

# Family Business

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## How to avoid entitlement

Don't let entitlement fill the void where a work ethic and entrepreneurialism should reside

**T**he business has been successful and you're building financial security for the family, creating a family legacy, and hoping your kids start to become a part of the family's climb to even greater success.

How do we keep the next generation of a business family from being entitled? Unfortunately, we've seen too many examples of William Vanderbilt's statement, "Inherited wealth has been a real handicap to happiness."

Avoiding entitlement is an ongoing topic. Here are some thoughts:

1) **Help your kids develop a work ethic.** How do you do this? It comes from making them work. At Transitions Spring, one of the final panels included two incredibly impressive NextGen members of family businesses. We loved their enthusiasm for each of their businesses and their hope and aspirations for continuing to grow those businesses. What struck us was that one of them started working in the business at the age of 12 (it was a ranch business, so everyone works) and the other started working in his family business at age 15.

On a smaller scale, each of my kids had to start caring for the lawn when they were 10 years old. We lived in an upper-middle-class suburban town, and none of their friends were doing that (very few were doing the lawn even when they were 15 or 16). This was one step in developing a work ethic that has served them well as adults.

2) **In order for the next generation to gain such a work ethic, they must first see it modeled in the older generations.** Years ago, we were designing a family office for a family whose business was wildly successful. We learned that several of the second-generation family members had collected large paychecks for decades without really working. The third-generation members, in college at that time, only had memories of their parents being (very highly) paid to attend quarterly board meetings and perform periodic ceremonial business events (think ribbon-cuttings).

We were working with another family business where the founder described his kids having to clean the office and perform other (age-appropriate) tasks. When we spoke to those second-generation kids, we asked if their kids did the same – they looked at us like we were from another planet! They have school and sports — why should they do any work? Entitlement is encroaching.

We encourage our continuity clients to introduce even young kids to the business early. Periodically, take them with you to examine a property you might acquire, to inspect how manufacturing is working or to look at planting or harvesting. A car dealer client talked of having kids peel plastic off new vehicles. Let them see and understand that you have a real

job and really work hard. Please don't take these comments too far – this does not mean you can't take vacations or turn work off at night and on weekends.

3) **Make your kids earn their way in the business.** We've seen multiple examples where young people were given jobs early in their career, above what they had earned or qualified for. Most people will benefit from working somewhere else for several years before entering the family business, and then having to earn their way toward management or senior positions. You've done them a disservice if they get into their 30s and 40s and haven't learned how to interact with others, how to work as part of a team and how to deal with conflict when they aren't in a position of power. Let them make mistakes and deal with the consequences. When they move into leadership, you want the staff to believe that they earned and deserve the promotion.

Preventing entitlement is certainly more involved than the three steps identified above, but let's start here. We've long said that the reason so few businesses make it to the third or fourth generation is not because of legal or accounting advice, but rather because the values of the founders are not passed down. Those values often include a strong work ethic and an entrepreneurial spirit. The goal is to ensure that entitlement doesn't fill the void where a work ethic and entrepreneurialism should reside.

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