



STUDY

# ENHANCING NEXT GENERATION PREPARATION IN FAMILY FIRMS

INSIGHTS FROM GERMAN FAMILY FIRMS  
AND BUSINESS FAMILIES

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## IMPRINT

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THIS STUDY IS THE RESULT OF A COOPERATION  
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WIFU Foundation  
<https://www.wifu.de/en/wifu-foundation/>

Witten Institute for Family Business (WIFU)  
<https://www.wifu.de/en/>

**Layout:** Designbüro Schönfelder GmbH, Essen

**Stock photos:** Adobe Stock | SKT Studio

**Please note:** Where this study includes references to persons in the masculine, these apply equally to persons of any gender.

June 2024

ISSN (Print) 2626-4110  
ISSN (Online) 2626-4129

This study was funded by the WIFU Foundation,  
Witten, Germany and supported by the Fulbright  
German Commission | <https://fulbright.de/en/>



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# 1 | INTRODUCTION

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**A**s important drivers of the world's economy, family firms play an integral role in the business world. They make an important contribution to the GDP of multiple countries and employ a substantial number of people.<sup>1</sup> The continuity of family businesses is, therefore, of significant relevance for the world's economy. As the failure of a family business can have devastating effects on the regions and the communities around them. Concerns regarding the future of family firms are highly relevant to both academics and practitioners. In Germany, it is estimated that 190,000 businesses will be transferred to the next generation between 2022 and 2026.<sup>2</sup> Companies with more than 250 employees are planning a handover process within the next three years. And, of these, 58 % claim that a family internal successor is already working in the management team.<sup>3</sup>

Intergenerational continuity is a core feature of family businesses. Thus, the ability to sustain the family and the company across generations is a key competence for a family business. As is evident from research projects conducted by the WIFU Foundation, many factors impact the ability of a business family and their family business to remain viable across generations.<sup>4</sup> One factor highlighted in our work is the development of a family strategy to successfully navigate the succession process.<sup>5</sup>

To achieve transgenerational continuity, it is critical to have next-generation members who are interested and committed to the family firm. Committed next-generation members are more likely to develop a career within the family business, participate actively in the succession process and recognise their stewardship role within the family firm.<sup>6</sup> A successful succession

process is, therefore, linked at least in part to the next generation's willingness and ability to engage with the family and the business. As a result, keeping the next generation's interest alive is a key component of any ownership competence-development programme.<sup>7</sup>

Although business families can groom successors from birth, next-generation members often report low levels of interest in entering the family firm.<sup>8</sup> The reasons for this lack of interest are not fully understood – they may be many and varied. It could be that the business family is not sufficiently proactive around the preparation process, or that it has no clear family strategy for inclusion and selection, or that it is more concerned with equality and fairness. It could also be that next-generation family members struggle to find their place, understand their purpose and be perceived as legitimate in the eyes of a very successful previous generation.

For those business families who own a family business and wish to successfully maintain their family ownership in the long term, it is important to better understand how to involve, motivate and prepare younger family members to be part of the family business. Despite a substantial body of academic and practitioner research that focuses on succession, previous work falls short in offering actionable findings for business families regarding how to design an effective preparation process for their next generation. Thus, continuing a tradition of WIFU projects addressing the factors that contribute to the continuity and success of family businesses, we created this research project to explore what business families do to attract and prepare next generation family members.

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<sup>1</sup> See Kelley, Gartner & Allen (2020); Miroshnychenko, De Massis, Miller & Barontini (2021).

<sup>2</sup> See Fels, Suprinovic, Schlömer-Laufen & Kay (2021).

<sup>3</sup> See Garnitz, von Maltzan & Müller (2023).

<sup>4</sup> See Schlippe, Rösen & Groth (2021).

<sup>5</sup> See Rösen & Löhde (2021); Rösen, Schlippe & Groth (2022).

<sup>6</sup> See Chrisman, Chua & Sharma (1998); Sharma & Irving (2005).

<sup>7</sup> See Rösen (2020); Rösen, Orenstrat & Binz Astrachan (2023).

<sup>8</sup> See Beach (1993); Sieger et al. (2016); Zellweger et al. (2012). See the reports from the GUESS project (<https://www.guesssurvey.org/>).

## KEY FINDINGS

Based on in-depth interviews with next-generation members, we identified the following key findings:

- Next-generation members who are interested in the family business have a clear understanding of what the business does and learn about the business when they are very young. There are at least three ways that business families achieve this:
  - Creating opportunities for the next generation to be part of the business from an early stage, for example through company visits, internships or summer jobs.
  - Connecting the interests of the next generation with the family business.
  - Connecting the next generation with others who can help them learn about the business.
- Parents play a very important role in helping the next generation learn about the business; they are the first source of information about it.
- A strong family culture that allows open and honest communication between parents and children facilitates the development of confidence in the next generation, and this helps the latter decide whether they want to be involved in the family firm.
- The freedom to choose is critical in facilitating the connection and commitment in the next generation to the family business.
- The engagement of the next generation is tied to the actions of the previous generations: when senior generations do not leave the business, the next generation has no space to contribute to the family business and its legacy.
- To truly engage the next generation, next-generation members must be given a voice in the process; they need to take some ownership of the process by suggesting what will and will not work for them.
- Each family should create their own path for the next generation through a programme personalised to that family and business.
- Success in preparing the next generation comes from being proactive as a family and planning and taking accountability to ensure that the process is working effectively.

