



FAMILY
ENTERPRISE
FOUNDATION

PREPARING THE NEXT GENERATION: A FAMILY BUSINESS ROADMAP

Canadian Family Business
Transition Intentions – Part 3



“Family enterprise” can be a broad term and may have a different meaning for different people. Typically, when “family enterprise” is used, it is referring to not only the business but also a collection of assets that a single family and/or branches of that family have worked hard over time to build. For families who seek significance across generations, the family enterprise becomes more than just tangible financial capital – it becomes about the human, emotional and legacy capital of the family.

For a multigenerational family, unpacking the family legacy to pass onto the next generation can be an exciting but daunting task, especially if aspects of what defines their “legacy” and how that should evolve over generations has not been addressed by the senior generation.

This highlights the importance of open discussions between generations, particularly around their collective purpose, the lessons learned and the attitudes, skills and specific attributes that are needed if the legacy of the family is to continue.

In this new report, which is an extension of two previous reports, *Ready, Willing and Interested – Or Not?* and *Who Are the Guardians of Family Legacy?*, we conduct a deeper dive into the perspective of the next generation on the transition process of the family business and any strategies in place to prepare them to take over leadership and ownership, in the fullest sense of the words.

This latest report presents key insights on:

- What is top of mind for the next and now generations?
- What is the key to maintaining family harmony and business longevity?
- What has worked well in their succession and transition planning journeys?
- What are the roadblocks and pitfalls to avoid along the way?

Our recommendations are intended to help senior generation and next generation family members be better prepared when making key family enterprise transition decisions, especially as related to the business.

To get a sense of their journeys and to uncover nuances, we conducted qualitative interviews with:

- 1 *Next generation business family members who were generally under 30 years old*
- 2 *Now generation business family members, or those with more than five years of experience, who were generally in their mid 30s to early 40s*

Family Business Longevity or Family Harmony... Is It Possible to Achieve Both?

Business families have a unique balancing act compared to their non-family business counterparts: the need to balance the success of the *business* with the success of the *family*. This balancing act needs special attention at critical transition points.

A common question on their minds is, “How can I achieve both?”

We unpacked this in our discussions with the next and now generation and it was clear that four striking notions are in play for families seeking enterprise longevity without negatively affecting family relationships:

- 1 Emotional connection** to the source of the family’s success: the family business and other assets the family owns matters greatly.
- 2 Alignment across generations** professionally (what matters in the business) and emotionally (what matters in the family) is intangible yet significantly valuable to all involved.
- 3 Intentionality over transitioning ownership in a timely way** (whether selling, partially exiting or fully handing it down) is an important factor.
- 4 Embracing family learning and seeking professional advice** is critical to all of the above.

ADVISOR INSIGHT

The pressing needs of the family business can easily overshadow the need to nurture relationship dynamics. Family enterprise leaders who are transparent and involve the next generation early on in decision-making will create an environment that positions the next generation for success.

—Richa Arora (FEA),
Executive Director & Practice Leader,
Family Dynamics & Governance,
KPMG Family Office



Some practical approaches to achieving family enterprise longevity and harmony include starting with regular, well-organized family meetings governed by guiding principles for effective communication and structured agendas. These will:

- create a space for the next generation to share their thoughts, ideas and interests in an open and honest way;
- create an opportunity for the owning generation to share important information so that the next generation can make informed decisions;
- let the next generation know that they can forge their own path in life and not feel obligated to follow in the owner's footsteps unless that is what they aspire to;
- allow for the sharing of both successes and failures; and
- create the conditions for building family cohesion.

It feels better when you really put in the hard work. You put in 10-hour or 12-hour days on the weekends. It's not just like working with any other private company or public company, it's part of a family business, so it makes it easier and more worthwhile to put in the time and investment. I think, ultimately, however much you put in is however much you'll get out of it.

