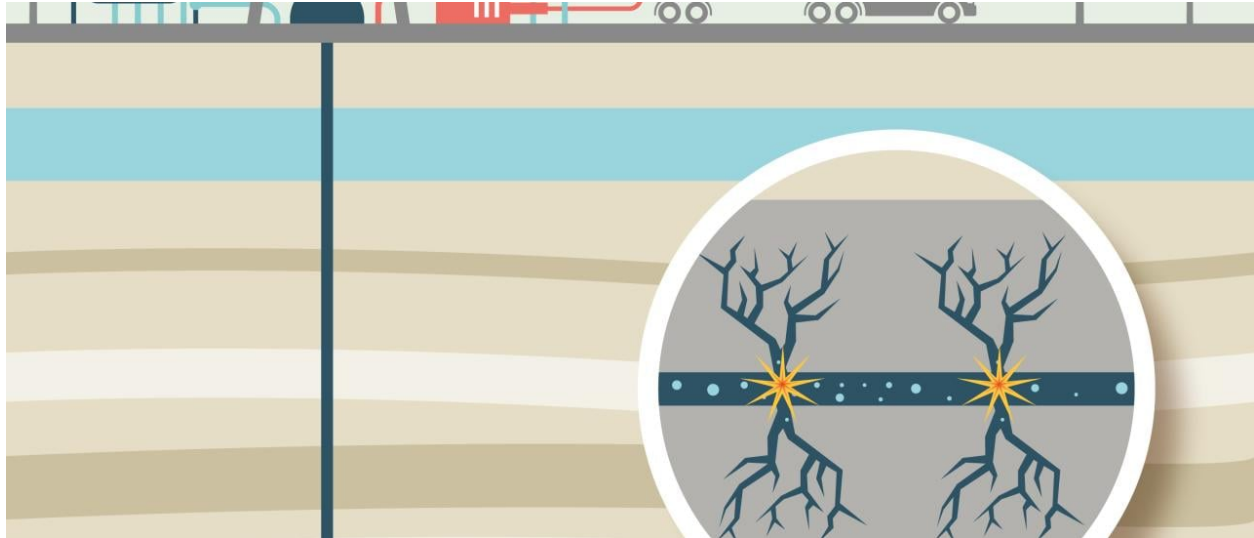

How to Integrate In-Laws into the Family Business



By **Randel Carlock** , the Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership at INSEAD

How a family business manages its in-laws should be decided by its values.

There is no template for succession planning in family businesses. How a family business owner hands over the reins to their child or children and how successful the transfer is depends on years of planning.

But even those who plan ahead and have “the conversation” with their children about running the enterprise can face challenges. Today more than ever, children of family owners want to spread their wings, some to escape the clutches of the family empire, others simply to gain “real world” experience before they eventually return to the family business. But this leaves questions open as to how long they want to be gone, when they plan to come back and what happens if the owner dies or becomes incapacitated before the transfer has taken place. How these families handle this transition can mean the difference between a family business that lasts generations and one that doesn’t.

At the [FT Family Business Forum Asia](#) held at INSEAD in August, I sat down with two couples who had both received what I refer to as “the call”; that late-night phone call from a parent founder who asks, “Can you come and join me now?” An important aspect of “the call” is not only how it affects the child of the family business but also their spouses who may need to go with them. Both stories reveal interesting insights into how their very successful family businesses handled the succession challenge and the role their spouses played.

It’s time to go home

The couples I spoke to came from two totally different family businesses. Pearl Yu, the daughter of the founders of Keystone Cable, a Singapore-based power cable manufacturer, got the call when she was living with her husband Derek Zhu in Shanghai. Pearl and Derek were both on career rotations with major multinational companies. They had been living apart in different countries while on rotation but the latest one brought them together in Shanghai. After only a short time, Pearl’s father asked her to come home.

