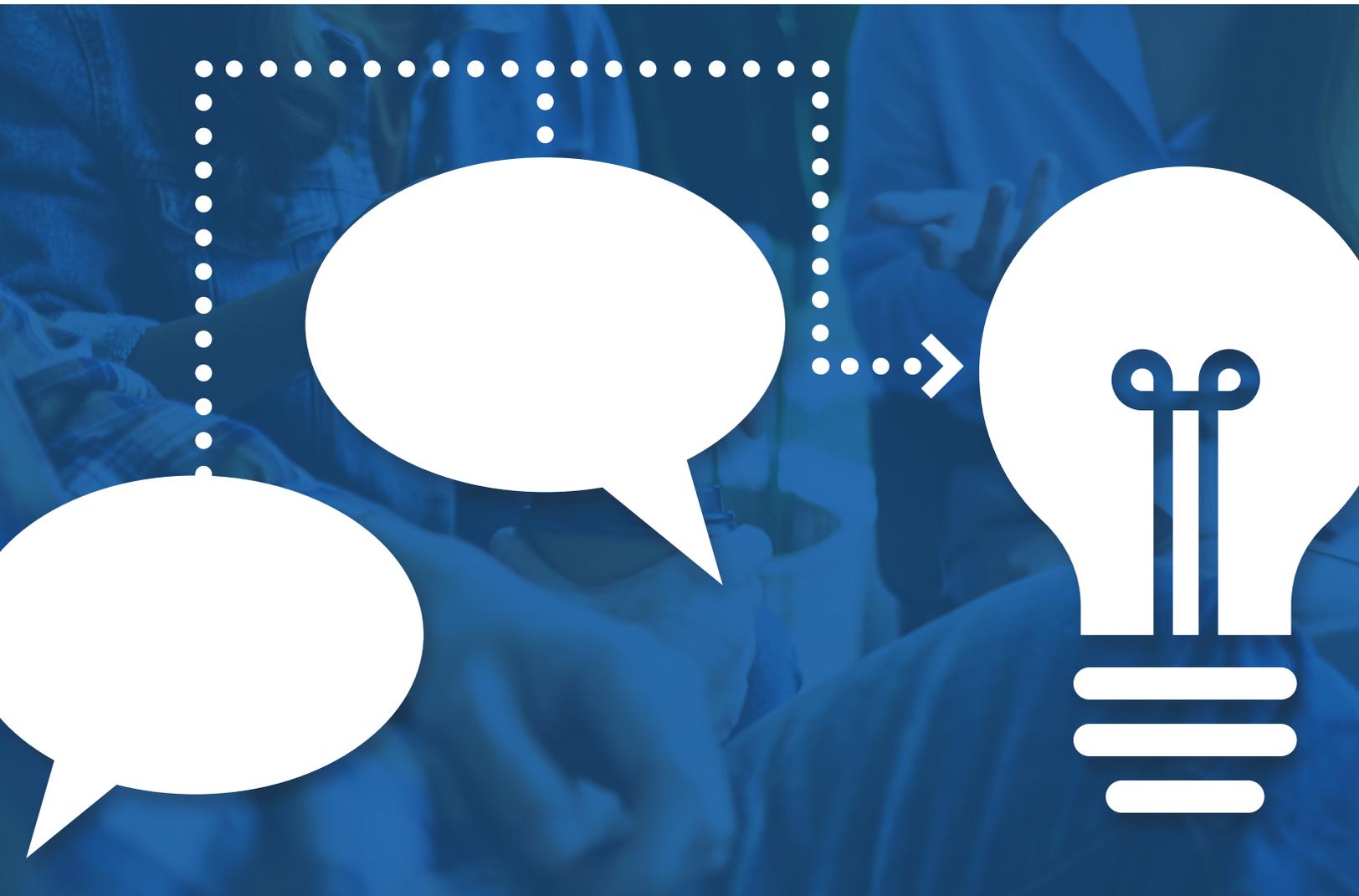




FAMILY
ENTERPRISE
FOUNDATION

ALCHEMY AND THE FAMILY ENTERPRISE

Finding Purpose.
Conquering Communication.
Leveraging Learning.





Introduction

In the Middle Ages, alchemists who sought to change base metals into gold were the indomitable mavericks of their day. Substitute those alloys with discrete yet overlapping ingredients of family, business and ownership and modern-day family learning champions could well be the new alchemists, though with far greater chances of success.

