



FAMILY
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FOUNDATION

WHO ARE THE GUARDIANS OF FAMILY LEGACY?

Canadian Family Business
Transition Intentions – Part 2





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ABOUT FAMILY ENTERPRISE FOUNDATION

Family Enterprise Foundation (FEF) is the charitable foundation of Family Enterprise Canada. As the unified voice of family enterprise, FEF focuses on developing educational resources, conducting research, building a strong connected ecosystem and promoting the success and sustainability of entrepreneurial families and their enterprises, to ensure intergenerational longevity.

To learn more, please visit FamilyEnterpriseFoundation.org.

Our research into continuity planning and transition intentions is supported by KPMG Family Office. We thank them for their ongoing support of family enterprise and business owners in Canada!

KPMG
Enterprise



Introduction

In our first report, we identified significant misgivings about the passion and capabilities of the next generation to take over the family business. However, these concerns may not reflect the intentions of the next generation. The insights in this report suggest the senior generation are not the sole guardians of family legacy. In fact, the next generation are deeply passionate about preserving their family legacy and want to play a key role.

KEY INSIGHTS

- 1** Younger family owners appear to be at least – if not more – committed to building a sustainable family business than their elders.
- 2** The family business “spirit” is strong in the DNA of the next generation, especially when it comes to succession and desire for long-term family control.
- 3** Multigenerational families who are in the second generation, or later, place an even higher value on family retaining ownership over many generations.
- 4** The importance placed on direct family leadership of the business diminishes among older family members.

FAMILY INSIGHTS

Insights from families on what has helped them continue their legacy:

- 1** Discuss family values as a gateway to addressing contentious issues in the family.
- 2** Have frank and open conversations around roles and responsibilities of the next generation.
- 3** Let next gens set their own goals in terms of education and special training.
- 4** Next gens will lead the push to diversify and will bring new direction to their enterprises.

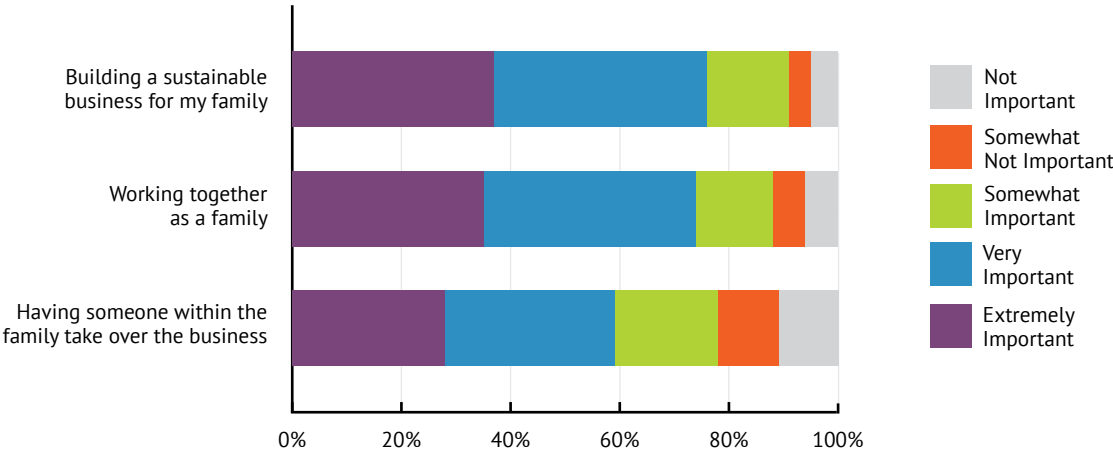
*This report represents the second segment of a longer study of transition intentions. Read our first report, **Ready, Willing and Interested – or NOT?***

Loyal, Committed and Driven

The Next Generation Are Deeply Committed to Notions of a Sustainable Enterprise

“Family” matters throughout Canada’s family enterprise sphere – sometimes more so, sometimes less so. The next generation, currently involved in their family businesses, are broadly insistent on retaining family control for generations to come, whilst members of the senior generation, though passionate about working with family, are more open to exploring external leadership. The gulf of opinion separating the generations is not vast, but at times is broad enough to invite meaningful dialogue around what legacy means and what the family aspires to create together.

HOW IMPORTANT ARE THE FOLLOWING...



The “family” piece of the business is a very important element for family members who work in a family enterprise. In particular, **a large percentage think it is extremely or very important to build a sustainable business (76%) and to work together as a family (74%)**. Fewer, but still more than half (58%), think it is important to have someone within the family take over the business. Businesses that are already multi-generational are more likely to value family taking over.

Looking at this data from a view segmented by age, we see some clear themes emerging.

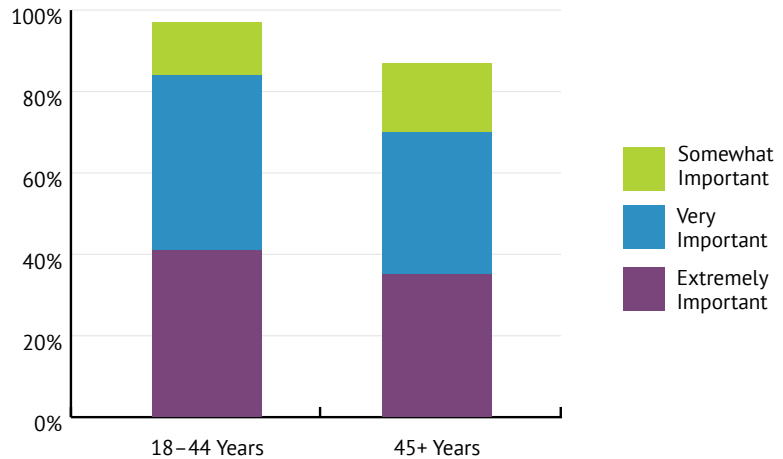
Legacy IS sustainability. Regardless of their roles in (or out of) the family enterprise, next generation members are conscious of their predecessors’ sacrifices, dialed into the issues of today and mindful of tomorrow. Progressive families understand that shared dreams are robust dreams, with a plan. Both generations should prioritize the success of the family enterprise first, while giving the next generation every opportunity to learn and get ready – if and when the time comes.

