FINLAND RELOCATION

Generational Handover in the Relocation Industry

MIM+ Fellowship Case Study

Abstract

The global mobility industry has been undergoing a generational shift for the past five to ten years with new generations of industry professionals taking responsibility for founder managed companies. In this case study, I will explore the themes of succession and some of the unique aspects of it as they pertain to the relocation and global mobility industry.

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Contents

Introduction

Finland Relocation Services (FRS), founded in 1994, is amongst the first professional global mobility, relocation, and immigration service provider in the Nordics and the first in Finland. The company's founder, Marjo Lautjärvi, launched the company based on her personal experience relocating with her family to Denmark and returning to Finland.

In the early '90's, Finland was westernizing, joining the European Union, and looking to the open markets to find international talent. Marjo established the company when she recognized a need. Companies needed an easier way to integrate international talent in Finland.

My experiences with FRS begun as a child, accompanying Marjo on my first assignee meeting when I was only five years old. Talk of the company and business was often a dinner table subject, and although my understanding of the industry developed later, I had the pleasure of befriending the same-age children of our assignees. This, I believe, gave me a concrete foundation to build an understanding of the business, namely what we did, as well as the experiences and needs of international talent. As I grew older and matured, I begun to comprehend more the value of mobility services from a business perspective, which allowed me to take on a more commercial role in the company in marketing and sales roles.

As the Chief Commercial Officer for FRS my responsibilities include the day-to-day sales and commercial operations as well as extending to public representation in the media, marketing initiatives, EuRA Global Quality Seal matters and also managing our international partner networks and other key local stakeholder groups. Additionally, IT related matters have often been allocated to me, both in my current and past positions.

Finland Relocation Services originally had a loose organization. The founder and employees were involved with every aspect of global mobility, from immigration to destination services. This gave us a strong foundation with the founders and employees sharing a tremendous body of knowledge, the legacy of which continues today.

Due to the rise of international mobility, FRS has grown. We have 3 operational teams overseen by the management team. The current organization makes it is possible to onboard new employees faster, manage workloads better, and make the organization more robust. There is less reliance on a single individual. This last one has proven to be valuable in generational handover of the company's operations from the founders to the new management.

FRS has undergone a generational handover in the past year. Our approach was planned after trying other ways to lead the company. For example, the management team hired a CEO from another industry to run FRS. This proved to be an unworkable solution. It ultimately lead to a sale of the majority of FRS shares to the Finnish work-life group Barona in a mutually beneficial match. The Lautjärvi family remains as minority shareholders and I moved on to head the commercial activities as CCO. Our new CEO come from within Barona.

This case study will first explore the reasons why I found it a worthwhile addition to our industry's body of knowledge, followed by a literature review to build the theoretical framework to analyze the theory and practices of generational transition in primarily family owned businesses. I will also explore some of the strategies businesses may employ to overcome threats and seize opportunities inherent in such situations. Finally, I will take a look at how these were present and utilized and as basis for our decisions at FRS when we prepared for, planned, and ultimately executed our own generational handover.

Purpose of case study

The purpose of this study is to examine the generational shift occurring in the relocation/global mobility industry. More specifically it will look at:

1. how the next generation of owners and managers are continuing the legacy of the founders and
2. taking the industry in a new modern direction.

My goal is to provide useful tools and findings to owner/founder-managed companies considering leaving the role of CEO and passing the position of general manager/CEO to a someone new.

There are two primary pathways:

1. intra-family succession or
2. company sale, either a complete or partial sale, to external shareholders.

FRS has experience from several perspectives, including external hired CEOs to limited success. The financial considerations of family-owned business successions in Finland are also sub-optimal. Thus, partnering with a known entity that could support us and our people and for whom we could provide great value for in return was deemed the best option. As different companies, families, countries and tax codes vary greatly, these considerations will be kept outside the scope of this study, but need to be considered by any business that is looking to undergo a generational handover. Financial analysis for the optimal outcome for the owners should be of paramount importance to the family members. For a similar reason, it can also be considered beneficial to entertain an offer of acquisition, as this will force you to look at your business through a new perspective. This allows you to more clearly understand what is of value and what is not, and what your strengths are versus your weaknesses.