Drawing on data from our **Family Learning Discovery** assessment, we cast fresh light on entrepreneurial family attitudes towards purpose, communication and conflict, and family learning. We reveal new insights on how these distinct forms of family behaviours and dynamics fit together, and what actions business families can take to thrive over the long term.

Context – Setting the Stage

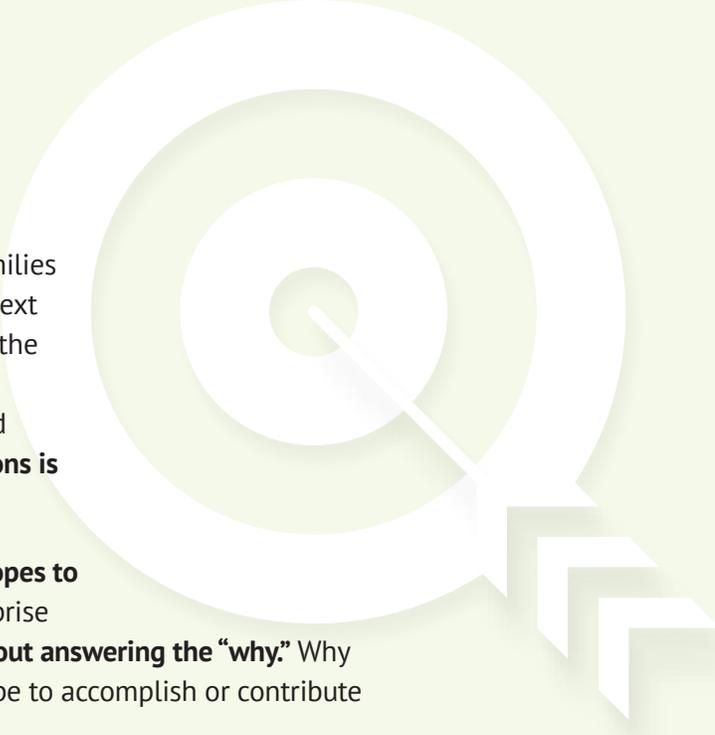
The data and analysis presented in this report are the result of a publicly available assessment tool and our own subsequent correlation analysis of different data points. Our intention in presenting this data and analysis is to uncover key themes, provoke thought and encourage discussion among business families and those that advise them.



FINDING PURPOSE

One of the significant challenges that business-owning families confront is passing on their enterprise to members of the next generation. There may be practical concerns as to whether the next generation is ready to lead, or that future generations may not take the business in the direction the founders had envisioned. **One way to smooth transitions across generations is to establish a family purpose.**

By PURPOSE, we mean a broad sense of what the family hopes to accomplish with its business; how the family sees its enterprise contributing in a productive way to the larger world. **It's about answering the "why."** Why does the family business exist? What do we, as a family, hope to accomplish or contribute through our business?



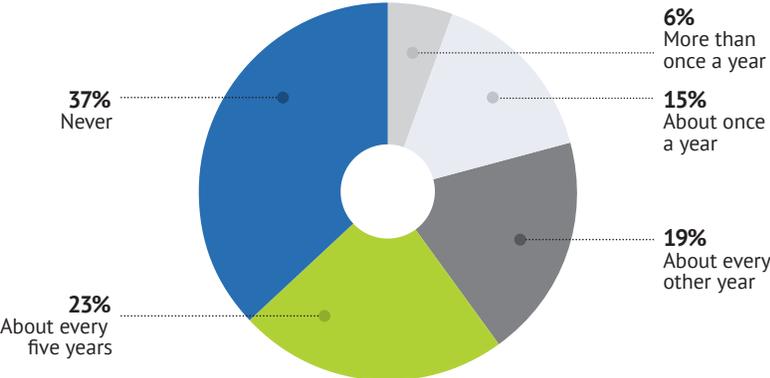
A Strong Purpose Benefits Family Business Longevity

When family purpose is successfully conveyed between generations, it benefits the individuals and provides a roadmap for the family business. In our analysis, we found that if family purpose is successfully conveyed (43% of respondents believe it was), then there is a resulting positive view in which family members believe that such purpose would benefit them.

The more emphasis a family puts on conveying purpose across generations, through frequent and documented discussions (36% of respondents agree), the more individual members feel family purpose to be guiding them and the enterprise. Significantly, 50% of respondents believe that family purpose has not benefited individuals, or was not on their radar, and therefore has not been successfully transmitted. **Families that rethink their purpose often agree that it is a guiding factor in their business.**

When to Rethink Purpose?