Timothy Cosulich is the sixth generation working in his family business, Fratelli Cosulich Group, which specialises in shipping services. He and his wife Alexandra Commelin also got a call after they’d finally lined up their careers to be living in the same country. Alexandra moved to Italy, Tim’s home country, from France, and he came back from Hong Kong to be with her, only to get the call and end up in the family business in Singapore a few months later.

Both families had vastly different attitudes towards spouses. Pearl’s family was aware of the fact that to come back home, Pearl and Derek had to give up their corporate careers and Derek would have to change jobs and even industries if he moved to Singapore. So the family decided to bring him into the fold. “Pearl was the main recruiter,” Derek said. “Obviously I had a little hesitation. But I think when the parents gave their full support, I said ‘Okay, maybe that is a go.’”

For Timothy’s family, however, it was a different story. “In our family we have a rule: No in-laws allowed in the business. We know that with that rule we potentially give up some talent, but there is always conflict of interest in a family business. By having in-laws involved, you increase the complexity.” Alexandra accepts this and pursues her own career.

Give them options

Both families are, however, similar in some respects. They base their policies on their values and they provide their children options before and when joining the family business. Pearl's family made sure she had the flexibility of working outside the family business and pursuing her MBA before coming back. She worked for the Singapore Economic Development Board and Roche before joining the family firm, which gave her experience and perspective.

In Tim's case, while the family had strict rules about in-laws as well as no parental involvement in the hiring process of their children (Tim negotiated his position with his uncles, for instance), he was allowed a seat on the board at his request. "I did not want to be on the board to take decisions, I wanted to be on the board to see and learn how they were taking decisions. Because particularly two of my uncles are quite old, and I knew that I did not have all of my life to learn from them," he said. It was also agreed that Tim would delay joining the firm by one year because he was in the middle of a major project at The Maersk Group and was gaining valuable experience.

Having the discussion

There is also lots of groundwork to do before making "the call". Convincing a son or daughter to join a family business involves more than just one conversation. "It is a process that doesn't end," said Pearl. "Our kids are twins and they are about a year-and-a-half now but we have already been bringing them to company events, so it starts young. I felt very fortunate that my parents never really pressured me to come back right after school. I had the opportunity to go out there and do what I wanted to. So I think that is something that I am definitely going to give my kids, too – give them that opportunity to decide."

Flexibility is also necessary in other ways. Many children, especially of wealthy family business owners, spread their wings overseas with business school educations and corporate career paths. Giving that up is a big ask. They have to drop the prestige of working for a major multinational corporation and come back to Mum and Dad's fairly unknown business. This can mean less appealing titles or salaries, or even a lack of familiar structure.

“The discussions were with my three uncles, and they were very friendly, but definitely not easy. Number one, the role and the career plan. Coming from a consulting background, and having three years in a very large multinational like Maersk, I liked everything to be on a PowerPoint presentation and with a clear structure and knowing exactly what I am going to do in future, and that was definitely not the case in my family business. So I did not even know what my role was going to be, who I was going to report to,” said Tim. “My advice for family businesses would be to focus on how to create a meritocratic structure and culture within it,” he added.

Despite two completely different cases, the similarity between the two is that their families’ respective values helped to define how they would be brought into the business and what how much spousal involvement was wanted. Bringing their children into the business, however, also had a major impact on their spouses, both of whom had to adapt in their own way. For Alexandra and Tim, they focus on their respective careers separately. Alexandra cites the advice of one of Tim’s aunts, “‘Marriage should be like two cypress trees, living side by side but not in the shadow of each other.’ I think so far for us it is working pretty well.” For Derek, he had to take time to build a relationship with his in-laws even though he was welcomed. “Joining a family business is a long-term endeavour and everything is a process, it takes time. It takes time to establish the relationship with the people in the company, and more importantly it takes time to establish the trust. I think that is the most important. So have the patience to understand that things will work out if you have the right attitude and you have the right support,” he said.

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