## 2 | THEORETICAL BACKGROUND: THE WITTEN PHASE MODEL OF SUCCESSION

**T**he Witten phase model of succession<sup>9</sup> identifies the ten phases necessary to successfully navigate the succession process (see Figure 1). In this approach, succession occurs over an extended period, becoming an ongoing process for the business family. Although the phases are presented in a linear structure, practice has shown that some phases can overlap or there may be detours in the process. The relevance of the model lies in the steps it outlines in the process, helping families create awareness and

identify areas that may be challenging for them. Outlining the process in this way also enables those involved in the process to describe and articulate the expectations at each phase, increasing the likelihood of success. However, to succeed, business families need to engage in dialogue to clearly articulate their shared goals, expectations and interests while not losing sight of the company as they transfer responsibilities from one generation to the next. Below we describe each phase in the model.



Figure 1: The Witten Phase Model of Succession<sup>10</sup>

<sup>9</sup> See Groth, Rösen & Schlippe (2020). The following section is based on these explanations.

<sup>10</sup> Taken from Groth, Rösen & Schlippe (2020), p. 5.



### Phase 1: Expectation of succession

A characteristic of families, and business families in particular, is transgenerational intent. Families are systems designed for continuity. Thus, expectations for succession are often formed early, as soon as there is another generation who can pass on the traditions established by the family. Expectations are reflected in different ways. For example, in the past, it was not uncommon for first-born children to be named after the founder of the family business, or for a male descendant to be particularly welcomed. However, this was often accompanied by implicit expectations that these same family members would succeed to the company. Thus, in this first phase of succession, business families need to reflect on their expectations for the next generation and how these expectations are projected onto young children.

### Phase 2: Raising for succession

The second phase covers the period in which members of the next generation are between 4 and 16 years of age. Succession preparation starts very early by creating opportunities that allow the next generation to build an emotional connection with the company and the people who work there. In this phase, education for succession comes from the image of the company conveyed by the parents and the experiences that they allow younger family members to have with the business. This second phase is very important in the imprinting process, which determines the next generation's later attitudes towards the company and their willingness to become part of the family business.

### Phase 3: Uncertainty among successors

In this phase, the offspring develop their own attitude to the company and their succession intent. During this phase, successors strive to gain autonomy while

retaining their connection to the family. This can be one of the most difficult phases because it can create substantial conflict between generations (i. e. parents and children). Thus, it is important for both generations to connect and communicate with one another. It is particularly during this phase that open and clear communication is essential with the next generation about their freedom to choose whether to be engaged with the family business and the responsibilities and opportunities that come with this.

### Phase 4: Preparing for succession

The fourth phase covers roughly the ages of 16 to 30 and focuses on the education and training of the successor (e.g. what areas do they need training in? What type of training do they need?). In this phase, families should talk about the essential requirements, the training needed for the next generation to acquire the relevant competencies for ownership and management roles, and the conditions for entry into the family business. These criteria need to be clearly communicated to the next generation at an early stage in order to gain a clear picture of the level of interest of the next generation and offer the training necessary to help them achieve success.

### Phase 5: Preparing the business

Preparing for succession also includes the preparation of the business. The success of the handover is determined in part by the company's "handover-readiness". This phase is, therefore, concerned with the process of developing management structures that make the business less dependent on the current family management. The stronger these structures are, the easier it will be for an incoming family member to grow into a position of management responsibility or to consciously decide against it. If there is no succession within the family, the company is still secure. This

phase also involves ensuring that the company can navigate future challenges (e.g. digitalisation, sustainability orientation or changes in the geopolitical situation). Thus, family businesses are advised to carry out an in-depth analysis of the company's current positioning and future viability facilitating due diligence in the succession process.

### Phase 6: Successor selection

Before this phase, the shareholder family needs to agree on the conditions of entry and exit from the company. These conversations often take place during the development of the family strategy (the development of a family constitution or as part of the shareholders' agreement). In this phase, families need to outline a clear profile of the successor, including their expected competencies and qualifications, and the various components of the selection process. This needs to be communicated to potential successors so that a selection can be made when they are between the ages of 20 and 35. In this phase, the task of the business family is to create a process in which the family does not have to decide to select a successor solely on the ability and suitability of family members.

