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TRAINING THE NEXT GENERATION OF OWNERS AND MANAGERS: A POSSIBLE KEY ROLE FOR DIRECTORS IN FAMILY BUSINESS

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Abstract

This paper focuses on one specific responsibility of the Board in family businesses, namely top management training and succession.

After a review of the main literature on the role and practices of Boards of Directors, both in large publicly held companies and in small privately held ones, the paper offers the first findings of a survey (which is still in progress), carried out on a sample of Italian and Spanish family businesses, of the attitudes of present and next generation family members and Directors towards the development of next generation managers. It also investigates the practices, if any, followed by Boards in educating family members as future business managers and owners.

At this stage, results are available from only a small sample of family businesses in Southern Italy. A minimum of 2 Directors, 2 managers and one young family member from each company were interviewed using semi-structured questionnaires. The interviews varied between 2 and 4 hours in length.

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1. Introduction

During the second half of the 1980s Boards of Directors became a subject of debate in western industrialized countries, mainly on account of the media attention they attracted due to the increase in the number of liability suits and their apparent inability to guide their businesses towards competitive results. Many commentators questioned the usefulness of the Board of Directors as an organ of corporate governance. Some have proposed –or prophesied– that it should disappear and be replaced by attributing full responsibility to management.

Probably in response to this widespread discussion, research into the Board's role and function has enjoyed a new lease of life. This research has its roots in the seminal work of Mace (1), which has since been updated by the contributions of a number of scholars. There is now an extensive literature on the topic; of particular interest are the works by Lorsch (2) and Demb and Neubauer (3).

Jay Lorsch and Elizabeth MacIver reach the conclusion that, in contemporary society, Boards lack the power and sense of common purpose to carry out their tasks effectively. Demb and Neubauer draw similar conclusions from their study of a sample of 71 Directors from 11 multinational corporations. They argue that, independently of national boundaries and legislation, all Boards deal with virtually the same sets of tasks, and that Board structures have evolved in response to a basic instability that derives from the following three paradoxes:

- Legally, the Board is the highest authority in the company, yet top management naturally tends to exercise that power;

- Board members are expected to pass critical judgment on management performance –which requires an in-depth knowledge of, and intimacy with, the affairs of the corporation– while at the same time assuring that this judgment is independent –which requires detachment and distance;

- The working style of a Board is the foundation of its collective strength: the Board needs the trusting familiarity of a close-knit group, and yet members must be independent personalities who can resist «groupthink» and put critical questions to colleagues.

Both studies show that dramatic changes in the environmental culture and in the number of stakeholders are forcing Boards to play a much more active role in corporate affairs than in the past. To counteract the kind of problems Boards are facing, both Lorsch and Demb and Neubauer call for changes, both in the legal system and in corporate behaviour, on issues such as the selection process for Board members, the size and composition of the Board, the balance between insiders and outsiders, the frequency of Board meetings, the use of committees, the assignment of Board purpose and mission, and performance review.

The conclusions reached in the two recent surveys quoted above reinforce and give, perhaps, better theoretical structure to concerns that had already been voiced by Mace and other authors (4).

Despite the problems Boards are facing at the present time, there is general agreement among scholars (5) that a Board of Directors, if it is *active,* can play a decisive role in shaping its company’s fate by, for example:

– defining corporate policies;

– improving the quality of decision-making and planning;

– assessing the company’s financial policies and monitoring its financial structure;

– maintaining the management organization;

– monitoring, reviewing and appraising management and, more generally, the exercise of power inside the company;

– evaluating the performance of the CEO;

– helping the CEO select his/her successor;

– establishing relationships between the company and its environment, and contributing resources that are difficult to obtain;

– making the company more accountable;

– making sure that affairs are conducted in an ethical, legal and socially responsible fashion.

It is interesting to note that Demb and Neubauer, in the study mentioned above, asked Directors to identify their own real tasks and responsibilities by checking off items on a list of activities (see Table 1 below) that includes most of those given above. The results of their survey show that Directors very largely agree about the most important task in their job. There is also broad agreement on the importance of the following five activities, whereas very few regard the other items on the list as crucial aspects of their work.