—Next Generation Family Member



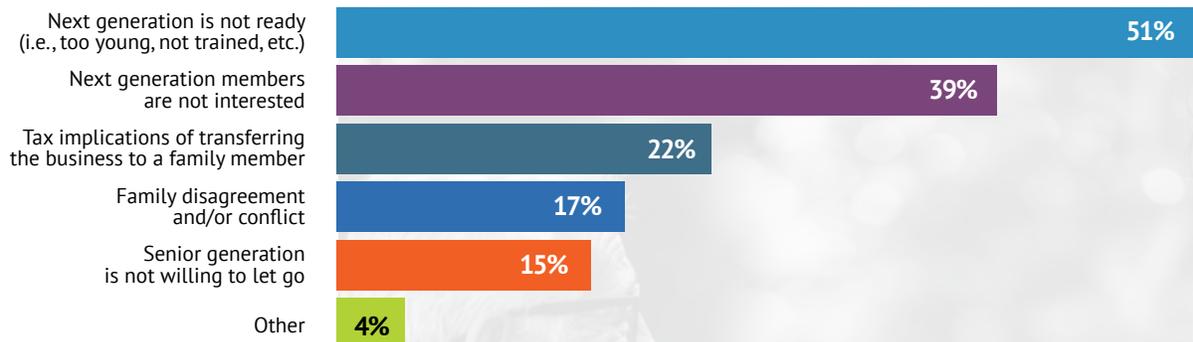
What Are the Roadblocks to Effective Transition Planning for Canadian Family Businesses?

Perception Can Play a Key Role

Our initial report found that the main reason cited for the possibility that business ownership could transfer out of the family was due to the perception that the next generation is not interested or experienced enough. When asked about the primary causes for concern when considering a business transfer, more than half of respondents cited the next generation not being ready, followed by 39 per cent who felt next generation members were not interested. Other reasons cited were the tax implications of transferring the business to a family member (22 per cent), family disagreement and/or conflict (17 per cent), and the senior generation not being willing to let go (15 per cent).

CONCERNS ABOUT INTERGENERATIONAL TRANSFER

Note: Respondents can select more than one response



Why are next generation members being perceived as unwilling or ill-equipped? What are both generations doing to actively close this gap and allow time for the next generation to develop the capabilities needed for effective transition? Outside of formal education the onus needs to be on the family, specifically the senior leaders/owners, to invite the next generation into the conversation much earlier and create the conditions conducive to the success of the next generation by adopting a mentorship approach.

A family enterprise advisor's guidance on starting the transition planning process early:

BUILD ABILITY INTERNALLY

Some family businesses have created internship programs for next generation members who are interested in taking over the business or assuming a leadership role within it. What this entails and the level of formality can vary. It can be as simple as spending time after school or during summer holidays: being exposed to the business, learning the day-to-day operations and how decisions are made. These experiences will make it easier for them to decide if their future lies within the family business.

BUILD ABILITY EXTERNALLY

Non-family business employment can be highly beneficial for the next generation by creating opportunities for them to learn new skills, better processes and different perspectives that may ultimately benefit the family business. For years, this has been a common avenue business families have chosen to pursue: having their next generation spend three to five years working outside the family business before eventually joining with a new set of skills and business knowledge.

Regardless of the chosen approach, in all cases the family leader(s) benefit if they adopt a mentoring mindset towards the next generation. If they are worried about not being a good mentor, experiential learning can be a helpful route. For example: (1) Allow the next generation to shadow the leaders and encourage them to ask questions; (2) check in with them regularly about what they are learning, what they are enjoying, as well as what they find challenging or confusing; and (3) create conditions for great learning by always ensuring that their thoughts and questions are truly valued.

Ineffective Communication Can Lead to Disengagement and Stalled Planning

I can even see it within my immediate family: My dad would come home from work, he would talk about the business. I think we had a greater understanding of it, which is what led me to want to be more a part of the family business.

—Next Generation Family Member

While the common perception of exiting owners is that the next generation is not interested or ready, in fact a lack of formal governance structures to discuss family business dynamics and keep the next generation up to date with what is happening with the businesses, family assets, etc., may be exacerbating this issue.

Our research found that the lack of experience, knowledge sharing and communication between the generations leads to perceptions of being unprepared, when, in reality, the opportunities to learn about the business have simply not been made available.

Most of those interviewed felt that first-hand experience in the business is highly valuable for the next generation in preparing them for future ownership and/or involvement in the business. **Preparing the next generation to play a role in the business is the responsibility of both generations.** They can greatly benefit from working together if the family is to retain ownership across generations and the business is to continue to succeed.

Additionally, disinterest in future involvement in the family business can be fuelled by a lack of communication, as well as the stressors that accompany business ownership. Participants expressed that their perceived disinterest is more likely a lack of understanding of the business and/or its perceived life consequences. But when informed and included, those perceptions of being ill-prepared dissipate.

Discussions between the senior generation and the next generation about future roles within the business may happen, but often these conversations are rudimentary and one-way. The now generation tells the next generation what the plan is rather than inviting the next generation in to co-create a plan that will impact their lives. Only one participant indicated that their family's business was implementing new policies and company standards that would help prepare them for a transition.

