numbers of under-governed family businesses; coupled with high levels of ignorance among the next generation as to what governance structures the firm actually has in place. In every firm there is an underlying potential for EO erosion in this area that can be guarded against. Firms

can do this by taking stock of their conflict resolution practices and heeding advice to create governance structures that address potential ownership issues.

4. Next generation interest in joining

Inspiring the next generation to work in the family firm is a major concern to many business-owning families. Over half of the NxG in the sample are interested in joining in the near or distant future, with the remaining groups split between moderate and distinct lack of interest. Results indicate that parents have the strongest influence over career choices (more so than spouses, sibling and close others) but family firms differ widely in terms of what they expect from their younger generations. Those who always were expected to join (about one fifth) are the most interested in joining and have the highest EO. Those not expected to join (about one third) have lower levels of EO. This clearly implies that families need to examine differences in expectations of younger members, within the family or between branches.

For females, the picture is somewhat bleak. They experience lower expectations from senior family members to join the firm professionally, have less interest in joining and also experience lower overall EO. It seems that various forces are encouraging more EO in males than females.

We looked at whether the NxG perceive any basis for discrimination in favour or against certain groups when it comes to joining the family firm, and found that companies with a selection bias for males have lower levels of EO and higher EO levels where there is no sex bias. EO levels were higher in family firms where education and outside experience were a source of advantage, but lower where these factors made no difference to the recruitment process. Findings also indicate that being closely related to family leaders had no effect on EO.

This clearly reinforces the notion that families who are more egalitarian and inclusive are more likely to get the benefit of EO in the next generation. It also suggests that family firms who wish to foster EO are more likely to be successful if they implement fair procedures in terms of selection and recruitment. From a gender perspective, diverse top-management teams are higher performing and more innovative. Business-owning families who can see the advantage of capitalising on the diversity in the family are in a better position to create such leadership. They need to be aware of the negative consequences of not giving females exposure or involvement in various aspects of the business from an early age.

Finally, showing an interest in the young people's career decisions helping them achieve clarity in their career choices strengthens EO. Yet a light touch is preferable to a heavy-handed approach. It is important to "edit" any "scripts" family members are carrying, that is, stories about what should happen. The NxG should be encouraged to write their own scripts, rather than be simply absorbing those written by their elders. Joining the family firm in an executive position is not a 'life sentence'

or even a necessity. It has to be a choice. It does not have to be forever, but like any other role it can be one step in an entire career.

Concluding remarks

EO is perhaps best viewed as a state of mind to aspire to – a linkage that can bear fruit in the future. Attention to this topic has been richly repaid with insights that may help family businesses. However, they should also be mindful that EO has a “dark side”, where family members feel entitled, on the strength of EO, to make demands or assert themselves as guardians of the firm’s culture, strategy and vision. Just as shares are passed down the generations, there is also an emotional inheritance. Family businesses are able build a sound legacy by creating an open, embracing and flexible environment in which young family members are invited to play a meaningful part.

References and further reading

Björnberg, Å. & Nicholson, N. (2008). 'Emotional ownership - The critical pathway between the next generation and the family firm'. London: The Institute for Family Business, Lombard Odier Darier Hentsch & Cie.

Nicholson, N. & Björnberg, Å. (2008). 'The shape of things to come – Emotional ownership and the next generation in the family firm'. In: J. Tapies & J. Ward (Eds.) *Family values and family creation. How do family-owned businesses foster enduring values?* London: Palgrave.

Nicholson, N. & Björnberg, Å. (2007). 'Ready, willing and able? The next generation in family businesses'. London: The Institute for Family Business.

About the author

Åsa Björnberg is the BJIR Teaching Fellow at London School of Economics, and formerly the IFB Research Fellow at London Business School. Her research focuses on personality, leadership and culture in organisations, with special emphasis on family firms. Åsa is also an active practitioner, helping both family and non-family firms to improve interpersonal relationships and develop excellence in leadership.