Table 1. The Job of the Board

Tasks/Responsibilities	***% Identifying***
Set Strategy, corporate policies, overall direction, mission, vision	75
Oversee, monitor top management, CEO	45
Succession, hiring/firing CEO and top management	26
Approve/review financial plans, budgets, resource allocation	23
Watchdog for shareholders, dividends	23
Make key financial decisions, mergers/acquisitions	21
Advise, support top management	21
Ensure compliance with corporate laws and regulations	15
Provide broad view, monitor environment	11
Handle shareholder relationships	10
Set overall culture, ethics, image	9
Ratify/approve top management recommendations	8
Ensure long-term profitability	8
Ensure preparation of strategy and plans	6
Decide organization structure	5
Implement strategy	2

Source: Demb and Neubauer (1992), page 44.

Demb and Neubauer –who focus mainly on large publicly held companies, where, as mentioned previously, the usefulness of the Board has been questioned by many parties– tend to argue that, in spite of current problems, the Board of Directors can still play a decisive role in shaping a company's fate. Some specialists in the field argue that the Board of Directors is even more important in family businesses, particularly those that are no longer in the early stages of development, and can be a crucial resource both for the family and for the business (6).

Despite this, although there are abundant data on the composition, compensation, size, etc. of Boards in large, publicly traded companies, research into the working practices of Boards of Directors in family businesses is still in its infancy, and very few data are available for small firms and private firms (7).

In the second section we shall review the main literature on the specific role and function of Boards of Directors in family businesses. Then, in the third section, we shall introduce the problem of training the next generation of managers and owners in family businesses, and we shall try to tie this in with the responsibilities and roles of the Board. Finally, in the fourth and fifth sections we shall present the framework and initial findings of a survey we are conducting in Italy and Spain on the potential role of the Board of Directors in training young family members to become the future managers and owners of the family business.

2. The Board of Directors in Family Businesses

Even though it can still be considered to be in its infancy, the literature on the specific role of the Board of Directors in family businesses has been growing ever since the *Family Business Review* published a special issue dedicated to this theme in 1988.

Before that, few authors had shown any interest in the topic, the main contributions being the seminal work by Mace (8), the book by Danco and Jonovic (9), and a few other articles (10).

Mace, whose book is for the most part concerned with Boards of Directors in large and medium-sized widely held companies, devotes a chapter to «Directors in the Family Company». His research shows that the main functions of Directors in family corporations are, in order of importance:

– to serve as a source of advice and counsel to the family that controls the enterprise;

– to act as arbitrator or conciliator when there are differences of opinion between family members;

– to serve as some sort of discipline for management;

– to designate a replacement for the president in the event of a crisis such as death or incapacity.

Mace also points out a certain tendency to choose only insiders or top executives from the town where the headquarters is located, the main objective being to assure compliance and avoid dissent among members of the Board. He argues that psychological factors associated with family relationships play an important role in defining what Boards of Directors actually do in family corporations.

Finally, as far as the selection of the President's successor is concerned, Mace argues that the main difference between a non-family and a family controlled corporation is to be found in the influence of emotional factors on judgments concerning professional strengths and skills (11).

The work by Danco and Jonovic was probably the first book dedicated entirely to the specific problems of Boards of Directors in family businesses.

Their main thesis is that Boardrooms are places where owner-managers can exchange views, receive moral support, and find oportunities for discussion, decision and action; and that outside Directors can contribute to this end better than insiders.

Danco and Jonovic assign five key roles to the Board of Directors in a family business (12):

– as *Planners* they can help the owner-manager «to set his goals, define objectives, decide where he is going, assess the risk involved, and estimate the possible rewards»;

– as *Safety Fuses* they can protect the owner-manager from any excesses resulting from his own absolute power;

– as *Supporters* they can provide resources against risks resulting from lack of marketing intelligence, over-betting, under-management, poor or unaggressive advisors, and tragedy;

– as *Big Brothers* they can offer suggestions to avoid confusions between «omnipotence and omniscience», «success and ability», «obedience and agreement».

The authors argue that Boards made up of insiders fail to perform any of these roles because they usually limit their contribution to approving –willingly or unwillingly– whatever «the boss» says has to be approved. That is why outside Boards made up of risk-taking peers are needed as a way of putting either constructive restraints or rational support around the unbounded «flexibility» inherent in business ownership.

