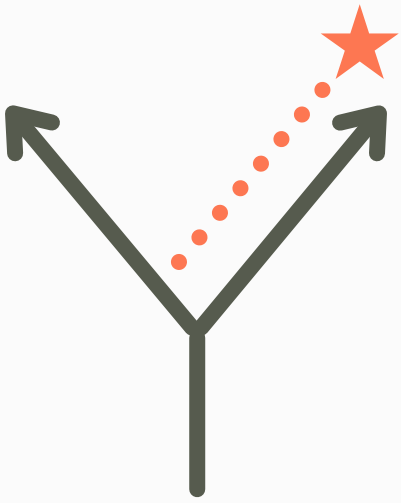
Cornerstone
COACHING

Field Notes For Family Enterprise



02 - Nontraditional Paths for the Next Generation

by Kile Graves

Nontraditional Paths for the Next Generation

In family enterprise, one question sits underneath almost every succession conversation:

What do we do with the next generation?

For most families, the answer has come down to two options: join the family business or build a career outside it. Each of those can look a hundred different ways and be chosen for a hundred different reasons, but nearly every option has fit under one of two umbrellas.

However, when a family enterprise creates life-altering wealth, another kind of option opens up. Sometimes that wealth comes from a sale or a recapitalization. Sometimes it's years of the company producing more cash than it needs. Either way, the family now has immense capital to steward, and how it stewards that capital can open paths for the next generation that didn't exist before.

Years ago, my father, Steve Graves, developed a framework to help families picture the four areas in which they can steward their wealth:

- **Traditional investing:** the money a family hands to a trusted advisor to manage.
- **Family dynamics:** the relationships that wealth tends to test.
- **Generosity:** giving on purpose, and passing down a generous heart along with the assets.
- **Nontraditional investing:** the more entrepreneurial ventures a family owns or funds directly, such as real estate, startups and small businesses.

In this field note, I want to zoom in on that fourth quadrant. In my coaching practice at Cornerstone Coaching, I often sit across the table from families working through a generational transfer, and I've seen nontraditional investments become more than investments, but also places for the next generation to work, lead and grow. A son runs the family's real estate group. A daughter builds out a startup the family seeded. A son-in-law takes over a passion project his father-in-law cares about.

I call these **nontraditional paths for the next generation**. They aren't embedded *within* the family enterprise, and they aren't completely *outside* it. They run *alongside* it.

They tend to fit a particular kind of next-generation leader: someone with ambition who wants to build something distinct from the family enterprise, but not divorced from it. They care more about making something than holding a title, and they can work without a clear ladder to climb.

These paths are a gift. They also leave room for confusion, and confusion breeds dysfunction. Often nobody has said what the venture is for, what success looks like, or how long anyone is supposed to stay.

In this field note, I'll walk through four nontraditional paths a family's wealth can open for the next generation, five questions both generations should answer before anyone steps onto one of the paths, and a worksheet to help your family and key leadership get on the same page.



Kile Graves
Senior Partner
Cornerstone Coaching

Four Nontraditional Paths

No two nontraditional investments look alike, and neither do the paths they create. At one end of the range is the passion project, funded because the family enjoys it. At the other is the cash engine, run like a corporation. Most ventures fall into one of four types along that range, and each one opens a different path for the next generation.

Lower stakes

Higher stakes

No return required

The Passion Project

Funded because the family enjoys it, and the experience itself is the return. The right leader might even grow it into something profitable, but profit isn't what it's for. It can even be a strategic loss leader. Its risk is drift: without a stated purpose, it can become a holding place for a person nobody wants to make a decision about.

Losses count as tuition

The Incubator

An investment in people. The family expects to lose money while someone learns to run something real, and counts those losses as tuition. It fits a next-generation leader early in their career who needs room to fail with a mentor nearby. Success is measured more by what the leader is ready for next, not by profit alone.

