THE LIFEBLOOD OF **SUCCESS**

Cultivating entrepreneurship and continuity in the family enterprise

BY DEBBIE BING AND ELIZA ORLEANS

In 1916, Italian immigrants open a bakery, which grows into a thriving, wholesale business through the determination of two subsequent generations. Now, the fourth generation has joined leadership, and the bakery is facing COVID-19, which knocks out wholesale business to restaurants almost overnight. Will G3 and G4 be able to embrace the innovation needed to adapt, stay true to their legacy commitment to quality and service, and help the business thrive?

A serial entrepreneur purchases his father's engineering company and quickly increases profits threefold. Thirty years later, he works alongside his son, who shows early on that he has inherited his father's determination and work ethic. But as the talent war heats up and peer businesses begin to get acquired, the rising generation posits that outdated technological systems are prohibiting the business from embracing its potential and remaining competitive. Will the son be able to partner with his father and other stakeholders to reignite a competitive edge?

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When the founder of a painting supply company retires, and there is no succession plan to speak of, everything is uncertain. The founder's daughter believes that she can help the company but isn't quite sure how. What she is sure of is the importance of the values her father and the staff. Can she engage her father and step into her own leadership to strengthen the company's culture?

WHAT DO THESE NARRATIVES HAVE IN COMMON?

The pursuit of entrepreneurship in family enterprises is often pointed to as the lifeblood of success at each generation. Founding generations have stories of the entrepreneurial flame that drove modest beginnings to durable businesses. Each subsequent generation contemplates whether the next generation will have what it takes to move the business forward. Is a person born with an entrepreneurial gene? Can entrepreneurship be taught? Without sufficient innovation, can the family enterprise keep up with rapidly changing markets?

Similarly, the difficult and worthy pursuit of succession and generational continuity stay with family enterprises for as long as they persist. We laugh about the spectacle of HBO's *Succession*. While we are entertained, we are also reminded that successfully transitioning an enterprise is tireless work.

Entrepreneurship and continuity, taken together, create a powerful combination. They are inextricably linked, rather than competing with each other. One can actually fuel the other, together offering a formidable path to create what every family enterprise seeks: a vehicle for values, family unity and engagement, and a thriving business. But the work to bring this combination to life in a family enterprise is not for the faint of heart. These topics often create conflict between and among generations as points of view and relationships are challenged, making it easier at times to opt out or shy away from the necessary dialogue needed to persist. It takes drive to define, test and adapt until you find the right combination of ingredients needed for success.

A FRAMEWORK FOR LINKING ENTREPRENEURSHIP AND CONTINUITY

Linking these two forces may seem counterintuitive. After all, entrepreneurs are viewed as mavericks eager to push boundaries and make waves. Conversely, continuity in the family enterprise is often associated with stability and legacy.

We see it differently. When you connect the act of innovating for the future with the act of readying and enabling a next generation to lead, you begin to see how the interplay between these efforts creates success within the enterprise. We see the combination of these efforts doing many important things for the business that tie the past to the future, including:

- Creating opportunities for recruitment, retention, and talent development
- Extending and strengthening the values of the family and/or the business
- Developing next-generation leaders — testing them, pushing their growth and development, and giving them space to experiment
- Offering a competitive edge
- Building family members' confidence

Entrepreneurship and continuity are both critical to a successful next chapter. In fact, one is made possible because of a commitment to the other. What is the key to enabling this powerful combination to take root

and drive forward a family enterprise? There are four major components:

- **Opportunity:** a space to learn, take risks and apply learnings.
- **Values:** core beliefs and commitments that create great economics through shared purpose.
- **Drive:** ambition, perseverance, and passion to keep going, even when the path is unclear.
- **Courageous and full engagement across generations:** curiosity and buy-in from family members to contribute to the enterprise. At the heart of this is the significant commitment multiple generations must make to work through and overcome differences.

To understand why each piece of the puzzle is necessary, consider what happens if one is missing.

An enterprise with great market opportunity and shared values may be positioned to succeed as a business. But continuity in a family enterprise requires leadership and hunger in a next generation that is ready to do the work to provide guidance and hard-hitting decisions when needed — either as an owner or as a manager.