The next substantial contribution to the literature is the above-mentioned special issue of the *Family Business Review*, edited by Ward. This issue generated some heat on the topic of outside Boards in family firms, opening a debate in which a large number of scholars have taken part.

The participants in this debate have tried to define more accurately the specific areas where, in a family business, the Board may play an important role. Table 2 below gives an overview of these areas, as defined by different scholars.

Recent research carried out by Ward shows that «many owners of small and medium-sized businesses voice similar goals» (13). In a survey carried out on a nationwide sample of American private business owners by the National Association of Corporate Directors, Ward asked the business owners to rank in order of importance the reasons for establishing an active Board of Directors. The results are given in Table 3 below.

If the evidence provided in Tables 2 and 3 suggests that there is general agreement around the idea that an active Board can be a crucial resource both for the business and for the family (14), there is a notable lack of agreement on issues such as the best Board structure (in particular the balance between insider and outsider Directors), the role of the Board in family-related problems, the effectiveness of legally established versus advisory Boards.

Some authors (15) argue that a majority of outside members, and a minimum of at least two, is needed to build an active, independent and effective «ideal» Board. Others (16) point out that given the specific characteristics of family businesses, outside Directors are not necessarily free of the kind of pressures that might unduly influence their judgment, and that there is no reason why the duties of directorship should not be filled by insiders.

Table 2. Areas where a Board can contribute in a Family Business

Areas	Authors
to assist in establishing objectives and policies	Nash (1988) - Schwartz and Barnes (1991)
to help the president become more effective	Nash (1988)
to render advice and counsel	Nash (1988) - Heidrick (1988) - Ward (1988) Whisler (1988) - Gallo (1993)
to assist in the strategic decision-making process	Nash (1988) - Heidrick (1988) - Mueller (1988) - Ward (1991) - Gallo (1993)
to review top management performance and salaries	Mathile (1988) - Gallo (1993)
to supervise the exercise of power	Mathile (1988) - Gallo (1993)
to help the development of managers' capabilities	Whisler (1988) -Ward (1991) - Gallo (1993)
to act as a bridge between the family and the corporate system, and provide opportunities for the family to learn about the business	Harris (1989) - Ward (1991) - Gallo (1993)
to smooth family disagreements, hostilities, and other emotional conflicts	Barach (1984) - Mueller (1988) - Whisler (1988) - Alderfer (1988) - Harris (1989)- Gallo (1993)
to fill gaps when owners lack time or expertise to cope with the difficulties of managing a family firm in a dynamic environment	Mueller (1988) - Gallo (1993)
to provide the family business with different kinds of resources supplementary to the internal ones	Mueller (1988) - Ward (1989) - Ward (1991) Gallo (1993)
to act as a catalyst or agent of change	Dyer (1986) - Mueller (1988) - Whisler (1988) - Gallo (1993)
to add credibility to the firm as a talented or distinguished person whose image is associated with that of the enterprise	Mueller (1988) - Ward (1988)
to provide interim leadership in the case of the CEO's death or disability until a successor can be found	Heidrick (1988)
to plan for orderly management succession	Jonovic (1982) - Harris (1989) - Ward (1991) - Gallo (1993)

Some authors (17) state that Directors should not get involved in family-related conflicts and problems; others (18) argue that conciliating in disputes and managing the interaction between family and business in order to achieve shareholder agreement and effective interaction is one of the most important functions of Directors in family businesses.

Some authors (19) tend to assign a poor value to Advisory Boards and to consider them less effective; others (20) argue that, in some cases, Advisory Boards and Review Councils can perform as well as, or even better than, formally established Boards.

Table 3. Why a Board of Directors?
Reasons for establishing an active Board of Directors
(Ranked in order of importance)

	Private business owners[a]	*SEC*[b]
Help the CEO be effective	1	-
Establish objectives and policies	2	-
Help management make decisions	3	-
Represent shareholders	4	-
Protect employee pensions	5	3
Protect shareholders	6	-
Perform Board duties	7	-
Act in crisis to ensure company survival	8	2
Select CEO	9	4
Lend credibility and enhance company image	10	-
Promote the company	11	-
Act as arbitrator	12	-
Report to shareholders	13	-
Necessary nuisance	14	-

Source: Ward (1991), pag. 48.