The Wish to Continue as a Family Business is Strong!

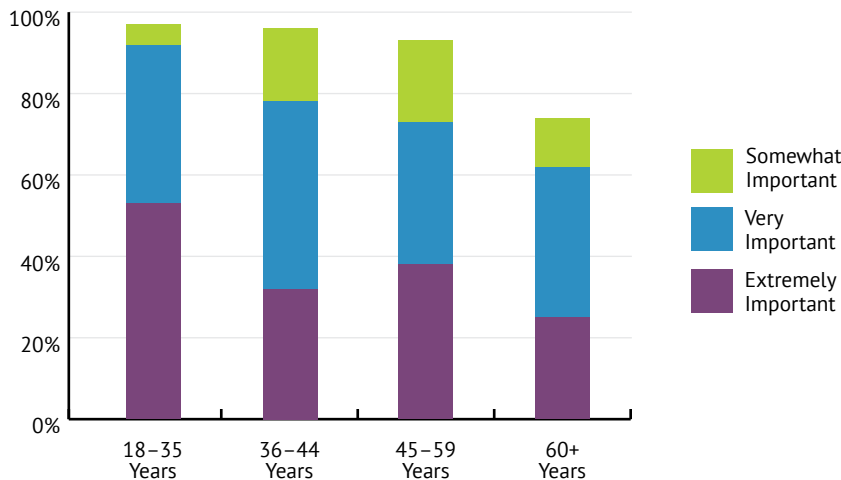
Younger respondents (18–44 years old) **value building a sustainable business for their family more than older respondents** (45+ years old). Among the younger respondents, 97% indicate this has some level of importance to them, with 41% agreeing it is extremely important compared with 34% of older respondents.

The senior generation may have a better understanding of the obstacles to a successful family business transition, but what is key here is that the next generation seems to aspire to remaining a family business.

HOW IMPORTANT IS BUILDING A SUSTAINABLE BUSINESS FOR MY FAMILY?



HOW IMPORTANT IS BUSINESS SUSTAINABILITY, BY AGE?

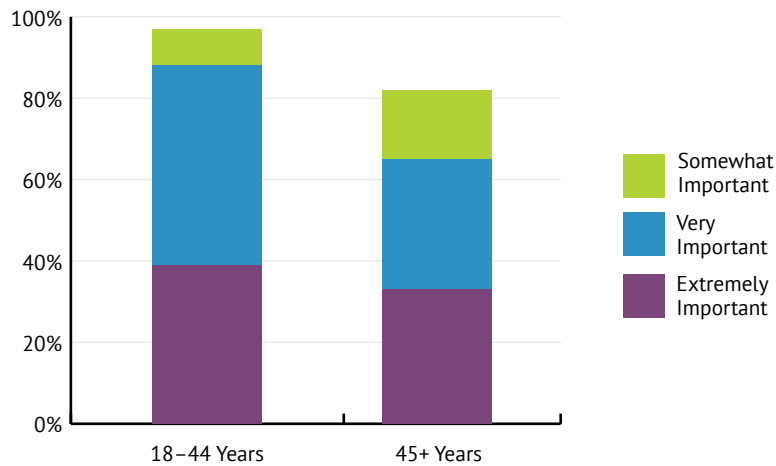


When we compare the youngest and oldest respondents, we see some difference in how they view the importance of a long-lasting family business. **The next generation (18–35 years old) places a very high value on building a sustainable business for the family.** In fact, among next gens, 97% of respondents indicated that this factor held some level of importance **as opposed to 74% of the senior generation (60+ years old).**

Let's consider: Could this be an indication that some of the senior generation have jumped to the conclusion that their next generation will not take over, reducing the importance of building a sustainable business for their family?

Togetherness is Key

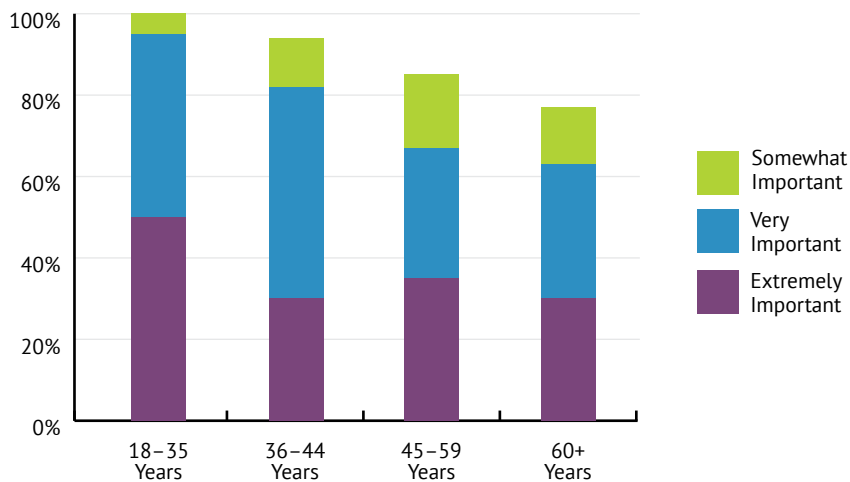
IMPORTANCE OF WORKING TOGETHER AS A FAMILY



The younger family business owners value the importance of working together as a family more than their older counterparts. Only 3% of younger respondents do not view this as important compared with 18% of older respondents. This is not to say the older respondents do not see this as important – they clearly do.

