

Baltic Family Firm Institute - ECGI Conference

How Can Enterprising Families Define a Strategic Vision that Involves and Inspires the Next Generation?

Presented by Neus Feliu PhD

Vilnius, June 12th

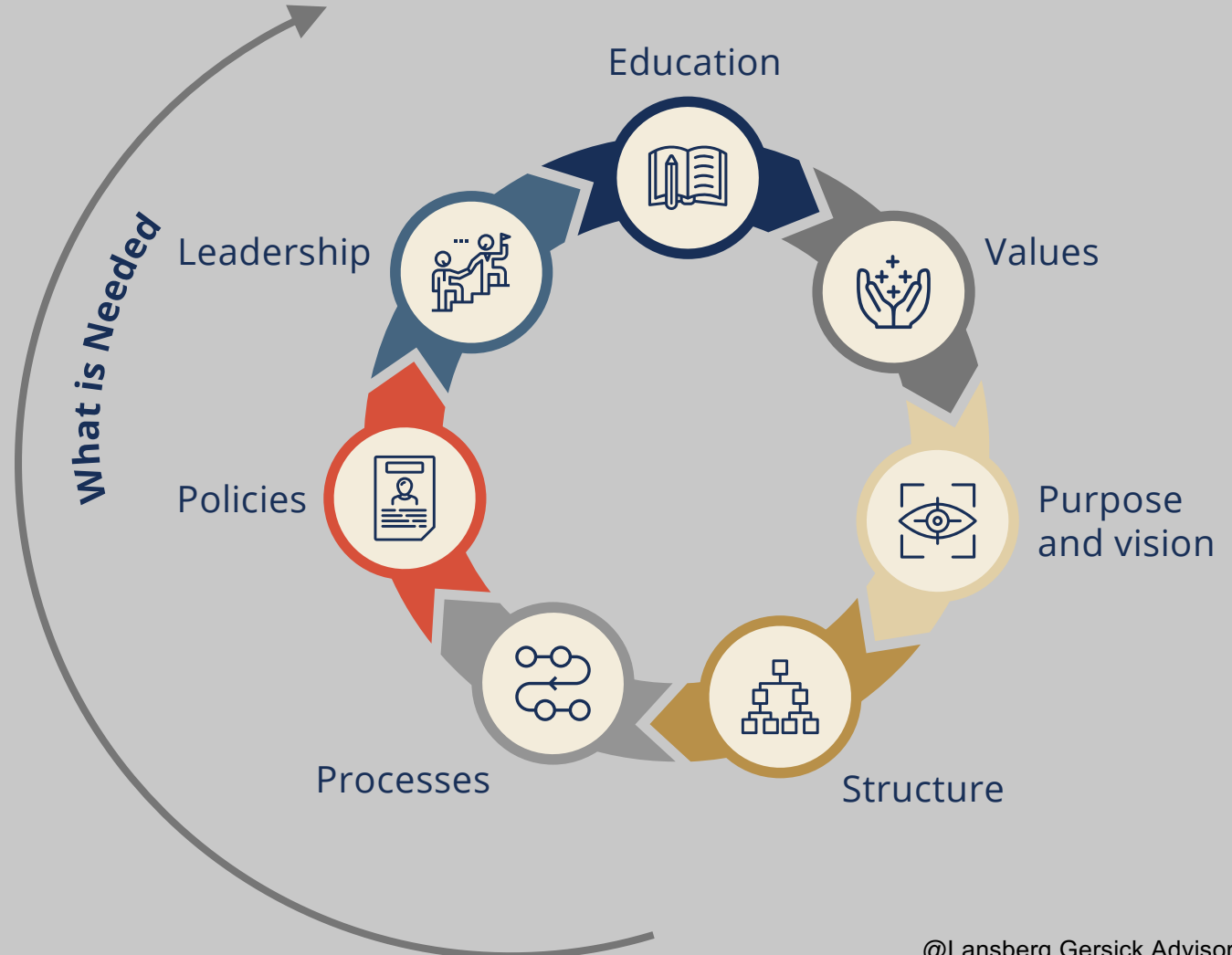
What is ownership?