More recent research (21) shows that there are no general rules concerning these matters, but nevertheless attempts to identify under what conditions certain solutions should be preferred to others.

Despite this heated debate and research activity surrounding the issue of Boards of Directors in family businesses, some areas are still relatively neglected. These include the role of the Board in ensuring the survival of the business by training the next generation of family members to take on their future responsibilities as top managers and owners of the business. We are convinced that this is part of the usual Board responsibilities, which include helping managers to develop their capabilities, providing opportunities for the family to learn about the business, and planning for orderly management succession.

3. Training the Next Generation in Family Businesses

> «The challenge to family business ownership is to manage the conflicting roles of family, management, and ownership.» (22)

If we accept this sentence as true, then we must recognize that the problem of training the next generation in family businesses should be tackled with an eye on each of these three roles. Consequently, in its widest sense, training the next generation should mean preparing good family members, responsible owners and, in the case of those who are to work in the business, qualified managers.

Since we are interested in the role of the Board of Directors in training the younger generation and since we consider that the task of educating people to be good family members lies outside the Board's influence (23), we shall concentrate on training in the narrower sense. Even though we believe that good family relationships are fundamental to the survival of a family business –we agree with those who argue that without a good and united family a healthy family business cannot exist– we shall treat this as a sort of prerequisite and focus our attention on the role of the Board in training young family members in the exercise of responsible ownership and, in the case of those who are to work in the business, in good management practice.

Many authors have dealt with the question of training the next generation in family businesses in the context of the succession process (24). The solutions that they have proposed include: summer work while still at school; university and, possibly, post-university degrees; work experience with other companies; internal training in a line position; mentorship practices; and so on.

Hardly anybody (25) has addressed the question of training in the exercise of ownership duties for younger family members who do not plan to join the company. This is probably because, in almost all countries, civil codes refer only to the *rights* of ownership, and consequently we are not used to thinking about the *duties* of ownership. Nowadays, the growing concern for the social role of businesses is bringing about a change of attitude, and the Working Group on Corporate Governance, in the New Compact for Owners and Directors, states: «Shareholders who want to act as owners have a responsibility to understand the company's business and the circumstances in which it operates» (26). This is particularly true in the case of family businesses, where the relationships between family, ownership and management are likely to be especially close.

We believe that the Board of Directors, given not only its knowledge of the business but also its characteristics as a professional and independent body, can fulfil an important role in preparing the younger generation to «act as owners». This can be achieved in many different ways: for instance, by organizing informal or formal meetings between directors and young family members, in which the latter can receive information about the history of the business, its present characteristics, and its future needs.

The Board can also play an important role in encouraging the next generation to discuss the kind of relations they want to maintain in the future with the family business, in order to establish whether it is going to be a «family business of family workers», or a «family business of family managers», or a «family investment fund», or a «short-term family business» (27), so that they can make their decisions accordingly. In our opinion, by doing this, many of the usual disputes between family members, which are often due simply to ignorance of the business, could be avoided.

As far as the training of younger family members as future managers is concerned, we wish to emphasize that the success or failure of any training programme depends not only on the programme itself, but also on many other problems specific to family businesses.

It has been argued (28) that family business survival is threatened by four «deep traps» (29). Ward (30) suggests that in order to prevent the family business owner from falling into these traps during the succession process, the Board can exercise functions such as: helping the CEO to analyse the business's future leadership needs; weighing candidates' qualifications; selecting the procedure for choosing a successor; monitoring the succession process to keep it healthy, rational and open; and providing support to both the CEO and the successor candidates.

We believe that the role of the Board can extend even further, in the best interests of the survival of the family business, to include educating younger family members to see the family business more objectively, so that they can act clearsightedly in the future, keeping business and family issues separate.

It has also been argued (31) that during its early stages of development the family business has to cope with major changes in the relationship between the three systems –family, ownership and management– and that the quality of the working relationship between parent and child changes according to their respective life stages and their differing outlooks and expectations. The failure to understand these changes or to make the necessary adjustments in good time can lead to structural crises that weaken the family business.