Let's consider: Could it be that the senior generation feel working together is less important simply because they are closer to a transition? Or could it be an indication that the senior generation lack some confidence in the abilities of their next generation, or have realized their interests lie elsewhere?

HOW IMPORTANT IS WORKING TOGETHER AS A FAMILY, BY AGE?



When asked about the importance of working together as a family, once again we are seeing differences between generations, with younger owners seeming to value it more. This importance seems to decrease with age, as we see the value wane from **100% (18-35 years old)** down to **77% among older owners (60+)**.

Let's consider: Could it be that the younger owners work closer with family and therefore value it more? Or could it be that the older owners do value it but also realize that it may not be as important as other factors, as they consider the wide range of transition options available to them?

FAMILY INSIGHTS

Which is the key to building a legacy? The family or the business?

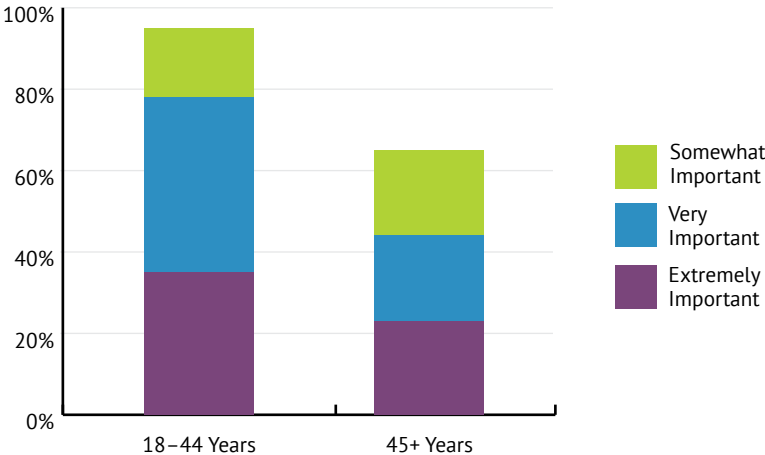
- 1** Some generations understand innately that they are not obliged to propel legacy in the same manner as their predecessors.
- 2** The next generation realize they can put their own “stamp on things” without diluting the value of their “familiness.”
- 3** The senior generation acknowledging the next generation’s passions and freedom to choose their own goals is the elusive win-win scenario.

WE ASKED THE EXPERTS. OUR FAMILY ENTERPRISE ADVISORS FIND:

- 1** There is a passion for and a commitment to continuing a legacy, yet legacy itself is interpreted differently from family to family. To some, it means continuing to build wealth. For others, it might be continuing the family business. And yet for others, it might be a set of values that matter to the family and they seek to perpetuate those values.
- 2** Pursuing a career in the family enterprise is appealing for many next gens. They are taught from an early age about the expectations, skills needed and rewards of joining the business – not as forewarnings, but as opportunities.
- 3** Next gens understand that business and wealth change forms over time; the skills needed to build the business may be different from those needed to sustain it.
- 4** Sparking next gens’ interest and dispelling concerns should start as early as possible, even as young as the formative teenage years.

Leadership: Family In or Family Out?

IMPORTANCE OF FAMILY MEMBER TAKING OVER



There is a clear difference in how younger and older respondents view the importance of having a family member take over. Among the **younger respondents, 95% feel that family taking over has some importance, whereas 65% of their older counterparts found it important. The DNA of the family business seems to be alive and well in the next generation!**

Let’s consider: Could it be that the senior generation draws a clearer distinction between ownership and management, and while they view it as important to keep ownership in the family, they are open to someone outside the family leading the business?

In the case of next gens, is it possible that they feel family control has greater importance because they recently took over, or are earmarked to in the future, and see this in a more positive light? This group also likely has a fresh memory of the challenges in taking over or entering the business and are optimistic that they could lead a successful transition based on their experience.

“ Successful family enterprises that have a transgenerational continuity mindset plan proactively around the future generations. They’re guided by a shared purpose. They create an inclusive culture, invest in their human capital and nurture their capabilities to create a lasting family business legacy. ”

– Richa Arora, FEA, Senior Family Advisor, KPMG Family Office



FAMILY INSIGHTS

Why is family ownership unique? Unlike other types of businesses:

- 1 Founders and senior gens share stories with next gens of how the business was built, and what it takes to own and manage it.
- 2 Future owners follow the example of the senior gen and are encouraged to think like CEOs.
- 3 Next gens are exposed to the business from an early age which can strengthen their sense of responsibility towards the business.

“ We have conversations with [our next gens] about being stewards of the family brand; however, there is zero expectation they will join the business. ”

—Ambreen Bhaloo, The Foray Group

A parent might wonder: Can my children sustain what I built? Their offspring might wonder: Why are we not seizing new opportunities?