### Phase 7: Joining the business

When business families explore family succession, they must plan the successor's entry into the company and their path within it, including face-saving exit planning in the event that the successor or the conditions of the appointment prove unsuitable. This should all take place before the successor joins the company. At all costs, business families should avoid protracted or poorly defined learning phases that create an "eternal junior" role for potential successors. In this phase, the potential successor enters the company and follows a training programme that will help them learn more about the business and gain legitimacy within it.

### Phase 8: Transferring responsibility

After a period of working in the business together, there comes a time for the leadership to be transferred to the successor. At this point, the successor will have met the expectations for a transfer of leadership to occur. In the initial part of this phase, the senior generation is responsible for making it clear to the outside world that decisions will be jointly agreed and supported by the current leader and the successor. Later, the senior generation also needs to indicate clearly when the successor will become the primary decision-maker. This change needs to be clearly communicated to both internal and external stakeholders.

### Phase 9: Departure of the senior

Once the senior generation transfers responsibility to the successor, the focus of the succession process shifts to the senior generation. With this transfer of responsibility, the senior generation should focus on redefining what they want to do at this stage of their lives. As they leave the business, it is helpful for them to find new activities that they find fulfilling, making it easier to let go.

### Phase 10: Reorientation in the post-active phase

With the retirement of the senior generation and the handover of responsibility to the junior generation, a new phase of life begins for those handing over the business. In this phase, the exiting generation must find new ways to employ their time to avoid returning to the family business. To ensure that the senior generation is on a new life path, the family must systematically monitor any "relapses" and maintain a critical dialogue with them, as attempts to continue to be involved can make it difficult for the new leadership to succeed.



### 3 | FOCUS OF THE STUDY

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Given the importance of attracting and preparing next-generation members for the continuity of family businesses, four distinct lines of research have been dedicated to understanding this topic (See Table 1). This research has provided important insights into what business families do to attract and prepare the next generation of family members. However, there are at least two substantial gaps in our understanding:

- 1 We know little about the next generation's point of view.<sup>11</sup> Most of what we know about the involvement and preparation of next-generation family members comes from the perspective of the current generation. However, to attract the next generation we need to explore their perspective of what works and what does not.
- 2 Although cultural context can play an important role in family business behaviours,<sup>12</sup> we know very little about how it can influence the involvement and preparation of next-generation family members.

To address these gaps, we designed a project to better understand what German business families are doing to attract and prepare the next generation. Germany is characterised by long-lived family enterprises with an average age of close to 100 years.<sup>13</sup> These business families use certain tools in transition processes to help the current and next generations manage the various dilemmas they face and to prepare them to navigate this process. To better understand what German business families do, this project explored how some long-lived business families engage the next generation of family members, and how they educate this rising generation to play an active role in the family business. We focus on the perspective of the next generation and what works and what does not, from their point of view.



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<sup>11</sup> See Garcia et al. (2019); Lyons et al. (2023).

<sup>12</sup> See Gedajlovic et al. (2012); Gomez Mejia et al. (2020); Sharma & Chua (2013); Wright et al. (2014).

<sup>13</sup> According to the Foundation for Family Businesses in Germany and Europe (<https://www.familienunternehmen.de>), the average age of the 200 largest family firms is 101 years.

## 4 | FINDINGS

**T**hree questions guided our analysis. Below we present each question and outline our findings.

### **Question 1** **What do business families do to engage the next generation in the family firm?**

As can be seen in the comments below, if the next generation are to join the family business they need to learn about the business and what it does. This can be achieved a multitude of ways. Some learn about the business early on through family conversations about what everyone has done that day. Others through working in the company in internships or summer jobs. And others can learn through board activities. The most important aspect to engage the next generation is that they need to understand what the business does, and they benefit most from learning this early in life.

*“When I was a child, I remember we were sitting together, we have this tradition of having lunch together every day. And over lunch, everybody would say what had happened that day. So, my mum would say how her day had started, my dad would explain something about the business and we kids would talk about school. So, in this family conversation, I actually gained lots of information and knowledge about the business itself ... And even if I didn’t understand it properly at the time, I formed a bond with the company and the people. And then, in school holidays, I used to work at the company a little bit, I was interested in doing that.”*

*“I had the opportunity of doing an internship in the company as part of my undergraduate education and it was a great opportunity to learn more about the company and how it worked.”*

*“I ended up on the advisory board ... And that was basically a great job. I mean, you go there, you’re drinking coffee, you don’t have that much responsibility, it looks pretty professional, and you get a bit of money for it. So, it was like the dream job for a student. I loved it. And from that point on, I was involved in the succession process.”*

A second way to engage the next generation is by connecting their professional interests with the business. Being able to connect these two parts enables the next generation to feel a passion for what they are doing.

*“What has motivated me to be part of the business is that I have been able to connect my dreams to the business. This connection helps me feel a passion for what I am doing and support the legacy of my family.”*

A third way is to connect the next generation with individuals inside the company who can help them learn about its culture and other aspects of the business. This helps in building internal and external legitimacy for the next generation.