- Ownership refers to the legitimate right to possess
- Ownership is often what underlies power and influence
- **It drives how the politics of the system unfolds, and it decides on the long-term perspective for the enterprise**
- In family enterprises it is useful to distinguish between:
 - Actual ownership, and...
 - Psychological ownership(Both have a vested interest in the long-term success and sustainability of the enterprise)



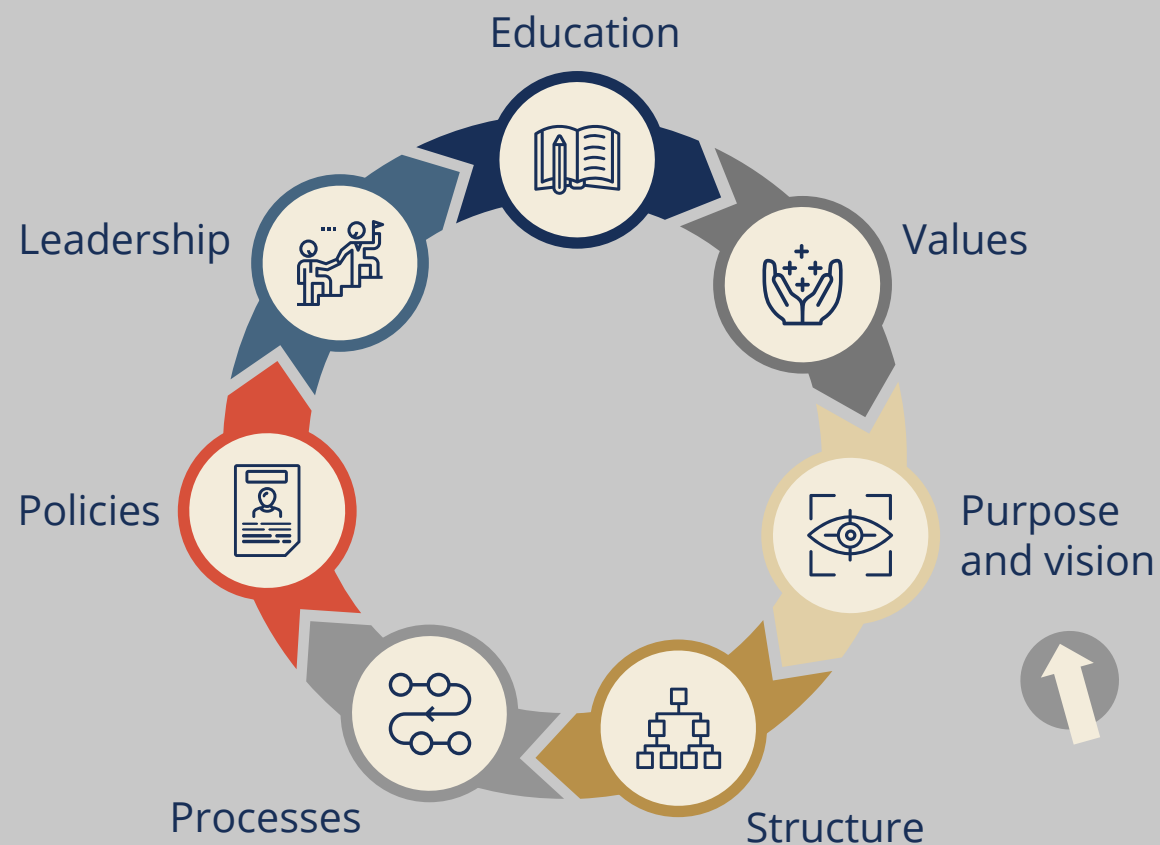
THE SEVEN DRIVERS

OWNERS AS ARCHITECTS OF THE SYSTEM




Owners are architects of the system:

1. Custodians of values
2. Bringing long-term perspective
3. Ultimate decision-making authority:
 - Strategic direction
 - Resource allocation
4. Encouraging value creation that aligns family/ownership and business goals
5. Setting priorities that anticipate and mitigate risks
6. Ensuring intergenerational planning
7. Contributing strategic adaptability
8. Fostering responsibility to stakeholders



Types of Shareholders: Who must be involved in the exercise?

Strategic Ownership Vision



	Operating Owners	Governing Owners	Active Owners	Investing Owners
Description	Serve in governance and/or management (e.g. CEO or below)	Serve exclusively in governance (e.g. boards, councils)	Not in governance or management but care deeply about enterprise	Emotionally detached and mostly care about economics
Strategy	Leads	Frames and Contributes	Understands	Accepts
Culture	Leads	Leads	Contributes	Understands
Governance	Leads	Leads	Supports	Accepts
Engagement	Higher ←			→ Lower

→ **As owners play a critical role in key long-term decisions of the family enterprise, it is essential that they remain a cohesive and highly competent team.**