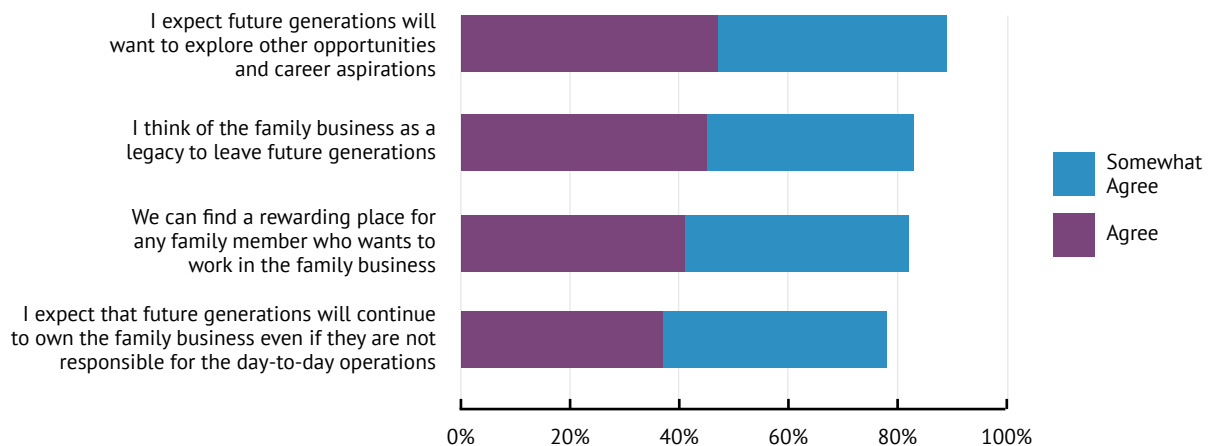
There is no lack of goodwill or best intentions in enterprising families. While each generation may have different views or plans for the business, they CAN find common ground to sustain it – in some form. Given today’s vast pool of advisory and educational resources, all families can find a proven path to sustained ownership.

Family Spirit is Embedded in Their DNA

Family Business Spirit Burns Strong in Younger Owners Who Want Long-Term Family Control

Younger respondents believe many career options will be available for future generations who will likely consider careers outside their family enterprise while maintaining ownership.

WHAT WILL BE THE ROLE OF FUTURE GENERATIONS?



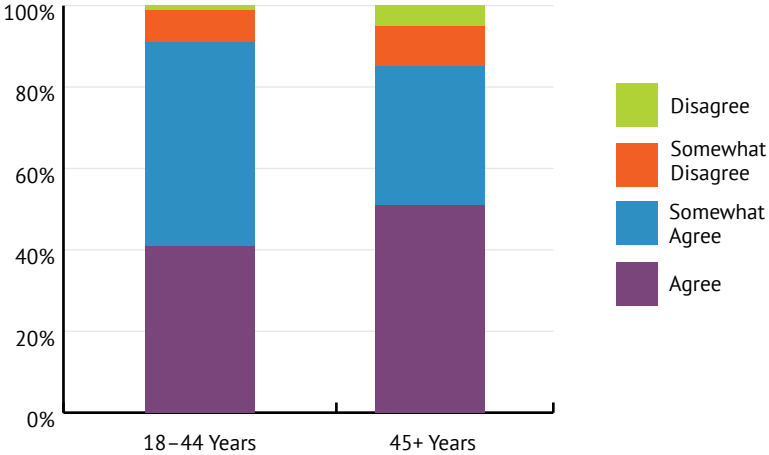
Younger respondents expect future generations will explore other opportunities at a slightly higher rate than they did. They seem less worried about this, however, as they have a more favourable impression of the family business as a rewarding place to work. They see it as a legacy to pass on and **have a higher expectation that future generations will continue to own the family business.**

WE ASKED THE EXPERTS. OUR FEAs ADVISE:

- 1 Start having conversations as early as possible about what it means to own, manage and participate in the business.
- 2 Build an emotional connection to the business in the next generation.
- 3 Create ongoing opportunities to learn about the business.
- 4 Commit resources to personal, leadership and ownership development.
- 5 Broaden the conversation to include family wealth, supported by learning and mentoring on what it means to be part of a family of wealth.

Everyone Has Options

I EXPECT THAT FUTURE GENERATIONS WILL WANT TO EXPLORE OTHER OPPORTUNITIES AND CAREER ASPIRATIONS



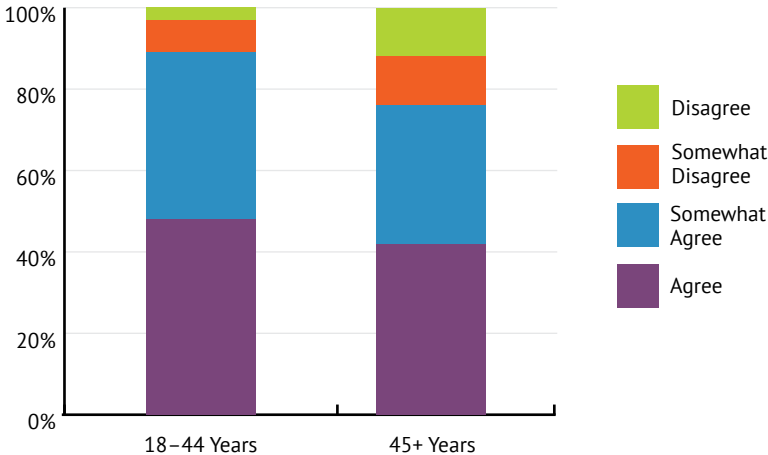
Let’s turn our attention to how the roles of future generations are viewed. Those involved in the family business are aware that future generations will want to explore other opportunities and career aspirations. As previously reported, 78% expect that future generations will continue to own the family business, even if they are not responsible for the day-to-day operations. They draw a distinction between ownership and management. This is especially true for those family businesses that are currently multi-generational.