*“To learn about the company, I shared an office with a person who had been in the company for a very long time and was young. I had the opportunity to learn from them.”*

As seen from these different answers, each family develops their own way to engage the next generation. The success of this exposure depends on two general principles: (1) openly communicating about interests and experiences, and (2) proactively creating opportunities for the younger generation to become involved.

## Question 2

### Which approaches work, and which do not?

The participants in our study discussed multiple factors that can enhance or detract from the process. Those interviewed highlight that being a potential next-generation leader in a family firm can be challenging because few others have the same responsibility. Thus, to be successful in this role, the next-generation candidates first need to discover who they are and what they want to do. In this respect, parents play a critical role, as evidenced in some of the quotes below.

*“I feel like parents should support children in finding out who they are, what their strengths are. What are their areas for development? Understanding who they are, helping identify role models, and determining the kind of person they would like to be ... I feel like you can't force children, or anyone, into business. If they want to do it, they have this interesting internal conviction to do it. And if they do not have the passion, they won't make it because it's way too hard to be forced.”*

*“The success of preparing the next generation comes from helping them find a skill set they have and really owning that. And, and I think it's also being open-minded enough to appreciate that success will be different for each next-generation member.”*

A second aspect that it is important to acknowledge in the process is that creating a strong family culture that enables clear and honest communication between parents and children is critical here. This close relationship helps the next generation develop the confidence to decide what they want to do and how they want to be engaged.

*“Having close relationships with my family really helps. Reaching out and saying I have something important to talk to you about and being able to connect with them and talk is the most important thing for me. It is important to create a bond.”*

It is critical for the next generation to have the freedom to choose the course of action they want to follow. Having the space to decide what they want to do gives them the opportunity to commit to their choices without feeling that they will lose the support of the family if they decide not to be part of the business.

*“There was nobody who forced me to do something. And, I don't know, I always had a kind of passion and a voice that guided me in a way, but I also challenged this voice a lot, especially in conversations with my dad ...”*

The actions of the senior generation also matter. For example, if they do not retire on time, or force younger family members to do things in the same way they did, this creates tensions in the relationship that the next generation builds with the company and in their own role within it. The next generation wants to contribute to the legacy of the family, and being seen to contribute something new is also very important.

*“Not retiring on time has made my work as a next-generation member much more difficult.”*

*“My parents and I view employees in different ways. This makes it very challenging working with them. They want me to do it their way instead of valuing my approach, which is different from theirs.”*

The most important aspect that next-generation members highlight as relevant in engaging them with the family business is having a say in this process. As noted in the quote below, having a voice offers them an opportunity to participate in the process. When they join the family business, they are adults and want to be treated as such. If they are not invited to participate in the process, it seems to them that the older generation still sees them as children who do not know what they want to do.

*“It is very important to ask the next generation their opinion about their preparation. I often feel like I get put into a position without even having a choice and I do not like that. I am an adult, and I should have a say in this process.”*

The final aspect that is relevant here is that success will look different in each generation. Thus, when preparation programmes are created, it is important to have some markers to determine the areas in which the next generation needs to be competent in. However, space is also needed to define success in different ways.

*“Success looks very, very different for every person. And you must decide what success will look like for you.”*

The comments on this topic show the importance of maintaining an ongoing dialogue with the next generation about specific expectations. It is crucial that guidelines are not inflexible, but that expectations regarding the content and procedure of the succession process can also be adapted to accommodate the wishes and ideas of representatives of the next generation.

### Question 3

#### How do business families educate the rising generation to play an active role in the family business?

Our interviewees observe that each family has its own approach to education. There are many ways to reach the same outcome, and each family needs to choose the one that works best. Regarding the process of educating the next generation, one aspect upon which many of our interviewees agreed is the need to connect with others on the same path. Preparing to be the future leader of a family business can be a lonely journey. It is made easier by connecting with others

who can help either because they are in the same situation or because they have helped others navigate their journey.

*“I went to the next-gen boot camp. And it was like the first time in my life that I was surrounded by 15 other people who had exactly the same problems that I had. And, like, having this feeling of not being alone with my questions, and having, like, a protected space was extremely important for me.”*

*“During the pandemic, I joined the business. I was going to be here for a short time, maybe 3 to 6 months. When I joined, my dad created a project for me to learn about the business. He just gave me the general idea and let me gather information by myself. However, I shared an office with a person who had worked most of his life in the business, even though he is young. He knows a lot about the company. So, I ended up asking him questions when I needed help. I also interviewed clients to find out their satisfaction levels, and talked to employees, and did other things. From here I was able to learn about the company, and to help it become better.”*

Finally, next-generation members also acknowledge that personal motivation is critical in the process. Leadership candidates have to want to learn.