We feel that the Board of Directors can play an important role in this area, too. On the one hand, Directors can inform the younger generation about the future needs of the family business in terms of strategy, style of management, professional skills, and so on. On the other hand, they can help smooth the conflicts between generations.

Another crucial issue for family businesses is that of corporate culture. It has been argued (32) that family businesses tend to have a strong culture, which can be a strength or a weakness, depending on the family's capacity to make the culture grow and evolve in harmony with the strategic needs of the business.

Once again, we believe that the Board of Directors can be the most appropriate medium for ensuring the continuity of this culture when a new generation of family members enters the business. It can also help to update this culture to bring it into harmony with the current and future needs of the business.

4. The Research Method

The survey we are carrying out involves a sample of family businesses from Spain and Italy, all of which have a Board of Directors with at least one non-family member.

It addresses the rules and practices followed by Boards of Directors in family businesses when training young family members for future management posts and ownership responsibility.

We are interested in the attitudes of present and next generation family members, and also of Board members, towards the development of the next generation of managers and owners, their degree of awareness about the topic, and the importance it has for them.

We also want to find out what, if any, practices are followed by Boards in educating family members as future business managers and owners. These practices should include: informing the members of the younger generation about the business; assisting in the process of selecting and educating future managers from the family; training those who want to enter the business; and preparing those family members who, although they do not want to enter the business as managers, must nevertheless learn to exercise their duties as owners.

For convenience, we started our survey in Sicily (Southern Italy).

We personally contacted most of the family-owned firms among the top 50 businesses in each of the 9 Sicilian provinces, amounting to a total of about 60 companies. Of these only 20 made themselves fully and immediately available. The others either refused any kind of co-operation or, in most cases, delayed meeting until next October.

We had to exclude from our sample all the businesses that did not have a Board (of any kind), and those that had a Board made up exclusively of family members.

Having completed this selection process, our sample was reduced to 6 family businesses. However, we still found some interesting evidence. The characteristics of the six firms are summarized in Table 4 below. For each firm, we interviewed a minimum of 2 Directors, 2 managers and one young family member, using semi-structured questionnaires. The interviews lasted between 2 and 4 hours.

In addition, we met informally with consultants and advisers who have dealings with family businesses in Sicily.

Obviously, at least at this stage, our research does not claim to offer statistical evidence. Rather, we wish simply to offer a contribution to the debate on the role of the Board of Directors in family businesses by suggesting some alternative ways of approaching the problem of training the next generation of owners and Directors from the family.

5. Empirical Findings

In this section we present the results of our survey. The characteristics of the 6 family businesses we contacted can be seen in the following table:

Table 4. Characteristics of the Businesses in the Sample

Business Area	Foundation	Sales x year (lit/1.000.000)	Workers	Present Generation	N. of Present Generation Family's Branches	N. of Next Generation Family's Branches	Age Range Present Generation	Age Range Next Generation	Typology of Board	N. of Directors	N. of Non Family Directors
Spririts	1.860	100.000	170	5	3	5	43-48	15-23	Internal	7	3
Photo-optics	1.880	200.000	450	3	2	5	50-63	27-40	Advisory	5	2
Jeweller's Wares	1.898	110.000	100	3	3	8	43-52	20-25	Advisory	5	2
Dairy Produce	1.954	90.000	115	2	1	5	46	3-25	Internal	3	1
Wine and Food	1.955	48.000	70	2	1	3	50	18-24	Advisory	3	1
Frozen Food	1.960	100.000	80	1	1	2	52	22-28	Advisory	5	2

As far as the typology of the Boards is concerned, we have followed current literature in using the term «Internal Board» to refer to a Board of Directors where all members are part of the company management; and «Advisory Board» for a Board of Directors which, despite performing some or all of the tasks usually assigned to the Board, is not legally established as such.

In two companies with an Advisory Board (Photo-optics and Jeweller’s Wares), we also found a legally established Board. In both cases, the two Boards perform different tasks:

the Advisory Board functions as the real Board of Directors, and the Legal Board acts as an Executive Committee.