The challenge is not always simply a lack of these discussions within the family but that these discussions may not necessarily translate into concrete action plans tied to the next generation's skills, capabilities and aspirations.

Business leaders who spot this early on **seek advice** and make planning a strategic priority linked to the growth of their company. **Plan with and not for your children.**

Tips from business families on preparation and engagement of the next generation:

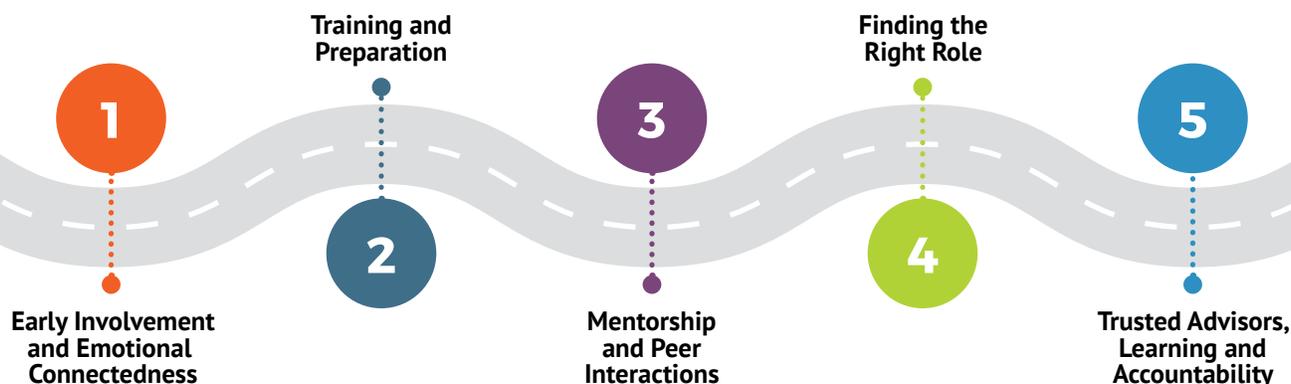
NEXT GENERATION TIPS

No textbook will tell you when you are ready. You may not fully know until you are put into the situation. If you feel uncertain, discuss this with your senior generation and devise a plan that gives you more experience and stronger skills. As with patient capital in investing, patient development of human capital pays dividends.

SENIOR GENERATION TIPS

If families encourage next generation members to explore other opportunities before joining the business, are they tracking progress, new skill development or their growing leadership capabilities? A planned path of preparation with frequent checkpoints and discussions among generations is useful.

There are five distinct areas that can help both generations prepare for the transition process:



1 Early Involvement and Emotional Connectedness

Among the group interviewed, early involvement in the family business was quite common. Participants confirmed having been involved with the family business to varying degrees while growing up. While some were able to spend time at the business' physical location, others were given a basic understanding of how the business functions through family discussions and stories shared by previous generations. Others noted that while the current family business they are involved in differs from past family endeavors, they were able to **gain an understanding and appreciation for business ownership and an entrepreneurial spirit that they still carry today.**

Interestingly, having previously worked for the business and having been involved during the start of the business, or since childhood, are all reasons for increased interest in involvement.

The senior generation can sometimes be inconsistent with preparing and/or mentoring their rising generation. In our conversations with family businesses, some have adopted best practices to make the knowledge transfer process easier; for example, setting policies around working outside of the business for at least three to five years or obtaining a university degree. As these measures are implemented, the next generation is introduced to all aspects of business ownership, including the industry and family business-specific learning before being advanced within the family business.

When I was 10, 11 years old, I'd come in and answer phones, the typical story of the next gen coming in and helping with menial tasks. When I was in university, I attended a business meeting with my mom, my grandpa and my uncle in Toronto with one of their major partners and did some site touring and just got a sense of what kind of activities they did.

—Next Generation Family Member

Specifically talking about different growth opportunities in the business, I was tasked with going to a lot of conferences and learning from other companies and vendors, and meeting with different people.

—Next Generation Family Member



By introducing the next generation to the family business early on **the senior generation can foster an emotional connection** to the family business. This could be a bond to a physical place, functions the business executes, its community impact, its people, its legacy, or pride in the family name. This doesn't necessarily mean the next generation will automatically be interested in joining once they are old enough, but it lays the groundwork for them to care about the business, its legacy and its employees. Building a strong emotional connection fosters belonging and feelings of:

- “What happens to the family business matters to me.”
- “The family business is an important part of who I am and who we are.”