A real business on a timeline

The Startup

Expected to become a real business on a set timeline. It gives the next generation a chance to build something and prove it can stand on its own. It fits someone who has already been accountable to a boss who isn't family, and who can work without a clear ladder to climb.

Cash now, market standards

The Cash Engine

Expected to produce cash now and held to market standards, with a budget, often a board, and consequences for missing the number. A seat here comes with real stakes and real accountability. It fits a proven leader, and it's where a family member is most likely to be measured against an outside hire.

None of these paths is better than another. Each reflects a choice about what the investment is for, and a family can deliberately move a venture from one type to another. A passion project running honestly as one is a fine thing for a family to own. The trouble starts when a venture is asked to stand in two places at once: a family paycheck that's also expected to hit a profit target, or corporate hiring standards that make exceptions for the son-in-law.

A venture can begin at one point on the range and evolve into another, but everyone involved needs to know where it stands today.

The Paths in Practice

Here's what each path can look like in practice based on real client's stories. I've changed the details of these families' stories to protect their privacy.

The Passion Project

One family I work with built its wealth in manufacturing. A few years ago, the founder started a small media company because he loves the sport it covers. It doesn't make money, and it doesn't have to. In theory, it could one day, but it doesn't need to. Last year he brought in his son-in-law to run it. The project keeps him close to the family and gives him room to develop. But neither of them has said how long he'll be there or what he should be learning while he is. If he's still there at 40, he may start to question his purpose and desire a role that carries real consequence, and a path meant to open doors for him may have closed some instead.

The Incubator

A family funds a small restaurant group for a daughter two years out of college. Everyone expects it to lose money for a while. The family's CFO meets with her monthly to walk through the numbers, and they agreed up front that after three years she'll either step into the family company's leadership pipeline or keep building the restaurants on her own terms.

The Startup

A son spends six years at a logistics company where nobody knows his last name. When he comes back with an idea for a freight software business, the family seeds it with a set runway: three years to break even, with quarterly reviews against milestones everyone agreed on before the first check. If it hits them, the family invests again. If it doesn't, they wind it down and he takes what he learned to the next thing.

The Cash Engine

Two families I work with started a real estate partnership as a way to invest together. It has grown into a development group building commercial and industrial projects across several states. It has a small team, it's expected to make money, and the families are hiring an outside president and putting a board in place. In other words, it has moved from startup to cash engine. Several of the founders' kids work there, and each of them is asking some version of the same question: what is my role here, and is this my career? The venture changed types, and their roles haven't caught up.

Five Questions Before Anyone Steps In

A role inside the family business, or outside it, comes with terms attached. Everybody knows roughly what a job at the family company means, and what a job somewhere else means too.

A nontraditional path often comes with nothing attached: no job description, no peer down the street doing the same thing, and often nobody in the family who has walked it before. The terms get set on purpose, or they get set by default. Default terms are the ones nobody agreed to and people end up resenting.

Every family I've watched handle this well set the terms on purpose by answering five questions early. Both generations should answer them separately, then compare.

1. What is this venture, actually?

Which of the four types is it: passion project, incubator, startup or cash engine? Most families already know privately. The work is saying it out loud, in the same room, in words both generations would repeat the same way.

When this goes wrong, the two generations are usually standing at opposite ends of the range, each assuming they're standing together. The father thinks he funded a training ground. The son thinks he was handed a company. Nobody finds out until the first hard decision forces a disagreement.

2. Can a family member be fired from it?

Is this a place to develop young family members, or an asset held to market standards? Both answers are legitimate, but unclear expectations lead to fallout.

If you can afford a family member doing C-plus work in a seat where an outside hire would do A-plus work, that's fine, but it must be chosen on purpose and stated honestly.

3. Who leads it, and what do we pay them?

Family member or outsider? And is the pay tied to the role and the market, or to the person in the seat's last name?

