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Does working outside the firm make next generation members more successful inside their family firm?

Abstract

Family business owners often receive the advice that for a next generation to succeed they need to work outside the firm. This suggestion is often based on personal beliefs from those offering the advice given that there is no empirical work that can help support this claim. To explore whether working outside the family firm makes for more successful future family business leaders, we conducted in-depth interviews with members of 11 successful family businesses. Our focus was on understanding what type of experiences (i.e., outside the firm and/or inside the firm) next generation members were exposed to and how this experience helped them learn so they could succeed in managing the family firm. Our findings indicate that working outside the family business can be useful in developing personal and general capabilities. However, it can also create challenges as next generations join the business. At the same time, working inside the business can provide important insights into the family, the business, help acquire tacit knowledge about the business, and develop credibility within the family firm. We discuss implications of our observations and ideas for future research.

Keywords

Next Generation Development, Work experience, Family Business Continuity

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Comments

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successful inside their family firm?**

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Abstract

Family business owners often receive the advice that for a next generation to succeed they need to work outside the firm. This suggestion is often based on personal beliefs from those offering the advice given that there is no empirical work that can help support this claim. To explore whether working outside the family firm makes for more successful future family business leaders, we conducted in-depth interviews with members of 11 successful family businesses. Our focus was on understanding what type of experiences (i.e., outside the firm and/or inside the firm) next generation members were exposed to and how this experience helped them learn so they could succeed in managing the family firm. Our findings indicate that working outside the family business can be useful in developing personal and general capabilities. However, it can also create challenges as next generations join the business. At the same time, working inside the business can provide important insights into the family, the business, help acquire tacit knowledge about the business, and develop credibility within the family firm. We discuss implications of our observations and ideas for future research.

Keywords: *Next Generation Development, Work experiences, Family Business Continuity*

Introduction

Continuity (i.e., the capability to sustain the family and business across generations; Habbershon et al., 2008) is one of the goals that family businesses pursue. Although there are many factors that can play a role in the continuity of a family business (e.g., succession, firm performance, family interactions), the willingness and the ability of the next generation members of a family firm can be critical in helping the business family remain active in the management of their business. This relevance of next generation members has resulted in practitioner and academic work that has tried to understand two general issues: (1) what do next generation members need to be proficient at so they can be successful when they become the leaders of the family firm? (Cabrera-Suarez, 2005; Cadieux, 2007; Chrisman et al., 1998; Lansberg & Astrachan, 1994) And (2) how do they gain this knowledge? (Carter & Justis, 2009; Le-Bretton Miller & Miller, 2015; Konopaski et al., 2015; Sardeshmukh & Corbett, 2011).

The exploration of these two questions has provided some answers, however it has also resulted in many beliefs that are shared with family business owners and taken as “truth” even though there is no empirical evidence for them in practice. For example, a common question that family business owners ask is how to prepare the next generation of the family to be successful at working in the family firm. One of the most common answers to this question is the statement “to be successful in a family firm, family members *have to* work outside of the firm”. Those that answer this way believe that the primary way for next generation members to develop the skills and knowledge (i.e., professionals and individuals) that are required for their success inside the firm is to work outside the family business. Only under these circumstances are they able to learn about the job, they can receive objective feedback, and really learn what it means to “work”.

Scholars who explore the preparation of next generation members argue that there are

different ways for next generation members learn (Carter & Justis, 2009; Lansberg & Astrachan, 1994; Le Breton Miller and Miller, 2015; Konopasky et al., 2015). For example, Lansberg and Astrachan (1994) argue that successors can learn from their formal education, work experience outside the business, and/or extensive coaching and mentoring while they are working within the business. Similarly, Le Breton Miller and Miller, (2015) argue that family members can learn from their family interactions, from their schooling, from their work experiences, and from the relationships that they build with others. Thus, it is unclear as to why the belief that it is only through working outside of the firm that next generation members learn what it takes to become successful leaders within the family firm.