*“My family did not have a clear plan to prepare the next generation. However, I found myself in a position to be a leader in the business. Thus, I started to look for people who could teach me. I connected with some of our service advisers (our tax accountant) so I could learn. This process was self-initiated... I thought, ‘I don’t know how to do this,’ so I sat with the accountant and the lawyer and all these people, to get a better understanding, and from there, then I built, kind of, all the processes, and, kind of, put a little bit more structure underneath something that didn’t have as much structure. That is what made the difference.”*

## 5 | KEY INSIGHTS FOR FAMILIES

**F**rom the insights gained from our observations and findings, we developed a five-component model for Next Generation Preparation. The model, presented below (see Fig. 2), summarises the questions that may help business families think about

how to prepare their next-generation members. The model focuses on five aspects that were highlighted as essential for the success of the process based on our interviews. Below, we discuss each component.

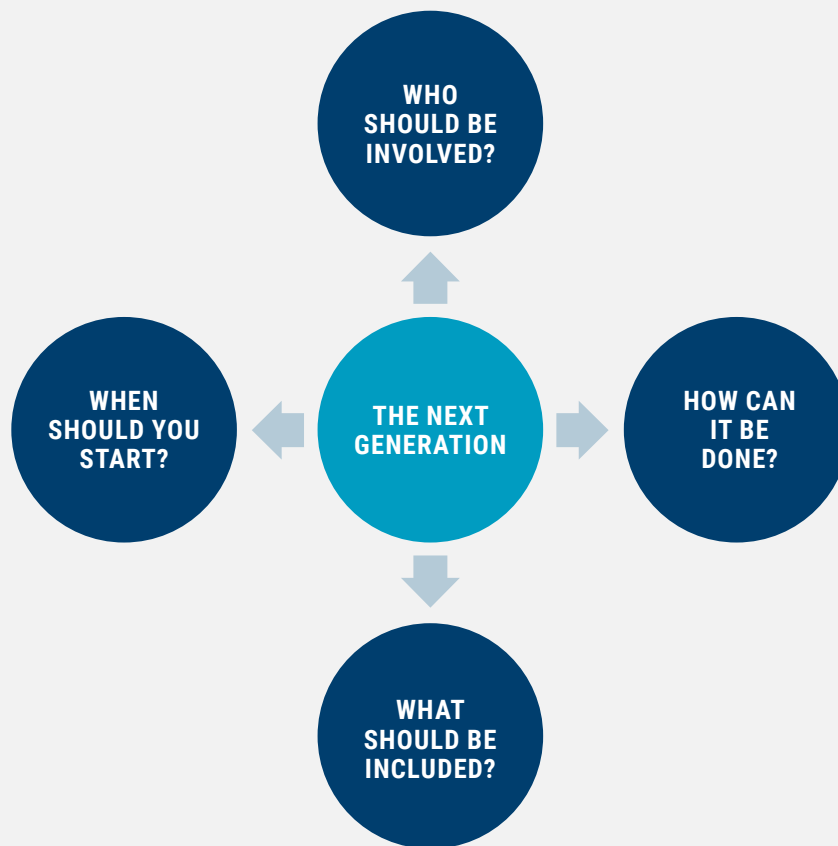


Figure 2: Five-Component Model of Next-Generation Preparation

## 5.1 | THE NEXT GENERATION

**T**he success of preparing the next generation relies on ensuring that the next generation plays an active role in the process. When next-generation members participate in the process, they feel ownership. Perceived ownership in the process encourages the commitment of the next generation and helps build responsibility for the process among multiple actors. However, involving the next generation requires that others listen to their point of view, have conversations and negotiate where necessary how this process will develop and evolve.

To become actively involved in the process, the next generation needs the following:

- ➔ **They need a voice.** Business families that are successful in preparing the next generation give them a voice to make this a collaborative process. Thus, all parties have “skin in the game” and responsibilities in the process.
- ➔ **They need to have a choice.** Willingness to join the family firm comes from perceiving that there is a choice. The next generation needs to want to join and be part of the family enterprise. When it is not their choice, they have little intention to stay.

- ➔ **They need space to learn and contribute.** For the next generation to learn, they need the space to try new approaches and fail. When they do not have this space, they are less likely to perceive that they can contribute to the legacy.

- ➔ **They need their own village.** Just as being the CEO can be lonely, being a next-gen leader can also be difficult. Not all young people have the opportunity to continue the legacy of a business family. Thus, part of educating the next generation is helping them build relationships with others who have similar responsibilities in a family business, by helping them join existing networks or creating new networks that help next-generation members connect to one another.



### QUICK TIP

Identify what the next generation wants and needs in their preparation so that they can be included in the process.