As regards the composition of the Board, Gallo (33) proposes classifying Directors into the following four categories, depending on their origin:

1. managers of the company who are not family members;
2. managers of the company who are also family members;
3. external members (who are neither managers nor family members);
4. family members who are not managers of the company.

In all cases, we find Directors of the first and second kind; in two cases (Spirits, and Wine and Food), we find no external Directors. In three cases (Photo-optics, Jeweller's Wares, and Dairy Produce), there is one external Director, and in one case (Frozen Food) there are two external Directors. In none of the family businesses in our sample do we find Directors of the fourth kind.

The external Directors are, in every case, academics or consultants who have no professional ties with the company other than Board membership.

As for the tasks of the Board, in all the firms in our sample the Board defines company strategy, approves major financial decisions, advises top management, and decides on major issues of organization design. Only in one case (Dairy Produce) is the Board considered a rubber stamp, and here the President/CEO is working to change the Board's composition.

> «I know that an active Board can be a valuable resource for my business, but I inherited the present situation. I'm working to change the Board and to bring in people whose professionalism and contribution I can trust. I would like to put some entrepreneurs on my future Board, but it's not at all easy to find the right people here in Sicily», the President says.

With regard to the issue most directly related to our survey –training the next generation– all the people we interviewed consider it one of the most important problems for the future of the family company.

> «They are the ones who will manage this company in the future. We have a duty to give them as much support as we can in their training process.» (A Director)

> «I know from experience that a lack of professionalism among family members is the worst thing that a family business can have to deal with. I've seen a lot of companies fail for that reason.» (An external consultant)

> «Nobody in our family is forced to enter the business, but everybody has to know what our company is about. For those who work in the company, we feel that a good training, either inside or outside the company, is indispensable.» (A family member and present CEO)

«The environment is changing rapidly, and our business needs to be led by people who are well equipped to respond to these changes.» (A family member)

«A thorough training, both as a person and as a professional, is a must for anyone who wants to run a business like this.» (A non-family manager)

«We know that not all of the next generation will work in the company, but they will, nevertheless, all be shareholders. If they are to take responsible decisions, we believe they need to know something about the business.» (A non-family manager)

«My cousins and I will be running the company five or ten years from now. We're preparing ourselves to fulfil our responsibilities as well as we can. It's our duty towards our family, our workers, and ourselves.» (A young family member)

These extracts convey the attitude of the people we interviewed with regard to the importance of the training process. In general, training is considered an important prerequisite for those entering the business.

As far as the rules followed for those entering the business is concerned, the evidence is as follows:

Spirits: We have no rules. Not only are relatives welcome in the business, but also their wives and husbands. However, their role and position in the organization depends on their professional abilities. Being a family member does not necessarily imply being a manager.

Photo-Optics: Up until now, there have been no rules about entering the business. Anyone who wanted to join has been welcome. But we realise that the family is growing, and in the future the situation will have to change. We're working on this and we're preparing a Statement that will define what is required of family candidates. We're including a university degree, work experience in another company, and knowledge of foreign languages.

Jeweller's Wares: We have no rules. Everybody from the family is allowed to enter the business, but he must realise that it will mean hard work. In our company everybody has to make his way up from the ranks; everyone has to have experience of day-to-day problems before taking on managerial responsibilities. We consider this essential for all our managers, whether they're members of the family or not.

Dairy Produce: Up until now, we haven't had a definite policy. I'm an only child, and my own children are still in full-time education. But I am thinking about this problem. I divorced my first wife, then, a few years ago, I remarried. I have three children from my first wife and two from the second. There's a big age difference between them. The oldest is due to complete his degree in two years' time. He wants to come into the business, but I still don't know whether it's better for him to have outside experience or to enter directly. He's on the Board already, just so as to learn what the business is all about. The youngest is only three years old. In this situation

I know I have to lay down some rules, but at the moment I don't know exactly what to do. That's one of the reasons why I want to change the composition of the Board, so that they can advise me.

Wine and Food: The only rule we have is: enter only if you really want to, and then be prepared for hard work and a long period of training.

Frozen Food: I am the founder and I have one daughter, who is already working in the business, and one son, who is still studying. He wants to enter the business too, and I'm not going to oppose the idea. All I asked was that they do a degree and, possibly, an MBA. I think that's a minimum for anyone who wants to go into a complex business like ours.

