What Families Can Learn From Family Businesses

Family business academics and consultants have developed some wonderful prescriptions for achieving and maintaining family harmony. In their businesses, families need to work together and make choices that affect family members differently. The efforts to nurture harmony are all about achieving the greater good of healthy collaboration among family members. The goal is better business decisions without sacrificing family health.

The Family Council and the Family Assembly constructs are foremost within the family harmony toolkit. Each is responsive to the evolution of family ownership from the sibling partnership to the cousin collaboration and beyond. As family businesses mature (and succeed), more and more family members occupy different spheres of influence regarding the business. Many no longer work in the business and some may not even have an ownership stake—nevertheless, they are still family and what goes on in the business affects them psychologically if not financially.

What the Family Council and the Family Assembly have in common is that they each bring into sharp focus discussions on topics that are appropriate for particular constituents. This segmentation of discussion topics by function is a very healthy device—part of the never ending (often futile) effort to separate the discussion of family and business issues.

The Council concept is used to marshal the thoughts and opinions of the financial stakeholders in the business—typically, this means the equity holders. In multi-gen businesses, this group often is too unwieldy to include en masse on the Board of Directors. The purpose of the Family Council is to develop the consensus view of what the family wants from the business—and then communicate that to the Board for action and implementation. Issues such as Board composition, executive compensation, shareowner strategy, policy regarding employment of family members, etc. are appropriate topics for a Family Council. Decisions of the Council are often arrived at by stockholder vote.

The Family Assembly serves a very different purpose and is so constituted to reflect this. Assembly membership is typically not limited to stockholders of the family business; this group is comprised of family members—very broadly defined—of all ages. It often includes, spouses of family members, next generation family members and, most importantly, family members who for whatever reason no longer own a financial stake in the family business. This is all about “family” and maintaining the family culture and values outside of the business. Family history and identity are important topics here and all participants have a say (or vote) in the outcome. A Family Constitution may even be the “deliverable” from this entity.

Families which no longer own or operate a family business have many of the same needs as those that do operate a family business. They may have jointly owned properties to oversee and operate or private

foundations to manage together. They also may have fiduciary or trustee relationships amongst each other or the need to combine resources and responsibilities for special needs situations, including illness or disability, that inevitably arise in families. Family harmony is an essential foundation for effective collective action.

The one major difference between the two—and this is very positive—is that families no longer managing a business do not have to make divisive choices among family members regarding management succession, ownership succession and the like. Because of this, chances of maintaining family harmony rise considerably!

Families looking for a mechanism by which to encourage greater "family harmony" should consider utilizing some variant of the Family Assembly concept. Beyond family culture and values, other appropriate topics might include family history or legacy, wealth management education or discussions of what constitutes success. The more all-inclusive the topic the better—the key is for all voices to be heard and to encourage a lively participation across generations. An outside facilitator can be used keep the discussions on track. The ideal outcome for this effort is mutual respect among family members and family pride.

Another catalyst for this might be the ascendency of a Family Champion within the family. New research in the field of family business has identified the importance of that family member who, on his/her own initiative, becomes the vocal advocate or champion for family over business or personal concerns. Interestingly, this research has found that this "champion" tends to be from a younger generation whose call to action is motivated by an unbiased desire for family harmony to take precedence over more mundane concerns (such as financial gain or power). Family champions are self-selected and that is key to their legitimacy and effectiveness within the broader family.

The tools of Family Assembly and Family Champion are often associated with successful multi-generational family businesses. All families seeking family harmony should consider using them as well.



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