In an attempt to address this gap, the current paper reviews the family business literature on next generation preparation to better understand the competencies that are necessary to become a successful next generation family business leader, and how to learn these competencies. We then use this knowledge to analyze the information that we collected using in-depth interviews with family and non-family members in 11 different family firms who have family leaders that have worked inside and outside the family firm. We focus our analysis on trying to understand: *What impact does working outside of the family firm have on the success of next generation family business leaders?*

This project has at least three contributions to the family business literature. First, our study helps advance the field by helping better understand what next generation success entails. In our definition we articulate the role that next generation leaders have towards the business and the family. In this sense, we expand previous work on next generation success that has defined this concept by focusing on the role the next generation member has in the business system without considering the family system. Second, our paper also helps identify the competencies

that are necessary for next generation members to succeed within the family firm. This is important because it synthesizes previous work on the requirements of next generation members and can be important in developing education programs in the future. Third, our study continues to outline the different ways in which next generation members can become proficient in the areas that will help them succeed within the family business. In particular, we focus on what next generation members can gain from working inside and outside the firm, and how family businesses can create environments inside of the family firm that will enhance the possibility of next generation members to succeed with the firm.

In the following section we outline our meaning of next generation success. We then summarize the literature exploring the different factors that are necessary for next generation success and how next generation members can gain proficiency in these areas. We then focus on the importance of work experience and explain what has been said regarding internal and external work experience of next generation members in family firms. Based on this summary we describe our study and methodology. We finalize the paper by providing our observations based on the interviews that we conducted and discuss the implications of these observations.

The Success of the Next Generation in Family Firms

The involvement of next generation members in a family business is a key contributor to their continuity and success (Garcia et al., 2019). However, for the family business to be successful the next generation that is involved needs to be willing and able to contribute to the success of the firm (De Massis et al., 2014). Given the low levels of reported interest from next generation family members to enter the family business (See Sieger et al., 2016), it is becoming increasingly important to better understand what is needed to successfully prepare family members who express interest in joining the family firm.

Researchers acknowledge that the leadership of a family business is unique in that it requires individuals to manage family and business relations (Cabrera-Suarez, 2005; Dhaenens et al., 2018; Zellweger, 2017). Thus, when next generation members take over the leadership of the family firm, they have the responsibility of managing and maintaining both family and business relationships, gaining buy-in from family and non-family stakeholders, and engaging in actions and behaviors that show their stewardship towards the family and the business (Garcia et al., 2019; Le Breton-Miller & Miller, 2018; Tabor et al., 2018). Building on these ideas we define next generation success as the capacity for a family member who is going to lead the family business to contribute to the continuity of the family and the business. This success is dependent on the ability that these individuals have to successfully manage relationships in the family and business domains, to gain support from different family and non-family stakeholders inside and outside of the business, and to act in ways that represent stewardship actions towards the family and the business.

To successfully perform the previously mentioned activities within the family firm, the next generation needs to gain a variety of competencies that will help them successfully manage the family and business domains (Hall & Nordqvist, 2008; Samei & Feyzbakhsh, 2015).

Competencies describe the integration of knowledge, skills, abilities and other behavioral characteristics (e.g., personality) that are needed to achieve superior performance (Boyatzis, 2008). Researchers have outlined a wide array of factors that matter and contribute to the success of a next generation member when leading the family firm. Although there are wide variety of classifications used to describe these factors, our interpretation of previous research suggests that there are four competency areas that have been discussed as being essential for a family leader within a family business: business, family, ownership, and personal/self.

Business area competencies include task (i.e., how to do the job) and social (i.e., how to interact with others in a work environment) competencies that help successful next generation members perform well within the business system. These include factors such as knowledge about the business operations, strategy, finance, and understanding of the culture of the family business (Chrisman et al., 1998; Hall & Nordqvist, 2008; Le Breton-Miller & Miller, 2015; Long & Chrisman, 2014). Business area competencies ensures that the next generation is able to competently run the business in ways that can facilitate its continuity. *Family area competencies* 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 that help the family remain together and functional as a decision-making unit. This set of competencies encompass factors such as the 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 their relationships, and understand the family system so you can help it adapt to internal and external changes (Cabrera-Suarez, 2005; Chrisman et al., 1998; Hall & Nordqvist, 2008; Lansberg & Astrachan, 1994; Le Breton-Miller & Miller, 2015). Family area competencies are important because they help family leaders understand the inner workings of the family, and be able to skillfully navigate the sometimes competing goals of different family groups.

Ownership area competencies are those that help next generation members understand the ownership side of the family business and contribute to the family continuity through decisions and actions as an owner in the firm. Ownership competencies generally include knowledge and skills about the formal and informal governance of the family and the business and how they can fit the goals and desires of a particular family (Binz Astrachan et al., 2020). Finally, *personal competencies* combine the knowledge, skills, abilities and other characteristics

that help the next generation member understand their environment and use this information to analyze the situation and their point of view to find ways to successfully navigate the family and business contexts. These competencies include skills and knowledge related to decision-making, critical thinking, communication, working with others, and managing personal conflicts (Chrisman et al., 1998; Le Breton-Miller & Miller, 2015, Long & Chrisman, 2014, Salvato et al., 2012). These four competency areas work together to help family business leaders understand their family and business environment and analyze what needs to be done to help the family remain together and the business thrive.

