

How Successful Business Families Get That Way

By: Craig E. Aronoff, Ph.D. and John Ward, Ph.D.
The Family Business Consulting Group

Over the years, we've been blessed with the opportunity to meet and study many of the world's oldest and largest family firms. We're impressed with how often we find them practicing similar methods of achieving success.

We believe that these highly successful models offer lessons valuable to even the smallest and youngest family firms. As one family in business told us, We like to focus on what we hope to become, and act that way now. That way, we're much more likely to get there!

Selective family employment.

The oldest firms have policies that seek to limit jobs to those family members who are very qualified. Over time, these families have found that to do otherwise chase away the most talented leaders in the family and erode the effectiveness of the business.

Selective employment clarifies that working in the business is more an opportunity than an obligation. When family members feel obligated to work in the family business, they lose motivation.

Selective family employment also reinforces the importance of merit in compensation and promotions for everyone.

Freedom to sell the stock.

Family shareholders who feel locked into their ownership can become mistrustful or turn into harsh critics of the business. Sometimes family members are told they are disloyal to the family if they exercise their ownership prerogatives. In time, these pressures can explode. The

families we hold as models usually make everyone feel that selling shares back to the business or to other family members is acceptable.

Written family mission statement.

Successful families are bound together more by strong values and purpose than by shared business ownership. Rather than letting the business run their lives, they identify how business ownership helps strengthen and perpetuate important family values. Their family mission is to perpetuate those values, with or without the business. Some of the values that strengthen family and the business include integrity and mutual trust.

Open, coordinated estate planning.

As families grow more complex, the advantages of sharing estate plans with all members become clear. Each benefits from the knowledge of everyone else. In addition, the business is better insulated from surprises that result from poor or secretive estate planning.

Just as important, open and coordinated estate planning reinforces trust among family members. It also demonstrates care for responsible ownership.

Family educational meetings.

Successful families meet regularly to learn together. They learn about the business together, including its heritage and how to interpret its financial performance.

They invest in learning skills together, often by hiring a consultant or by attending seminars. The most common topic they study is family communications — including

listening. They also learn about conflict resolution, behavior patterns and raising children of affluence.

Traditional times for fun.

The strongest families establish regular occasions just to be together as an extended family and to have fun.

Most often, the tradition is an annual vacation---to a cabin, for example, or skiing, or camping. For others, it is a sailboat or weekend home frequented by everyone. Whatever the activity, everyone looks forward to the tradition, and business talk is off-limits.

Family leadership succession.

It is important to separate family leadership from business leadership. Both jobs are important, demanding and different. Both need continuity.

At the beginning of the business family's history, we find that the parent whose time is not consumed in the business to often dedicated to the family's welfare. That person stresses the personal development of each person, teaches good family communication skills, and builds or maintains family traditions.

When the business founder and the original family leader die, both roles need to be filled. Successful families ensure that there is a well prepared successor to family leadership, whether it's one person or a family committee or council. The best solution is one that does not depend on the business's leader. It's important to remind the family that it doesn't live for the business.

Understated wealth.

The most successful, long lasting families are not flashy with their money (or power), nor conspicuous in their spending. They realize that how they use their money sets important precedents and attitudes for future generations. They establish traditions within the younger generation of saving and charitable giving.

Independent business boards.

The most prevalent advice to others from successful families in business is to recruit respected, objective, outside directors to their boards. Independent directors ensure a forum for making difficult decisions with the highest of standards and the best of care. They also bring a freshness and creativity to help keep the company's strategy and culture current and flexible.

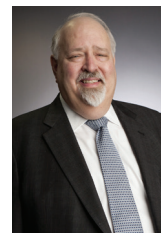
Eagerness to learn and improve.

The most successful families in business are active students of family business. They read and discuss newsletters, articles and books about family businesses. As a family, they attend family business seminars. Family members visit and study other successful family firms. The family invites other successful families to share their experiences at family meetings.

We hope these principles are helpful to you. We encourage you to discuss them at a family meeting. There is always a lot we can learn from the successful experience of others.



John L. Ward, Ph.D. is a co-founder of The Family Business Consulting Group, Inc., and can be reached at ward@thefbcg.com or 847.475.3000.



Craig E. Aronoff, Ph.D. is a co-founder and principal with The Family Business Consulting Group, Inc. He can be reached at aronoff@thefbcg.com or 678.277.9865.

To learn more about The Family Business Consulting Group and how we serve families like yours, call us at (773) 604-5005 or email us at info@thefbcg.com. There is absolutely no obligation.

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