An enterprise with enduring values and drive to evolve as a business will still be challenged if there is not sufficient opportunity to put them to work. Next-generation members with "big ideas" that stray too far from what has worked may find it hard to advance them. Or markets that become obsolete quickly crowd out opportunity more quickly than many can adapt.

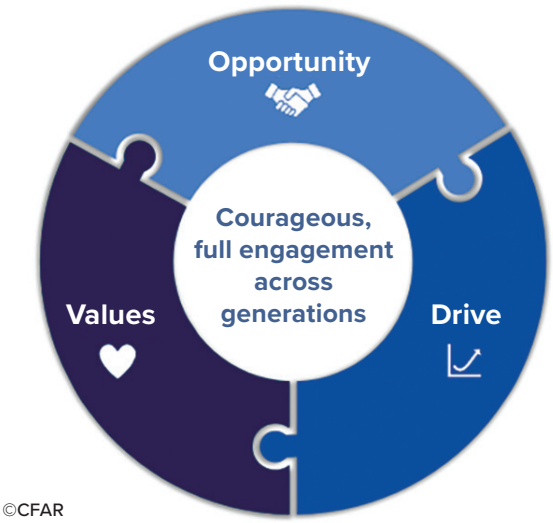
An enterprise with opportunity and drive, but without commitment to shared values in a new pursuit, is likely to pull away from a family's history and legacy, putting generational continuity at risk.

And the last, perhaps foundational piece of the puzzle? Courageous and full engagement by multiple generations to work things through together, again and again.

ACTIVATING THE FRAMEWORK IN FAMILIES

Recall the narratives at the opening of this article. Each family has been significantly challenged in the face of pressures to innovate while simultaneously navigating a generational transition. Their success can be attributed to the combination of opportunity, drive, values and courageous partnership across generations.

Finding the right recipe. Piantedosi Baking Company, a 100-year-old, fourth-generation wholesale baking company based in Massachusetts, was in the thick of a transition from G3 to G4. At the same time, the company's longtime strategy of selling products only wholesale, largely to restaurants, was increasingly being tested; big industry players were driving down prices, and new entrants were popping up all the time. "We saw there was market share that we weren't capitalizing on," explains Adam, one of the G4 members. "Our time and attention had been nationally focused. That was a big point of growth in the '90s, but the pressure on pricing had us looking again at our whole portfolio. There was an open **opportunity** to change course."



As Adam and his cousins took a more active role in the company, they demonstrated a **drive** to think strategically and experiment with different kinds of innovation. "The three of us were united in wanting to take the business to the next level," says Arthur, another G4 member. "And having each other made that possible. There's strength in numbers. Besides us, there were some key staff members who shared our vision. We joined with them early on, which was also key."

In particular, G4 had ideas around changing the company's core business model but were initially met with skepticism from G3 leaders and non-family employees. "We had a lot of tough conversations. We were all patient with each other," says Arthur. "Patience was really key for all of us." Both generations continued **engaging** fully and courageously with one another despite disagreements. G4 kept developing and fine-tuning their ideas.

When the COVID-19 pandemic arrived in March 2020, the company's profits were at risk of bottoming out, given that restaurants almost universally shut down. G4 took this as an **opportunity** to double down on the innovations they had already been experimenting with and make a strong case for shifting the company's strategy to move from wholesale to retail. Not only was there a clear financial incentive for a pivot, but it also was an obvious way to continue to advance the company's core value of putting people first. "We always say that at the end of the day, we want to do the right thing," says Carmine, another G4 member. "That means for food safety, for our partners, for customers, for the family, and for our employees. That's what Piantedosi values."

Seizing upon the opportunity, G4 took the lead in a restaging and pivoted to selling Piantedosi's bread in grocery stores. "We thought expansion and growth would take 10 years," says

Continuity in a family enterprise requires leadership and hunger in a next generation that is ready to do the work to provide guidance and hard-hitting decisions when needed — either as an owner or as a manager.

Adam. "The COVID-19 pandemic was an incredible accelerant."

Today, Piantedosi's products can be found in grocery stores in multiple states, and the company has continued growing. Internally, the business continues to innovate both strategically and operationally, which has helped during the generational leadership transition and even inspired other family members to join the business. "Celebrating little wins is important," says Jared, a G4 member who has recently joined the company. "Those wins add up and prove that [our generation] can be a driving force for change."

