

Starting an independent business: How to build on your family’s entrepreneurial legacy in your own way

When a parent or grandparent is a serial entrepreneur or the owner of a long-established family business, you have business in your blood. Growing up in that kind of atmosphere often rubs off on younger generations. You may decide to emulate your parent or grandparent by starting your own business instead of joining the family enterprise.

“It can be an advantage coming from a family of entrepreneurs,” says Jim Linnett, a managing director of client advisory for Ascent Private Capital Management of U.S. Bank. “You can tap into that knowledge base and leverage what the previous generations learned.”

Getting help while staying true to your own ideas requires balance, however. Here are four steps to launching your own independent business venture and continuing your family’s entrepreneurial legacy.

1. Learn from your family business elders and others

Asking for advice is a great first step for younger generations. Much of the family business know-how held by the previous generation will be transferable to other companies and



sectors. However, simply asking for help may not always be the best path. A business leader in the family may be more amenable to a mentor relationship.

“I’ve found that if you just ask people for things, they’re not as quick to give them to you, but if you ask people for advice, oftentimes they do give you help,” Linnett says. “Spell out that you want to do something a little different, but that you would love to learn from what they’ve experienced along the path of building a successful family business.”

Another way to gain independent business insights is by working for someone else, says Justin Stone, a managing director of client advisory for Ascent.

“One of the hallmarks of successful families that bring the rising generation into the business is to require that they go work somewhere else for five years,” he says. “That way, they gain outside work experience and develop the intestinal fortitude of what it’s like to be accountable to someone else. When they’re initially getting trained and maturing, it eliminates the complications that can come by reporting to a family member.”

The lessons you can learn at an external business can be valuable for your own enterprise, because the viability of your independent business will come down to your skills and experience.

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2. Build a professional network

While gaining advice from family business members can be indispensable, it's also important that new entrepreneurs get external business input and mentorship, too. Having a team of advisors act as your sounding board will improve your independent business plan and the overall process of launching the venture, boosting its chance of success.

"Getting outside input can help the rising generation get advice and guidance they may not get within the family," Stone says. "It can be one of the most critical success factors, because people who are not emotionally attached to the idea or the person can provide more impartial feedback—an absolute critique of the idea, both in concept and execution."

In addition to business mentors, upcoming entrepreneurs need to assemble a team of paid professional advisors that have the skill sets needed to run a business. These could include tax advisors, attorneys, accountants, CPAs and a wealth management advisor.

3. Ask for financial support

Another way to leverage your family business history is through access to private funding. The senior generation can support the next generation's entrepreneurial

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activities in a few different ways. They could finance the venture, provide a direct loan or guarantee a loan.

"The way this often works is that the children present the business plan to the parents, and the parents fund the business just as a private equity or private investor would," says Kelly Thomson, a regional managing director for Ascent. "It's not just handing the money over. It's having them do the work with a well-thought out plan."

4. Set realistic independent business expectations

While members of the rising generation often have more business acumen early on because they were raised in an entrepreneurial family business, it's important to not compare your success with that of a senior generation.

"The adage of the apple not falling far from the tree doesn't apply to the sheer size and scope of success that we see happen with our clients,"

Stone says. "You're talking about the top 0.01 percent—it's a fraction of a fraction of a fraction—and that's not always duplicated. It's such a rare combination of skills and should never be expected of anyone in the next generation to be able to execute in the same way."

Up-and-coming entrepreneurs should remember that there's an element of timing and luck with success in business. If a venture doesn't work out, it's not necessarily a reflection of you and your abilities.

"It can put a lot of pressure on that next generation to feel like they have to live up to the previous generation's success," Linnett says. "The reality is if your dad is Michael Jordan, it doesn't mean you're going to be an NBA All-Star, too. Don't put that kind of pressure on yourself."

Members of the senior generation of a family enterprise often hope that the next generation will follow in their footsteps, but continuing their legacy isn't confined to leading



the family business. Seeing their entrepreneurial spirit carried on and applied to new ideas and ventures is rewarding, too. By leveraging your family's wisdom and staying true to your own independent business ideas, you can add a new chapter to the family legacy.

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