Due to the importance of these four competency areas, academics and practitioners have tried to understand what can be done to better prepare interested family members so they can gain the necessary capabilities to succeed in the family business. In the following section we summarize the literature on the different ways to prepare next generation members.

The Preparation of Next Generation Family Members

For next generation members to become successful they need to gain the competencies that will help them in the future. Thus, they need to engage in learning experiences through their life and career cycles that will put them in situations to gain the competencies that they need. There have been four areas of research that have tried to understand what are these learning experiences that help next generation members gain the competencies that they need. Taking a mentoring approach, researchers have argued that mentoring is essential in helping next generation members gain the competencies needed to lead a family firm (Dhaenens et al., 2018; Distelberg & Schwarz, 2013). In mentoring situations more experienced individuals take active interest in supporting and encouraging less experienced individuals by providing direction and feedback regarding career plans and personal development (Allen et al., 2004; Eby et al., 2008).

The support and challenges that mentees (i.e., less experienced individuals) receive help them learn different career related and personal competencies that will help them thrive in their careers (Dhaenens et al., 2018). In the context of family firms most of the work on mentoring is conceptual in nature. However, Distelberg and Schwarz (2013) provide some initial evidence showing how mentorship helps young family members gain a variety of individual and firm level skills within their career and that can help them excel personally.

Other researchers have tried to understand the factors that influence the preparation of the next generation family member by exploring socialization processes inside family firms (see: Bika et al., 2019; Garcia-Alvarez et al., 2002; Vallejo & Langa 2010). In their work, Garcia-Alvarez and colleagues (2002) find that it is through the socialization process inside the family firm that next generation members learn about the values of the previous generation and gain important tacit knowledge that is necessary to succeed within the firm. Vallejo and Langa (2010) complement this by indicating that when the next generation enters the firm, the socialization process helps them enhance their level of identification with the family firm because they learn more about the family and the business. The findings from Bika and colleagues (2019) complement this idea by indicating that it is not only the internal socialization that helps next generation members learn, but also the socialization that they receive from family, peers and different business stakeholders that can help the success within the family firm.

In their work of stewardship learning in family firms, LeBreton Miller and Miller (2015) argue that next generation members in family businesses can gain knowledge multiple ways and at multiple times in their lives. For example, early life experiences help family members gain different knowledge from their family and from interacting with extended family that is important as they develop interest in the family firm and develop as individuals. They also

suggest that when family members are old enough to go to school, schooling and their interactions at school help individuals gain other knowledge and experiences that are important for them to develop individually and understand their leadership style. Later, when they start to explore careers, they learn from apprenticeships, experiences inside of the family business, and experiences outside the family business to gain all of the competencies that they require.

LeBreton Miller and colleagues also acknowledge the important role that parents (i.e., parenting style) and family experiences can play in the capabilities of the next generation. Other researchers have also highlighted the that parents can have in what the next generation learns and their feelings towards the family firm (Garcia et al., 2019). Finally, researchers exploring succession have also tried to understand what are the experiences that help successors thrive as next generation members in the family firm (Daspit et al., 2018; Long & Chrisman, 2014). This research primary focuses on how the planning and execution of the succession process can impact the success of the successor and how the interactions between incumbent and successor influence what they learn.

In figure 1, we combine how we see the different experiences and competencies that help the success of next generation members inside family firms. At this point, it is important to acknowledge that the motivation of the next generation is essential in the success of the next generation member. Thus, our discussion so far assumes that competencies work hand in hand with the motivation brings to work in the family firm.

