



# FAMILY LEGACIES

## 50 Lessons Learned

### FROM LONG-LASTING SUCCESSFUL FAMILIES IN BUSINESS

#### STAGE 1 : OWNER-MANAGED STAGE

##### 1. SOCIAL ENTREPRENEURS

Leaders are able to take their businesses through several waves of strategic renewal. They have an “incomplete mission,” believe they are the creators and developers of a philosophy of management, are active in the world of ideas, and see themselves as stewards of their business.

##### 2. IRREVOCABLE RETIREMENT

A fixed retirement age is even-handedly applied to everyone in the company, including the CEO. Very few family businesses figure this out in the first stage, but because they struggle with it in the first generation or perhaps the second, they eventually come to recognize the value of an irrevocable retirement date.

##### 3. VOLUNTARY ACCOUNTABILITY

Leaders know they perform better when they are held accountable. They put mechanisms in place, such as an independent board of directors, to foster accountability.

##### 4. PRINCIPLE OF MERIT

Policies are adopted that focus on competence and earned privilege and discourage paternalism in the business. The family makes clear that a principle of merit is part of its value system so that family members know what is expected of them if they wish to join and rise in the business.

##### 5. ATTRACT MOST COMPETENT FAMILY MEMBERS

The business is run in a professional manner to make it attractive to the most able members of the next generation. The family recognizes that its most competent members have opportunities elsewhere and don't want the burden of carrying incompetent family members.

##### 6. MANY NON-FAMILY EXECUTIVES

Owners create opportunities and space for talented outsiders. They make their business more competitive by structuring it to accommodate both family and non-family executives.

##### 7. OPPORTUNITIES FOR WEALTH

Prized non-family executives are given opportunities to create personal wealth over and above a good income. Owners use bonuses, phantom shares, and other means to express appreciation to excellent non-family executives for all they have done and are doing for the business-owning family.

##### 8. FAMILY FIRST ENVIRONMENT

Owners recognize that the family is more important than the business. They make time for family interests and fun apart from the business – without compromising the business.

##### 9. FAMILY BUSINESS STUDENT

Family members educate themselves about family business by reading, attending seminars, and visiting other family businesses.

##### 10. UNDERSTATED WEALTH

Members of the wealth-creating generation live beneath their means, setting an example of saving and planning for one's own financial security.

##### 11. WEALTH IS NEUTRAL

Wealth is neither shown off nor hidden. The family recognizes that wealth doesn't make people better people nor is wealth seen as a source of evil. Children understand the family has money and learn that wealth was the result of effort.

## STAGE 2 : THE SIBLING PARTNERSHIP

### 12. GRACEFUL PRUNING

The family makes it easy for members to sell their shares and does not stigmatize those who no longer want to be owners. It feels ownership is best concentrated among people of like goals and values who can move the company forward.

### 13. LEVERAGE STRENGTHS OF BEING PRIVATE

Family business strengths such as trust, long-term orientation, and an ability to make quick decisions are recognized and exploited as competitive advantages.

### 14. INVEST IN SOCIAL CAPITAL

The business family finds ways to invest in and support its community and knows it will be strengthened by the resulting good will.

### 15. BUSINESS BIAS. BUSINESS AND FAMILY ARE SEEN AS INTERDEPENDENT AND MUTUALLY SUPPORTIVE

It is assumed that what is good for the business also serves the best interest of the family.

### 16. SELECTIVE FAMILY EMPLOYMENT

Employment policies are developed carefully to encourage only the most competent family members to join the business. Policies are thoroughly communicated to the family.

### 17. OPEN DISCLOSURE/TRANSPARENCY

The sibling partners build and maintain trust by practicing open disclosure in three areas: (1) Compensation, perks, and benefits; (2) Outside investment opportunities; and (3) Personal estate plans.

### 18. AGGRESSIVE GIFTING

To minimize the estate taxes that come with a business that is growing in value, siblings gift shares as much as they can, as soon as they can, to children and grandchildren.

### 19. NEXT GENERATION EARLY EDUCATION

Recognizing that their children may become employees and/or owners of the business one day, parents expose them early to the business and educate them about it – without pressuring them to join. Parents also educate the children in family process skills such as listening and communicating.

### 20. FAMILY CODE

Family members develop an agreement that states how they will treat one another and how they will conduct themselves with the world outside the family.

### 21. COMMUNICATION SKILLS

Family members invest time and effort learning communication skills, such as listening, making presentations, confrontation skills, and meeting management and facilitation skills. The wisest families learn as a group.

### 22. FINANCIAL “NEST EGGS”

The family sees to it that its members, by young middle age, have their own substantial financial nest eggs. Doing so frees them from being dependent on the senior generation and the business, gives the opportunity to make free choices about their lives, and provides them dignity.

### 23. SHARED INVESTMENTS

Siblings recognize that sharing investment opportunities with one another builds trust and helps hold the sibling team together.

### 24. EDUCATE IN-LAWS

The business-owning family sensibly educates in-laws in such matters as family culture, the nature of the business, and family agreements (family policies, shareholders agreements, etc.). doing so helps build in-law support for the family and its enterprise.

### 25. LEGACY OF VALUES

The family links its values to its enterprise, demonstrating to the next generation that traits like honesty, integrity, and respect can enhance the business. The effectiveness of such values in the business reinforces the family’s commitment to the values it holds.

