

Entrepreneurship is Your Future

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In the world of family business, the entrepreneurs we celebrate are usually founders of companies. These clever, hardworking individuals identify a good business opportunity, scrape together some money and some loyal employees, and start a company that takes off. The heirs of the founder and later generations of the family are supposed to take care of the founder's creation and continue to grow it; they are not expected to be entrepreneurs. Even attempting to reinvent the family company can be seen as disloyal by the family. This constraint often kills the family business. We think it is time to reassess the importance of entrepreneurs for the continuation of the family company and for the continued success of the family itself.

Managers in your core business who think like entrepreneurs (we call them intrapreneurs) can identify new opportunities and move your company into new lines of business, rejuvenate the founder's legacy and put your family company on a new growth path. Entrepreneurs (typically family members) working outside the family company but with family financial support keep talented family members inside a broader "family enterprise," can diversify the family's business activities and build the family's assets.

Families that want to stay in business for another generation really don't have a choice but to encourage entrepreneurship in and out of their family company. There are business reasons and family reasons we think this is true.

THE BUSINESS REASONS

In today's competitive environment of rapid technological change and quickly evolving industries, you cannot become very attached to any of your current lines of business or your current methods for serving customer needs. You need to regularly change what you make and sell, and probably how you make and sell it. You must be nimble and, as certain lines of business wane, you need to be able to identify new opportunities for growth—in and out of your core industry—and pursue these opportunities in experimental, cost effective ways. For that, you need the risk-taking, resourceful attitude of an entrepreneur.

Not everyone has an entrepreneurial mindset and you also need operationally minded managers and employees who are good at scaling sales of proven products and making

operations more efficient. You also need some people in the office who are good at supporting people in the field. But you must have some entrepreneurial-minded employees.

Entrepreneurs are good at identifying commercial opportunities and getting new products and services off the ground even when they don't control the people and resources they need to do it. They know how to attract people to help them when their idea is unproven, borrow resources they can't afford to buy, and build buyers' interest in their activity. Others see them as risk takers but good entrepreneurs actually are good at getting other people to take risks. You need some people like this in your family company and in your family.

Second, families succeed because they invest in productive activities (including the development of the next generation), emphasize growing assets, and consume relatively little of their wealth. These families maintain a culture that encourages family members to create things of lasting value. It's not surprising that these families encourage entrepreneurs.

Third, successful families remain reasonably united—keeping members who support the family's activities loyal to one another and to the family's mission. Over generations, as families become more diverse, it is likely that only a few relatives per generation will work in the family business. Other family members might support the family's philanthropic efforts or family social activities. Sometimes

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THE FAMILY REASONS

We've spent a lot of time studying why some families stay financially successful over generations and others don't. Actually, most don't. There are three reasons why families succeed. First, successful families see important changes in their industry and adapt to these changes by diversifying into new activities that can grow. Simply put, the successful families are entrepreneurial.

that level of involvement is enough to maintain family unity. But investing in family entrepreneurs can also keep these talented family members contributing to the broader family's wealth and mission. (The new Millennial generation—ages 15-30—seems especially interested in being entrepreneurs.) Investing in family entrepreneurs has to be done objectively, based on the feasibility of their business plans, and also fairly within the family. Even if some entrepreneurial projects don't succeed, you might spot family talent for the family business. And you are sending the important message to the family—this family is committed to creating value.



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John A. Davis is a globally recognized pioneer and authority on family enterprise, family wealth, and the family office. He is a researcher, educator, author, architect of the field's most impactful conceptual frameworks, and advisor to leading families around the world. To follow his writing and speaking, visit johndavis.com and twitter [@ProfJohnDavis](https://twitter.com/ProfJohnDavis).



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Michael Roberts retired after 25 years on the Harvard Business School faculty where he served in the entrepreneurship unit and was executive director of the Arthur Rock Center for Entrepreneurship. He is a fellow at the Cambridge Institute for Family Enterprise where he teaches entrepreneurship to business families.

About Cambridge Institute for Family Enterprise

The Cambridge Institute for Family Enterprise is a global research and education institute dedicated to the real issues facing family enterprises. It is a place where progressive members of family enterprises come to learn, exchange ideas, develop themselves and position their enterprises to be not only successful, but sustainable over generations. Learn about our conferences, education programs, writing and research at cambridge-institute.org and on twitter [@CambridgeFE](https://twitter.com/CambridgeFE).