

How to Become a Strong Family Business

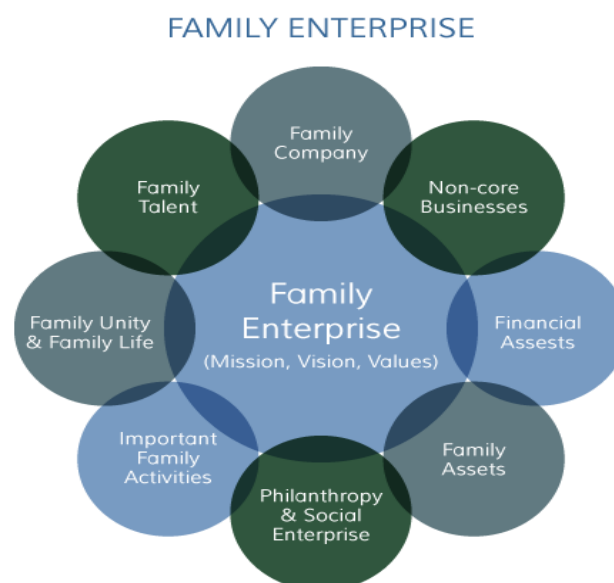
LESSON 1: Define Your Total Family Enterprise

The core business of most enterprising families receives most of the family's attention. This is to be expected since the business typically generates most of the financial returns, opportunities, and visibility enjoyed by the family. But the family has other assets and activities that extend the family's reach and build the family's unity and reputation. (See **the Family Enterprise** diagram below.)

An enterprising family often has non-core business activities (like real estate assets or start-up ventures), financial assets, family assets (like homes and art), and perhaps a family office. The family is involved in community activities and philanthropic activities (like religious or social organizations, or schools and causes they support). Family members generally spend considerable time and effort educating and developing the next generation and trying to create a satisfying family life. The point is that the family business, while a centerpiece of family life, is not the only important asset or activity of the family. **Keeping your family united, productive, and collaborating requires having a vibrant family enterprise that extends beyond the family business.**

Families should map their family enterprise and become aware of the important activities and interests – beyond their core business – that help families achieve their goals. These deserve attention, resources, and planning. A family enterprise also requires multiple talents to make it run and several family members to contribute their time and skills. Giving multiple family members the opportunity to participate in meaningful initiatives of the family helps build a sense of belonging for family members and commitment to the family and its enterprise.

In addition to engaging the family, this exercise provides an opportunity for future planning. Families use the *family enterprise* model to envision where they want their enterprise to be in another decade or generation. When they are better able to visualize their total future enterprise, they can allocate the right resources to get there, and align their vision, priorities, and resources. This exercise unites the family in powerful ways.





Where to Begin

We recommend families conduct this useful exercise guided by the family enterprise model shown above. Write down your specific activities and assets next to its representative circle. For each circle, think about the current state and desired state for that activity or asset within a given timeframe. Identify the resources (capital, talent, time) needed to reach the desired state. Think about how resources can be leveraged and integrated across these activities and assets. Bring your family together to discuss and align around your family enterprise — today and for the future.

LESSON 2 – Be Intentional About Your Family’s Purpose

In the early years of a family business, family life typically orbits around the business, nurturing the business with the devotion that a parent gives to a young child. But as generations pass, it is natural for family members to pursue diverse activities; many will move away from the original home base and not be as connected to the business, and some may question the benefits of their partnership and whether they should remain as owners.

With increasingly diverse interests and circumstances, what can hold a family together to not only support its business but also other activities the family finds important? Experience shows that even a large, diverse family can stay united if its members feel they strongly share a common purpose. **Other factors besides a strong family purpose, of course, help encourage family unity, but purpose is a fundamental ingredient in maintaining unity.**

A business family’s purpose should include – but also go beyond – their business. Raising capable family members, having close relationships, building value in the world, solving significant problems, giving back to their community, country, or region, enjoying the fruits of life are also desired goals of most families we work with. The questions families need to ask when exploring their purpose is “Why are we in this together? Are we in pursuit of the same things, in the same way?” It is difficult for a family to organize and motivate itself to continue to grow the family enterprise over generations without agreement on why it matters.



Where to Begin

To develop your family mission, answer the following questions:

What is our family here to do?

What are we fundamentally trying to accomplish?

What do we want to build together?

Why do we want to build it together?

A family mission or purpose is not a theoretical tool. Families use their sense of purpose pragmatically to make important decisions about their enterprise and family. Millennial family members reference the family mission when deciding whether to join the family enterprise, to ensure compatibility with their own personal mission. Families cross-reference the family mission when recruiting non-family CEO candidates to ensure a cultural fit. Family offices use it to narrow down investment options. Family foundations reference it to guide funding decisions. Family Councils use it to invigorate themselves and keep the Council focused on achieving what the family has set out to do. The family mission is a key lever for increasing alignment among the business, family office, investments, stakeholders, and the family and owners.

LESSON 3 – Long-Term Family Success Is a Team Sport

Threats to a family enterprise come in various forms. We have seen this happen with high profile global family businesses -The Ferragamo family endured the early death of their iconic founder, Salvatore. The Vanderbilt’s lavishly exhausted their fortune. The Haub family endured war and lost virtually everything. Family conflict divided the Haft family and bankrupted their business. The Daher family was disrupted in their industry and the value of their company plummeted. Lego overly diversified into businesses they knew little about and lost substantial value. In today’s world, disruption will likely impact every business sector and every family business.

Adversity and crisis reveal the resilience of a family. Some families derail, divide, and destroy value in the face of adversity. Other families unite, pivot, and create value. **What sets the resilient families apart? A repository of non-financial assets developed well before a crisis, including: genuine interpersonal trust and respect, collaboration, an overriding family purpose (mission), jointly-held values, a spirit of generosity to help one another, a belief that adversity does not predict the future (that they can rebuild and flourish again), and a good leader helps. Resilience is a set of capabilities that families can learn.**

Families and ownership groups that address challenges together and invest enough time and resources into building unity and teamwork are better able to pivot and rebound as the environment calls for it. The Ferragamo founder's widow, Wanda, rose to lead the business, which grew many-fold. The Haub family rebuilt their businesses after WWII into one of Germany's leading companies. The Daher family reinvented their business and have succeeded. Lego regained their focus and became the most profitable toy company again. None of these rebounds would be possible without good leaders, unity in the family about what they are trying to do together, and the trust, respect, collaboration, and generosity that kept family relationships strong.

The families who learn these skills together, and value being part of a team, are better prepared to take advantage of opportunities and bounce back from difficult times.



Where to Begin

Build your family's resilience. Develop a repository of skills and non-financial assets to help you through adversity, before you need it:

- ***Establish your family's core values, mission, and vision for the future***
- ***Practice trust, respect, and open communication***
- ***Reward generosity and collaboration***
- ***Invest in meaningful relationships and team activities***
- ***Have good governance in place so decisions can be made***
- ***Learn the stories of resilient families to serve as role models***

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