## 5.2 | WHAT SHOULD BE INCLUDED IN THE PREPARATION?

Existing research exploring the preparation of the next generation often focuses on individuals who become leaders within the management of the family firm. Our conversations with successors indicate that next-generation preparation should encompass both leadership and ownership. Even if the next generation does not enter the management of a family enterprise, they will have an ownership stake in the firm. Therefore, focusing on these two aspects helps the next generation feel that they have a choice in the process and prepares them for future roles within and outside the family enterprise.

To prepare the next generation for leadership roles, families will benefit from helping them gain competencies (that is, integrating the knowledge, skills, abilities and other behavioural characteristics needed to achieve superior performance).<sup>14</sup> At least four competencies require development:<sup>15</sup>

- ➔ **Business Area Competencies:** These encompass task (i. e. how to do the job) and social (i. e. how to interact with others) competencies that help successful next-generation members perform well within the business system. They include knowledge of the business operations, strategy, finance and an understanding of the culture of the family business. Business area competencies ensure that the next generation can run the business competently to facilitate its continued existence.
- ➔ **Family Area Competencies.** These include task (i. e. how to manage the family system) and social (i. e. how to relate with all family members) competencies within the family system to help the family remain together and functional as a decision-making

unit. This set of competencies encompasses factors such as an understanding of family goals and the meaning that the family ascribes to being in business together, understanding how to help the family as a whole manage its relationships, and understanding the family system in order to help it adapt to internal and external changes.

- ➔ **Ownership Area Competencies.** Ownership competencies generally include knowledge and skills related to the formal and informal governance of the family and the business and how these fit the goals and desires of a particular family. They help next-generation members understand the ownership side of the family business and enable them to contribute to family continuity through decisions and actions as owners of the firm.
- ➔ **Personal Competencies.** These competencies combine the knowledge, skills, abilities and other characteristics that help next-generation members understand their environment and use this information to analyse the situation and their own perspective to find ways to successfully navigate family and business contexts. They include skills and knowledge related to decision-making, critical thinking, communication, working with others and managing personal conflicts.



### QUICK TIP

Identify the competencies already possessed by the next generation and those they need to succeed in your family business.

<sup>14</sup> See Boyatzis (2008); Hall & Nordqvist (2008); Samei & Feyzbakhsh (2015).

<sup>15</sup> See Botero et al. (2021); Rösen, Orenstrat & Binz Astrachan (2023).



### 5.3 | WHEN SHOULD THE PREPARATION OF THE NEXT GENERATION BEGIN?

**T**o succeed personally and professionally, next-generation members need to be willing, able and see themselves as legitimate for the role. The willingness will come from feeling connected and committed to the family and the business. Becoming able or competent involves education about the family, the business, ownership and the self. Being legitimate requires the individual to understand who they are, and others also to perceive them as competent and capable of being a leader in the family firm. Thus, business families wishing to help the next generation succeed will create opportunities for them to learn in these three areas and acknowledge that acquiring this knowledge takes time.

Business families that help their younger members connect to the business early in life are more likely to

develop next-generation members who understand the values of the family and feel deeply connected to the business. It is, therefore, important to start early: it is, after all, difficult for the next generation to fall in love with something they do not know. Thus, business families need to create opportunities for next-generation family members to learn about the business and the legacy of the family.



#### QUICK TIP

Identify activities for your family to begin teaching the next generation at an early age.



## 5.4 | WHO SHOULD BE INVOLVED IN THE PREPARATION OF THE NEXT GENERATION?

**M**any actors inside and outside the family are involved in preparing the next generation. Business families rely on at least the family, the current family business leaders and the next generation members, all of whom play an important role in the preparation process. The family provides the

foundation by helping the next generation learn about the legacy of the family, the business and family relationships. The current generation helps the next generation understand the business and the skills they will need to maintain and grow the business. The next generation needs to invest effort, disposition and time to complete the journey. None of these actors can be successful alone. However, contextual factors may also influence the process.