“Choose your own path,” many parents tell their children. Do declarations like this resonate with entrepreneurial families in pursuit of building a legacy? Does the notion of senior gens encouraging their offspring to explore external opportunities – while yearning for their future support of the family legacy – seem self-defeating? It is unreasonable to expect different generations to march in lockstep. Senior gens can convey to next gens that, through experience, priorities will inevitably change. Roles will change too, but shared dreams can prevail.

“ Could it be that next gens do not convey/ communicate their interest to the elder generation and as a result the elder generation never views them as viable? ”
– Jordan Allen, Atlantic Packaging

It's Our Legacy!

I THINK OF THE FAMILY BUSINESS AS A LEGACY TO LEAVE FUTURE GENERATIONS



Again, we see the importance of being a family in business is greater among the younger respondents. Some **89% of respondents aged 18-44 years old agree that they think of the family business as a legacy to leave future generations.** What is somewhat surprising is that a quarter of the 45+ cohort somewhat or totally disagree with this statement.

Let's consider: Could they have already made up their minds on the future transition and are beginning to distance themselves from the idea of the family business as a legacy?

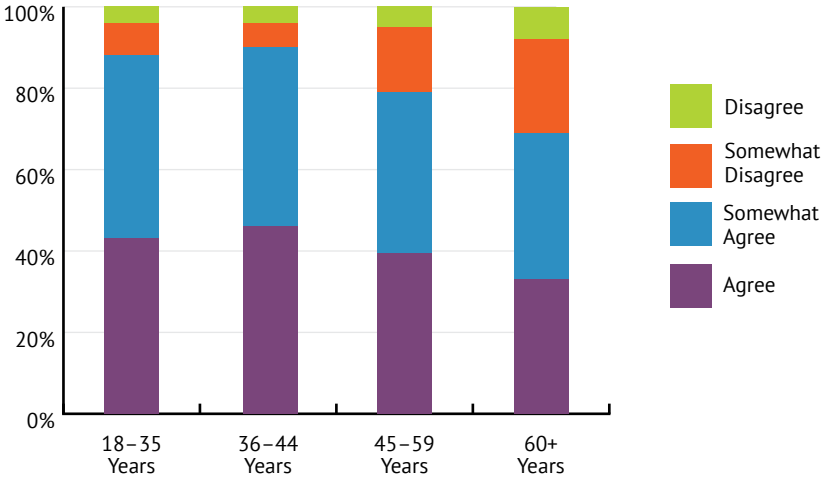
FAMILY INSIGHTS

There's no surefire recipe for sustainability. Successful multigenerational families unlock their hidden value by:

- 1 Exploring, appreciating and leveraging their family values as the glue, purpose and propellant of their enterprises.
- 2 Implementing strategies to ensure next gens are financially literate, socially conscious and community contributors.
- 3 Dedicating funds to education, lifelong learning and personal development.

Is There Room for Everyone?

WE CAN FIND A REWARDING PLACE FOR ANY FAMILY MEMBER WHO WANTS TO WORK IN THE FAMILY BUSINESS



Broadly, the younger respondents have a more favourable view of being able to find a rewarding place for family members. Perhaps this is not surprising, as they may be experiencing a rewarding work environment as opposed to older respondents who balance what is good for the business with what is good for the family.

Let's consider: Could it be that the senior generation have a clearer idea of the skills and competencies needed in the business, and their family members have different skills and capabilities, influencing their views on this question?

FAMILY INSIGHTS

There are unorthodox paths to intergenerational longevity that can prolong enterprise success:

- 1 Encourage a culture of co-creation.
- 2 Be flexible and align personal, professional and shared family goals.
- 3 View legacy as a malleable concept. Let next gens make their mark – their own way.
- 4 Be courageous: frank family conversations often spark surprising opportunities.
- 5 Embrace family legacy as evergreen, not a monolithic obstacle of the past.
- 6 Be intentional: legacy is an ongoing process, not a “once and done.”

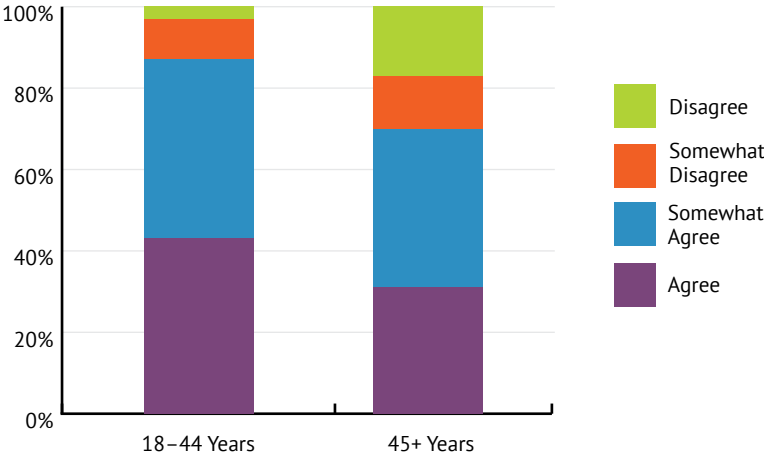


Expectations, Maturity and Priorities

Family leadership concerns diminish – but don’t disappear – as owners age

As to the question of future generations retaining ownership, older respondents report lower expectations than their younger counterparts.

