

Learning From The Wisdom of 100-Year Family Enterprises

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Wise Counsel Research

Learn from the Best!

**Interview family leaders from
100 large global family enterprises
that have passed the 3rd generation**

GENERATIVE:

**Continual cross-generational
financial & non-financial value creation**

Family businesses are different than other businesses...

PERSONAL OWNERSHIP:

Owners have **personal relationship** and care about more than financial returns

LONG-TERM FOCUS:

Young people grow up expecting to become owners and wanting to make a contribution



More than just businesses

- Community of households:
Human not technical system
- Features of both family & business
- Mission: Beyond financial return
- Evolving: Resilient, reinventing
- Multiple paths & leaders

INSIGHT 1: BUILD A GREAT FAMILY

Founders
Build a
Great
Business

Heirs
Create a
Great
Family

Tribal Family Enterprise

Cross-Generational Community of "Citizens"

- Tied together by legacy values, assets & agreements
- Shared identity; history & destiny
- Develops special institutions, activities, rituals
- In the shadow of dispersion:
Free choice to leave or stay
- Resilience;
Renewal every generation



Concerns of the Family “Tribe”

- What to do with our wealth?
- The future facing our children
- Raising productive children
- Positive impact on community
- Who are we? Who can be become?
- Gratitude, responsibility for wealth.

Non-Financial Wealth

Legacy Capital



Relationship Capital



Human Capital

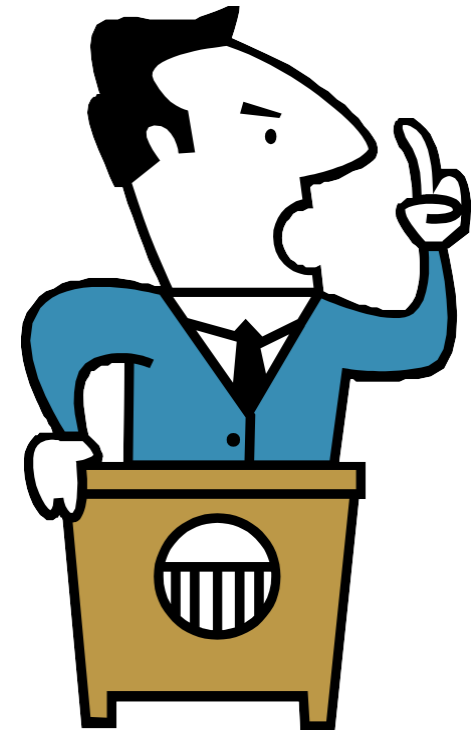


Social Capital



Insight 2: Culture Shift From Patriarchy

- Immigrant: Did not come from wealth
- Business defines identity
- Improvisor, risk taker
- Secretive, difficulty trusting
- Always in control



Shadows of the Patriarch

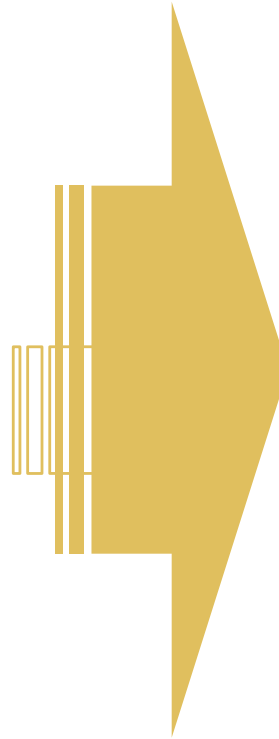
- Why change? Tradition of authority & success
- Taking care of family: Eternal “children”
- Not comfortable sharing information
- Avoids family conflict
- Difficulty letting go
- Not open to new ideas, realities



G2 Challenge: Changing the Family Culture

Paternalism

Patriarchy
Works Alone
Suspicious
Opportunistic
Passive heirs
Closed, Secretive
Improvised



Partnership

Transparency
Collaborative Team
Mutual Trust
Professional
Engaged
Explicit Rules
Multiple Paths

Insight 3: Two “Pillars” of Governance

PROFESSIONAL BUSINESS

Board & Owner’s Council

- Long-term commitment
- Patient capital
- Professional management cadre
- Non-family CEO option
- Exit policy for shareholders
- Independent directors
- Family Employment policy