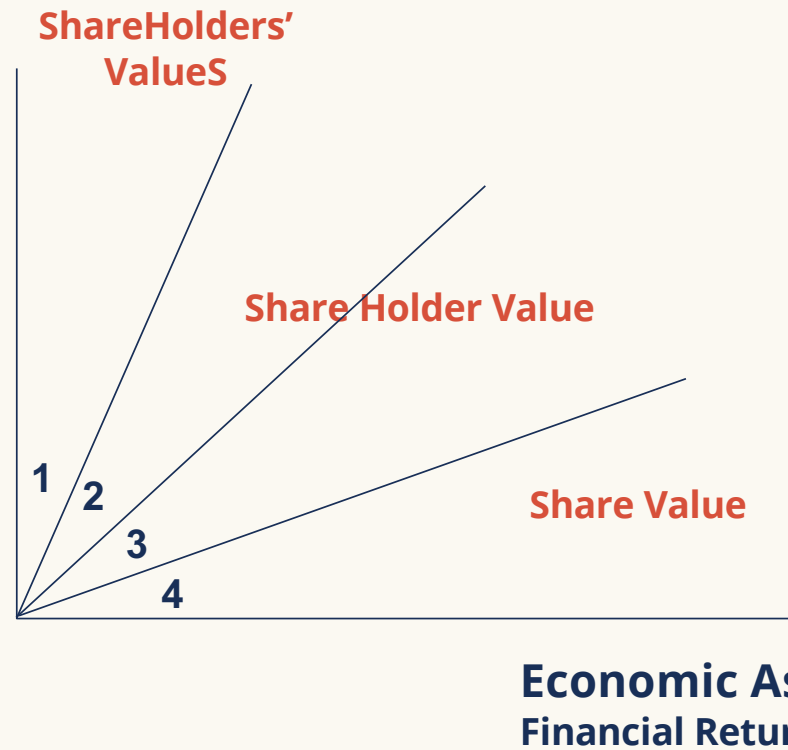
Why strategic vision matters? And why should it be shared?

- Connection and involvement (and ultimately, engagement)
- Long-Term Direction
- Consistency and Focus
- Resource Allocation
- Proactive Adaptation
- Proactive development of future owners
- Alignment of key stakeholders
- Employee engagement
- Enhanced cohesion, motivation, trust and sustainable value creation



How do owners assess their investment in the family enterprise?

**Emotional Asset:
Psychological Return**



**Economic Asset:
Financial Return**

→ **Key Questions for Owners when formulating
the vision**



AIMS AND EXPECTATIONS

- Why do we want to continue in business / investing together?
- What are our expectations as owners?
- What is our time horizon?
- What are the core values and principles that we want to uphold over the long term?
- What aspirations do we have regarding growth, profitability and liquidity?
- How much risk do we want to incur?
- How do we define success for our family enterprise?
- How do we add value as owners?



MAKING IT HAPPEN

- What is our structure of ownership?
- How do we make decisions as owners?
- What is the design of our governance forums?
- What are our roles and responsibilities as individual owners?
- How do we hold ourselves accountable?
- How do we enhance the emotional meaning of ownership?
- How do we prepare ourselves and the next generation for ownership?

→ **Examples of two very different families**

- A third generation European Family Enterprise, operating business in the food industry
- The Rockefeller Brothers Fund



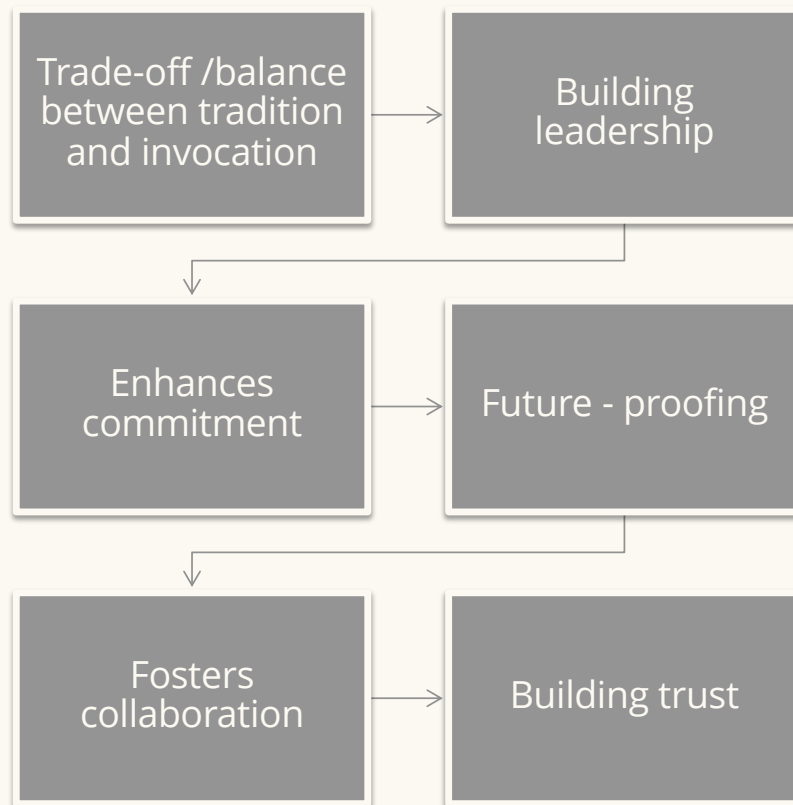
The role of shareholders in defining the strategic vision for the future

THE ROCKEFELLER BROTHERS FUND



The Guardian (UK), The Impact y The Rockefeller Brothers Fund

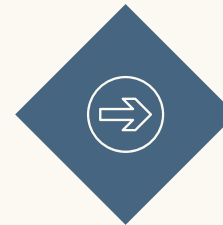
The Value of involving the NextGen in shaping the future of the enterprise:



How do we involve the NextGen?