As the above comments show, most of the companies in our sample do not have formalized rules for the entry of young family members into the business. However, it is interesting to note that in some cases they are considering establishing such rules.

In these cases, either the Board of Directors is involved in the process or, as in the case of Dairy Produce, the CEO feels that the boardroom is the right place to discuss these rules and is trying to form a Board that can make a useful contribution.

On the subject of training rules, the evidence was different. In most companies, either there are already rules, or else they are in the process of being established. Here, the Board is deeply involved in the decision process.

Spirits: We don't have a set training programme, but we do have a set procedure. When somebody from the family asks to enter the business, the Board of Directors assesses his or her skills and capabilities. We then assign either a Director or a Manager as his or her mentor. The mentor is responsible for designing the best training programme.

Photo-Optics: All our family members start working in the company while they're still at school –during their summer holidays. We want them to make a responsible decision as to whether or not they want to come in to the business. This rule was laid down by our Board of Directors a number of years ago, and we're very happy with it. For those who want to enter the business, once they've finished school, it's the Board that decides what their first job in the company is going to be –after a long process that includes discussions with the candidate, a close look at their curriculum, an assessment of their skills, etc. After one or two years of experience with the company, we send them to one of our big suppliers (e.g. Kodak Galileo, or others). We see this as an opportunity for them to improve their foreign languages, work in a different environment that is even more complex than ours, and acquire a better knowledge of the products we sell.

In the Frozen Food company, it was the Board that designed the training programme for the daughter who is already working in the business. The programme includes: an MBA in finance; two or three years' work experience in the Administration and Finance Area of the family business under the mentorship of the administrative manager; and then some experience with an international supplier abroad. The candidate is now completing her second in-house year and is about to go abroad for two years to complete her training.

In the Wine and Food company, we found virtually the same situation, i.e. the Board is currently designing a training programme for the first family member from the next generation, who is to join the business in a few months.

In the other two cases (Jeweller's Wares and Dairy Produce), there are no rules at present, but the President of the latter company says:

> «Right now, the Board is not involved in such matters. I have no confidence in my present Directors. But I realise that the Board should work on this subject, and I hope it will when it has been reformed.»

Despite general agreement on the importance of keeping the family informed about the business, we found no examples of this being done in practice, either by the Board or by anyone else.

The external Directors are the ones that seem most concerned about this lack:

> «You know, their wives are shareholders, but they don't know anything about the business. This could be a dangerous situation if one of the brothers were to die. I try to keep them informed, but they show no interest. They simply put their signature on official documents without knowing what it is they're signing.»

Another external Director:

> «Currently, we have no established practice to link the family with the business, but in the next generation, shares will be divided among a large number of people. We are talking about having meetings with these young people, so that they can find out about the business. We don't mind whether they work here in the future or not. Either way, they'll have some power over the future of the business, and we want them to be prepared to exercise this power in a responsible fashion.»

Even young family members who already work in the family business consider their knowledge of the company to be quite weak. They have a very good knowledge of their specific area of interest, but admit to having a poor overall understanding of the business.

> «This is a complex business. We all have a direct responsibility for a small portion of it, but we lack a general understanding. I'm in a different position because I've been on the Board for the last two years, but I think that we need to do more in this direction. Since it's not possible to put all of us on the Board at the same time, we need to establish a rota, but we also need to find a way to keep people informed about the overall situation.»

5. Conclusions

If it is true that «the Board's task is to place the company as best as it can within the boundaries of today, foresee where those boundaries may lie tomorrow, thus determining the position for which the comany should be aiming» (34), we strongly believe that working with the next generation will help the Board and the family business to fulfill that task.

The ability of young family members to manage the business or to exercise ownership in a responsible fashion in the future is one of the most important issues for family businesses that want to survive.