Elements of Governance



Councils



Transparency



Agreements



Boundaries
Roles



Accountability

Family “Pillar” of Governance

- Develop nonfinancial capital
- Special trust as a community
- Engage each other
- Clear, explicit values
- Celebrate rich history
- Extensive organization
- Develop human capital
- Shared philanthropy

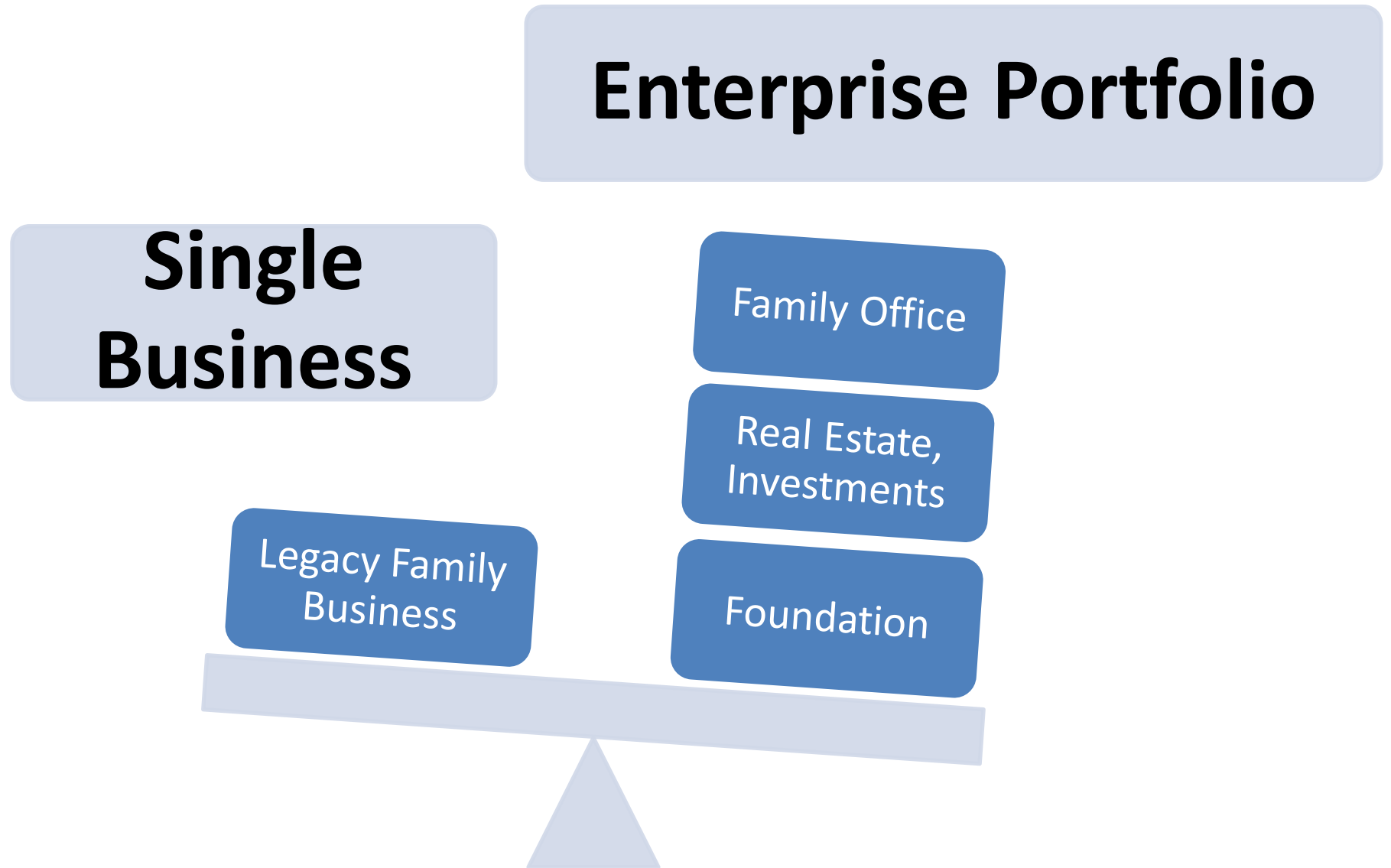