This is where families most often choose for the wrong reason. Sometimes a family can't bring itself to tell a son or daughter they aren't cut out for the family business, and a family venture becomes the compromise. But a venture created to avoid a hard conversation still has to be run by somebody, and that person will eventually figure out why it exists.

A test I use: if somebody bought this business tomorrow, who would they keep in their seat, and what would they pay them?

Five Questions, Continued

The last two questions are about the role itself: what kind of work it is, and how long it lasts.

4. Is this an operator path or an allocator path?
Does the next generation want to run one of these ventures, or sit above them and decide which ones get the family's capital? Those jobs need different wiring, and families mix them up often.

An operator leads one business day to day: the family's real estate group, a restaurant group, the startup the family seeded.

An allocator works across the portfolio: overseeing the family's nontraditional investments, sitting on the family office's investment committee, deciding which ventures get the next round of funding. If the family is running ten of these, somebody has to decide which ones keep getting funded.

5. How long is this, and what happens at the end?
Two years, a decade, or a lifetime? What does it look like when it's working? Who decides when it has run its course?

An enterprise can absorb a fuzzy venture for years without noticing, but the person running it cannot. I've watched a twenty-something collect a real salary for a job nobody could describe, and slowly stop believing he was good at anything. I've also seen someone go off on their own, build a real career where nobody knew the family name, then come back worth far more than when they left.

Checkpoints turn a role into a path with an exit. They also make moving from one path to another a normal step instead of a failure.

What do we do with the next generation?
For families with the wealth to ask it this way, the answer is no longer limited to in or out. But a new path only serves the next generation if the family decides what it is before handing someone the keys.

If working through these questions with your family would help, reach out through the contact form at **kilegraves.com**, or reply to whichever email brought you here.



Kile Graves
Senior Partner
Cornerstone Coaching

Getting Everyone on the Same Page

The five questions only help if everyone connected to the venture would answer them the same way: the owners, whoever leads the venture day to day, the family members working in it or watching from outside, and the non-family staff who live with whatever the family decides.

When I work through this with a family, I start by asking them to pitch their thesis: what is this venture, and why does it exist? Then we work through the five questions and the four areas below until everyone lands on the same answer.

Worksheet: Where does this path sit?
Have each group mark a dot on every scale in its own color. Where the marks land far apart, start the conversation there.

	Passion Project	Incubator	Startup	Cash Engine
Financials	"We know we can lose money, and that's okay."	"We expect to lose money while people are learning."	"We'll invest to grow, but it has to break even by a set date."	"We track every penny and must maintiain a level of profitability."
People	"We're fine letting our son-in-law run social media, even though he's never done it."	"Family members get real roles, with a mentor and room to fail."	"Family can apply, but we hire for what the business needs next."	"We hire the most qualified person for every role, through an objective process."
Operations	"We'll talk at dinner and text about what we want to do. No meetings."	"We meet monthly to review what's working and what we're learning."	"Monthly numbers and quarterly milestones, reviewed with the owners."	"Monday meetings, quarterly roundups, annual goal-setting."
Strategy	"We're doing this because we want to, and that's enough."	"Success is a next-generation leader ready for more responsibility."	"We know the milestone that tells us this is a real business."	"We know what success looks like, and we have goals to measure it."

NOW STREAMING

Cornerstone Conversations: Family Business



On Cornerstone Conversations, we explore the unique dynamic of fathers and sons who work together, whether they built something from scratch or carried something forward.

Our mission is to create a space for intentional conversation and storytelling around family business transitions and legacy by enabling more dads to see working with their kids as a discipleship opportunity and more sons to see working with dad as an honor, not a handout.

Now available on these platforms:

YouTube Spotify Apple Podcasts

Click the icons above if viewing digitally, or use the following urls.

- youtube.com/@coachingbycornerstone
- open.spotify.com/show/5Imh97pneaAxPsjSU4bAjj
- podcasts.apple.com/ie/podcast/cornerstone-conversations/id1894527808