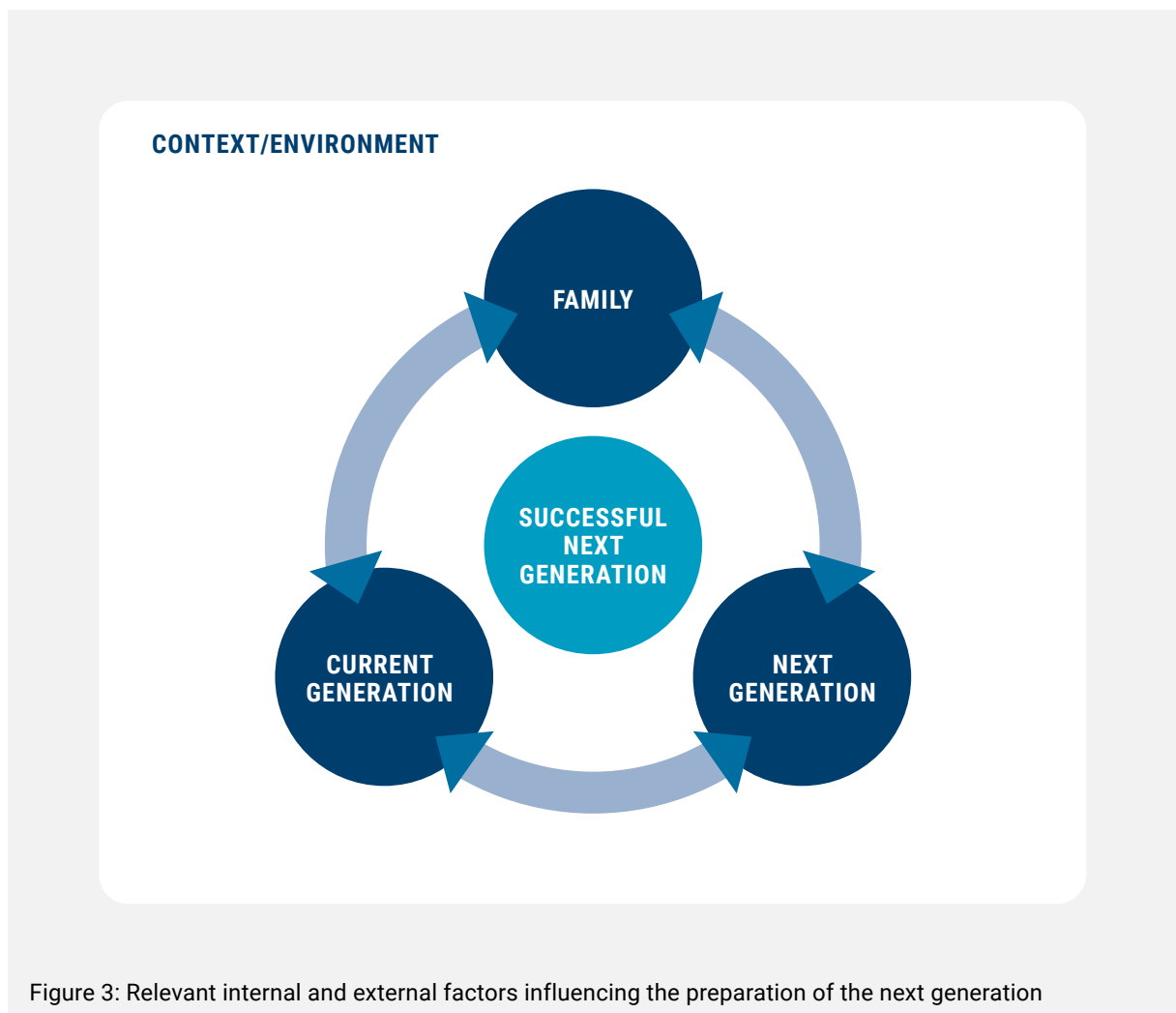


Figure 3: Relevant internal and external factors influencing the preparation of the next generation

The context in which the family enterprise exists is very important in next-generation preparation. At least three aspects of context are important:

- ➔ **The Industry:** The next generation is focused on what the business does, the opportunities it offers for professional growth, and its capability to fulfil their professional aspirations. Business contexts that enable the next generation to combine their interests with a career within the family enterprise are more successful in attracting the next generation.
- ➔ **The Education System:** The manner in which individuals are taught can influence how the next generation thinks about its inherent connection to the family enterprise. In Germany, there seems to be an inherent tension between educating for independence and educating for continuity when preparing the next generation. Continuity in the business family requires that family members have shared goals and values that guide them towards the future. However, educating for independence sometimes sacrifices the notion of shared ideals, so families need to be proactive in helping the next generation combine an independent self with family connections.
- ➔ **Size Matters:** As business families and their businesses grow, the preparation of the next generation is likely to shift from preparing executive leaders to preparing business owners. In the later stages, business families will have fewer next-generation members working in the family enterprise; however, many of them will play an important role as owners.

Other actors may play a role in the process; we focus on those that appear most relevant based on our interviews.



#### QUICK TIP

Outline who you should involve in the preparation of the next generation.

## 5.5 | HOW CAN BUSINESS FAMILIES PREPARE THE NEXT GENERATION?

**T**he successful preparation of next-generation family members involves multiple actions from each of the actors involved. This requires proactivity, planning and accountability.

- ➔ **Proactivity:** Business families that are successful in preparing an engaged next generation are proactive in at least two ways. First, they actively create opportunities for the next generation to learn about the business, often from an early age. Second, these families also encourage the next generation to take an active role in their own education. To achieve this, the family invites the next generation to participate in the education process.
- ➔ **Planning & Accountability:** The success of the next-generation preparation process requires a discussion about how each actor will contribute and what they will take on in this learning journey. Families that discuss this understand the role that each party plays, and how they are accountable in the process. Accountability helps to identify what is or is not effective and enables the direction to be changed or gaps to be filled in the preparation of the next generation.