Family Council: Voice of the Family

Building active, engaged family identity, culture

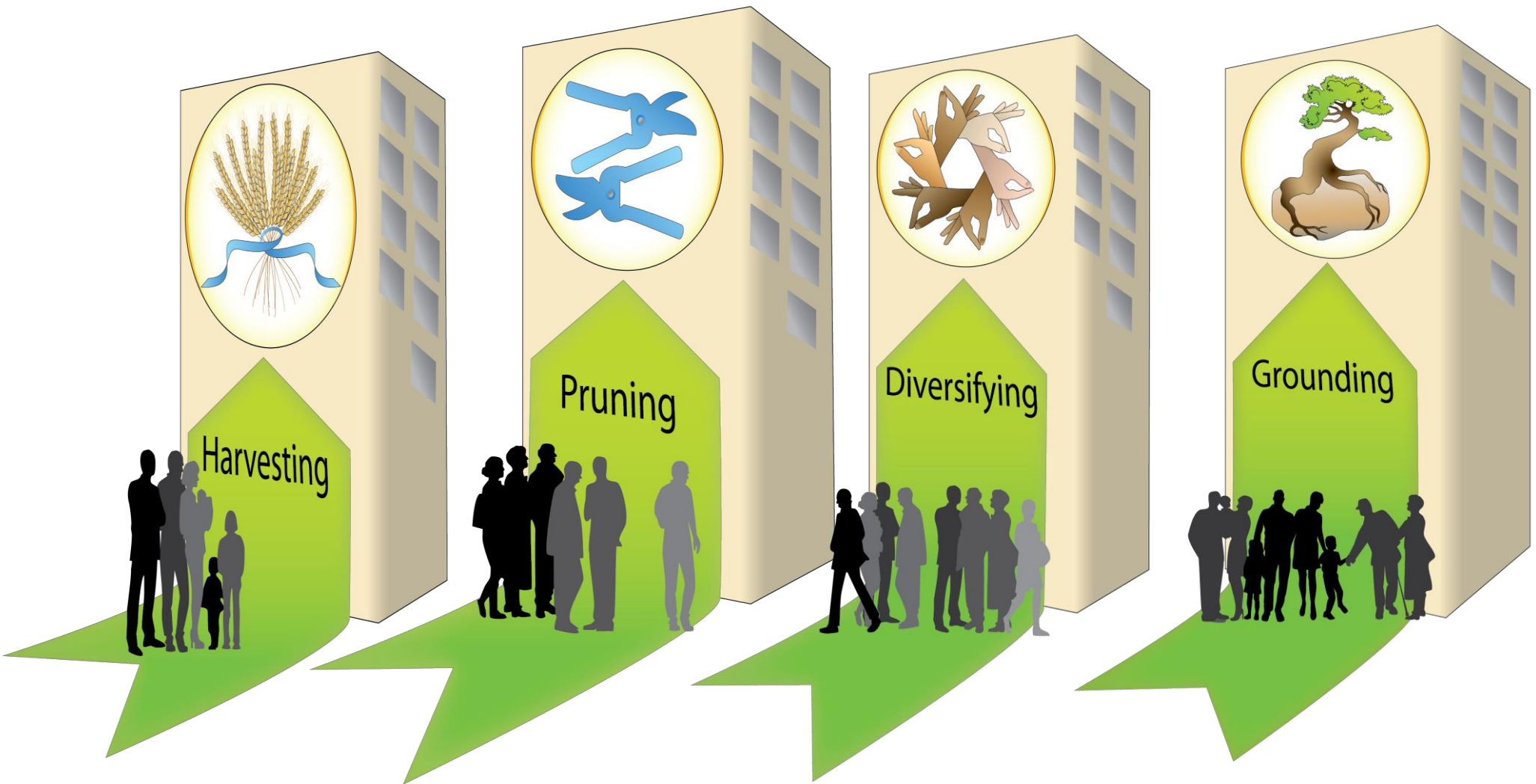
- Focus for personal connection across generations
- Actively engage and develop current and future owners
- Balance emotional, personal and financial concerns
- Affirm values, purpose, stewardship
- Keep family from undermining business
- Attend to diverging interests and values



