

Keep the Founder's Entrepreneurial Spirit Alive in Future Generations

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Most significant wealth is created through entrepreneurship, and in many countries family business plays a large role. But once the family business is established and successful, what further motivates the founders? And what motivates their children as they become involved in the business? Is transitioning control of the business to the rising generation sufficient to continue the family's legacy? Is the entrepreneurial spirit itself something worth transmitting, and if so, how?

Impact on the Second Generation

In a family business, the founder often has an oversized role, but subsequent generations may also have active roles in the business. Simply working together encourages a cultural transmission of entrepreneurial values (and of the business values) from the founder to their children. This cultural spillover may even affect family members not involved in the business. They see the family members who are involved, and their attitudes and approaches to the family business.

The rising generation may have contemplated their own role as future leaders of the operating business, whether or not the family continues to own it or part of it. They may still feel entrepreneurial and an affinity for the business even if the family sells it.

Bear in mind that no family business starts out as one. Rather, it starts with a founder, often self-funded and growing organically. As the business grows, the founder may turn to family members to "help out." That (according to some definitions) is when it becomes a family business.

Drivers of Entrepreneurship Between Generations

It's worth considering why entrepreneurs do what they do. One essential personal attribute needed for classic entrepreneurship is an appetite for risk. Someone who is comfortable working 9 to 5 and receiving a stable salary may not want to put that at risk to start a new business. Entrepreneurs must be able to deal with financial uncertainty as well as with the possibility of failure, which has both financial and socio-emotional impacts. It's not everyone's cup of tea. The capital gains associated with being a successful business founder is a key reward for taking risks that most people will not. There is also the emotional reward of creating jobs and building something from scratch.

Many entrepreneurs are immigrants. Previous trauma in their home country can lead to an increased appetite for risk. They may have ambition both to create wealth and plant roots in their new country. For some, regular employment is hard to access, so entrepreneurship is a way to create a job for themselves.

But what motivates the children of these entrepreneurs? They may not share the same drivers that motivated their parents' entrepreneurial pursuits, so from where does their "spark" of entrepreneurship originate? And given significant differences in their children's upbringing and background, how might founders encourage their children to be entrepreneurial themselves?

Child-Of-Entrepreneur Syndrome

Being the child of a successful entrepreneur is a double-edged sword. There are obvious benefits to growing up with financial security, wealth, and its trappings. But growing up in the shadow of someone successful and/or famous can be a huge emotional burden and a barrier to establishing an individual identity.

The success of the parent often sets a benchmark, and the child may wonder how they can possibly meet those high expectations, let alone exceed them. The moniker of being “a son or daughter of...” may feel restricting to the child. The child might consider following Jesus’s adage that “no prophet is accepted in his hometown,” and seek to escape the shadow and go elsewhere to establish their own career and reputation. But children who are expected to lead the family business can easily be overshadowed by their parent founder.

These are big enough challenges if the child has “inherited” substantial talents or abilities. But that doesn’t always happen. Barry Switzer put it well when he said that “some people are born on third base and go through life thinking they hit a triple.” Starting on third base is an advantage for which they can take no credit whatsoever. They may or may not have the wherewithal to go further on their own steam. Thinking this advantage is due to something special they did (as opposed to just being born into the right family) can lead to selfish or risky behaviour. Growing up with significant wealth means that you may not have to work and earn money, ever. William K. Vanderbilt famously said that “inherited wealth is ... as certain a death to ambition as cocaine is to morality.”

In most cases, the child does not share a socioeconomic context anything like that of the parent-founder, and that context was likely an important driver of the founder’s desire to start a business and/or create wealth. Where can the rising generation find the ambition to do anything (let alone start a business) if they don’t have to?

Why Transmit Entrepreneurial Legacy?

Does the family need to stay entrepreneurial in future generations? After creating wealth through entrepreneurship and possibly achieving a partial or complete exit, why not establish a family office to manage the wealth and provide other services, then sit back and enjoy the benefits of that wealth?

For some families, this might be a reasonable approach. Moreover, the second generation may have neither the appetite nor the talent to be involved in an operating business. Significant wealth can be just as much a burden as an opportunity, so having professionals manage that burden makes sense.

