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Middle Eastern family businesses: The next generation

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Developing capable leaders and owners is one of the most challenging tasks for any organisation and even more difficult for a family enterprise in the Middle East because it faces additional complexities from often conflicting business and family goals and different generational expectations.

Environmental forces including changing social values, new technology, increased competition, political threats and physical constraints also create additional demands on the family firm and its future leaders.

This means that the next generation of family members face obstacles as they work to become entrepreneurial leaders and capable owners. First, they need to perform at a high level. Generation family members must demonstrate leadership and perform as well as any non-family employee to avoid causing resentment and eroding respect for family management.

Second, they must earn the respect and trust of their parents and siblings, who are often amongst their toughest critics. Third, the next generation must manage change effectively so that others, especially other stakeholders, do not view the change as an indictment of their predecessors or a challenge to the traditional practices and relationships. While these three obstacles remain challenging for any next generation family member, they can be particularly difficult for next generation members of a Middle Eastern family business.

If they're honest, most senior generation family business leaders, Middle Eastern and otherwise, will tell you that their greatest fear is that their children will not be prepared for the leadership responsibilities that a successful family enterprise demands or that family conflicts will arise that threaten harmony and ownership continuity. Yet, the challenges that both current family leaders and the next generation face are not insurmountable.

New blueprint for managing global family business

In the 21st century, the rules for managing global business have changed dramatically. While founders and owners once made all of the decisions, controlled information flow and demanded performance from their employees, today's new generation of family owners and directors must push decision-making downward into the firm, share information and get the job done through a combination of teamwork and effective leadership.

There are four key management skill sets for the new millennia:

- **Entrepreneurial skills:**
Identify and share your business vision
Communicate your vision and goals
Develop new products, services, relationships, organisations, and channels.
- **Executive skills:**
Manage complex relationships between the organisation and its network of stakeholders
Install control and information systems
Continuously plan, solve problems, and make decisions in real time.
- **Strategy skills:**
Craft strategic plans
Secure and allocate resources
Assess results and reward performance
Strengthen governance and ensure accountability.
- **Leadership skills:**
Align and empower people around their shared values and vision
Rigorously manage intellectual and human capital
Encourage a culture of risk taking, innovation, and social responsibility
Develop people and teams throughout the organisation.

Businesses will need all four skill sets to prosper in the 21st century with the leadership skill set, in particular, being crucial to developing organisational talent and managing global business ventures. At the same time, applying this skill set is challenging for any business let alone family businesses.

So which companies are successfully developing the next generation? Although not a family-owned business, General Electric develops its top talent by grooming employees over many years. Former CEO Jack Welch developed a pool of five world-class executives from which the board of directors could choose a successor. On developing human talent, Welch says: "Think of yourself as a gardener, with a watering can in one hand and a can of fertilizer in the other. Occasionally you have to pull some weeds, but most of the time, you just nurture and tend. Then watch everything bloom."

Like GE, Cargill, a family-owned global commodities business, successfully cultivates its next generation leaders by treating the family as a business and the business as family. For example, Cargill develops people with the goal that they will work at the company for twenty or thirty years. In addition, the company demonstrates its commitment to employees by sharing ownership through an employee stock trust.

Critical Factors for Developing Next Generation Talent

In addition to following the blueprint for managing global business, Middle Eastern family businesses can do several things to prepare the next generation.



Figure 1: Critical factors for developing family leadership talent

First, ensure that the next generation family member has the individual characteristics that provide a personal fit with the business in terms of ability and motivation. Fit is key. Not everyone is meant to own and/or run a family business. If your son has the desire and talent to become an entrepreneur, let him pursue his dream and start his own venture.

Second, provide challenging life and work experiences to develop the talents and capabilities of the next generation. This includes internships and work outside the family firm early in the career, and later meaningful work assignments within the firm. Once a family member has joined the business, assign him or possibly her a job with high developmental potential. Such a role may include P&L responsibility, a tough boss, managing a joint venture project or a "turnaround" of an adverse business situation.

Third, social support that includes nurturing and coaching the next generation by introducing the next generation of family members to business and professional networks, mentoring and coaching on the challenges they face and offering your personal encouragement. High performing executives are not born; the family business creates leaders who can successfully take over the reigns of the company.

Fourth, provide the next generation with the best possible education and training. This not only includes undergraduate studies and graduate education such as an MBA or other executive education programmes but also in-house or industry training. Many next generation family members find that an Executive MBA, which allows them to continue working, is ideal for family businesses where the goal is not career change but rather continually improving and building leadership capabilities.

The final critical developmental factor that is often missed in the Middle East is providing actionable assessment and feedback; these final steps are crucial, but also challenging. It is always difficult for a company to give feedback to the next generation, in Middle East and everywhere. While it is always hard to assess family members, it's important that they receive concrete feedback, developmental plans, and when successful, recognition of their efforts so that they may become more aware of their strengths and weaknesses.

Finally, the yardstick by which the next generation members are measured can be a long one, especially for members of a Middle Eastern family business. Smart, charismatic entrepreneurs who spent decades building their companies, often starting with small trading companies, created many of today's Middle Eastern family businesses. This older generation now looks at the next generation and complex organisations that have developed with unrealistic expectations. About the older generations' expectations, Superman is a great cartoon character, but is it a realistic tool of assessment to evaluate your successor?

Best Processes, Not Best Practices

It's important to remember that each Middle Eastern family business is unique; therefore, to successfully develop the next generation, a family business needs to think about best processes, not best practices. Specifically, think about context and content. Concerning context, ask: "What is our family's vision for the business?" and "How can the family contribute?" The answers are crucial to understanding the next generation's developmental needs.

Concerning content, ask: "Exactly how does the family do things?" Knowing the family's approach will help all family members understand themselves and the business better as well as make necessary changes to ensure a successful transition to the next generation. A final advice for Middle Eastern family businesses: "Look at the whole range of capabilities in the next generation; identify your children's strengths and weaknesses; and use the strengths to help the company as well as the next generation perform successfully."

In the Middle East with Shari'ah Law, a strong family business culture and an emerging global economic influence the critical success factor remains: "What is your family doing to prepare the next generation of family leaders and owners?"

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Professor Carlock is author of several articles, books, and case studies including Family Business on the Couch: A Psychological Perspective co-authored by Manfred Kets de Vries with Elizabeth Florent-Treacy (Available in Arabic) and Strategic Planning for the Family Business with John L. Ward (Available in Arabic). A co-authored paper received the 2006 Family Business Network Research Award for the best-published research article on family business practices: "Fair Process: Striving for Justice in Family Firms" with L. Van der Heyden and C. Blondel. Family Business Review, XVIII, (1), March 2005.

Prior to pursuing an academic career, Carlock spent twenty-five years in business serving first as an executive with Dayton-Hudson (now known as Target Corporation) and as a CEO and Chairman of a NASDAQ listed corporation he founded. He trained as a family therapist and serves as a consultant and advisor to several of the world's largest corporations and family businesses.

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