Insert Figure 1 Here

Working Inside and Outside the Family Firm

Although previous research has indicated that next generation members gain their competencies through a wide array of experiences, an important discussion in the practitioner

and family business owner space revolves around the work environment and how it helps next generation members become successful leaders in a family firm. Particularly, there are many family businesses that require that their next generation members work outside of the firm, and there are many advisors that also suggest the same. We believe that, given the lack of systematic understanding of whether working outside of the family firm is beneficial for next generation members, this suggestion to work outside of the firm seems unfounded. In particular, the only study that we found exploring internal and external experiences of next generation members found that successor's perceptions of opportunities within a family firm diminish when they have external non-senior management experience in the firm, however internal experiences help enhance their self-efficacy, which results in higher perceptions of opportunities inside the family firm (Sardeshmukh & Corbett, 2011). Using human capital theory (Becker, 1962, 1964), these authors argue that not all skills and knowledge are applicable in all contexts. Thus, gaining experience inside the family firm is particularly important for next generation members because it helps them gain family firm specific human capital. This knowledge and skills have the potential of making them more successful within the family firm because it allows them to gain intangible specific family capital that will help them navigate their family and their business. Although working outside the family firm can be very instructive in developing general managing skills and judgements, and can help in identifying patterns of profitable opportunities, internal experiences are important in acquiring the unique tacit knowledge that often enables the unique competitive advantage of the family firm.

Given the importance of both internal and external experiences can have for next generation members, we designed a qualitative study to help us better understand the following general research question:

RQ1: What impact does working outside the family firm have on the success of next generation members?

Methodology

Research Context

For the purpose of this study, we approached family businesses that were at least in their third generation, that had a family CEO who was also an owner, and that was willing to participate in our study. To select the 11 family businesses that participated in this study, we reached out to five family business centers that helped the authors and the first introduction to the company. To have a broader understanding of each family firm we also requested to interview two additional individuals per company (i.e., a family member that also worked in a top management position, and a non-family member in a top management position). The family CEO determined who these two additional interviews would be.

The application of case study design is not novel and has been addressed by the literature as vital to further understand research questions of “how” and “why”, as well to theory building purposes (Eisenhard, 1989; Eisenhardt & Graebner, 2007; Yin, 2018). Thus, in this study we decided to use an in-depth case analysis to explore our research question.

INSERT TABLE 1 HERE

Sample and Procedure

We conducted 37 semi-structured in-depth interviews with family members, CEOs and non-family executive in 11 family firms. These companies varied in industry and size because we wanted to ensure that we could capture broadness in the characteristics of companies. Table 1 presents all of the descriptive information from each company. The focus of the interview was on understanding the current CEO. Given that we were interested in successful next generations, we

decided to interview next generation members that had already taken the leadership position within the family firm. As mentioned above, we interviewed them and two additional TMT members (a family and a non-family) to better ascertain the impact that outside experience had in their success as leaders of the family firm. Table 2 provides the descriptive information of the CEOs.

All interviews were conducted in person by at least one researcher (except by one made by phone), between march and October 2017, in the headquarters of each family firm. Interviews lasted between 20 and 60 minutes and were recorded and transcribed with the agreement of interviewees. This resulted in a total of 575 pages that serve as the basis for our analysis.

INSERT TABLE 2 HERE

Data Analysis

To ensure inter-rater reliability in our coding, two authors coded each of the interview transcriptions. We followed three steps in the coding process. First, each coder read the interviews assigned and identified what knowledge was described as essential for the success of the family business leader, how successors gained that knowledge, and their thoughts about working outside the family firm (i.e., how working outside of the firm helped or hurt) and their thoughts regarding how working inside the family firm helped in becoming a better leader. Second, to ensure similarity in coding we conducted regular meetings between the coding team to ensure similarity in coding patterns. When coding was different, researchers discussed until they reached agreement of observation. Third, we used the initial coding to identify commonalities and differences within the data.

Findings

There are two interesting aspects that need to be discussed before we present our findings. First is how our sample defined “working outside the family firm”. The sample in our study defined outside experience in multiple ways. While some incorporated unpaid experiences and internships as a component of having outside experience, others were stricter in their definition by describing outside experiences as full-time work that occurred in a company that was not related to their family business and was compensated. Thus, the type of outside experiences in our sample varied. A second aspect that is important to acknowledge is how the next generation obtained their experience. Although some next generation members independently acquired their outside work, others were recommended or paired with the outside experience by family members (i.e., often the CEO). Thus, although family members were asked to work outside of the firm, they were also paired with a unique experience dependent on the connections of the family.

To address the impact that working outside of the business has on the success of the next generation, we coded to identify what our respondents said regarding how external experience can help and can hurt next generation members and how internal experience can help and hurt next generation members. In the subsections below we summarize what our respondents identified based on their experience.

Working Outside the Firm

Out of the 37 interviews that we conducted, 29 of them highly indicated that they would recommend the next generation to work outside of the family firm. From their perspective working outside helped by enhancing the general business and personal capabilities of next generation members. In the general business area, respondents indicated that having the opportunity to work outside the firm helped them enhance their base knowledge by providing the

opportunity to learn how businesses worked in different contexts and being able to connect you to different types of experts to understand how they work and why they do what they do.