HOW OFTEN DO FAMILIES RETHINK THEIR PURPOSE?



Let's Consider

While our data suggests that Generations One to Three are more willing to rethink purpose and do it more often, could it be that once a family reaches Fourth Generation, purpose is either fully ingrained and part of everyday action, or has fizzled due to family growth, composition, geographic location and other changes?

Impact of Governance Structures on Family Purpose

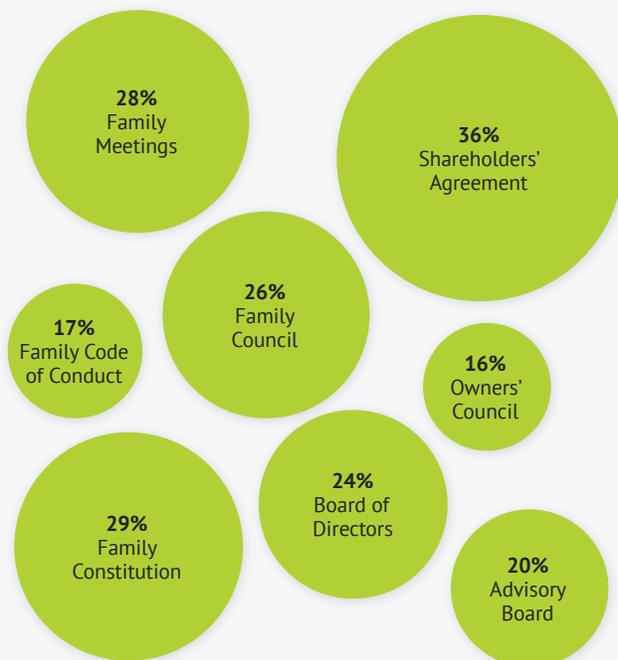
The best place to discuss, formulate and refine family purpose is through one of the many governance structures that family businesses have relied upon for decades.

Having family purpose at the core of what you do is essential, and family meetings or family councils are an ideal place to express and share your thoughts on family purpose today and in the future.

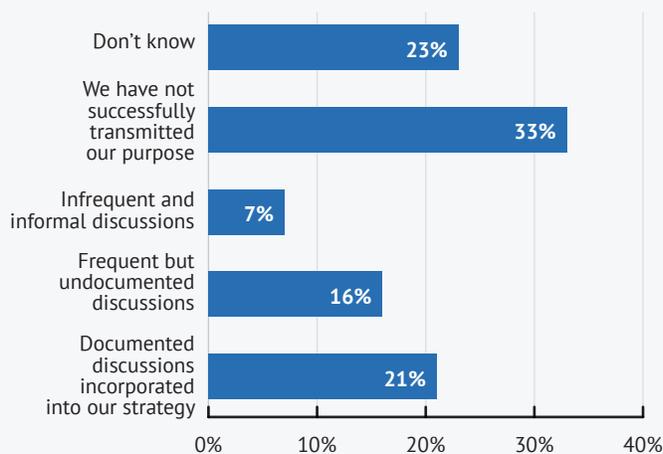
Our findings suggest, **the more governance structures a family has in place, the more likely they are to convey purpose across generations.**

Greater Governance for Stronger Purpose

EXISTING GOVERNANCE STRUCTURES USED BY FAMILIES



HOW FAMILIES CONVEY PURPOSE ACROSS GENERATIONS



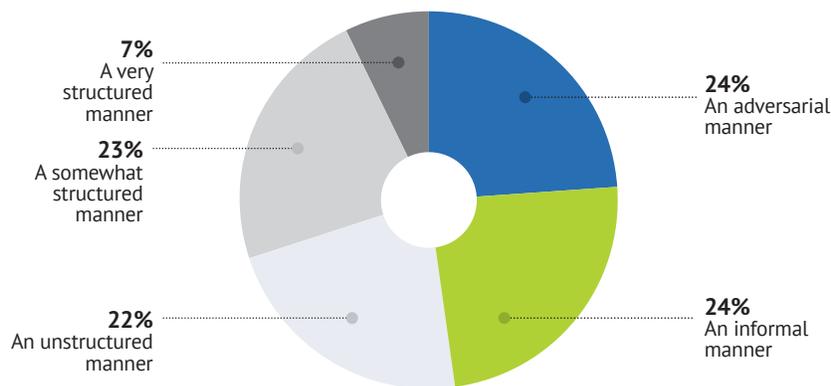
KEY INSIGHT

When more governance structures are in place, the more respondents believe that their family conveys purpose across generations through documented discussions incorporated into their strategy or frequent but undocumented discussions.

