



TRUSTED FAMILY

Give me my dividend!

And other ways to engage your family.



1. Introduction

“But how do I get them interested?”

This is the number one question I get from our customers. Whether it's from the head of a family business talking about her sons that are supposed to inherit her wealth, or a family member who runs the family engagement portal.

Trusted Family works with over 90 of the world's largest, most successful business owning families and almost every single one of them contends with this problem at some point. Often the issue stems from an underlying desire to have the next generation groomed to take over the business and successfully continue the business. This is particularly the case in “younger” families – i.e. where the generational distance from the founder is not so great. However, depending on the underlying culture of the family, this can still be the main motivator for families in the 6th, 7th or 8th generation and beyond.

*“But how do I get my
family members interested?”*

However, as families evolve this motivation changes to become less about business continuity and more about the recognition of individuals and the work they do. This is the true source of long-term family wealth. And herein lies the key to engagement: self-interest.

What I will argue in this short paper is that a family's success is determined by the actions of its individuals. The more individuals that are engaged, therefore, the greater the chances of success. And engagement, in the end, requires a healthy sense of individual achievement and an acknowledgement that working together can enhance that achievement.

I will then talk about how to engage the individuals...



2. Family Success is Individual Action

Luck, talent & hard work

A successful family in business has managed to produce something of value to society. How? Most commonly, an individual has risked their money, talent and time and put in the hard work to make their idea come to life. In what must surely be one of the best feelings in the world, your idea, your creation, is validated by society in the form of money. All that hard work pays off.

Oh, and then there's luck. A lot of luck. Many people find this offensive, since it discounts the role of all that hard work. Not at all. You can even reverse the proposition and say that discounting luck as a factor is offensive to all those people (the vast majority) who work hard but do not make outsized profit. Being at the right place in the right time is often key, as Gladwell pointed out in "Outliers". Warren Buffet has said that in any other age his specific investment skills would not necessarily have made him as successful.

Another example: Industrial accidents are the cause of a number of interesting businesses. P&G's revolutionizing Ivory Soap was the result of an employee leaving a machine on for too long.

So, it is the individual, through luck, talent and hard work, which provides the driving force behind the creation of wealth in family businesses.

So then why aren't all family members successful?

The conventional wisdom is that values are the starting point for successful longevity in family businesses. Translating the values of the first generation to subsequent generations can be decently easy. Most family business professors and almost all family business consultants say that retaining values in a family requires a codification of values past the second generation. Of course, the underlying assumption is that values made the difference between the person who worked hard and got rich and the person who merely worked hard. What can be said is that values do foster a sense of continuity through the generations, making the ability to communicate and work together much more smooth.

Your descendants are not you however. So the thought that they will be good at the same things that make you successful is both a shame and dangerous, regardless of whether they have the same values. Most families become inherently risk averse once past the second generation when they should be taking the same intelligent risks as the first generation in order to keep perpetuating the family wealth. Nothing you can do to grow a mature company will match your family's ability to perpetuate itself. The division of wealth that comes from this is the strongest wealth destroyer.

Therefore, the key to long-term success is to understand how to perpetuate the wealth in each generation – what does it take to make each generation "value generating"?

3. The More People You Know...

If the individual is the key to value generation, then it stands to reason that more individuals are the key to success. Luckily, we already established that if there's one thing your family is good at, it's making new people.

The more people you include in your family net, the greater the chances are of:

1. Finding suitable successors. Many of our families have education programs in place that set the pre-requisites for working in the business. That's great, provided that people want to work in the family business. The more people you can canvass, the greater the chance of finding people that combine the interest and the talent.
2. Increasing the wealth base of the family. Not everyone is cut out to be an entrepreneur, but have many other talents. The more people are in your family net, the more wealth of diversity you have. Your family members who are scientists, artists, lawyers etc. can all contribute to the family, and inspire the next generation with their examples.
3. The chances of an outlier: Not everyone is an entrepreneur. But some are. And given the right opportunities, they can take the same intelligent risks as the original founder and have the same success. But they have to be nurtured to do it. The more you nurture, the greater the success.

So let's talk about how to get all these people to engage.

4. Choice Makes Me Do It

The wider your umbrella of activities, the better the chances that people will come into the fold of their own free will, and find constructive things to do with, within or for the family. Ultimately, this needs to lead to material success to be worthwhile for the family and also the individual's happiness.

From our network of families, we have found that the following can be the most effective ways to enlarge the umbrella of involvement from "give me my dividend" to "I like to work with the family".

Societal Impact or Philanthropy:

- As James Hughes points out in his excellent book "Keeping it in the Family", philanthropy can be one of the great ways to educate your next generation. Putting a grandparent in charge instead of the parents also lifts the "disciplinarian" specter from the relationship. I agree wholeheartedly.
- My own experience with our families has been that almost everyone has a cause dear to their heart. You can do a lot more together than apart, and an excellent place to start is to agree on a common philanthropy project.

- Once philanthropy is shown to work, then you can also look at ways in which people can be encouraged to advertise their own pet projects and make them bigger.
- Regular informal meetings to discuss charity ideas and discuss progress on current projects is a great way to get people together as a first step towards inclusion.
- Sharing online is also a great way to show large families how things are going, and give the next generation an easy “in”, should they want to get involved.

Mentorship:

- Who does what in a family? Usually, when I ask this to our clients, they don't really have a way of finding out.
- How can a next generation member find out what she wants to do with her life if she can't see a number of alternatives?
- How can a 30-something next generation member climb a corporate ladder without help?
- Mentoring is one of the most powerful ways to engage your family, and to use the full wealth of experience. Start with an “official” mentorship program for those going into the family business, but then expand it. And start young – one of our families assigns mentors to mentees when the next generation member is 16 years old.
- You can also help by connecting family members online, through a family tree or a site like LinkedIn. This way, they can self-select mentors and mentees.

Tolerance of Alternative Paths:

- The family business is the family business. But not everyone is as enamored of it as you are. So be patient and open-minded. Opening an ice-cream parlor might sound daft until that person develops the skills to run their own P&L center all on their own.
- Outliers are attracted to alternative paths, and that is often where outside profits are made. You can encourage them with helpful grants towards experiential trips, courses and ventures. But don't be too prescriptive about what these things have to contain.

Enabling all paths – education outside of the family business:

- Just as a philanthropy or Societal Impact project will engage people, so will an entrepreneurship competition attract the business folk in the family: either as investors or as pitchers.
- Having a limited number of scholarships available to prestigious schools in a variety of fields will also help attract the attention of family members who might not be directly interested in the family business per se. It will also encourage some competition to get the awards if the members know it comes with strings attached and they are scarce.



TRUSTED FAMILY

Trusted Family is based on the belief that families can create greater financial as well as non-financial value through increased cohesion between their members.

Our goal is to help families go beyond merely staying together, and to enable them to systematically identify and leverage their unique family assets. To accomplish this goal, we have built a set of solutions, which enable families to measure, track and manage towards internal cohesion. At the heart of our approach is a purpose-built, modular and secure online platform. This, coupled with our family business expertise, equips us to deliver platform based advisory services across communication, education and societal strategies - the three key drivers of cohesion

Trusted Family was created and is majority controlled by some of its client families. Today, more than 90 progressive business families across 25 countries share our vision for the future of the successful family. Should you wish to find out how to join this rapidly growing movement, contact us for a preliminary consultation.

For any comments or questions on this paper:

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