This is not easily done, nor done in a short time. It is best done informally, allowing the younger next generation to “tag along” and discover what about the business attracts them most.

ADVISOR INSIGHT

Increasingly, the next generation needs to feel they are involved in building their own future within the family business. Rather than simply following in the footsteps of others, they need to feel empowered to forge their own path and shape the future of the business. What worked and was relevant for one generation may not work or be as relevant for the next. This is not about change for the sake of change, but rather about evolving what worked in the past to what is going to work today.

NEXT GENERATION CONSIDERATIONS

The family business can be viewed as something to learn about by asking questions to better understand the business. For example:

- Why is there such a big warehouse?
- What is inside and who is it going to? How?

Spending time with family and understanding how the business functions helps build wider knowledge of the entire business and a greater ability to gauge your interest.

SENIOR GENERATION CONSIDERATIONS

Involve the next generation early on to spark their interest while they are young, but:

- Allow them to set their own path.
- Teach them, yet foster autonomy.
- Make joining the family business a choice, not an obligation.
- Listen to their desires and engage them in conversations around this decision.

2 Training and Preparation

My brother wanted to start in the shop, and then he furthered his education while working there. Unfortunately, that was a long journey for him, because he was also the one that we could always rely on. So, it was quite a long, drawn-out journeyman certificate path for him.

—*Now Generation Family Member*

I took business management at college in Saskatchewan, so that certainly helped. It wasn't as technical in either property management or construction management but it helped from a leadership perspective and a business management perspective.

—*Next Generation Family Member*

Getting the next generation involved early can help clarify their interest and help them learn about the business, but true preparation is a balance of formal and informal learning.

Many family business owners and employees will take on additional training to better perform within their role(s) or future role(s). Depending on the type of organization, this can look quite different and represents an investment of time, money, thought and energy. While some respondents indicated that they are working towards a professional certificate, others indicated that they are taking digital marketing courses, project management training and even attending workshops to further their skills.

While most individuals we spoke to felt equipped to enter the business with the hard skills they gained while in university, few mentioned the importance of soft skills development.

While this certainly provides a solid foundation on which to build, we know that it is often not a person's ability to start or maintain a business that ultimately is crucial to the longevity of the business. Rather, **it is the soft skills that matter when it comes to a harmonious and united family.**





MAX FORTMULLER

CEO, Vesta Wealth Partners
5th Generation

“I think you need to have the hard skills first, the technical ability, and then it shifts over to the soft skills and the people aspects and relationships. I think the hard skills lay the foundation of what business is, for the most part, but then it’s all about relationships from there on, so and I would say there’s greater emphasis on soft skills when you are the leader.”

Let’s Consider: What emphasis is being put on developing soft skills (communication, listening, empathy, critical thinking, creativity, problem-solving)? To run an enduring business well and succeed at its transition, a heightened level of emotional intelligence and mastery of soft skills is needed to navigate the interpersonal dynamics of family, business and ownership.

NEXT GENERATION CONSIDERATIONS

While formal education is a great avenue to develop business skills, it is equally important to acquire soft skills. When we surveyed family business members on their families’ communication skills, only 6 per cent indicated they were excellent, whereas 70 per cent said they were average to poor.

If there is resistance to soft skills training in your family, take the initiative to introduce it (with group approval). The benefits in your governance structures and day-to-day family interactions will be energizing.

SENIOR GENERATION CONSIDERATIONS

Soft skills are so important for all family members to feel empowered to express their desires and interests. This includes articulating what the senior generation wants out of a transition/retirement:

- Why are they struggling to let go?
- What are their post-transition desires or goals?
- Have they given themselves permission to think about this? If not, why?

For a successful family business, transition is inevitable. Properly preparing both generations, through training and tapping soft skills, is key to a successful resolution for all.

3 Mentorship and Peer Interactions

Nearly all the participants we interviewed sought guidance from a mentor. It is most often the case that the mentor is a member of the now or senior generation (typically age 55 and older) in their family, although external mentors were also cited by our respondents.

Those with a mentor expressed that this was incredibly valuable to them and that they would likely not be where they are currently without their mentor's support. Mentors play a key role in supporting the next generation and helping them manage and navigate their new roles.

When we think of mentorship, it is usually focused on business knowledge and practices: how can we help you know and do more?