I EXPECT THAT FUTURE GENERATIONS WILL CONTINUE TO OWN THE FAMILY BUSINESS EVEN IF THEY ARE NOT RESPONSIBLE FOR THE DAY-TO-DAY OPERATIONS



Some 87% of younger respondents expect to see ownership remain in future generations as opposed to 70% of older respondents. This could be attributed to the latter group being further along in their transition planning and realizing the likelihood of future family ownership is low, whereas the younger group may still be in the “wishful thinking” stage.

Let’s consider: While the difference is not enormous (17 percentage points separate them), could this indicate an upcoming sale or divestiture?

FAMILY INSIGHTS

Why is the notion (and reality) of ownership challenging for different generations?

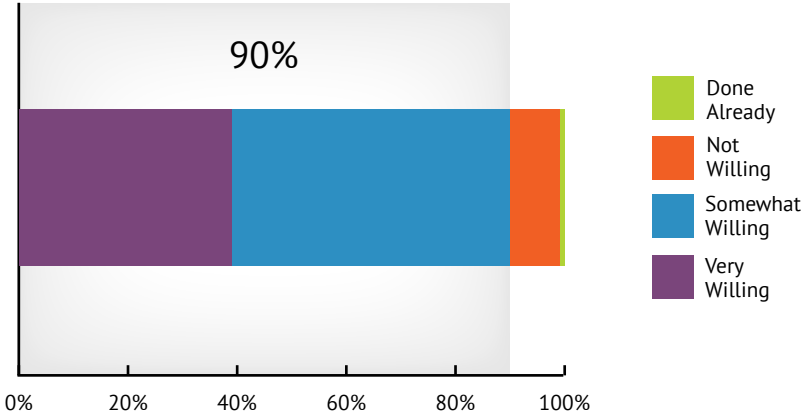
- 1 Conversations about passing the baton require confronting sensitive issues like mortality.
- 2 What happens if I hear what I don’t want to hear? What if the senior generation thinks I’m not good enough?
- 3 Starting a new business is hard. Taking advantage of a solid foundation instills passion and appeals to many next gens.
- 4 It is unusual for the first generation to embrace a legacy mindset. The desire typically grows in the second generation.

Diminishing interest? Objectives met? New challenges?

It may be all of the above, but as business owners age, their priorities shift according to their confidence in their progeny, goals, appetite for risk and a myriad of other reasons. With age comes urgency – to decide, to plan or to execute plans. Whether disposing of assets or exploring new growth areas, senior family leaders must reconcile time passing with the needs and expectations of the rising generation.

Will They Invest in the Next Generation?

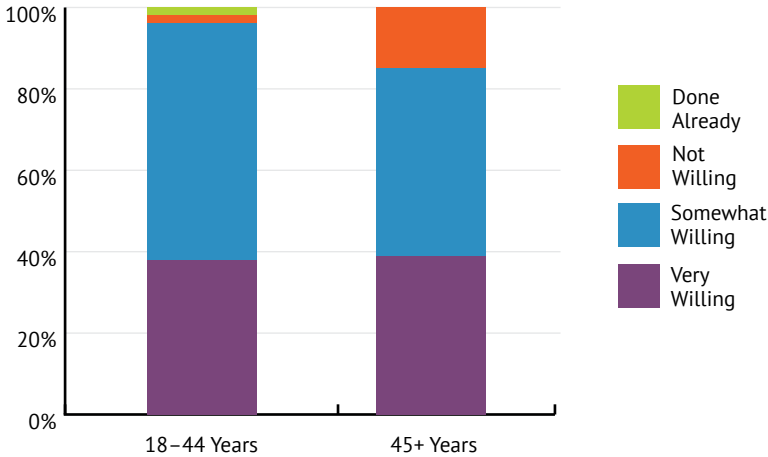
WILLINGNESS TO INVEST IN THE NEXT GENERATION'S BUSINESS



What about investing capital in a **next generation business idea**? We've seen that, of the **older respondents, 38% do not see ownership continuing in the family, (perhaps due to the next generation not being ready or interested in ownership,)** likely indicating alternative transition plans.

Let's consider: Could this represent an opportunity to re-deploy the gained capital towards a next generation business initiative?

WILLINGNESS TO INVEST IN THE NEXT GENERATION'S BUSINESS, BY AGE



Significantly, 96% of those 18-44 would be very willing or somewhat willing to invest in their next generation's business in contrast to 85% of those 45 and older. Perhaps it is not surprising that younger respondents would be slightly more willing to take a risk for the benefit of their next generation. Granted, their next generation may not be of age to demonstrate their capabilities quite like those of the older respondents, but they do seem more open to the idea.

We have seen the benefits of **intergenerational cooperation and using the competencies of each generation for the benefit of the entire family, through shared ownership of a new businesses or business units.**

Let's consider: Why is it that owners closer to a transition are less willing to invest in their next generation's businesses? Could they feel that this would entitle the next generation when it is more about empowering them?

“The biggest risk is not taking any risk,” a young Mark Zuckerberg famously said. Which might explain why older, more experienced owners are less likely to invest in next gen businesses, unlike the younger, risk-friendlier cohort. Broadly, most owners are willing to invest in next gen projects, but not blindly. As history’s greatest intergenerational wealth transfer unfolds, some may simply be kicking a portion of their investment decisions down the road.

FAMILY INSIGHTS


Enterprising families are acutely aware of the threats and opportunities that influence their sustainability.

- 1** They may not have immediate answers to concerns about ownership, wealth and governance, but regardless of generational make up, they are passionate about their status as business families.
- 2** They value resources that address their unique needs. They value “familiness” as the intangible that drives their enterprise.
- 3** Progressive families value learning. Says one: “If we aren’t growing, we are dying.”