Working outside also helped the next generation members learn from the experience of other companies and the mistakes that they make. By working outside of the firm, they were able to understand what worked and most importantly what did not work. Learning about the mistakes of business was useful as they joined the business because it prevented potentially costly mistakes for the family firm. A third aspect within the general business area was that next generation members were able to learn how to work with a variety of people that could later serve as connections that could help the family business through their expertise. The quotes below provide some examples of what our respondents mentioned in the interview.

“So then, my father had a friend at [other firm] and they basically decided to trade kids. So I went (...) as summer help, more in an office setting. This person’s son worked in our factory setting, so it was good training for both of us. (...) I worked there after I finished college and asked me if I want to have a full-time work. (...) was more of a structured business than we were back then. We were very much still a family business. (...) So, I probably learned a lot more about process and procedure there than, and that's what I could help with here. They were definitely, you did expense reports. You kind of had a lot of rules to follow. We were more on the fly in that area for quite a while.”

“... What was great was that there was such an overlap of the people that the was at [former employer] world dealt with and the [FB] world [I] dealt with. So, when I did transition back to here, it wasn't very difficult. We were in the same arena of knowing people. (...) they were a very good training area for people. So, people that I met there I have still seen in the food business world still.”

“[From internship] Rarely do people have the opportunity that you have to learn how to make a payroll every Friday, to the leadership skills you will gain in your family business will be incredibly different. He [former employer] said, He said, you will never get a job in my office, and it's not because your dad told me to say that, just because they were friends. He said you're crazy, and I went home from that internship, and I said I really want to come to work [at the Family firm]”

“if there's anything that I probably learn there it was accessibility to management. (...) But his manager, he was hard to get to. He was hard to... He didn't share. It wasn't about sharing a vision for the company and for the people. (...) I would have

appreciated, and I think I appreciate the ability of accessibility of people to me based on that.” “I think it permeates the organization. I think all of my managers are accessible and available to everyone. And I mean, everybody. It doesn't matter if you're a top advisor, or if you're an intern, they're all there and available. So I think that's... I mean, if you call me, you get me. You don't get a, there's not a whole bunch of barriers to get a hold of somebody.” (Interviewee 9)

“What I learned back then, probably the biggest thing I learned back then that's different today that I probably carry with me is how people got along back then, bipartisan. ... “We don't have that today. We just don't have that today and that's sad, but that's kind of how I operate now too. For me, before I do now ... My methodology of things working on, I'm a consensus builder. I like to build consensus. I know what I want, but before I tell people I want it, I go around and get everyone's opinion and we weigh the pros and cons, but I let everyone participate. Today in this day and age, no one gets to participate.” (Interviewee 10).

“(...) it gave me a lot more confidence (...) And it gave me some new ideas. Anytime you bring someone ... we do a lot of ... we've done less in the last five years but we have always historically, done mostly promoting from within and you become a little incestuous and your thinking is that. Anybody who comes in from the outside has new ideas that they just stole from their last employer and they just put them into practice and they look like geniuses. So when you have a little outside experience, you're bringing something new and that you just borrowed from someplace else. So I was able to throw some stuff around that people thought, "Hey, that's a great idea. I wonder who thought that up?" I'm glad I could bring it here.”

Outside experience was also very helpful in helping the next generation develop at a personal level. Being outside of the family firm enabled the next generation to understand how they could open and develop a professional career path, which enhanced their self-awareness, and their beliefs of self-worth. A second aspect that was also illustrated in our interviews regarding outside experiences was that they helped the next generation be able to work better with others and to consider diverse points of view. This helped next generation members develop autonomy and new perspectives of how to interact and work with others. This is exemplified in the quotes below.

“If you don't learn from everything you do, you're not as successful as you could be. Self-improvement, lifelong learning. You have to do.”

“I think any work experience is good. The particular work experience that I had and how it applied has helped me in applying to our current business ... My first job out of college, I was a bank teller. I learned to balance things and I learned that every single transaction was important. When I was in the details of customer service and pricing and deductions, so young in my career, that was ... I just think transactional, cash-in, cash-out, and it has to balance at the end of the day. That was really helpful to me.”
“Just having interaction with customers is good. You get an empathy for customers. Whether it was in my job or just in the activities I like to do outside of work, just always being exposed to or involving myself with people from all different walks of life made me have a ... I don't know if it's the right word ... a sensitivity to not everybody comes from the same place, and to be thoughtful about where others come from before you speak. I think I learned some of that by (...) It just sort of gave me a real exposure to the real world. I think that was ... Even though I sort of had that part of me before them, but that probably just drove it home a little bit.”

