



WIFU_compact_05: Megatrends in Business Families

Perhaps every business family aspires to last for generations, and well-equipped family management contributes significantly to achieving this aspiration. Yet the structures of the family's self-organisation must change as well. What seems sound and feasible to one generation of the business family may be considered obsolete or inappropriate by the next. Besides individual factors, widespread modifications of these also exist. WIFU has identified five megatrends for family businesses. These call for the revision of established (mental) structures and patterns of action.

What are these five megatrends?

1. Long-awaited recognition of daughters as potential successors
2. General sentiments concerning succession changes with the NextGen
3. Fundamental changes in the patterns of handing over shares
4. Transformed self-conception of the business family as regards its role and function
5. Adapted forms of communication and decision-making in the shareholders' circle

Who has defined those megatrends?

WIFU has researched developments and changes in attitude as well as consequent adaptations in family governance as part of a series of investigations and studies in recent years. Moreover, WIFU has gained valuable insights from working groups, panels and other events. These insights, paired with practical experience, identify the following five significant developments.

MEGATREND 1: DAUGHTERS IN SUCCESSION

- Primogeniture, meaning the "automatic" succession of the first-born son, is a phased-out model.
- New leadership models are needed that can find ways to combine family responsibilities and leadership roles.
- Conventional role models must change, including appreciation of male partners who are fathers and house-husbands.
- The criteria for finding a partner will have to change in light of new roles.
- Handling unequal wealth in a relationship must be learnt.

MEGATREND 2: NEXTGEN'S DIFFERENT VIEWS ON SUCCESSION

- NextGen's plans for their private life do not necessarily involve hands-on leadership of the family business (anymore).
- Successors more often found their own businesses.
- NextGen members prefer to live in big cities rather than small towns or rural areas, with a corresponding decline in closeness to the business, co-workers and management.
- Operative leadership is handed over to top managers outside the family.
- There is no certainty that external managers will accept supervision from shareholders without operative experience and knowledge of the family business's business model.

MEGATREND 3: NEW PATTERNS OF HANDING OVER SHARES – EVERY CHILD RECEIVES THE SAME SHARE

- Equal inheritances cause shareholder circles to increase enormously.
- Conventional forms of communication in which the family discusses everything together at one table are dying out; new forms and structures are necessary.
- Spouses are often included in the shareholders' work.
- Due to relocations and marriages, business families become increasingly international, perhaps leading to the loss of a common mother tongue.
- Nuclear families with ancestral "estates" and the fragmentation into family branches are increasingly being rejected.



MEGATREND 4: THE SELF-CONCEPTION OF THE BUSINESS FAMILY IS CHANGING – TRANSFORMATION OF THE MENTAL MODEL

- As the operative claim to leadership within the family declines, the bond with employees, customers, suppliers and other stakeholders weakens.
- The family sees the business primarily as property and investment.
- Ownership is no longer “naturally” understood in terms of trusteeship for subsequent generations.
- Conflicts arise concerning the ideal mental model due to varying degrees of commitment to the business.
- It is key to adequately educate family members for positions in the supervisory board or other bodies.

MEGATREND 5: NEW FORMS OF COMMUNICATION AND DECISION-MAKING ARE NEEDED

- Large shareholder circles lead to committee structures and voting processes similar to political systems.
- The desire for information and participation is rising.
- The willingness of individuals to subordinate their own interests to the welfare of the business and the family is declining.
- The time devoted to the family business is (often) insufficient.

What follows from these five megatrends?

Each of these major “currents” has an impact on the business family and the family business. They should not, therefore, be misinterpreted as temporary fads. Their effects can be felt in every family business, or soon will be, and each trend requires adequate responses and tangible conclusions.

What can or should business families do?

It is not sensible to ignore these changes. Every business family must address the following key tasks to address such change: family members must learn to enact their role as controlling owners competently; decision structures should be flexible; the family must increase its openness to new technologies and trends; cohesion as a family must be structured and organised; intergenerational commitment to the business and its wealth must be experienced and perceived as meaningful.

Recent publications in the WIFU_compact series: Family Management in Practice /// Family Governance /// Digital Family Management /// Mental Models **WIFU practical guides:** Securing succession in a family business across generations /// Mental Models of Family Businesses /// Family Strategy Development in Business Families **WIFU Study:** The Business Family and its Family Strategy. Insights into the lived Practice of Family Governance **Recommended reading:** von Schlippe, Groth & Rösen: The Two Sides of the Business Family: Governance and Strategy Across Generations **Please download our WIFU publications free of charge: QR-Code or wifu.de/en/wifu-library/**



Alfred-Herrhausen-Strasse 48
58448 Witten | Gemany
Tel: +49 2302 926-510
stiftung@wifu.de | www.wifu.de

© 2023 · WIFU Foundation

Reference:

This episode of WIFU_compact was created on the basis of Tom Rösen's 2020 lecture titled "Zukunftsfähigkeit der Unternehmerfamilie".