For a family to determine whether entrepreneurship is something they want to continue, they should ask (and reach consensus) on the following questions:

- **What is the wealth for?** This is about the family members – individually and collectively – finding purpose in their lives in the presence of wealth. Purpose has a different definition to different people, and there may be diversity across various family members and no consensus. Even in the absence of financial need, it is still possible to find purpose, and most any purpose is better than no purpose.
- **What legacy does the incumbent generation want to leave?** Legacy is what is left behind once we are no longer around. It is often linked to the family’s values and the stories (past and present) of family leaders. For many business families, entrepreneurship is a key part of their story and therefore worth leaving as a legacy in and of itself.
- **How much is enough?** It is helpful for the family to undertake long-term planning as to future outflows and determine an appropriate investment plan to meet the current and future financial needs of the family. It’s quite possible that the family may be satisfied with a modest annual return on their investment. But wealth is quickly dissipated when split across large families, which grow exponentially. To achieve higher returns, the family may need to turn to entrepreneurial risk (involving the operating business, private equity, venture capital) to achieve their target returns.
- **How can they avoid “shirtsleeves to shirtsleeves”?** This well-known adage reflects how the attitudes towards wealth change with each generation, and how the third generation may lack purpose, which can lead to loss of the family wealth. However, if subsequent generations embrace entrepreneurship, the family can maintain the energy and spirit that created the wealth in the first place. Many subsequent generation entrepreneurs reflect this when they describe themselves as, for example, “fourth gen/first gen.” Generational identity is significant within families, and being able to identify as a “creator” can help younger family members escape the “inheritor” identity and step out of the shadow of their elders.

Any of the above reasons could motivate a family to make entrepreneurship part of their legacy.

However, these questions are often asked from the perspective of the incumbent generation. For someone from a subsequent generation to consider entrepreneurship, their motivation is likely to be very different from that of the founder. One way to look at this is to consider the financial and emotional drivers for such activity, recognizing that some people may be motivated by both, but usually, one will likely be dominant. Consider the following as possible motivators for the subsequent generation of a family to decide to continue a legacy of entrepreneurship:

Motivator of entrepreneurship	Financial	Emotional
Prove myself to parents (or other family members)	Yes	Yes
Express creative passion and energy to build a business from scratch		Yes
Continue the family legacy of entrepreneurship		Yes
Contribute additional returns for the family's long-term needs	Yes	
Receive recognition from others		Yes
Grow as a person and professional		Yes
Have full control over my future		Yes
Make a difference in an area I am passionate about		Yes
Desire to be independent	Yes	Yes

Because they often don't need the money, people in wealthy families rarely feel the financial motivation for taking risks to engage in entrepreneurship. That means, if the family hopes to transmit an entrepreneurial legacy, it needs to tap into emotional drivers.

How to Transmit Entrepreneurial Legacy

A powerful transmitter of culture is storytelling. If founders want their progeny to take an interest in their entrepreneurial journey, then they need to tell stories about the journey. This can be done both formally (such as at family gatherings) and informally. Telling the story doesn't just convey the facts, like a history lesson, but also transmits the passion and emotion that is interwoven throughout the journey, and that can be infectious within a family.

Here are the three essential steps to transmitting entrepreneurial legacy:

- 1. Start with a story.** For a founder, it might be their own story, and for subsequent generations, it can be the story of their predecessors.
- 2. Make the story your own.** That means the rising generation needs to connect with and find meaning in the story. If it's merely "grandpa's story," then it may be fondly retold at

Thanksgiving every year but will remain just that. For it to be transmissible, elements of the story need to be relevant. For example, an immigrant founder may have been passionate about cultural continuity and expressed it through sponsoring theatre to promote and share the culture of their home country and recreate something of it in their adopted country. Their descendants may likely have a different appreciation for that culture and therefore express it in a different way. They may instead choose to open a chain of restaurants celebrating the culture's food. In this example, the appreciation for the culture has been transmitted, but is "owned" by the children in the way they express it.

- 3. Allow our children to adapt the family story into something meaningful to them.** Some parents want to teach their children to be just like them and follow in their path. This may not actually be possible, and even if it is, it doesn't allow the children to develop their own identities. An essential step in the legacy transmission is creating the space for our children to become their own people and to adapt the family story into something meaningful to them. That often means the incumbent generation should step back to allow the children the space to individuate.

Entrepreneurship can be expressed in numerous ways within a family other than the original operating business (which may no longer be owned by the family or may no longer be relevant). That spirit can still be transmitted even if the context changes significantly from one generation to the next. Family members who have the appetite to start a business, for example, might benefit from mentors and from support by the family office through a "family bank." Some families express their entrepreneurial spirit by choosing to invest directly in early-stage ventures or by starting their own venture fund. This may be because they are seeking high returns or as a way of supporting the local entrepreneurial ecosystem (or both).

While the original entrepreneurial spirit was a path to significant wealth creation, it doesn't need to be expressed in purely economic terms in subsequent generations. It can also be relevant in philanthropy through venture philanthropy, social entrepreneurship, and impact investment.

Conclusion

While entrepreneurship often creates the family's wealth, making it part of the family culture and legacy is another matter entirely. It starts with the family articulating its purpose, and then -- through storytelling and other creative ways -- allowing subsequent generations to express their own forms of entrepreneurship. When they do that, the family can continue to embody and express the energy and spirit that created the wealth in the first place, and ensure it remains for generations to come.

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