Investing in the future. After working in his family's engineering services business for two years, Charlie, a rising G3 executive, was convinced that the company's technology needed a refresh. Charlie knew that the company's competitors had made technology investments in recent years and that his board had already been discussing the pros and cons of such a task. The company had never undertaken a massive technology investment before, and there was not a clear path in terms of whom to work with, how much to spend or what processes to follow.

Charlie knew that the company had always valued people. Many of the executives had come up through the company's ranks; layoffs were rare even in economic downturns; and in surveys, employees cited the culture and working for a family-owned business as key aspects of retention. Charlie viewed a technology investment as an ideal way to demonstrate this people-first **value** by supporting the development of employees and codifying a long-term talent strategy. He also was **driven** by a personal desire to prepare for an uncertain future and ensure longevity for the enterprise.

With all of this in mind, Charlie decided to first take time "going deep" before jumping into action. He made a concerted effort to understand what was needed by speaking with employees and external colleagues in the field, analyzing competitors and researching various product options. One he had sufficient data, he worked with the board to design a plan, assemble a team and formally launch the technology investment. "I was extremely lucky to have a supportive and **engaged** board," Charlie reflects. "That was a competitive advantage for us during that time."

The hard work paid off. Through the technology investment, the company built new process efficiencies and sent a message both internally and externally that the business was committed to being on the cutting edge. "It's one of the hardest things I've done in my tenure, but it showed me how much our team can accomplish," he says.

Committing to culture. When the founder of a painting supply company announced his retirement, the staff was caught by surprise. Many employees had been working alongside the founder for decades, and his presence was practically synonymous with the business. His daughter, Becca, was new to her role as the company's marketing manager. Despite this, she recognized quickly that the company's strong culture was at risk of fragmentation if her father's succession were not handled correctly. Becca knew it would be important to ensure that the company's **values** of service, community and people extended well beyond her father's tenure.

Becca recognized that her father's departure could serve as a unique **opportunity** for her to innovate. "We were so caught up in the emotion of the transition that we weren't paying enough attention to our people," she says. "It was a busy time, and I worried that people would leave if we didn't make it clear that the culture would stay intact no matter who was in charge."

Becca drafted a plan that she shared with her father, the COO and board members. She asked for their feedback, heard their concerns and made revisions. "I didn't know the leadership very well, and I hadn't had a previous relationship with the board. But I made time to **engage** and get to know them, even when I was afraid that they wouldn't hear me out." While her father was focused on handing off tasks and shoring up the company's sales capabilities, Becca worked to apply equal **drive** to shoring up the company's culture.

Becca conducted interviews with employees and key customers to gain a deeper understanding of what made the company unique, why people wanted to work there, and what they wanted to see remain the same or change during

a leadership transition. She also started working with the director of marketing on a rebranding initiative, which served as another way to engage stakeholders and build excitement about the future.

ENTREPRENEURSHIP + CONTINUITY

In each case, entrepreneurship and continuity are under way, forging a future the family enterprise. The ingredients have been there: commitment to shared values, undeniable drive and the right opportunity at the right time. Courageous and full engagement across generations was foundational in each situation, yielding the kind of ongoing dialogue, learning and shared defining of a future path.

HOW DO WE MAKE IT WORK?

Context matters: The players in both the family and the business, timing, resources, and industry all influence outcomes. But across each of these situations, a few takeaways apply:

- **Don't wait for a crisis.** Entrepreneurship and innovation are necessary during times of stability, not just crisis. You can find your own sources of urgency, often in the form of opportunity in your industry or enterprise.
- **Identify where leverage already exists and start there.** Entrepreneurship is intertwined with continuity — the same ingredients are necessary to yield both forces. Use the opportunity to engage together, across generations, to consider which aspect to work on first.
- **Innovation requires mistakes.** Older generations can help create spaces where the risk is real but managed, in order to help NextGens learn on their feet.
- **Find allies within the family and/or business.** The strongest supporters are not always who you think they are. Finding and working with these people takes tremendous drive, but the payoff is worthwhile. There is camaraderie and idea-sharing in numbers.
- **Just start talking.** Engage with "skeptical friends" through dialogue and testing. Don't let fear of having the conversation be a prohibiting factor. Seek to understand dissenting points of view and stay in the conversation even when it gets hard. FB

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