Who Are the Guardians of Legacy in Your Family?

After reading this report, here are a few questions for you and your family to discuss and explore.

- 1** Is working as a family and building a sustainable family business still a priority for your family? How does it play out across the generations?
- 2** Is a lack of confidence in the now/next generation, by the senior generation, more of a factor in transition than a genuine lack of preparedness or interest?
- 3** How can you properly harness the skills and talent of the next generation for the benefit of the family? Could this happen outside the formal family business?
- 4** Have you considered a path for engaging the next generation in the family business?
- 5** For each generation to be an asset to the family legacy, how can you make passing on the entrepreneurial DNA a priority?
- 6** Does your desire to preserve your family legacy match your investment in human capital or learning and development of the next generation?



“ Long-term sustainability can only come by way of purposeful management, fluid transition and through a collective intention by owners to engage and develop some or all family members as responsible leaders. This comes about in many ways: good governance, ethical education and purposeful communication - we call this the family learning journey. ”

—Olivier de Richoufftz, General Secretary, Family Enterprise Foundation

About the Family Enterprise Transition Intentions Survey

BACKGROUND AND OBJECTIVES

The objectives of the survey by Abacus Data for Family Enterprise Foundation are to:

- 1 Understand the current market trends in terms of the characteristics of established, medium and large family-owned businesses.
- 2 Provide data and analysis that can help the families and organizations guide strategy and program development internally, and to advise external stakeholders and family leaders on these issues.

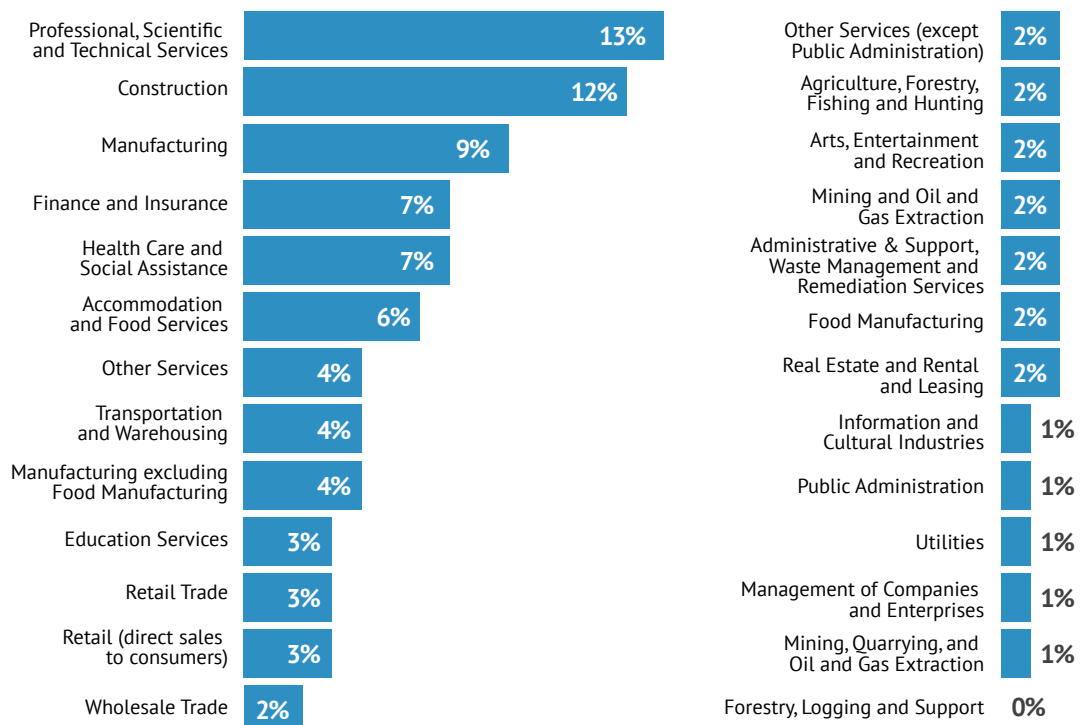
A particular focus of the survey is on the transition of ownership, including intentions, timelines and perceived barriers to and within family ownership transition.

METHODOLOGY

- The survey was conducted with 300 Canadian business owners between June 3 and June 11, 2021, by Abacus Data.
- The margin of error for a comparable probability-based random sample of the same size is +/- 5.65, 19 times out of 20.