The Board of Directors, even if it is an Advisory Board, can make a substantial contribution by maintaining an independent viewpoint, reconciling different expectations, proposing training plans, helping to make good choices concerning «who will be where in the family business». Our survey, although it is not extensive, shows that some companies are working in this direction, and that they are quite pleased with the results they have obtained.□

(1) Mace, Myles L. (1971).
(2) Lorsch Jay W. with Elizabeth MacIver (1989).
(3) Demb Ada and F.-Friedrich Neubauer (1992).
(4) For more details, refer, among others, to Mace (1971), Mace (1976), Danco and Jonovic (1981), Henke (1985), Weidenbaum (1985), Baker (1987), Heidrick and Struggles (1989), Sahlman (1990), Johnson (1990), Crystal (1991), Fernandez Romero (1991), Demb and Neubauer (1992), Gallo (1993b) (1993c).
(5) Among others, see Mace (1976), Nash (1988), Lorsch (1989), Ward (1991), Demb and Neubauer (1992), Judge and Zeithaml (1992), Boeker and Goodstein (1993), Gallo (1993b) (1993c), Salmon (1993).
(6) Danco and Jonovic (1981), pp. 33 ff.; Robinson (1982); MacDonald (1986); Benson (1986); Nash, (1988); Ward (1988); Mueller (1988); Heidrick (1988); Whisler (1988); Jonovic (1989); Ford (1989); Benson (1990); Ward (1991); Gallo (1993b) (1993c).
(7) Ward and Handy (1988), Ward (1991), Schwartz and Barnes (1991).
(8) Mace, Myles L. (1971).
(9) Danco and Jonovic (1981).
(10) Robinson (1982), Hubler and Swartz (1984), MacDonald (1986), Benson (1986).
(11) On this topic, see also Gallo M. Angel (1993a), and Estapé Mª José (1993).
(12) Danco and Jonovic (1982), pp. 41-47.
(13) Ward (1991), page 48.
(14) For more detail concerning bibliography on this topic, please refer to the Family Business Review (Special Issue: Establishing and Managing Boards of Directors), Vol. I, No. 3, Fall 1988, and Vol. II, No.2, Summer 1989.
(15) See, among others, Danco and Jonovic (1982), Robinson (1982), Hubler and Swartz (1984), MacDonald (1986), Nash (1988), Heidrick (1988), Ward and Handy (1988), Ward (1989), Benson (1990), Ward (1991), Schwartz and Barnes (1991).
(16) See, among others, Benson (1986), Dyer (1986), Alderfer (1988), Jonovic (1989), Harris (1989).
(17) See, among others, Mueller (1988), Ward (1988), Ford (1989).
(18) See, among others, Alderfer (1988), Nash (1988), Whisler (1988), Jonovic (1989), Harris (1989).
(19) See, among others, Nash (1988).
(20) See, among others, Heidrick (1988), Jonovic (1989), Ward (1991).
(21) Schwartz and Barnes (1991), Ward (1991), Gallo (1993b) (1993c).
(22) Ward and Handy (1988), page 302.

(23) We do not deny that Directors can advise owners about the problems that bad family education could create for the future of the business, but we consider this as a very indirect influence.
(24) See, among others, Cambien (1960), Ward (1986), Barach (1984), Davies (1989), Benson (1990), Cohn (1990), Jaffe (1990), Piantoni (1990), Swogger (1991).
(25) We found an exception in Ward (1986, 1990).
(26) A New Compact for Owners and Directors. *Harvard Business Review*. July-August 1991: 141-143.
(27) For more details on this classification, see Gallo (1992).
(28) Gallo (1991), Estapé (1993).
(29) The expression «deep traps» has been coined by M.A. Gallo to refer to the specific risks facing family businesses, which lead to the failure of many such businesses, independently of other more generic factors such as economic crises, environmental changes, technological evolution, and so on. Gallo classifies these traps into four kinds:
– confusing the fact of being an owner with the ability to manage;
– confusing the economic flows of the family with those of the business;
– confusing family and business ties;
– unnecessarily delaying the succession.
(30) Ward (1991), pp.32 and 33.
(31) See, among others, Davis J. (1982); Cohn (1990), page 33ff.; Levinson (1990); Lansberg (1988 and 1993); Gallo (1993a); Ward (1993).
(32) Dyer (1986), Gallo (l992).
(33) Gallo (1993c)
(34) Demb and Neubauer (1992), page VII, foreword by Adnan Caldbury.

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