“What that helped me do is when I moved out there by myself, think about this, by myself, no one managing me, I managed my own time. Knock on wood, don't knock on wood, but I was very successful being on my own. (...) If I look back on that and I fast forward today, same thing happened. I moved out here, I went here on my own. My family came with me, but it was my decision to move out here on my own. (...) connect the dots, it was like one, that was one major part. I knew I could move out and do it myself and be successful.”

Although working outside of the firm enhanced the personal and general business capabilities of the next generation, it also made it could also have negative effects. Based on our interviews we found that external experiences delayed the next generation's capabilities to learn about the family firm, and to connect with non-family employees from the family firm, which could make it difficult to incorporate into the family business once the next generation joins. Working outside also had the potential of generating different expectations regarding what it would be to work in the family business, and how external knowledge can be translated into the family firm. The quotes below provide some examples of the comments made by our interviewees.

“Sure. Yeah, absolutely. I think because my sister, who's come back after 25 years, that you'll interview, I really appreciate her perspective on different things. Oh, we tried this in the company I was at, and we did this for some training. *I wish I had a little bit more of that.* There's probably some of that too. I really realize that it's been great for her to have experience outside of here. She's very verbal about hey, we did this 10 years ago,

and I can see her being like, I can't believe I missed that. It definitely goes both ways. I started in '96, and my grandfather had passed away while I was in college. (...)” “I think it's my appreciation in the early years for this business would be different, stronger, I don't think it appreciate it. It took me longer to appreciate this business more so, because *I didn't have a ton of experience of working for someone else.*” (Interviewee 1)

“You know, it was more of an expectation that I would join the business and again, remember I have an older brother, [...], who also is three years ahead of me that started working in the business as well. It came to the point where I didn't have other interests. If I wanted to be a doctor or wanted to be an engineer or wanted to be a lawyer then maybe that's what I would do but I really didn't have a lot of other passions or interest so that's why I ended up in this business. It was expected that I would join, which I did. There was very little introduction into the business, very little preparation. There was no job descriptions. It was not structured whatsoever and that was frustrating. it was hard. I would say all family members in a multi-generational business struggle at the beginning.” (Interviewee 6).

“With feeling wanting to be felt they're contributing. The difference between having a "real job" and maybe either a made up job or even if you're sitting in a real job, I think that how people perceive you and what your career path is and all those types of things, end up bringing on, it would be not doubt but you want to feel like you're contributing and I think at times, sometimes you're not sure.” (Interviewee 6)

“In my family – I came in, I was given a mentor – one of our account executives (...)– out of Wharton. Dad put me on that track. While he never – couldn't network – insatiable from his point – he saw his strengths and weaknesses – he was big picture so he hired him. He [the mentor] was great except he was busy – managed 3 big accounts so I had to fight for that so I was self-taught. I reached out to others. I started my own business group in fam bus and we would sit around and have drinks and talk about business stuff. (...) They were willing to be honest. (...) [I] Had to find people with strong self worth and self esteem to talk about the bad stuff.”

Working Inside of the Business

Although our focus was primarily on external experiences, respondents also expressed the importance of internal experience in becoming a successful next generation member. Our interviewees indicated that working inside the firm resulted in three key advantages. First, those that worked inside the firm were often able to gain in-depth knowledge of the business from the previous generation and from important employees inside the firm. This was very important because it enabled next generation members to understand the sources of competitive advantage that come from knowledge that is more difficult to move from one generation to the next.

Second, those next gens that worked inside of the family firm were able to better understand the culture within the business. By being competent in the culture of the family firm next generation members are able to understand how to navigate the culture when they become the leaders of the firm. Third, working inside the family firm helps next generation members to develop credibility inside the business. Experiences inside the firm help the non-family employees better understand the next generation and understand their strengths and weaknesses, which can enhance the credibility from the perspective of employees. Additionally, when a next generation works inside the firm from the bottom-up the family is also able to signal their commitment towards the business, which can reinforce the credibility of the next generation inside the firm. The quotes below exemplify the responses from our sample.