One of the common threads of founder-managed relocation service providers seems to be the personal experience of the founder as an expat. A personal connection to the work and experience with international professional mobility in an age where relocation services were not as readily available nor as professionally mature as they are today. The majority of national relocation companies started in the 1980s and to this date are not very large with most having fewer than ten employees (Geneva Business News, 2010).

In order to gain a broader perspective, several interviews were conducted with relocation companies that have undergone a generational handover process or are in the process of doing so. These represented destination service providers from several different countries with approximately 30-40 years in the business who are members of the European Relocation Association (EuRA) to ensure that professional organizations and approaches are highlighted. The information gained through these interviews was representative of successful transitions as each has begun or undergone the transition several years before, thus giving ample time for issues to have arisen. However, the selection does not account for lessons that could be gained from interviewing or examining failed or problematic transitions. Finding willing interviewees to share their experiences in failed transitions would likely prove enlightening and add to the findings, but identifying situations where the failure is caused by a mismanaged generational handover as opposed to other factors may be challenging. Furthermore, people may not be as willing to share their failures as they are their successes, thus finding a representative sample might also prove a challenge to overcome. Therefore, these negative experiences are not present in this case study, however may likely prove valuable for future research into the subject.

Theoretical frameworks

A generational shift will bring about the transformation of the business model on the premises of changed organization ownership, processes, systems, and culture. Even in the relocation industry where generational handover often occurs from the founder (parent) to the next generation (child) who has been in the industry for a long time, the unique personality and interests of the new owner/manager will have an impact on the established ways of doing things. Family-owned businesses make up approximately 80-98% of all businesses globally (Miller, 2014). Out of this, only close to 30% survive from the first generation of family-owned to the second generation, an estimated 12% survive to the third generation, and an estimated 4% survive to the fourth generation (Miller, 2014). Wessels (2022) cites that only less than a third of family-owned businesses make it to the first-generation transition from the founding fathers, and approximately 10% survive beyond the first generation (Wessels, 2022).

One key factor that hinders the generational shift is the ownership structure that acts as a stumbling block in business governance. The second factor outlined is a lack of a transparent governance model that reveals the family relationships within the business context, particularly if the founder finds it difficult to distance themselves from the business. Thirdly, though not found in the interviews conducted, is inadequate support and a lack of shared vision among the managers and senior family members to critically guide the business's short- and long-term goals (Lorenzo-Gómez, 2020). Fourthly, family roles in the business are unclear on areas of responsibility and their expertise and knowledge in that field. And lastly, a lack of proper implementation plan for the generational shift.

A key challenge in the generational shift is transforming the company family culture (Miller, 2014). Notably, a private SME company is typically characterized by ownership by a single owner, the founder. Generational shift may seek to transform ownership into a family company with shareholders, and the management changes from the sole owner to have an organization with different leaders with divergent ambitions. This shifts the company's focus from the personal assets of the business to the value the company is bringing to its internal and external stakeholders. Thus, in general, the culture shifts from the traditional culture, that is a culture primarily established by, influenced and focused around the personality, values, and vision of the founder, to an evolved and modern culture with a multiplicity and diversity of views. This difference will be highlighted if there are significant differences in the experiences or for example education of the founder and the new management, as theories of corporate culture, business communication, and expectations of younger generations tend to also evolve as time passes and academic understanding as well as working practices and familiar tools change. This in turn in part shapes each generation's views and practices, leading to an ever-evolving workplace. Therefore, what can be considered modern today, will become traditional in the future, to be again reshaped by a new generation.

Thus in cases where no new external shareholders are brought in, as is the case in several of the interviewed companies, the focus of the company may still shift as the next generation of owners and managers, even from within the family, may have their own interests and vision for the future.