#### QUICK TIP

Identify the different actors involved in the preparation of the next generation. Outline how you hold them accountable.

## 6 | CONCLUSION

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**N**ext-generation members play an essential role in the continuity planning of most family businesses in Germany. Thus, it is important to understand the actions taken by business-owning families as they prepare the next generation to become active participants in the family enterprise, either as employees or owners. The most important aspect of our study is that our observations represent the voice of the next-generation members currently going

through this process. Each participant in this project helped us to better understand the relevance of the voice of the next generation and offered important insights to help improve their involvement and preparation within the family enterprise. We thank all the participants who shared their ideas and opinions with us. The insights generated contribute to a more comprehensive view of the involvement and preparation of business owning families and their next generation.



## APPENDIX: METHODOLOGY

The results presented here have been shared at the International Family Enterprise Research Academy (IFERA) Conference and are based on seven in-depth interviews and conversations with more than 20 next-generation members who shared their thoughts and ideas with us.

All the participants were located in Germany; they came from businesses that ranged from the second to the eighth generation. The companies were from

different industries and varied in size. The interviews lasted one hour on average and were semi-structured.

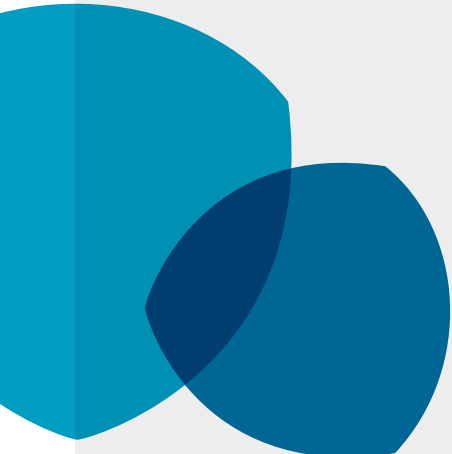
The next-generation members interviewed were at different stages of their careers. Some were finishing their education and preparing to enter the family business; others were already working for the family business. Still others were involved in the family business through ownership roles.

Line of Research	Question Addressed	Insights
Succession	What makes a successor successful within a family firm?	<p>Next-generation members require specific attributes (i.e. long-term orientation, spirit of cooperation, commitment, etc.), capabilities (i.e. knowledge of the firm, business knowledge) and interpersonal skills (i.e. good interpersonal relations) to be successful in their leadership role within a family firm.</p> <p>The extent to which members of the next generation develop capabilities in these different areas will play a key role in the success of the successor.</p>
Attractiveness	What affects the willingness of a next-generation member to join the family business?	<p>The willingness of the next generation to join the family firm is determined by factors such as the commitment that the successor feels towards the family firm, their entrepreneurial intentions, the congruence between the current and the next generation's goals for the firm, the perceived obligation to join the firm, and/or the current state of the company, to mention just a few.</p> <p>The willingness of the next generation is also affected by having the space to learn and by the timely exit of the previous generation.</p>
Socialisation	How are next-generation family members introduced to the family business and to their role as next-generation members?	<p>The next generation needs time and space to acquire knowledge about the family business and its stakeholders. It is important to know what knowledge should be transferred, when should it be transferred and how it should be transferred.</p>
Next-Generation Education	How are next-generation family members educated? What do they need to learn about?	<p>Next-generation members need to be competent in four areas: general business (i.e. operations, strategy development, general finance and general management), family business (i.e. specifics about the business), family specifics (i.e. history of the family, composition of the family), social knowledge (i.e. how to relate to others, and interpersonal skills), and ownership knowledge (i.e. what it means to be an owner, and the rights and responsibilities associated with ownership).</p>

Table 1: Lines of Research Exploring Next-Generation Preparation

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## THE WIFU FOUNDATION

**T**he non-profit WIFU Foundation, founded in 2009, is committed to promoting not only research and teaching, but in particular practice transfer in the field of family entrepreneurship. Our most important supporters include around 80 family businesses from German-speaking countries. The focus of our activities is the acquisition, communication and dissemination of high-quality and current-issue-related knowledge on family businesses and business families.

Our funds are primarily used to establish and maintain chairs, to support research projects and to award scholarships to young scientists. One focus of our funding is to support the work of the Witten Institute for Family Business (WIFU), based at Witten/Herdecke University, with its three research and teaching areas of business administration, law and psychology/sociology. The WIFU has been making a significant contribution to the cross-generational sustainability of family businesses in the field of research and teaching for more than 25 years.

Another focus of our work is the organisation and execution of congresses and other events on family entrepreneurship-related topics. Practice-oriented knowledge and skills to promote succession in the management of family businesses within the business family are conveyed in working groups, training courses and other formats. Our events are characterised by a protected framework which provides room for an intimate and open exchange. A comprehensive and active public relations work for research results in the field of family entrepreneurship completes the range of tasks of the WIFU Foundation.

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