“Conversations that we've had, also making me work in areas that I didn't want to work in. I wanted to just automatically be in sales because that's my personality. You know, I've gotta learn the business by just being in sales, because that's what my father was. He was great at sales, and his dad just said great, go take off and do sales, and he never was exposed to the operational side, the scheduling. I mean, the heartache of the operations of the business. He didn't really experience it done up until it was his company.”

“You know how there's mission statements, value statements, and all these other statements. To be honest with you, we don't have any of those. Now, we should, and I enjoyed participating when we had this stuff, but because we're all in the business together, it's walk the walk and talk the talk. And that's when you really know what your values are. And we are basically on the same page. We treat people well. We do our business right because we know we have to be competitive.”

“I think, my father's philosophy, was to teach the business from the ground up and make sure that we knew what the business was about, what the intricacies were in regarding the beans, and knowing what our employees go through on a daily basis. So, if they come to us with a problem, then I've been through that and done that type of thing.”

“So it really was the very lowest of the totem pole, but with a great learning experience of learning the business from the ground floor up for sure.”

“Fast forward 11 years ago and I asked him who's going to run the business out here, I knew it was going to be me, but it had been building up. Like any good family business, when I came back in the business, my dad started me working in different areas of the

company, IT, operations, warehouse, delivery, sales. I had a very well-rounded experience to really get to know the business. (...) I eventually made my way up to general manager and had we not made this acquisition, that's kind of where it would've stalled for me, but I knew I could do more. I wanted to do more. It's innate, right? It's just something you want to do. (...) I look around here and this is something ... I didn't build this by myself. The people that were in this room today (...) The business (...) would not be able to support this the way it is supported today and stand alone without this. We're very fortunate to have this here and I'm very happy that we're able to do it because it's helped me personally, it's helped me professionally, and it's helped the family most importantly.”

Discussion

Next generation members can play an essential role in the continuity of family enterprises. Because of this, practitioners and academics have tried to understand the factors that can play a role in the willingness and ability of the next generation to work inside the family firm (Cohen & Sharma, 2016; Flamholtz & Randle, 2016; Garcia et al, 2019; Reay, 2019). In this project we were particularly interested in understanding the ability component of next generation members and how external work experiences can help generations enhance their capabilities to become a successful next generation leader inside the family firm. By successful next generation we mean family members that enter the business in management and leadership role and have the capacity to contribute to the continuity of the family and the business.

Previous research suggests that to help the continuity of the family and the business, next generation members need to have task and social competencies related to the business, the family, ownership, and personal; and that there are multiple experiences that next generation can engage in to enhance those capabilities (Garcia et al., 2019; Hall & Nordqvist, 2008; Le Breton Mille & Miller, 2015). However, in practice there seems to be the belief that one of the best ways to enhance the next generation's competencies is by asking them to work outside the family firm. Given that there is no empirical support to this claim, we designed a project to better

understand what impact does working outside the family firm have on next generation success as leaders of a family firm. We collected data through in-depth interviews with next generation leaders, and family and non-family top management members to understand how their outside and inside experiences contributed to their success as leaders in the family firm. Our results indicate that working outside the family firm was helpful in helping next generation members expand their personal and general business capabilities. In particular, next generation members that worked outside the family firm were able to have a wider breath of knowledge regarding how to manage a firm because they were able to learn what different companies did and what worked and what did not work. At a personal level, working outside the family firm helped the next generation enhance their own awareness, and create connections that could be useful for the family business. External employment also helped next generation members learn to work with a wider variety of individuals that were not particularly aware of who they were, given them more freedom to fail if they needed to.

However, working outside the firm also came with potential drawbacks. Particularly regarding the knowledge about the family firm, and the expectations that were generated regarding what could be done and how things could be done. Based on our findings, it seems as though working outside the firm could sometimes make it more difficult for the next generation to integrate into the family business and find their role within the business. At the same time, those that primarily worked inside of the firm were able to learn about the unique characteristics of the family firm and understand the unique organizational culture within the firm. Both of these allowed the next generation members to capture the tacit knowledge and the unique sources of competitive advantage of the firm. At a personal level, working inside the firm gave next generation members the opportunity to develop credibility inside of the business and to show

non-family employees the commitment of next generation members towards the family firm.