Barriers to Transition

Notably, family businesses have been said to face unique challenges, precisely when it comes to succession. Failure in a generational shift can be attributed to a lack of a clear succession plan. A PWC 2016 report on Global Family Business focusing on Canadian family-owned businesses cited that most companies lack a clear and articulated action plan for daily operations and long-term vision (ALL Strategy, 2021). The study further asserts that succession plans in family-owned businesses merely exist or exist informally. To further support the lack of a proper succession plan in place, a report by Deloitte Family Business in 2014 sought to study 120 family-owned businesses of Canadian origin. The survey unraveled that approximately half of the businesses surveyed had informal succession plans. Additionally, nearly 33% had no succession plan in place, while only around 13% of the companies surveyed formally had a designated CEO successor (ALL Strategy, 2021). This was supported by the interviews conducted, where all succession plans were either fully or mostly informal. Moreover, the survival rate of family-owned companies has greatly been based on the founder's legacy (Ahn, 2018). This indicates that in the event of untimely death or incapacitation of the founder, 80% of family-owned businesses are not adequately prepared for the transition and generational shift. An aspect that significantly impacts the longevity of the family-owned business to preceding generations. Thus, in a successful family-owned enterprise, the role of the founder and impact is felt long after their departure.

The Transition Influencers

The traditional family-owned relocation business is typically owned and run by the founder and owner for many years and even decades, meaning decisions are and have been in the hands of one critical single person. As the transition occurs from the founder to another generation, structures and processes change. This could be due to the silent knowledge and personal relationships being distanced from the day-to-day operations even if ownership remains in the family, or due to more decision makers coming on board as ownership shifts from a single owner to shareholders. The positive and negative outcomes depend on having the right people on board, requiring buy-in from both internal and external stakeholders. Therefore, this requires the family members and management to demonstrate professionalism to guarantee the sustainability and profitability of the business (Moreno-Gené & Gallizo, 2021). The below questions determine whether the generational shift is successful:

- Do upcoming generations share in the founders' vision, values, goals, and passion?
    - The generations that take over leadership of a family-owned business to ensure continuity must share in the founder's vision and goals and possess the passion and zeal to lead the entity in the desired direction. If the leaders go contrary to the founder's vision and goals, conflict may emerge, change of direction and the likelihood of failure is imminent (Ahn, 2018). This applies for companies that are successful at the time the generational shift, naturally the opposite applies for companies that are struggling and need to be revitalized.
- Is a clear succession plan in place to guide the transition from one generation to the next?
    - A clearly articulated succession plan ensures the right person takes the leadership mandate, spearheading the business to the next level. A lack of a succession plan provides grey areas where in the event the founder has left, and there is a person on standby to take up leadership, preventing a stalemate.

Strategies for Next generation of Owners and Managers Continue the Legacy of the Founders

The generational shift in a business environment is not a one-day event, and the interviewees emphasized that the success to their handovers were due to slow and well managed process. The predecessor and successor have to develop a relationship and meaningful reciprocal interaction (Kaunda & Nkhoma, 2013). This relationship will help the predecessor successfully transfer leadership values and managerial skills to the successor (Kaunda & Nkhoma, 2013) which was supported in the interviews conducted. Thus, the predecessor has to plan the transfer in advance to secure the legacy of the business and reduce potential conflicts regarding values and creative differences. This was largely perceived to have been well conducted by the successor generation interviewed. In the relocation industry many founders have established their companies based on personal experience. A successor should thus be encouraged to seek similar international experiences in order to build a shared understanding of the industry. In addition, business knowledge is also required to manage and lead a company, therefore the development of management and other business skills should be encouraged. These were judged to have been adequately done by the interviewees.

