The Ladder -- Oedipus Complex: How to Get Help For a Family Business

By Cotten Timberlake
27 February 2001
The Wall Street Journal Europe

PARIS -- Perhaps you felt a twinge of envy when you read the recent news that Francois-Henri Pinault, 38, was anointed heir apparent at the French retailing and luxury-goods empire his 64-year-old father Francois built, Pinault-Printemps-Redoute.
Twinge not.

We hope things are going swimmingly for the younger Mr. Pinault, who was elevated to joint managing director of the Pinaults' parent holding company, Artemis, in January, and who declined to be interviewed for this article.
But contrary to the popular myth that sons, and yes, daughters, get all the breaks in family businesses, being a member of the so-called next generation can be a total nightmare.

In the worst-case scenarios -- of course, not all cases turn out badly -- such children are tormented by oppression, frustration, embarrassment, and low self-worth. How would you like it if your father treated you like a dolt on the job?
"It is the basis for a lot of human dramas," says Joachim Schwass, professor of family business at the Institute for Management Development in Lausanne, Switzerland.
To help families join the ranks of the successfully cross-generational Puig, Hermes and Lego families -- rather than those of the self-destructed Gucci and Maxwell clans -- a whole industry has cropped up in Europe in recent years. These experts provide advice on, for example, what to do when family members aren't performing (oust them) and at what age Dad should leave management (60).

It's a pertinent topic in Europe, where family-owned and -controlled businesses traditionally have prided themselves on enduring for generations. (In the U.S., an entrepreneur might sell the business halfway through his career and happily go off and do something else.) It also affects a lot of people: Family businesses employ 45 million workers in Europe, and account for well over 45% of gross national product and jobs in the western world, according to Mr. Schwass.

But less than 20% of family businesses make it from the first to the second generation, and less than 10% make it to the third, he says. (Only 70 of the enterprises listed in the 1955 Fortune 500 exist in the same form today, says Randel Carlock, who teaches a family business course at Insead in Fontainebleau, France.)

The surprising thing is how long it has taken European family businesses to seek help, given how huge the stakes are on this side of the Atlantic. Family business advice has thrived in the U.S. for more than a decade. Experts attribute the lag to families overestimating their abilities to cope, being bound by tradition and desiring privacy.

You might shy from prying eyes if you found yourself in this worst-case scenario compiled from experts' anecdotes:

Imagine you always wanted to be an architect, but Dad threatens to disinherit you if you don't join the family business, says Stuart Makings, a partner at PricewaterhouseCoopers, which operates a family business consultancy from Leicester, England. So you buckle. But then Dad, a control freak, treats you like you're hopeless, and constantly reminds you how much harder it was for him starting out. When you remodel your office, he makes you change it back, Mr. Carlock says.

The pits, adds Mr. Carlock, is to have a job you don't deserve. "It's got to be frustrating . . . You know everybody behind your back is saying the same thing, that if your grandfather hadn't launched the company, you wouldn't be there."

But nobody in the company dares criticize you, so you're not developing. You don't enjoy the satisfaction of a job well done, Mr. Makings says. You're always being compared to Dad, and not measuring up, adds Mr. Schwass.

Dad refuses to retire until well into his 80s; he still comes into the office regularly. This is especially problematic with founding CEOs.

When Dad dies, your brother-in-law opposes your taking over, and trips you up at every turn, Mr. Makings says.

Why would anybody ever want to do it?

Well, imagine the best-case scenario: You love your job, you do it well and you own your business. You want to make it bigger and better and pass it on to the next generation, Mr. Carlock says. "From the standpoint of career rewards, it's probably one of the most meaningful things you can do," he says.

The experts offer some basic guidelines: Create a family council. It should include every member of the family, have committees to separate the issues, and gather for a formal meeting more than once a year. This council should plan ahead as well as write a rulebook to establish, for example, procedures for ousting an underperforming member of the family, similar to those used at public companies.

Document wsje000020010713dx2r003ea