This overshadows soft-skills mentorship, which is as vital to all generations because it provides emotional support, a sense that each individual's situation is "normal," sounding board opportunities and other intangibles.

We know that communication, listening, understanding relationship dynamics and recognizing the morale level of family members and employees is paramount, but it does not come naturally to all. Often, if a family business fails these factors are absent, more so than if someone knows how to scale a business.



My father has been a mentor for all of us. He's who I call when I don't know if an HR situation is something that I actually need to take to the president; he's the sounding board for everything that I'm feeling with company morale or just to talk through people's different personalities and how to handle them.

—Now Generation Family Member



AARON BERMAN

**Vice President, Business Operations & Manufacturing,
BERMANFALK Hospitality Group**

2nd Generation

“As a mentee, I have learned most to trust my instincts. My mentor helped me to ask those difficult questions, both internal and external, and to use that to trust my decision-making ability. He also helped me to realize that research into these strategic areas, whether it be family business-specific or within the operating business, is incredibly important now and for the future. This ongoing relationship has challenged me to think differently about our business, our family and about me and my role within it.”



One of the better practices that families can adopt in preparing their next generation for their future role is to couple a family business mentorship program with peer interactions. By this, we mean finding a group of other next generation members at a similar stage, but with different experience, and encouraging your next generation to engage and participate with them.

In the group interviewed, there was a desire for more peer-to-peer support and workshops. Participants noted that this is a cost-effective way to build relationships, network with other business families and learn from their experiences.

“ *At Family Enterprise Canada, we have built an inclusive next generation peer group to achieve this exact objective: allow those with experience and those with less to interact and learn from one another. Our goal is to have fun, but also to build strong, capable family business leaders and lifelong learners.”*

–Bill Brushett, President & CEO, Family Enterprise Canada

NEXT GENERATION CONSIDERATIONS

Mentorship and peer networks are great ways to feel more supported. Remember:

- Mentors need not be family members. Try seeking an external guide.
- Seek mentors who can help you develop personally.
- Mentors can help you see your impact in the community, socially and professionally.
- When seeking a peer network, move beyond friends.
- Find groups with different experiences than you and grow with them.

SENIOR GENERATION CONSIDERATIONS

Senior generation members often feel that preparing their next generation, outside of formal education, is solely their responsibility. It is not.

- Learning from others is often effective. You can benefit from this, too.
- When a senior generation member sees their next generation growing personally and professionally, concern about letting go eases.
- Mentorship can be a key role that senior generation members undertake as an opportunity post-transition to help shape the future leaders of the family business.

4 Finding the Right Role

When asked what the role of the next generation (typically under 30) should be, their perceptions greatly differ from the “now” generation (late 30s to early 40s). The now generation is far more likely to say that the next generation should play a role in the family business than next generation members themselves. Some members of the now generation feel that the next generation should become involved with the business early on, be interested in pursuing their family’s legacy and should look to advance the business but this discounts the next generation’s values and what they see as their purpose.

I guess it depends on the industry. I mean, if they’re capable of being employed in the business, I think it’s always a healthy thing to understand more. Continuing that legacy, learning the ropes, figuring out the business, moving forward.

—Now Generation Family Member

I don’t think that they necessarily should have to participate in the family business if they don’t have an interest in it. I think that it’s great that there is that opportunity. For example, I have two stepsisters who worked in the family business, helping out in summers – that kind of thing, but it was never their interest or passion. From that standpoint, it really wasn’t pushed on them.

—Next Generation Family Member

Most members of both the now and next generation believe that the next generation should not be forced or expected to play a role in the business. For instance, many believe that a member of the next generation should only get involved if they are aware of the responsibilities related to business ownership and are passionate about the opportunity to join or lead. Family, business and ownership governance needs to play a role here in creating clarity and transparency.

Some next generation members may have specific professional skills where their fit within the business is clear. When the next generation have less relevant skills,

a rotational business experience is often cited as a good way of introducing them to different business units, allowing them to discover what they are naturally drawn to and where everyone feels they could actively contribute.

Rotational development programs allow individuals to spend time within each area of the business, gain a broad understanding of operations and better prepare them for leadership roles.



I spent about a year and a half rotating through different roles within the company to really learn all sides of it and understand the business more holistically. From there, I've taken on different temporary roles that were meant to be a longer-term proper job within the company that I could contribute to and have my own day-to-day responsibilities.