**Education and training
as owners**



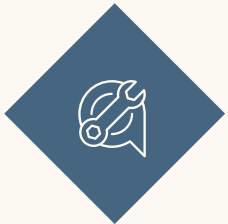
**Hands-on participation in
specific projects: fostering a
culture of continuous
improvement and adaptability**



**NextGen Committee
(Cohesion & Collaboration)**



**Observers at the governance
forums**



Mentorship

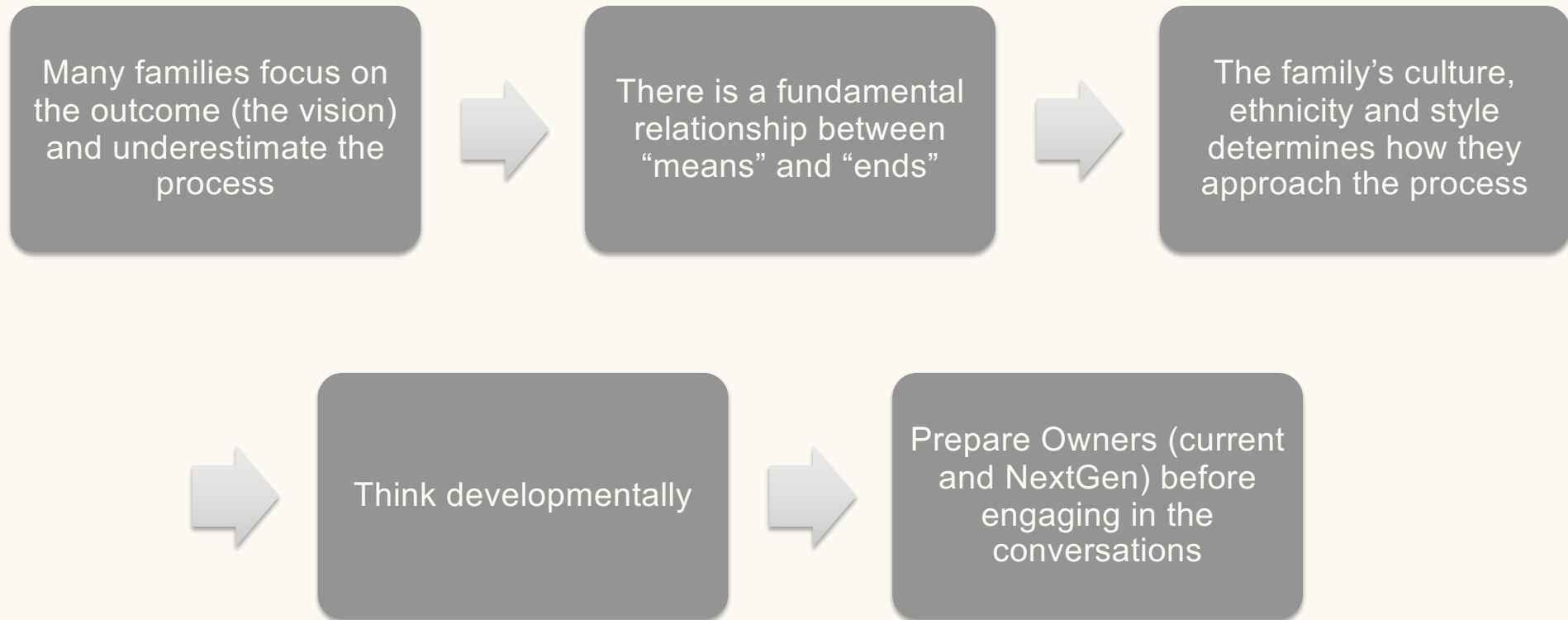


**Succession planning: A clear
career development plan
within the enterprise**



**Inclusion in decision - making
(full inclusion or occasional
voice)**

→ **Integrating process and content is essential for crafting an engaging and shared strategic ownership vision**



Governance process is *the way* in which fundamental choices and decisions are made.

IT INCLUDES:

- The process of collaboration (teamwork) and communication
- The process of decision making
- Building trust

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Key insights:



1. A clear and shared strategic vision is essential for the sustainability and long-term success of family enterprises.
2. Remember that the next generation plays a crucial role in defining the vision, continuing the legacy while driving innovation and relevance.
3. Some effective strategies for accomplishing that are to (1) clarify the role of ownership and educate for it; and (2) emphasize the importance of the process (intergenerational collaboration, communication and decision-making and thereby build trust)

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