

Bridging the leading generation to the next: Overcoming trust barriers for effective communication

BY ALISON MACALPINE

Imagine, for a minute, parents and their adult children discussing the future of the family enterprise the parents created. The older generation wants a simple transfer of control and wealth. One child isn't sure he wants a role in the business. Another is keen to take over but worries no one will accept her authority. What happens if none of them shares their priorities, hesitations and concerns with the others? Will the business transfer successfully?

Unfortunately, in many affluent business families, parents and children avoid talking about their different perspectives, assumptions and visions for the future. However, the leading and next generations can benefit from bridging the generational divide.

CMG's extensive work with and [research into business families](#) has allowed us to showcase their tremendous contributions to Canada. It has also given us perspective on the unique challenges business families face so we can identify strategies to address those challenges.

Based on our experience, here are five steps to ease intergenerational tensions and set up the family enterprise and the next generation for long-term success:

1. Understand where the next generation is coming from.

There's a misconception that those born into successful families live charmed and problem-free lives. In reality, wealth comes with complexity and complexity often means many more decisions. Each decision has high stakes, too, and must balance the competing priorities of the individual, family and business. It can be a tricky balance.

The next generation often feels extreme pressure to be good financial stewards. They may wrestle with the notion – externally or self-imposed –

Our latest case study highlights a significant issue faced by many successful business families. Names and other key identifiers have been changed for privacy reasons, but the situation and key issues presented here are real.



that they should be accumulating money as quickly as their parents did. At the same time, a lack of open communication around decisions being made in the family business can leave them feeling they don't have the power to shape their own future.

As a result, in many families that have built thriving businesses and accumulated significant wealth, the second and subsequent generations often struggle with diminished motivation, lack of identity, and pressure to succeed. Unsure whether or how they fit into the family enterprise, they worry about what will happen if they don't – or even if they do – live up to the double-edged sword of great expectations.

They may feel tremendous pressure to follow in their parents' footsteps, and at the same time wonder if they can ever measure up to their parents' success. In many cases, they don't even have a very clear sense of their parents' expectations for the business and for them, and this can leave them feeling confused and stuck – uncertain about how to move forward.

These challenges are, of course, very different from the challenges their parents faced. Most wealth creators come from humble beginnings. They were motivated by necessity, and success came hand-in-hand with struggle. Their children, born wealthy, don't feel the tug of necessity encouraging them to strive for financial security.

I have a very different view of the world than my dad, and this is what gets in the way of planning.”

Vincent Valeri, a next generation himself and Principal with CMG

Vincent supports the business families we serve by helping them navigate their human and financial capital needs and developing a solid technical and family plan. He believes that to successfully transfer wealth and responsibility to succeeding generations, the wealth-creating leading generation must pivot away from old ways of thinking. What worked so well to get them to this point likely isn't the right approach moving forward. Without that shift in perspective, painstakingly constructed layers of wealth planning may be shredded – and, worse, so may family relationships.

2. Cultivate individual visions and a shared vision – both matter.

The next generation, too, needs to engage fully and seize opportunities to shape their own future. In many families, the vision of the founders who worked from nothing to build a successful enterprise is so vast and so powerful that its gravitational pull starts to suck everyone in – a bit like a black hole.

“That's where families trip up. They say, ‘We're following that vision.’ Well, that's impossible because next-gens can't have that vision. They can share some of it, but they need to make it theirs,” says Vincent.

As individual visions take shape, the whole family can benefit from working together to figure out how aligning and combining them will strengthen an overarching shared vision.

Now, instead of the next generation being dragged powerlessly towards a goal that's rooted in the past and that they played no part in shaping, the co-created shared new vision can propel each family member forward into the future along unique paths, coordinated within the family.

“Each next generation needs to develop an independent vision based on individual strengths, weaknesses, hopes and dreams.”

Kate McConnell, Principal at CMG

3. Don't let poor communication compromise family wealth.

When communication isn't open, honest and free-flowing from all directions, it can do more than almost anything else to derail the smooth transfer of wealth to the next generation. As one of the business families we work with puts it, *"Where transparency ends, conspiracy begins."*

We often learn our communication behaviours – including some that don't serve us or the family well – from our parents. It can help immensely for both the leading generation and the next generation to take a step back, look for patterns in family discussions, and assess what's working well and where there's room for improvement. As part of this analysis, families need to acknowledge that wealth curators and the generations that follow them come from different places with different experiences that have shaped their priorities and their perspective on the world – and that gap widens with each successive generation, Kate says.

The solution is more and better communication between generations, among siblings, and across the entire family. – and external coaches and facilitators can provide valuable support in this area. Everyone needs a sense of the blessings and burdens involved in building a company from scratch. Everyone also needs an understanding of the entirely different but also valid struggles faced by the next generations.

Family meetings are critical. So are one-on-one, heart-to-heart conversations. As Kate points out, strong personal relationships within a family are essential as a foundation for strong business relationships.

4. Enable next generation voices to break through.

Sometimes the next generation has a champion, who steps up and advocates for siblings, cousins and subsequent generations. In this case, the push for change and progress comes from the next generation themselves, rather than top-down. If no one steps naturally into that role, the founders' generation can identify and encourage the growth of a champion.

"Every family needs a champion," emphasizes Vincent – but he adds that every family also needs to make sure that everyone, not just the champion, has a voice even if not everyone has a vote.



CMG advises business families with multiple siblings and branches of cousins, that every meeting or call starts with a reminder that everyone's voice is integral to the process. Voice is a choice – but there are consequences when you don't speak up. As Vincent puts it, "If you opt out of decision-making in life, life will make decisions for you."

Hearing the next generation's voices is essential to give the leading generation a clear sense of who wants an active role in the business and who doesn't, as well as each next generation's abilities, skills and aspirations. Leading generations should remember that "fair" isn't the same as "equal," and that roles should only be assigned after carefully considering what the next generations want and what they're capable of, as well as what the business needs.

5. Own the past, the future and the plan.

Leading generations and the next generations must "own it," says Vincent – not in the sense of having an asset, but in the sense of taking responsibility for their own reality.

"Own that you are part of the success or lack of success of your estate plan. Gone are the days when the accountant and the lawyer were responsible for everything. Today, the family has to own it and own the process."



Once everyone – leading generations and next generations – owns it, it becomes possible to create wealth transfer plans that work for each individual within the family. And when you can do that, you can structure your strategies to leave a priceless legacy of family harmony.

The key takeaway

Each affluent business family is different, but there are often common themes. The wealth creators in the leading generation build a thriving business, often from the ground up, through ingenuity, hard work and judicious risk-taking. Their children, meanwhile, wonder if they inherited their parents' business acumen and what part they'll play going forward. There's generally a gap – however narrow or wide – between a parent's authority, confidence and demonstrated success and a child's uncertain role, self-doubt and need for independence.

That gap can be a threat to the smooth inter-generational transfer of wealth – and CMG regularly works with families to bridge it by facilitating conversations and developing plans that protect the interests of every member of the family.

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