“We now have an entire mechanism in place whereby succession from one generation to the other is understood. We have a constitution that says how all of this works. With the absence of something like that, with no succession plan in place, you can be in a heck of a mess.”

—Second Generation Family Business member

WHEN WE MEET TO DISCUSS FAMILY ISSUES, WE DO SO IN...



There is also a significant difference between those who believe that when they meet to discuss family issues they do so in an adversarial manner as opposed to a structured manner. If the response was that meetings to discuss family issues are adversarial, they are also likely to believe they do not know how their families convey purpose across generations (23%) and that they have not successfully transmitted their purpose (33%).

TIPS FOR SUCCESSFULLY TRANSMITTING FAMILY PURPOSE ACROSS GENERATIONS

- 1 Weave the purpose into family stories that can be shared across generations. When family stories carry the family purpose, they are remembered and shared not only at formal meetings, but across the dinner table too.
- 2 Set a time for intentional conversations and be ready to play the role of both listener and speaker.
- 3 Family purpose is defined and transmitted best when families learn together.

Let's Consider

Attitude might be a key ingredient that helps strengthen family purpose. It may come as no surprise that families who meet to discuss family issues, but do so in an adversarial manner, also struggle to convey family purpose across generations. All others – those who discuss family issues in either informal, unstructured, somewhat structured, or very structured settings – show a positive correlation with conveying family purpose. Setting and maintaining the right tone for discussions is key.

Purpose and Family Meetings

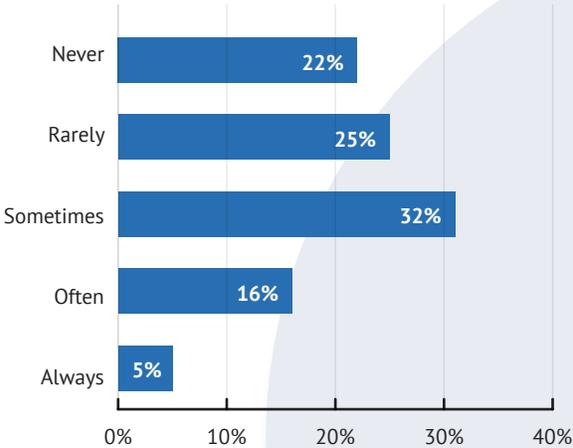
Do families with strong purpose demonstrate an innate propensity towards better self-governance? Or are families with robust self-governance more adept at honing their purpose? It's a chicken-and-egg scenario. But **clearly, there are links between good governance and strong purpose.**

If you consider that 79% of families meet (frequently or not) to talk over family issues, one could draw a number of plausible conclusions:

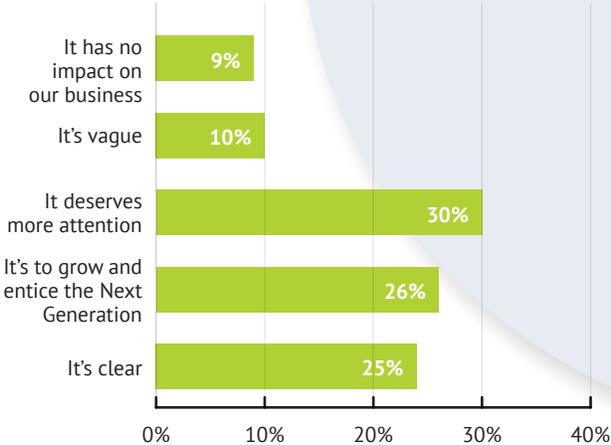
- Firstly, at least three in four clans are prepared to thrash out solutions to a “family problem” together.
- Secondly, three in four are prepared to gather over exciting family-related projects.
- And thirdly, a majority of families will meet, as a family, to tackle other family matters.

Looking at the other side of the coin, 21% never meet to discuss family issues. Does this imply weakness of purpose? Not necessarily. However, our findings suggest that **the more often a family meets to discuss family issues, the more likely they are to believe their family purpose helps to grow their business and entice rising generations.** Family purpose does not flourish in a vacuum and can probably only be truly explored through regular meetings.