Insight 4: Enterprises Evolve Across Generations



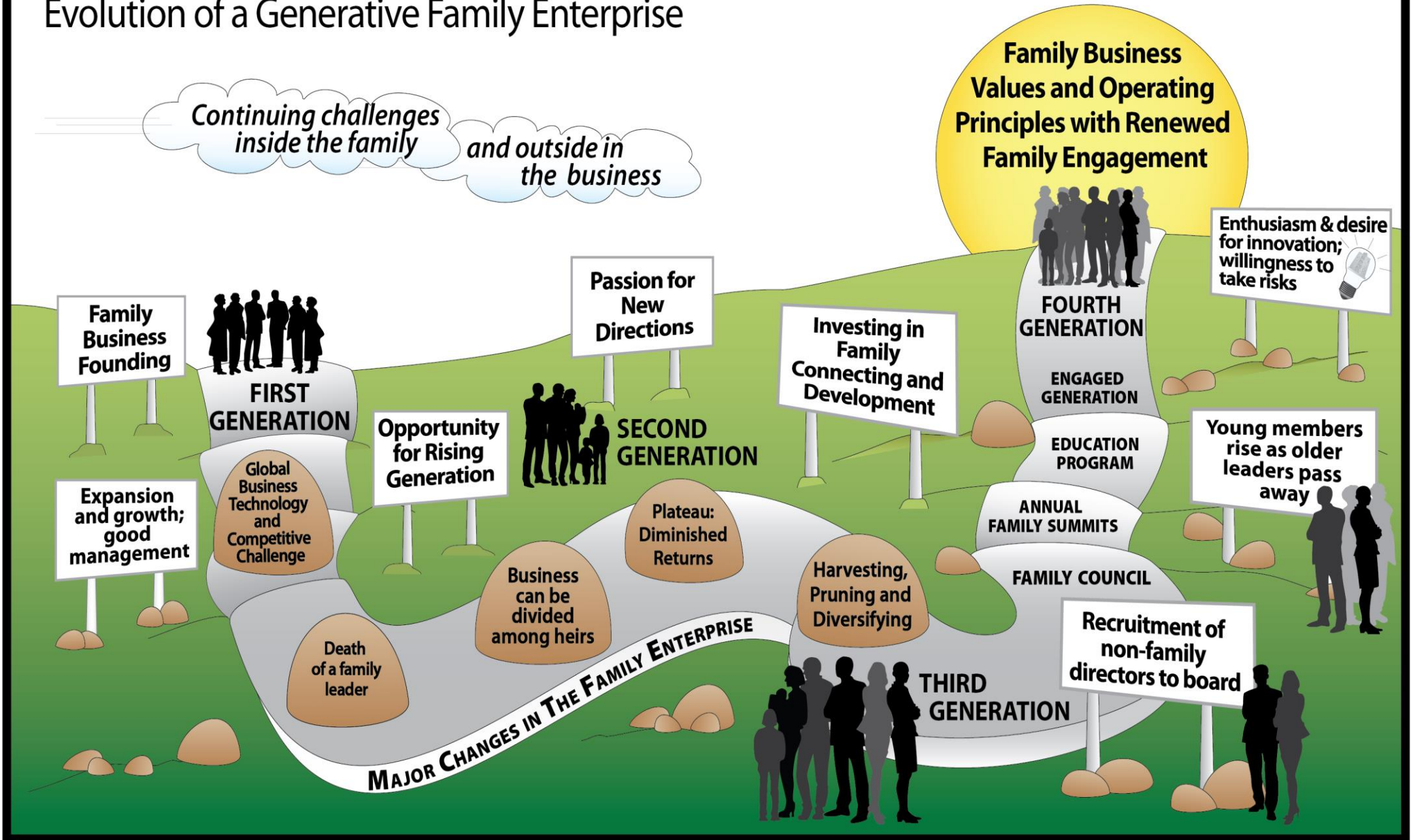
4 Major Transformations



Evolution of a Generative Family Enterprise

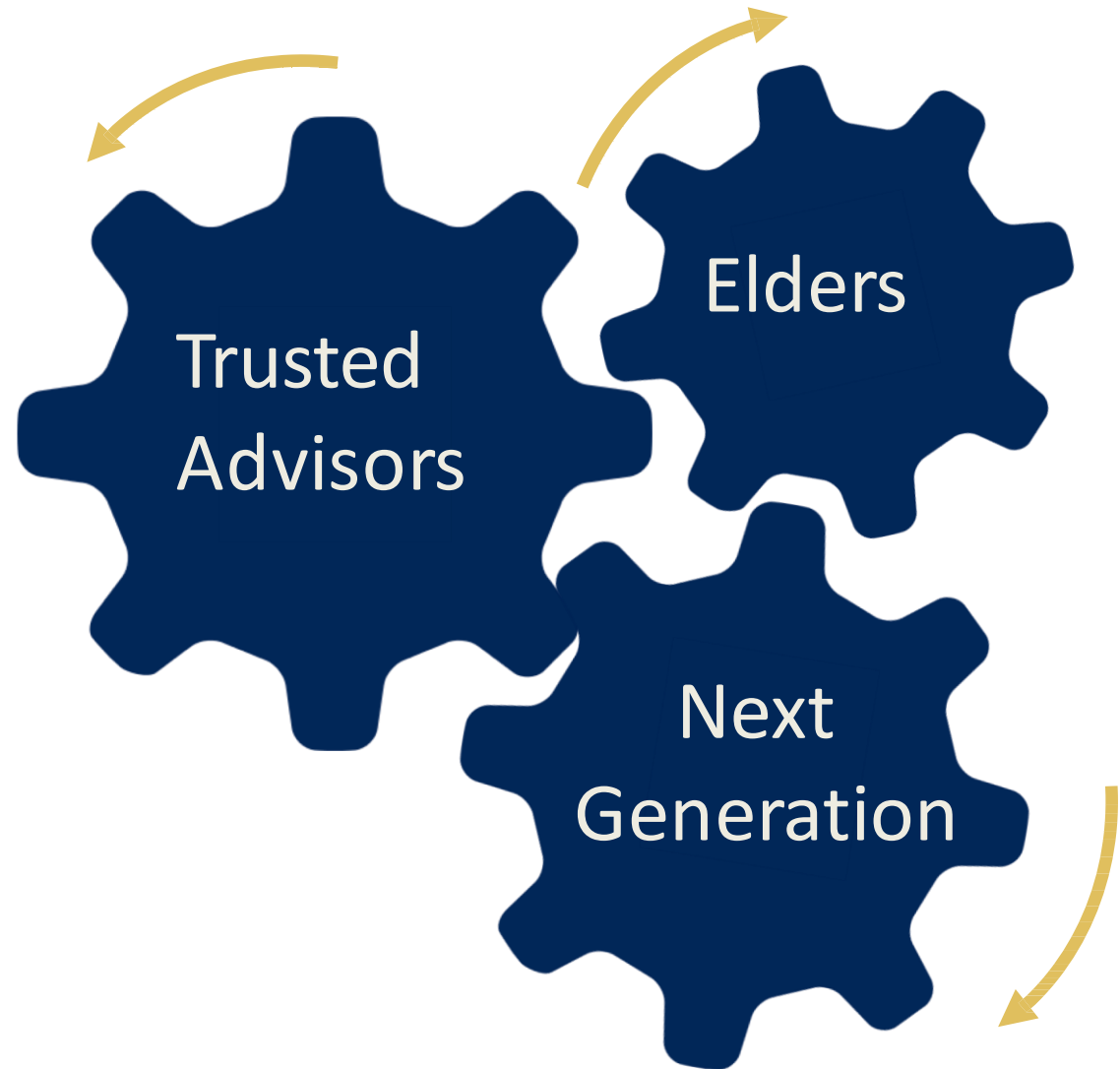
Continuing challenges inside the family and outside in the business

Family Business Values and Operating Principles with Renewed Family Engagement



Insight 5: Generative Family Alliance

3 core
constituencies
operate within the
culture of family
enterprise



Family “Champions”: A Force for Innovation

- Minister without Portfolio: Sees need and acts
- Challenges stability & habits that need change
- Seeking new opportunities, entrepreneurial
- Uses family future to lobby elders
- Recruits support from allies
- Willing to listen and incorporate other ideas
- Develops plan in response to feedback

Insight 6: Rising Generation is Your Product

- Overcome entitlement, finding motivation
- Develop identity & life purpose
- Different values and style
- Fear risk, hard to trust
- Fear letting parents down
- Desire fairness, family justice
- Not knowing the rules
- Build trust , partnership with peers



Engage Place of Money in the Family

- Whose money is it?
- Generational experiences of wealth
- Emotional meaning of money and wealth
- Different views of fairness
- Clarity of expectations



Junior Board / Family Bank

- Attracts and inspires next generation
- Learn business realities to consider for career
- Talent spotting & development
- Contributing: demonstrate value
- Practice & develop skills
- Develop enterprise while limiting risk, enlarging engagement