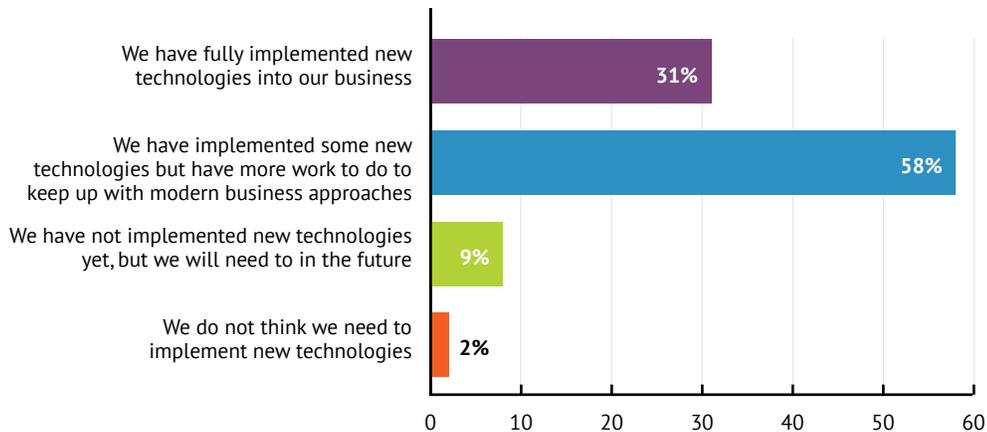
—Next Generation Family Member

Whether it is believed that the next generation should play a role in the future of the family business or not, it is believed that they have a lot to offer in terms of innovation and diversification. While they may be more uncertain of their strengths, the now generation was quick to point out the next generation's respect for the environment and their ability to innovate and bring fresh ideas to the family business.

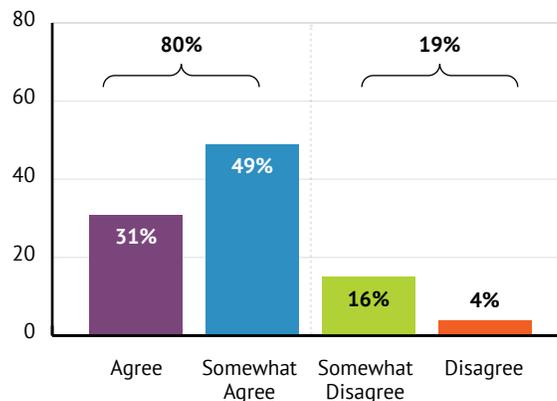
Interestingly, the now and next generation members recognize that they can benefit from one another. While the next generation may be able to innovate and progress the family's business through digitization, they will need to be supported by the now generation's wealth of specialized knowledge and financial resources.

We observed this in our previous quantitative research on transition intentions. Most respondents indicated that there was still work to do in keeping up with modern business approaches and overwhelmingly agreed (80 per cent) that future generations will be responsible for this technological modernization effort.

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR FAMILY BUSINESS'S USE OF TECHNOLOGY?



FUTURE GENERATIONS WILL BE RESPONSIBLE FOR MODERNIZATION





I would say that innovation is important to us. Often, many of our younger frontline staff have great ideas and bring a fresh new perspective where we've been doing things in a certain way. So, I think that whether it be a young family member, or more junior staff members, it's important to be open to new ideas because they might bring a different perspective.

—Next Generation Family Member

“Outdated” mentalities are also seen to be a barrier to innovation. The next generation is concerned that members of the senior generation are stuck in their ways and will be reluctant to change.

“ *The next generation has come of age in a digital universe and should have a seat at the table when families discuss their digital journey. Artificial intelligence (AI), blockchain, machine learning and other emerging technologies can save time, improve decision-making and overall performance, making family businesses more resilient and competitive over the long term. Giving the rising generation the opportunity to bring forward innovative ideas that can accelerate digital transformation and technology adoption is critical to the future of family businesses today.*



—Richa Arora (FEA), Executive Director & Practice Leader,
Family Dynamics & Governance, KPMG Family Office

Regarding the sustainability angle, a recent KPMG report found that 70 per cent of Canadian family-owned businesses report having an environmental, social and governance (ESG) strategy, and virtually the same number (69 per cent) believe their ESG programs have a positive impact on the financial bottom line. Two-thirds (66 per cent) say the drive to increase their ESG commitments is coming from their next generation leaders and employees.