Taken together these observations provide interesting insights into the benefits and drawbacks of working outside the family firm. In particular, it suggests that given there are four types of competencies necessary to successfully lead a family business, working outside only allows next generation members to gain knowledge in two areas: General Business and Personal. Although these are important factors, working outside of the firm does not help the next generation members focus on the family and ownership competencies, which can play a critical role in the development of next generation leaders in the family business. One aspect that we observed was that some of the family businesses that participated in this project had started to develop next generation training programs that were more structured and included experiences inside of the business combined with networking outside of the business through different types of learning communities. These more structured plans help the business families provide experiences to next generation members that help them gain knowledge and experience in the four competency areas while working full time in the business. These experiences are not tied to the size of the family or the business. They seem to be connected to the planning structure that these families have with regard to planning for their future.

An interesting implication of our results is that the belief that working outside the family firm is necessary for the success of the next generation may not be correct. It seems as though the competencies that are necessary for the success of the next generation in a family firm can also be learned by having a training or development plan for the next generation as they join the firm. This training plan can include specific areas to learn with the family firm, and within the industry. By having a clear plan, the next generation can better understand the different steps that are necessary to mature as a leader within the business and have the opportunity to gain the

unique knowledge that contributes to competitive advantage for the family firm.

Another important implication of our project is that working outside of the firm can have important drawbacks for the next generation. Given that much of the distinctiveness of a family firm is based on tacit knowledge within the firm, not being able to learn this knowledge throughout the company from early on can have a detrimental impact for the future of the next generation. Thus, if the next generation works outside of the firm, it is important to discuss how they can also gain this knowledge about the family and the family business.

Strengths & Limitations

This study has two important strengths. One important strength of our study comes the type of data we collected. In particular we were able to triangulate information from the leader with that from non-family and family top-management team members. This is important because it helps explore our research questions with the input of multiple sources and multiple points of view. A second strength comes from being one of the first paper to explicitly and directly explore the role that external experience has in developing capable next generation members. This is important because it provides an initial understanding and evidence of how external experience can influence the development of next generation members.

At the same time, our paper has several limitations. First is the size of our sample. Given that our sample includes 11 companies, our data is not generalizable to all the population of family firms. Thus, our study should be interpreted as providing a base line understanding of how external experience can influence the development of the next generation of a family firm. Future studies could take a more quantitative approach to this understand and conduct surveys to better understand the effects of external employment on the success of next generation members. A second limitation comes from not explicitly exploring the motivation that next generation

members had to join the family firm. In our case, we assume that they all had a motivation that was aligned with the family and that their motivation would help the family business. Future research could also explore the role that motivation has in the development of the next generation. Finally, there might be other components of the outside experience that may help next generation members gain the capabilities necessary to succeed in the family business that were not captured in this study. Thus, future research could explore other factors from the outside experience that may affect how the next generation learns.

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Table 1.*Descriptive Information of Cases*

Firm	Industry	Est.	Size	# of interviews	Current Gen	Work Rules	Years of Experience outside
1	Food	1947	200	3	G3	Not formally established	2-3 years
2	Winery	1961	30	3	G3	Yes	Informal policy /N.I.
3	Food	1978	215	3	G3, G4	Depends on the size of FB	N.I.
4	Food	1943	2000	3	G3, G4	Yes	2 years
5	Association Management	1886	N.I.	3	G4, G5	Yes	2 years
6	Food and others	1896	1000	4	G4, G5	Yes	Depends
7	Food	1934	500	3	G3, G4	Yes	N.I.
8	Food	1907	44	2	G2, G3	Yes	At least 3 years
9	Financial	1915	45	3	G2, G3, G4	Depends	N.I.
10	Beverage Retail	1928	280	6	G2, G3, G4	Yes	N.I.
11	Agriculture and Convenience Stores	1945	+4.500	4	G2, G3, G4	Yes	3 years

Notes: EST. stands for year of foundation.
 Size is given in number of employees
 N.I. = No information

Table 2.**Demographic Information of Family Business Leaders**

Firm	Generation	Gender	Position	Non-paid Work in FF	College Degree	Paid Outside Work	Non-paid outside Work
1	3	Male	President & CEO	Y	Y	Y	Y
2	3	Male	Manager	Y	Y	Y	N
3	3	Female	CEO	N	Y	Y	N
4	3	Male	CEO	Y	Y	N	Y
5	4	Male	CEO	N	Y	Y	Y
6	4	Male	President	Y	Y	N.I.	Y
7	3	Female	President	Y	Y	Y	Y
8	2	Male	VP Sustainability	Y	Y	Y	Y
9	3	Male	President	N	Y	Y	Y
10	3	Male	President	Y	Y	Y	Y
11	3	Male	President	Y	Y	Y	Y

Figure 1

Factors that Influence Next Generation Success