Essentially, generational shift presents unique problems, such as differences in generational views, based on the family setup of the business. Additionally, the business faces competition from emerging businesses. In order to overcome these problems, the new generation has to employ many innovative strategies and technology to overcome market challenges and competition (Moreno-Gené & Gallizo, 2021). Thus, for the founders' legacy to continue into the next generation, there is a need to have a proactive path of a generational shift. In this case, the generational shift needs to be prepared and anticipated early enough if proper succession is to occur. The different generations' priorities must align to ensure the transition is a success (Esposito & Mirone, 2019). Therefore, the successful continuation of the founder's legacy calls for an agreement outlining what family members are responsible for what activities. The roles of leadership and unique traits held by the family members must justify the positions they will have. At its core, a generational shift is a change process (Esposito & Mirone, 2019). Like any other form of change, it needs to be undertaken through a typical change management process. The shift encompasses change in operations, design, injection of new resources, skills, expertise, a culture change, and incorporation of a continuous improvement process, all of which need to be taken through the change management process.

Common Problems and Opportunities in Generational Shift

The generational shift brings both a host of opportunities and problems on the one hand. A significant opportunity in the business comes with a culture change—the transformation from the old culture to a new modernized one, incorporating technology and digitization as well as a contemporary mindset based on education and generational experiences and values. The new generation has to employ innovative ideas and new technologies to overcome stiff competition in the market (Moreno-Gené & Gallizo, 2021). Family-owned companies that have embraced technology have had the opportunity to transform their businesses by implementing better systems that improve work processes. It is also important to note the role of the founder's legacy. A positive legacy translates to a loyal customer base hence the generation that takes over has an easy way of enlarging the customer base. Most businesses thrive on the goodwill of the founders long after they are gone. Furthermore, family-owned businesses with a considerable capital base have higher survival rate opportunities. The opportunities notwithstanding, the flip side of the coin presents the problems encountered by the family-owned business during the generational shift. Change of leadership essentially from one generation to another is a significant challenge, especially when new leadership does not echo the founder's values, vision, and goals; friction is bound to exist. A lack of cohesion between one generation and the other may bring clashing goals and conflict, which may affect the business negatively. It is also important for the successor to be introduced to clients and partners well ahead of the final handover and to be enabled to form their own relationships with them in order to not only carry on the legacy of the founder, but add to it. In an industry as strongly built on trust and relationships as the global mobility industry is, this is vital.

Analysis of the Theory and Future Implications

From this analysis, we can see that although the generational shift has been studied in general, an industry-level study can be conducted to explore further generational shifts in the relocation industry, as these are likely to occur in the DSP field in the coming years and not necessarily only family-owned businesses. More data linking the threat posed by lack of a shared vision between one generation and another, lack of succession plan, and founder's legacy will be required to fill in existing gaps. Additionally, the experiences in the following years of businesses in the industry that have gone through this process need to be analyzed. Information gathered from further research will guide generational business shifts and facilitate a smooth transition, adding to the overall success and health of the industry as a whole. The aspect of passing on the baton from one generation to another notwithstanding, a generational shift can be viewed from the lens of the phase of one generation at the workplace to another. From a broader perspective, generational shift research needs to focus on studying the shift through the lens of the generations in the workforce today. In this regard, the generational shift cannot be minimized to focus on the founder-first generation narrative, but a more comprehensive perspective must be explored to address the issue of generational shift fully.

Application of Theory to FRS Business Practice

Many of the above explored factors, such as the need to invest in technology, familiarity of the successor to clients, and especially cohesion of values and goals, have been present or at least considered at FRS when we undertook the project. We had a few false starts, external CEOs who's values and drive did not match the founding family for example, but once the decision had been made for the best path in our situation, which may be challenging to apply to other companies. This mainly due to factors such as different tax systems, the process was relatively straight forward. The first goal was to identify the potential partners in the market by mapping companies with converging interests or complimentary service offerings, as well as the healthy finances to conduct the acquisition. The next step was to narrow that selection based on criteria we held important. Compatible values, a drive to grow and make a positive impact, care towards employees, and financial capability as well as the ability to support FRS and to have a portfolio for us to fit in, were some of the key factors we looked for and considered carefully.

