



Family education and professionalisation: Insights from an expert

Peter May is a specialist in family businesses, and the founder of INTES, the first training and consultancy company in Germany focused on family firms, and he also collaborates regularly with PwC. He's written many books and articles on the issues these firms face, and has been instrumental in creating the German Family Entrepreneur of the Year Award.

We talked to him about the results of this year's global survey, and what insights he can share on the challenge of professionalising the firm, and the family.

What do you believe professionalisation means for the family business, and what are the risks and opportunities for families?

What distinguishes family businesses is their ownership structure, and a corporate culture which crosses generations. They require different strategies, different financing concepts, and different governance regulations from other types of companies. These special qualities give rise not only to certain benefits but also to disadvantages and challenges. When the family can exploit the advantages and meet the challenges, the family business can look forward to long-term success – economically successful, socially responsible and locally anchored.

But those who can't meet the challenges which running a family business entail are destined to fail, I cannot put it more plainly than that.

In your experience, how are family firms rising to the challenge of professionalising their operations?

There's been a huge increase in the professionalisation of family businesses in the last 20 years. Those who have done this successfully have understood that managing a family business well requires

not just one but two different governance systems. It isn't enough to solely concentrate on the business – the family needs managing as well. In the last few years we've come to appreciate the hugely important role which ownership plays in a family business, and that a family doesn't necessarily have to run its business itself; its principal duty is to ensure professional leadership for the business.

As more families look to pass on ownership but not management of the family business to the next generation, how do they best equip themselves to be responsible and effective owners?

The more we understand about the important role played by the owners in their family businesses, the more we also understand how important it is to prepare and train the family for this task: an informed shareholder is an effective shareholder.

Well-managed family businesses offer their shareholders special training programmes which enhance their ownership capabilities, and provide insights into the issues relating to company management as well as an understanding of family dynamics. They explore the theory and the practice, not just in general terms but also with a specific focus on the family business itself. Hands-on work experience is a fantastic way of getting to know your own company and for developing pride in it. And the opportunity to network with the members of other owner families and exchange experiences with them provides benefits which can be incorporated into the 'family education' programme.

The first place to look for the best people for the job is within the family, so it really does pay to invest in the future of your owners.

How can families keep the spirit of entrepreneurship alive as the business passes from one generation to the next?

Possibly the greatest challenge facing family companies and their owners is keeping the entrepreneurial spirit alive.

This applies today more than ever. Globalisation has greatly accelerated the rate at which things change and life cycles are getting shorter. The old saying, 'It takes three generations to build a business' might soon be outdated, replaced by 'One generation can build three businesses'.

In this digital age it's less important to hand on trademarks and machines than entrepreneurial spirit. That's not as easy as it sounds, since a family's increasing prosperity leads inevitably to a degree of complacency and inertia among its members. They prefer to enjoy the wealth they have rather than strive for more. That's why it's so important that we drill into our children to 'stay hungry'! There is another old saying that 'the first generation builds the business, the second makes it a success and the third wrecks it'. Now more than ever, we have to remember the truth of that.

Family businesses tell us that two of their biggest challenges are innovation and skills – how do you see family businesses 'staying ahead of the curve' and what issues does this raise?

Innovation, diversification, entrepreneurial spirit and the skills connected with them are becoming increasingly important in the new and dynamic business environment. They have to be instilled in the family, and anchored in the corporate culture of the business.

No family can perform every role within the family business, so in order to attract the best people, family businesses have to work harder than ever before to make themselves attractive places to work. In particular, they have to create space for innovators, both from within and outside the family. This means they have to make changes, becoming more open and inclusive, rather than exclusive and inwardly-focused. They need to offer exciting compensation and participation models, and play to their greatest strengths: owner families can provide a human touch and a sense of belonging – an invaluable advantage in a world where it's getting harder and harder to make a personal connection.



Six ways to address the 'family factor'

So to sum up, here is Peter's advice to family firms:

1. It's not enough to manage the business – you need to manage the family too.
2. As a family, your role is to ensure the best professional leadership of the firm, and a family CEO might not always be the right choice.
3. Prepare and train the family for the task of ownership – in other words, invest in your future shareholders.
4. Network with other family businesses and share your learning and experience with them.
5. Keep the entrepreneurial spirit alive. One way to do this is by creating space for innovators, both inside and outside the family.
6. Play to your strengths in attracting talent: a family business can be a special place to work, offering a human touch and a sense of belonging which is becoming increasingly rare in other types of company.