

Generational Success: Succession, Survival, and New Leadership in Family Owned Businesses

Executive Summary

Section 1: Why Family Owned Businesses Fail to Endure

Introduction: Statistics on rates of success and failure. Why are we interested in this topic? Because of the enormous economic contributions of family-owned businesses.

A Brief History of Family Owned Businesses

- How they often start with the immigrant generation (in the US)
- Little starting capital
- Depended heavily on community resources, ethnic enclaves, and social support
- Meeting a need or filling a market gap, often in a difficult, time-consuming labor market (laundry, cooking, delivery, domestic service)

An Inside Look at Family Roles & Trends

- [Typical roles](#) assumed by family members who work in the family business
- Noting the trend of smaller family-owned businesses [not to have a board of directors](#)
- Trend to [not hire](#) qualified outside consultants, allow room for generational change and adaptation, and not preparing future leaders.
- A Few Examples of Major Businesses that Collapsed after Succession Failures
- Additional [survey information](#) for insight into real practices

Section 2: Some Models of Success and Failures

Introduction: What can we learn from documented successes and failures? What can we avoid?

How some family-owned businesses do it differently

- [Yale Insights interview](#) with the 4th generation leader of the Mars Inc.
- Middlestand overview (German middle-class family owned businesses)
Middlestand Characteristics Notes:
 - Training and apprenticeship
 - Not the size, but the values and family relations make businesses fall into this category
 - Italy has the highest rate of SME; the US has the lowest
 - Characteristics of Middlestands:
 - Stick to core competencies; management and control are consolidated; remain emotionally attached; Family-owned, can employ more than 1,000; generational continuity; patriarchal culture and strong internal cohesion; outsiders are viewed with mistrust; value independence from cartels or associations;
 - Enjoy wide social approval and political support

- Example: Reinhold Wurth: took over his father’s screw factory and transformed it into a multi-national wholesaler—this is an example of innovative leadership in the subsequent generation
- Asian-owned businesses in the US—trends and decisions that contribute to their overall success
- [UAE family business](#) success factors

Section will exemplify proven practices in human capital, succession planning, training, non-family employee relationships, governmental structures of assistance, and transfer of power.

Section 2 will also set up the final section of procedures and recommendations for successful survivorship of family-owned businesses through multiple generations.

Section 3: New Practices for Success

Introduction: Innovation as the basis for success. Introduction of Joseph A. Shumpeter’s theory of entrepreneurship and innovation.

What is innovation?

- Where do we see it? How do we define it?
- Connect back to Section 1: original entrepreneur innovation, filling a targeted need

Research on Business Innovation & Family-Owned Business Survival

- [McKinsey report](#) on leadership innovation in family businesses
- The role of [innovation](#) in business survival
- The role of [sustainability](#) in business survival

Joseph A. Shumpeter

- In-depth overview of his economic theory
- Applications to family-owned businesses today

Proposal for a New Model of Family-Owned Business Innovation & Success

- Conclusions drawn from all previous sections, theories, and examples
- Concise, but detailed view of a new model of entrepreneurship based on innovation in every generation

Conclusion

- CTA for organization? (*Please advise.*)

Additional Resources (beyond the annotated bibliography)

<https://www.economist.com/node/3352686>

<https://www.entrepreneur.com/article/231757>

<https://www.theguardian.com/small-business-network/2017/mar/15/secrets-business-survival-innovate-family-staff-recession>

https://c.ymcdn.com/sites/www.ffi.org/resource/resmgr/best_of_fbr_english/bestoffbr_ii_ward_thespecialr.pdf

<https://www.mckinsey.com/business-functions/organization/our-insights/fine-tuning-family-businesses-for-a-new-era>

<https://www.sciencedirect.com/science/article/pii/S221201731200117X>