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The Advantages of Varied Work Experience for Your Company's Future

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The Advantages of Varied Work Experience for Your Company's Future

Abstract

Editor's Note: This is the first in a series about professional development opportunities for potential family business successors. Below, the author looks at the value of outside experience. The second will discuss the importance of onboarding. The final article will address individual development planning based on the potential successor's strengths, weaknesses, opportunities and threats.

Many NSRA members who have family firms have the pleasure of their children working in the business. There are many benefits related to learning the business from the inside out, including having the opportunity to work closely with family and together building the American dream of self-sustainability.

Disciplines

Business

Comments

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NextGen Career Paths:

The Advantages of Varied Work Experience for Your Company's Future

CAROL WITTMAYER, ED.D.

Editor's Note: This is the first in a series about professional development opportunities for potential family business successors. Below, the author looks at the value of outside experience. The second will discuss the importance of onboarding. The final article will address individual development planning based on the potential successor's strengths, weaknesses, opportunities and threats.

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Outside Work Experience

A recent Ernst & Young survey found that 30% of family firms require family members to work somewhere else before entering the family business. The typical requirement is two to five years. So when a business student recently asked me if he should get outside experience before returning to the family business, I paused before answering, thinking about this current trend and the fact that it has been increasing over the last several years. The student thought he was ready to go to work for his father, yet my faculty colleagues were suggesting he work elsewhere first. He was torn.

I told the student that to make sure I gave him good information, I would conduct a literature review and speak to

some family business expert colleagues before responding. Since there was no hard evidence that an outside work experience policy necessarily results in more successful family business transitions, three colleagues and I set out to investigate this question, specifically:



Carol Wittmeyer, Ed.D.

Does outside work experience help create a more successful transition during the succession process itself, and a more positive outcome after the successor has taken over?

We interviewed 12 family business owners/CEOs across the nation who were at least the third generation to work for the company; half had previous outside work experience and half worked exclusively in the family business. Two were females. For each company, we also interviewed another family member and a non-family executive who worked in the business for

many years with the owner's successor. We asked them about how they built credibility and confidence.

Study Results

As we expected, there are many benefits of outside experience. One of the surprising findings, however, was the definition of outside experience. While you might suspect this means that the Next Generation member put together a resume, circulated it, went on interviews and got a job on his/her own, that was not always the case; in fact, some survey participants went to work for family-friendly competitors, to learn the industry from someone their elder family member knew and trusted, and considered this to be "outside experience."

Benefits of Outside Experience

1. It does not really matter what the outside experience is – whether the experience is in the industry or completely unrelated to the industry, it can be beneficial for successors to be in a new non-family environment.
2. It builds confidence. As they gained experience in an environment where they had to prove themselves just as their peers did, potential successors gained internal credibility.
3. Exposure to how others operate teaches potential successors that there may be many ways to do things differently than the way they are done in their family firm.
4. Successors can learn new methods and possible innovations from their outside experience – which hopefully brings more "value" to the family business.

5. It fosters maturity and humility. Getting feedback from someone, just like any other employee would, helps successors gain both maturity and humility as they consider feedback that might not be flattering, nor ever be something their parents can see or share.

Does outside work experience help create a more successful transition during the succession process itself, and a more positive outcome after the successor has taken over?

6. It builds appreciation for the family business. Most participants said that outside business experiences helped them to have a deeper appreciation for what their families had created and what their own futures could be. They also observed that family firms tend to have a longer-term perspective than non-family firms.

7. It builds some legitimacy/credibility. A few years of experience at another firm allows successors to bring back accomplishments, which is highly regarded and respected by often-times older employees who have worked with potential successors since they were in high school.

8. It provides understanding of what onboarding is like for others. This is a key survey finding. It allows family firms to improve how they think about bringing family members into the business for full-time work. When successors are first onboarded at other firms, and watch their peers going through the process as well, they gain an understanding of how important the “initiation” into the business can be in terms of setting the stage for future success.

Before making decisions on whether to encourage outside experience, however, it is also necessary to weigh the benefits of “inside experience” – going directly to work for the family business, without experiencing work from another perspective. Here’s what we learned:

Benefits of Inside Experience

1. “Growing up” in/around the business. Those who worked only in the family business were perceived as “knowing everything” about the business. They were regarded as experts in the field by those working with them.

2. There is a plan for how to integrate into the

business – that is, success involved a specific plan of onboarding: **when** successors came on full-time, and **from whom** they would learn all aspects of the business.

3. The company created an internal position specifically for the incoming family member

to get the “the right exposure” or “the most exposure” with mentors. This was also a key finding. Global research shows an increasing trend that family businesses require any family member wanting to come into the business **to apply for a specific opening** – say, in the accounting department when the NextGen has an accounting degree. The idea is that family members have to do things the same way non-family applicants do. Given the nature of family firms, however, it may not be realistic that such a policy results in the desired outcome. In this study, successors went through a training program that helped them learn about all departments; they also were mentored by one or more hand-selected, highly regarded people who were invested in their success. (Mentors included family members, but most often were non-family mentors). When an internal position is created specifically for an incoming family member, there would not be a job description posted for the general public, because the goal is to train a family member to be a successful company leader – and that is not a path that may be available to non-family employees.

4. Starting at the bottom builds the most legitimacy/credibility/trust. When successors follow a given path from the bottom to the top of the organizational chart, they – and the others they work with, who were interviewed about them – indicate that they are respected by their co-workers/peers because of their deep knowledge of all company processes.

5. “Inside experience” is harder on family members than first-job experience is on other employees. “Work twice as hard and get half the credit” is a theme that came up often in our research.

6. It is a privilege to work in the family business. Those who came up through the ranks over decades know that it is not “a right” for them to take over the firm.

7. An individual should only come work for a family business if the individual wants to and has a passion for it. Designated successors talked a great deal about passion, strongly believing that the Next Generation should come into the business only if they have a passion for it; if their passions are elsewhere, they should follow them elsewhere.

8. Inside experience should/must be a good “fit” for the individual family member and his/her goals. Again, going back to the concept of individualized onboarding, successors should have progressive business paths that are tailored for their success.

Research Conclusion

Our research found that outside experience is not necessary for successfully transitioning business leadership. However, outside experience can be an accelerator for the transition process. What is most important is **the onboarding experience** when successors come into the business full-time, launching their desired career.

What Does Your Onboarding Look Like?

In thinking about a path for successors, one policy does not always work for all possible successors, or for each incoming generation. Assessing where individuals are now – their skill sets, experiences, education and aspirations – is critically important to creating a plan that helps them develop their capabilities.

In upcoming articles, we’ll look at how to create an individual plan that builds on competencies and includes progress assessments and successor accountability action items. ■

Carol Wittmeyer is a faculty member with Chicago’s Loyola University Family Business Center, a founding faculty member of NSRA’s NextGen initiative, and an emerita professor of management at St. Bonaventure University.