Part of the generational handover was the understanding that the first generation were to step back and move on to new things. This was successfully done, and many of the challenges related to founders lingering in the background, such as confusion of authority and perception of trust in the new leadership, were successfully managed through a six-month handover period. They mentored and prepared the new management, myself and our upcoming CEO, to take over more responsibilities and move the business forward. This also allowed for the company culture to be introduced to our new incoming staff and other stakeholders on the parent company side through a healthy dialogue and briefings on industry and market events, staff introductions, historical relationships with partners and among other matters.

As my role prior to the generational handover was already strongly in the sales and commercial side, the everyday changes were a matter of scale, rather than scope. However, there certainly were new areas of responsibility as well, particularly in the strategic management of the business. The first among them occurred before the sale itself, as the negotiations and background work relating to it were certainly entirely new experiences for me, and therefore very enlightening. I feel like I was able to bring in the perspective of the next generation, fortunate to have it tempered by the founders' life and business experience. It worked well as a balance, and perhaps due to the family business having always been a major part of my life, both personal and professional, the required relationship described by Kaunda & Nkhoma (2013) had been formed years prior to this event. This perhaps more than anything allowed us to work so well together in an otherwise stressful situation and bring about a true success story in business continuity.

That's not to say there haven't been challenges to overcome. The company culture at FRS was and remains very strong and has been influenced by the founder's personality and drive, as well as the personal and professional experiences of our staff, many of whom have been with us for seven, twelve, even sixteen years. In such an environment, new leadership needs to adapt as well, especially when the leadership comes from the outside. It's a truism that culture eats strategy for breakfast, and there may be some wisdom in that. The six-month transition period certainly helped to introduce the new management and some new concepts to the staff, but it wasn't until this year after the transition period, that an amalgam of FRS and Barona cultures truly began to emerge in a constructive manner. It has been a part of my role to facilitate this, as is often the case when old and new ways do not perfectly align, there have been some minor conflict that has required resolution when priorities clash, for example.

In this area, my practice and priorities in my role have also changed rapidly in the past year and a half. Financial interests aside, the amount of work done by founders and the drive and zeal they usually put into their works is truly seen and appreciated only after that input is gone. Therefore, one key finding and learning that I have taken from this is the need for prioritization of tasks, I live and die by the Eisenhower principle now by dividing tasks into four categories based on whether they are urgent or not urgent and important or not important and acting accordingly (MindTools), and proper staff resourcing. Many of the tasks that are the most enjoyable or the most emotionally draining can be conducted around a dinner table on a Sunday in a family-owned business, whereas this is not possible or is challenging to arrange in a more corporate environment, which tends to cause scheduling challenges as well as taking up time from other important tasks during the day. Additionally, although the cooperation and spirit between the new management is excellent, it takes time for the professional relationship to mature to comparable levels as it was before between working family members. This also matches the research, both with internal and external stakeholders. However, I feel that having been a part of the company for as long as I have, officially in various terms since 2005 and unofficially since I was five, and having long standing relations with our partners as well has made it significantly easier for the company to continue the founders' legacy and, indeed, to add to it.

Conclusion

As the subject of the case study is increasingly timely in our industry, understanding the theory of founder succession and generational shift is important. There are numerous examples of it being conducted poorly, but also some notable success stories, of which I am proud to consider being a part of one. For the most part, I concur with the findings and the theory and I find the single most important challenge to overcome being the need to match the drive, goals, and values between the founder and the successor. It is going to be challenging to find perfect cohesion, but as close a match as possible will both support the business and assure the employees that the transition will be harmonious.

That being said, theory is only a model of reality and with many factors playing into each situation, they should be studied with a critical perspective and factors that are not applicable in one's own surroundings should be discarded if necessary, rather than taken as granted or universal.

It is possible to have levels of success and studying the most successful cases in literature may yield more information on succession planning and generational handover, even full divestment, than others. This is by no means the only consideration however, nor should it be, as companies and founders can be considered to carry a responsibility, a legacy, towards other stakeholder groups as well, such as employees, partners, and clients. By considering these all and balancing them responsibly, it is possible to provide the overall optimal outcome with long-term financial benefits for the founding family as well.

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