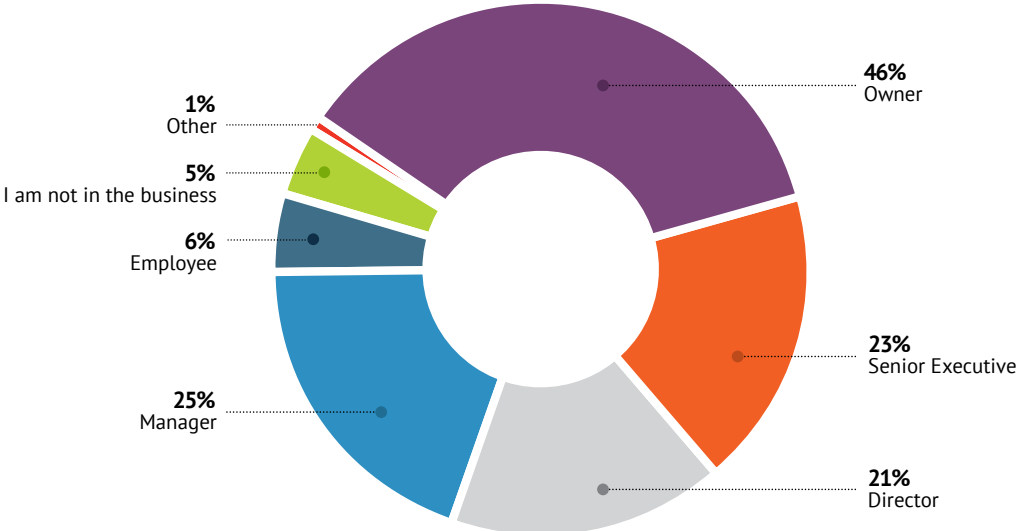
DEMOGRAPHICS

INDUSTRY SECTORS

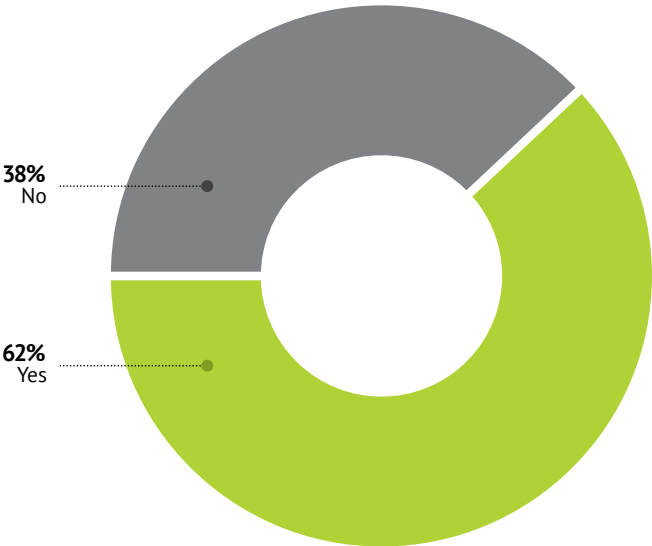
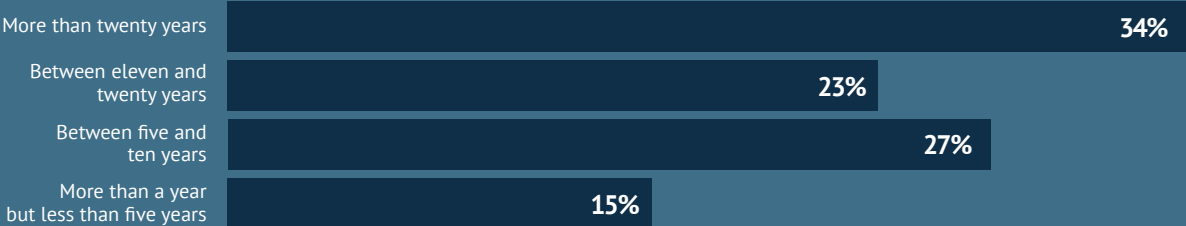


DEMOGRAPHICS (continued)

ROLE IN THE FAMILY BUSINESS



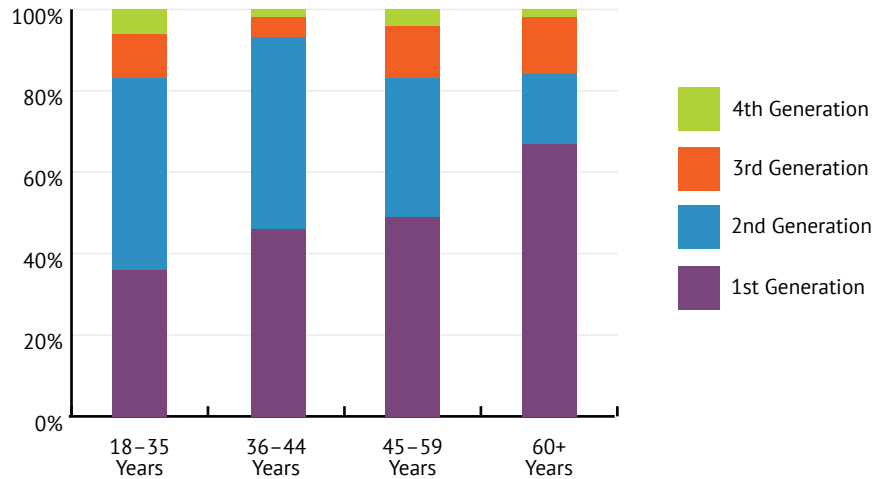
WHEN WAS THE COMPANY INCORPORATED OR FORMED?



IS THE FAMILY BUSINESS A MULTI-GENERATION BUSINESS THAT EMPLOYS FAMILY MEMBERS FROM MORE THAN ONE GENERATION CURRENTLY?

GENERATIONAL DEMOGRAPHICS

A SNAPSHOT OF THE GENERATIONS REPRESENTED IN EACH AGE GROUP SURVEYED



Most (close to 70%) senior generation respondents (aged 60+) are founders of the family business, while two-thirds of next generation respondents (aged 18-35) are in a family business that has been through at least one transition already.

Let's consider: Are senior gens creating the legacy while the next gens are living it? Is that why they have a different point of view or values?



Thank You to Our Contributors

This report was prepared by Family Enterprise Foundation in collaboration with Abacus Data and through the insightful participation of members of our community.

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Contributors represent senior, now and next generation family members.

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Special thanks to Professor Peter Jaskiewicz of the Telfer School of Management at the University of Ottawa.



**SUPPORT FOR THIS RESEARCH WAS PROVIDED
COURTESY OF THE CARMELLE AND REMI MARCOUX FAMILY.**