WE MEET AND DISCUSS FAMILY ISSUES...



WHEN I THINK OF MY FAMILY’S PURPOSE...



KEY INSIGHTS

- 1 Implementing good governance processes puts families at an advantage in transmitting purpose intergenerationally, which also helps the enterprise by uniting family members.
- 2 When addressing “family” issues, the presence of adversarial attitudes impedes a family’s ability to convey purpose across generations, which can expose weak governance areas and act as an enterprise-wide threat.
- 3 The more often a family meets to tackle family-related issues, the more they believe their purpose grows the business and entices rising generations.

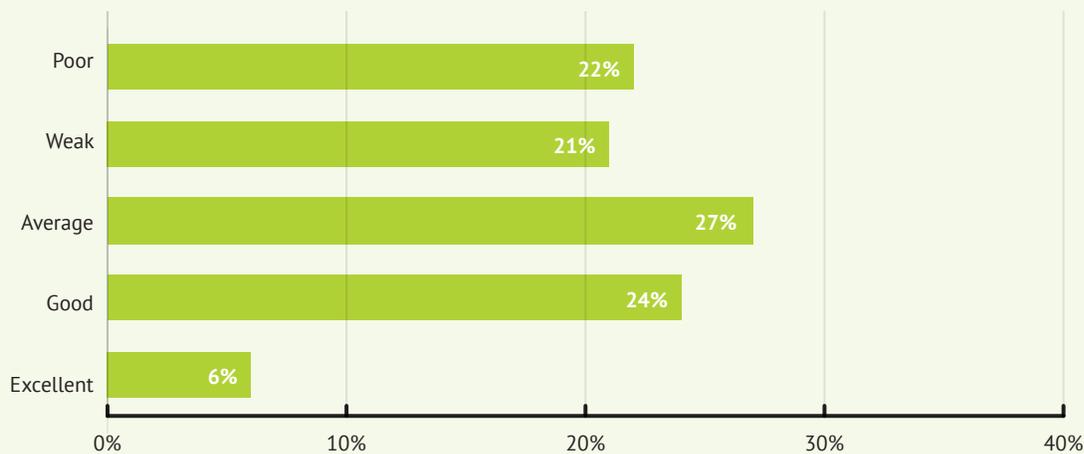
CONQUERING COMMUNICATION

For family purpose to flourish, family members need to share their thoughts, often and effectively, to get their messages through.

What is communication? It's two things: a sender and a receiver. A speaker and a listener. What many family members struggle with is conveying ideas to other family members who may lack empathetic listening skills. If so, they then have a difficult time communicating effectively. As a result, family members will have difficulty understanding each other. A lack of understanding leads to a lack of collaboration. Lack of collaboration leads to divergent paths. Divergent paths lead to frustration. When family members become frustrated with each other they can become angry too, which can lead to hostility, enmity and generalized conflict. A lack of empathy leads to a lack of communication, a lack of collaboration, and so on. To reverse this, **family members can learn to empathetically listen to one another, then learn to really hear each other, understand each other, collaborate and compromise, and build a common vision.**

Listening and Communication Styles in Families

HOW I WOULD RATE MY FAMILY'S LISTENING SKILLS



In general, respondents feel that their family's listening skills are average to good, with very few indicating they are excellent. As for their family's workplace communication skills, less than a third have a positive impression of it. So, **we often tend to focus more on the business and less on the relationships that sustain the enterprise and the family.** Just as you do for business matters, consider developing soft skill KPIs for your family. If you are not reaching your objectives, how can you develop a plan to improve, just as you would in your business?

Dealing With Family Conflict

The root cause of most conflicts in families, as anywhere, is when people feel disrespected. Most of us want the same thing: to feel respected, safe, important and loved in our family. **When we take the time to listen to each other and feel listened to, we're able to get deeper into what might be the underlying conflict.** Often, when we're in conflict, we're essentially dealing with the symptoms on the surface. **The key is to dig to discover what the underlying issue is and then deal with it.**

Shaping Consensus or Butting Heads?

Disputes among families that work together are normal and to be expected. It is how you view and deal with quarrels that differentiates the impact they have. Here again, less than a third of respondents fully understand this or see this as normal. **Poor communication and listening can lead to conflict,** yet only good listening and communication can help you see your way out of it.

