

# Four Generations, One Workforce: Valuing Generational Differences in a Family Business

By Joe Schmieder of The Family Business Consulting Group, Inc.

Baby boomers think everything revolves around them. Traditionalists are old fashioned. Millennials are never on time. X-gens have no identity.

Stereotypes abound in the study of generations. Labels have created a generalized description of an entire population — some of it based on facts, yet much based on over-simplifications. Regardless of definition, today the US workforce is composed of four major generations, each with members who were influenced by the events and technology in which they were born.

## From Traditionalists to Edgers

In 2015 the Millennials became the largest generation in the US workforce, followed closely by the X-gens.<sup>1</sup> Although out-sized in this workforce demographic metric, Baby Boomers still hold most societal leadership roles; thus, their influence continues to be strong, albeit waning.

Never before have we had such a wide mix of multiple generations — from Traditionalists (born before 1946) to Baby Boomers (1946-1964) to X-gens (1965-1979) to Y or Millennials (1980-1995) and to a yet-to-be-fully-accepted younger gen referred to as “Z” or “i” (for iPhone, iPad, iPod) or Edge gen (born after 1995).

While these multiple generations affect all of society, they are having an especially unique impact on family businesses. The ongoing struggle between honoring tradition and pioneering change is playing out as Traditionalists and Baby Boomers try to maintain the family business values and guiding principles, while X-gens and Millennials seek more rapid change, particularly in the culture of the workplace.



One family business millennial recently opted to stay with a young, hipster type culture instead of joining what she refers to as her “dad’s ole-boy-network business.”

A 105-year old family business manufacturer ripped out its old oak-paneled private offices, tossed out the Dilbertville cubicles, and created an open environment where even Millennials say it’s sometimes difficult to find a quiet place to talk!

Another family business created multiple collaborative spaces with Starbuck-like venues where people gather to solve problems and join in video conferences around the globe.

## Differences Power Family Business

Studies show that family businesses outperform their non-family counterparts over the long-run (McKinsey, BCG). Can this strong performance continue in light of some seemingly dramatic differences among the generations? Activities within family businesses suggest that they can indeed continue to be over-achievers as they embrace the strengths of each generation.

Following are some areas where family firms are taking advantage of generational differences, and may trigger ideas for your family business.

### **Providing a Voice**

Family members from different generations have naturally close relationships — they are the grandparents, parents, young adults and children of family businesses. They often see each other in social and business environments. They build trust and understanding for each other's viewpoints. Thus, giving the younger gen members a meaningful voice in influencing decisions, if not actually making decisions, keeps family firms out front of market trends and prepares next leaders early. Many family firms now include Millennials as observers in the board room and members of key strategic committees. One family business created a separate "Next Gen Fund" to allow the X-gens and Millennials to investigate and recommend investments outside of the core business.

### **Longer-Term Horizon with Greater Sense of Urgency**

It is well known that family firms take a much longer view of the business and their return on investments than non-family businesses do. While this patience is mostly a good thing, it can also be a disadvantage, as the overly-patient family firm may delay making adjustments in processes and product/service offerings. This is an area where the faster-paced younger gens can help move initiatives more quickly through the business. Does it really need to take 2-3 years to create a new product? Not with 3D printing, rapid prototyping and open source sharing — the types of tools that fit the younger gens' mindsets.

### **Shared Values Over Shared Profits**

Unlike public-owned companies that are driven by shareholder demands for quarterly results, family businesses look beyond short-term profits to other values that have enduring impact. Millennials are seeking purpose-driven organizations. They want to make a difference, and do it quickly, as they believe our planet has been severely damaged by previous generations.

### **Consider a Generational Reset**

Resetting the family business vision with input from the younger gens have helped some firms re-energize

the company and attract younger people to join in the family business journey. Here are some "reset points" to consider:

- **Communication:** Arguably, the smart phone has been the most pivotal technological development for the Millennial generation, according to Phil Gwoke of BridgeWorks, a specialist in generational trends. This generation is best prepared to implement digital-driven initiatives. The younger gens are taking on roles in new product and service development, social media communication and e-commerce — all contributing greatly to the "re-invention" of their family business.
- **Incrementalism:** Groundbreaking new products, like the iPhone, rarely emerge from family businesses. Family-run enterprises tend to prefer smaller-scale, incremental innovation over radical changes. This "incrementalist" approach dominates partly because family businesses are averse to assuming large risks and taking on large debt. Not surprisingly, then, family firms tend to be quick followers or quick improvers, rather than original innovators. A few years ago a manufacturer of foodservice equipment saw a shift in the way restaurants delivered food to their patrons. The younger gen members used their restaurant knowledge and generational experience to create a dynamic offshoot company that is now addressing this segment.
- **Family leadership:** Recently a Baby Boomer passed the leadership baton to his X-gen son. The fourth-generation member of the family-run furniture company prepared for his role through his experience as a practicing attorney and 7 years working in various roles within the family business. It is a great example of transitioning family leadership smoothly from one generation to the next. The elder leader realized it was time to let go, and keep a family member in the leadership role because customers, employees and suppliers find family ownership and leadership to be a strong asset. The X-gen son has the business savvy and legal experience to maneuver the family business in a new era of changing demands.

## Our Times and Our Businesses

Each of us is shaped by the time in history in which we go through our formative stage from early childhood to young adult. “Times shape people and people shape times,” as Gwoke explains. The rising generations, shaped significantly by digital technology, are rapidly moving into leadership roles. Family businesses can continue to take advantage of this transition.

Baby Boomers can let go and choose to empower their successors. Millennials can drive change that builds upon the success of the past. X-gens can bridge the gap between Boomers and Millennials while providing new ideas and energy. And lest we forget the greatest gen, Traditionalist can continue to ground us in the bedrock values that have guided our family businesses to be the strongest performers of any economic system.

<sup>1</sup> Pew Research Center: “Millennials surpass Gen Xers as the largest generation in U.S. labor force,” May 2015 and “Millennials overtake Baby Boomers as America’s largest generation,” April 2016.



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