Insight 7: Investing in a Shared Future

Social Responsibility

- ESG focus
- Reflect values
- Respect future

Philanthropy

- Serve community
- Engage family

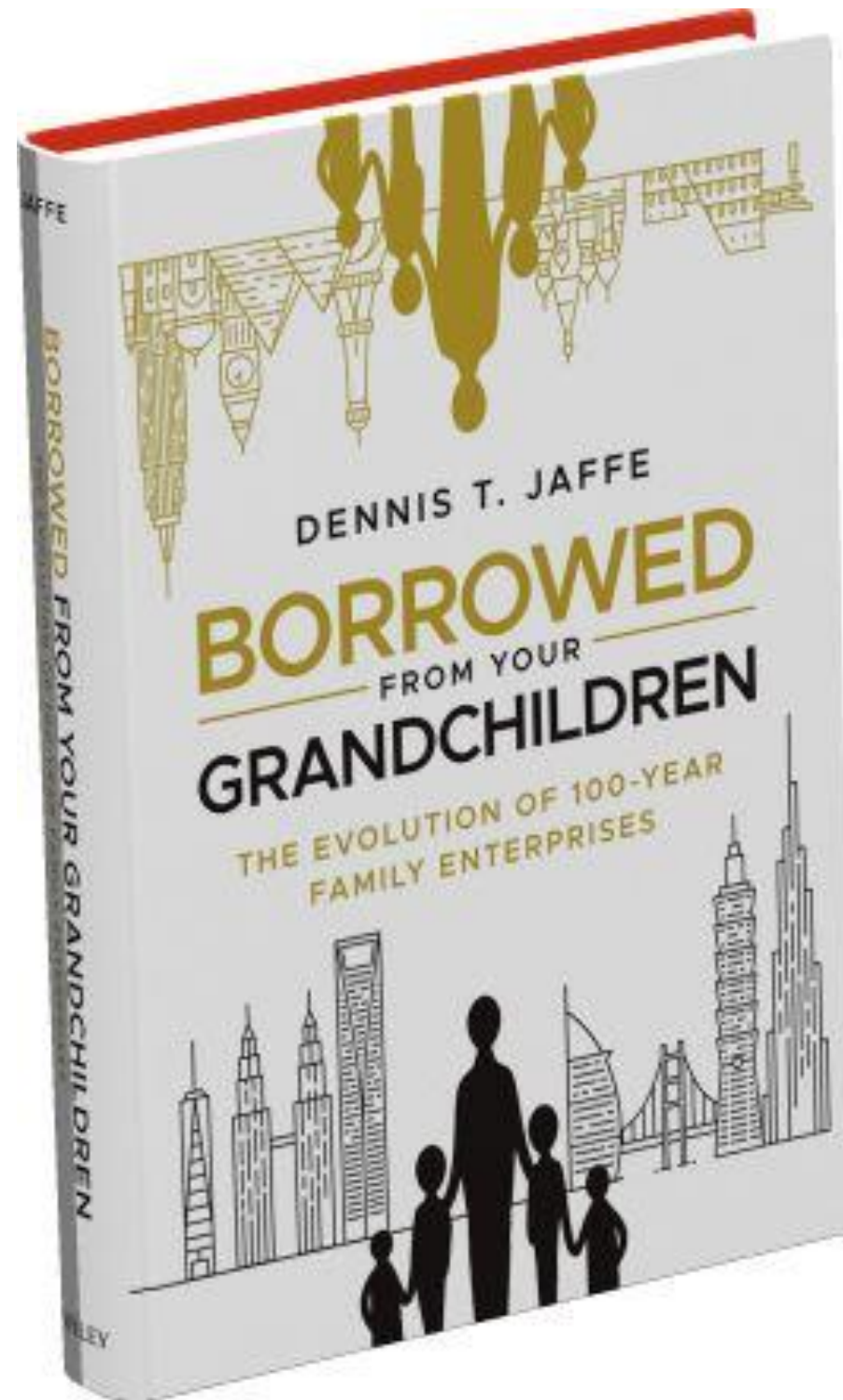
Impact

- Renew values
- Renew business

Pathways for Next Gen. Engagement

- **All family:** People, community, environment
- Tough, candid cross-generational conversations
- Extend and reaffirm family identity
- Redefine family involvement as stewards:
 - Opportunity for next gen. meaning, impact
- Combine personal and global focus
- Future impact:
 - Environmental & health concerns
 - From immediate to strategic focus

Available now:



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- Professor Emeritus, Saybrook University
- Author, Cross Culture; Stewardship in Your Family Enterprise; Rekindling Commitment; Working With the Ones You Love; Take This Job and Love It
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