### 26. SUCCESSOR TO “MOM.”

The business family plans for the continuity of the role of family leadership, whether that role is played by “Mom” or someone else. The family leader is seen as essential to holding the family together emotionally, performing such functions as keeping channels of communication open, educating in-laws, serving as a mediator, and the like.

## STAGE 3 : THE COUSIN COLLABORATION

### 27. TRADITION OF CHANGE; FLEXIBLE CULTURE.

The cousins reshape the company culture into one that is flexible and that encourages change. They are attuned to the need for ongoing strategic transformation and know that innovation is essential to long-term success.

### 28. SPIRIT OF ENTERPRISE.

The family believes it is “in the business of business.” It does not lock itself into the business of origin but maintains an entrepreneurial spirit that enables the business to grow and prosper, encourages family members to start other ventures (including philanthropic ones), and imbues the family with a sense of purpose.

### 29. CREATIVE CAPITAL

Stage 3 families find new ways to meet the capital demands of their expanding businesses and growing families. They adapt their businesses (such as shifting strategies that are less capital-intensive) or modify their attitudes in ways that allow them to choose paths they have not used before to gain access to capital (such as going public).

### 30. FLEXIBLE DIVIDEND POLICIES

Dividends are thought of as variable, tying them to profits and reflecting the business’s real ability to pay. Family shareholders are educated about how dividends work and how paying out distributions affects the growth of the company.

### 31. INFINITE TIME HORIZON.

Family owners take the attitude that “this business will last forever.” They position the business for the long-term instead of immediate-term or short-term gain.

### 32. FAIR, FACILITATED REDEMPTION FREEDOM

The family formalizes a process that allows family owners to redeem some or all of their shares under certain conditions at a fair price. The rules apply to all.

### 33. IMPERSONAL OWNERSHIP

Family shareholders detach themselves from thinking of their shares as a personal, physical asset and focus instead on the welfare of the total family-and-business system. Management is freed to concentrate on doing what’s right for the distant future.

### 34. FAMILY MEETINGS

Meetings are held regularly to focus on the interests of the family. Such meetings build family cohesion, enhance its sense of identity as a family, and instill a sense of family purpose.

### 35. EDUCATION FOR RESPONSIBLE OWNERSHIP

Through systematic programs, present and future shareholders are educated about what it means to be an effective owner – from learning how to read financial statements to protocol in dealing with management. Spouses are often included in these programs.

### 36. ACTIVE, INVOLVED OWNERSHIP

Family shareholders see it as a duty to contribute to the value of the business by being informed about it and supportive of its strategy. They serve as cultural ambassadors to the business on behalf of the family and strive to be wise and educated governors.

### 37. NOSE IN, FINGERS OUT

Family shareholders don’t overstep their boundaries as owners. They are informed and they are involved, but they don’t meddle. They go through proper channels.

### 38. RESPECT MANAGERS AND MANAGING

Family members understand that managing a business is a very complex and demanding challenge. They have a profound respect for the array of skills that excellent managers bring to the task.

### 39. FAMILY EDUCATION

Family members are conscientiously educated in three major areas: (1) interpersonal skills; (2) personal growth and development; and (3) family culture and history. Education programs are deliberately attentive to family members as individuals and to the family as a group.

### 40. FAMILY MEMBER DEVELOPMENT PROGRAM

Career counselling, vocational aptitude testing, and coaching are offered to young people considering careers in the family business. Such resources are often extended to young people interested in other careers, and to older family members as well.

#### **41. FAMILY LEADERSHIP SUCCESSION**

The cousins see the family leadership role as even more important than before and pay as much attention to family leadership succession as they do to business leadership succession. The family leader – which can be an individual or a group, such as council or elders – looks after all those things the family would do as a family whether or not its members owned a business together.

#### **42. PROVIDE FOR FAMILY MEMBERS “IN NEED”**

The family knows that individual members will have personal problems and special needs, and develops a policy about how such events or circumstances are to be handled. The policy is communicated to all family members.

#### **43. ROLES FOR ALL IN FAMILY ASSOCIATION**

All family members are seen as valuable, whether or not they are in the business. Meaningful roles are created of the family side for non-business participants, and family leaders are given the same respect and appreciation as business leaders.

#### **44. FAMILY PHILANTHROPY**

The family engages in philanthropy as a way to involve family members not working in the business and to demonstrate appreciation for the privilege and abundance it has enjoyed.

#### **45. ONE FAMILY**

Wisely, the cousins realize they do not have to perpetuate their parents’ sibling rivalry. They bury the hatchet and learn to move forward as one family – for the benefit of both business and family.

#### **46. FAMILY’S MISSION STATEMENT IS CENTRAL**

Family members write a mission statement for the family apart from the business. The process builds cohesion in the family, helps members renew their commitment to the family and the business, and helps the family see other things it can be doing as a family, in addition to owning a business together.

#### **47. SYNTHESIS OF VALUES**

Values statements are re-articulated so that they are more inclusionary and can encompass a larger, more diverse family. Values are now passed among many institutions: family, family foundation, family office, and many businesses.

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#### **48. SOCIAL PURPOSE**

The larger, more diverse family coalesces around the belief that the business serves a greater good. This belief sustains the family’s commitment to the business.

#### **49. PROCESS IS END, NOT MEANS**

The process a family goes through with its continuity planning is more important than the decisions it makes. Whether family members are developing policies, holding a family meeting, or planning a reunion, they gain skills in working together, get to know one another better, and learn how to come to agreement as a group.

#### **50. FAMILY BUSINESS ADVOCATE**

The family shares its enthusiasm for and knowledge about family business with other families and the broader world.