JYOTI STEPHENS

Vice President, Mission and Strategy, Nature's Path
2nd Generation

“At Nature's Path, we really see our family business as the tool in which we can make the greatest impact for positive change in the world. So that's the approach we've taken, and I think as people become more aware of things like impact investing and sustainability within their business, they can really see that it's not only using the proceeds but also using their family business to make the greatest impact.”

NEXT GENERATION CONSIDERATIONS

Learn how the business operates and makes money, meet the team, learn the culture and understand the market. This takes time, do not rush it. Your role in a rotational program is to learn, listen and reflect on what you like and do not like about an area or potential role.

Remember:

- Have frequent touch points with the senior generation/your mentor.
- Learn what interests you most and how this aligns with your skills and passions.
- Talk to your family about budgets for family learning and professional development to help fill the gaps.

SENIOR GENERATION CONSIDERATIONS

Knowing the best roles for your next generation may not be easy. Creating a rotational development program can yield key positive outcomes for all by:

- Allowing them to fully understand how the business operates.
- Exposing them to a multitude of business options in the hope they find their niche.

This takes time but enables a deeper understanding of the business.

Consider:

- Establishing a junior board for their exposure to ownership/operational mechanisms.
- Asking next generation members to suggest efficiencies, new technologies and modernization ideas.



5 Trusted Advisors, Learning and Accountability

Over the course of our interviews, we heard that external advisors are among the most desired supports for family enterprises, including both the business(es) and other shared family assets.

Participants who have taken advantage of an external advisor in the past recall how beneficial it was to the overall process.

Participants were also quick to note that certain useful information regarding family business transitions can be difficult to access. This information is crucial to avoiding a last-minute learning rush when it comes to the transition of ownership. However, this kind of high-quality, trustworthy advice and information is very challenging to find.

It's difficult to find specific information unless you know where to go. And I think it should be easier for people to know where to go to really get some high-quality advice on what it should look like, which professionals you should engage and what points in the transition process you should be engaging in. I think that's where a lot of people, depending on the size of the family business, fall down a little bit. It tends to be a bit of a rush at the end, and that could be a problem.

—Now Generation Family Member

These are common refrains from many family businesses. In a previous self-conducted survey, the basis of the *Alchemy and the Family Enterprise* report, we asked respondents, “If the family business needed better governance, it would...” Only 17 per cent of respondents indicated that they would seek external advice or support, and only after exhausting internal approaches. While some level of reluctance in engaging an advisor and instead trying to find solutions on your own can be understood, working with an expert who has a family lens means they can ask the right questions, work with a multi-disciplinary team and support your strategic thinking. This can be valuable and create a long-lasting, collaborative relationship.



JUSTINE ZAVITZ

Vice President, Zavitz Insurance & Wealth
2nd Generation

“Working with a family advisor has helped us with the strategy around our transition. Their experiences with family and business transitions helped us to create the plan that was going to work for our family while keeping in mind the mistakes and ideas that we were hearing from other families. They really helped us identify what works and what doesn't work, to put us on the best path possible to succeed as a family.”



“ *Business families are becoming more discerning about the advisors they bring into their fold. With ownership, the business and the family to consider, family business advising has become a highly complex field requiring advisors to be fluent in the complexities and nuances of serving business families. Only the Family Enterprise Advisor (FEA) designation prepares advisors to be fluent in ‘family enterprise.’”*

—Bill Brushett, President & CEO, Family Enterprise Canada

TIPS FOR NEXT GENERATION

Working with advisors and actively learning are effective ways of maintaining harmony, open communication and increased transparency regarding the future of the family and the business.

Just as mentors help individuals realize their strengths and interests, advisors can reinvigorate the family business. After a period of learning and listening, if you feel the business would benefit from an advisor to kick-start the transition process and strengthen your governance, have this discussion with your senior or now generation members.

TIPS FOR SENIOR GENERATION

We identified three themes in our previous research that will set up you and your family business for a successful transition:

- Finding your family’s purpose
- Conquering communication barriers and challenges
- Leveraging learning

Some owners are reluctant to engage an advisor for fear of relinquishing control. This is never the case. Expert advisors are there to help you clarify, move forward and realize your vision. They are not family, but they can be crucial members of a successful team.

Conclusion

When family business owners consider their succession journey and the future of their family business, far too often the focus is put squarely and exclusively on the finances and tangible assets. While this should always remain a part of the larger picture, the future of a family's legacy lies in its human capital: preparing next generation successor(s) with the appropriate leadership and ownership skills, responsibilities and emotional maturity.

While trepidation over the future ownership and leadership of the family business can be overwhelming, this report provides a foundational roadmap for engaging the next generation around what it means to be in a family business through early emotional connection to the business, its people, its functions and even its physical space. Early involvement of next generation members in the family business is a worthwhile tactic to measure, if not build, interest in the family business.

By instituting a comprehensive training and preparation program for the next generation, a heightened level of emotional intelligence and mastery of soft skills can be developed to navigate the interpersonal dynamics of family, business and ownership. The bottom line will always play a key role in decision making, but so will understanding all levels of what it means to be an inclusive leader – something that must be learned and experienced by the next generation early on.

Encouraging peer interactions and mentorship can provide the next generation with a robust network to learn, teach and engage not only today but throughout their career. Mentorship needs to have a dual purpose of learning about leading and owning a business but also include soft skills which help provide emotional support, a sense that individuals' situations are normal, sounding board opportunities and other intangibles.

Finding the right role for the next generation to enter the business must be done on a merit basis, avoiding entitlement at all costs. Some families prefer to have their next generation work outside the family business to get exposure to new environments and experiences. Others choose to involve the next generation earlier on, having them cycle through a rotational program of the different



business areas to better understand how the family business operates. Families have different reasons for their approach but what is paramount is that there is a plan and that it is clearly communicated and agreed on by all involved.

Involving advisors who are specifically trained to work with families and integrating learning into key moments in the transition journey can have tremendous benefits to the succession plan and the individuals within it. Some families are reluctant to pursue this route, figuring they can do it alone. The advice and experiences presented in this report suggest that more business families can put themselves in a better position for success by involving a family advisor during key stages of the transition as well as helping to instill a sense of life-long learning through all generations of the business family.

There is agreement on the value of multigenerational collaboration to brainstorm strategies that best position the family business for the future. How the generations perceive (or misperceive) one another cannot be discounted in the wider analysis of implementing solutions that will improve the chances of generational business longevity. Myth-busting and lucid thinking can only succeed through better communication, which occurs when the various generations seek to continuously engage in frank discussion around mutual desires, fears, interests and goals.

Canada's family businesses may be uniquely Canadian, but they share common ground with family firms the world over insofar as aging owners harbour doubts over the readiness of the next generation to take the reins, while emerging owners are having a hard time convincing the old guard that different views do not equal indifference to the family legacy. There is consensus – among all generations – that continued improvement in understanding the business, the strategy and the next generation's potential roles within this framework are the best ways forward.





Methodology

Abacus Data conducted 25 in-depth interviews with adult Canadians from both the now and next generations who are either involved or not involved in their family's business.

Participants provided consent and their contact information to be contacted to participate in a phone interview. Interviews took place between September 6 and November 29, 2022.

Interviewees were contacted first by Abacus Data by email and then followed up with by our team of interviewers to schedule an interview at the convenience of the interviewee. In certain cases, participants were directly referred to Abacus Data by Family Enterprise Foundation (FEF).

Interviews were guided by an interview guide developed in consultation with FEF that sought to further explore experiences and potential improvements.

A total of 10 now generation and 15 next generation members were interviewed. One member of the now generation (partial owner) and three members of the next generation were not currently involved with the day-to-day operations of the family business.

About the Report

This report was prepared by Family Enterprise Foundation in collaboration with Abacus Data and through the insightful participation of members of our community.

We thank **KPMG Family Office** for their ongoing support of family enterprises and business owners in Canada.



ABOUT FAMILY ENTERPRISE FOUNDATION

Family Enterprise Foundation (FEF) is the charitable foundation of **Family Enterprise Canada**. As the unified voice of family enterprise, FEF focuses on developing educational resources, conducting research, building a strong connected ecosystem and promoting the success and sustainability of entrepreneurial families and their enterprises to ensure intergenerational longevity. To learn more, please visit FamilyEnterpriseFoundation.org.



ABOUT KPMG FAMILY OFFICE

KPMG Family Office works with private business clients, family offices, and successful individuals and families to define and achieve their evolving objectives, giving them clarity, stability, and peace of mind as they navigate the complexities of wealth with confidence. Our approach is based on an unwavering commitment that is cultivated through deep-rooted relationships, trust, integrity and shared values. We assemble a diverse and forward-looking team that is designed specifically for them, and able to look at their unique needs. Our team brings an independent lens, global resources and a 360-degree process from initial planning to final implementation. To learn more, please visit kpmg.com/ca/familyoffice.



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