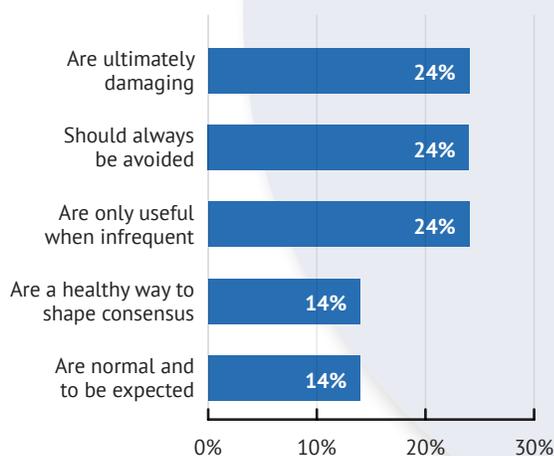
OUR CONFLICTS ARE USUALLY...



EMBRACING DISPUTES IN A HEALTHY WAY

- 1 Understanding each other's personalities and conflict styles are two foundational tools families can use to embrace healthy conflict. These tools label behaviours instead of the person. Sharing language that describes conflict approaches helps us discuss conflict at a different level, respect each other, and move through conflict more constructively.
- 2 The first step is to normalize conflict. One does not progress without it. Also bringing awareness that humans need to be heard and seen. When a family allows these two things to happen and every family member feels it, there is a safe space to discuss the difficult topics.

FAMILY DISPUTES





Listening skills have a significant impact on conflicts and disputes. When comparing how families view conflict with how they communicate, it is clear that if they characterize their conflicts as ongoing warfare or as destabilizing (as 47% of respondents do), then they also believe their family has poor or weak listening skills (43%). There was also a **negative correlation between conflicts and listening skills** if respondents believe that their conflicts are serious disputes (20%). However, if respondents believe that their conflicts are rare and short lived (8%), or minor disagreements (25%), then they also believe that their family has average to excellent listening skills.

Where family members see their disputes as normal and healthy (28%), they in turn believe that their family has strong listening skills (30%). This suggests a level of comfort in welcoming opposing points of view in this set of respondents, who may also be more adept at reaching consensus when addressing family-related conflicts.

Let's Consider

We did observe a statistically significant difference when looking at Generations One through Four. Generations One and Two are markedly better at managing conflict than Generations Three and Four. Can we conclude that listening skills weaken across generations, that senior gen members don't recognize those skills in next gen members, or is it that, as families grow, close relationships fade? Perhaps as families grow, their communication and conflict dynamics occur in smaller, more intimate groups not representative of the larger, extended family?

Family Communication in the Workplace

Stronger listening skills have a direct correlation with clear and thoughtful communication at work.

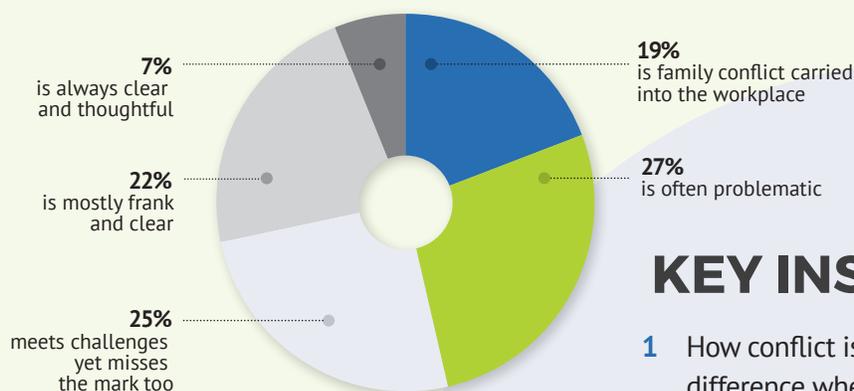
Looking at how families communicate at work, we see very clearly that those who believe that their style of communication at work is either problematic (27%), or that family conflict carries into the workplace (19%), also believe that their family has poor (22%) or weak (21%) listening skills.

The more families view their style of communication as being problematic, the more negatively they view their conflicts.

When looking at how family members view disputes and their style of communication, we see that if family members believe their style of communication to be problematic (46%) then they generally believe that family disputes should be avoided (24%). **If they view their style of communication at work in a positive light, then they are more positive about family disputes, and believe them to be normal and to be expected (28%) rather than avoided.**

Disputes are intrinsic to family dynamics. So, is it the way they are being handled that is making the difference?

OUR COMMUNICATION STYLE AT WORK



KEY INSIGHTS

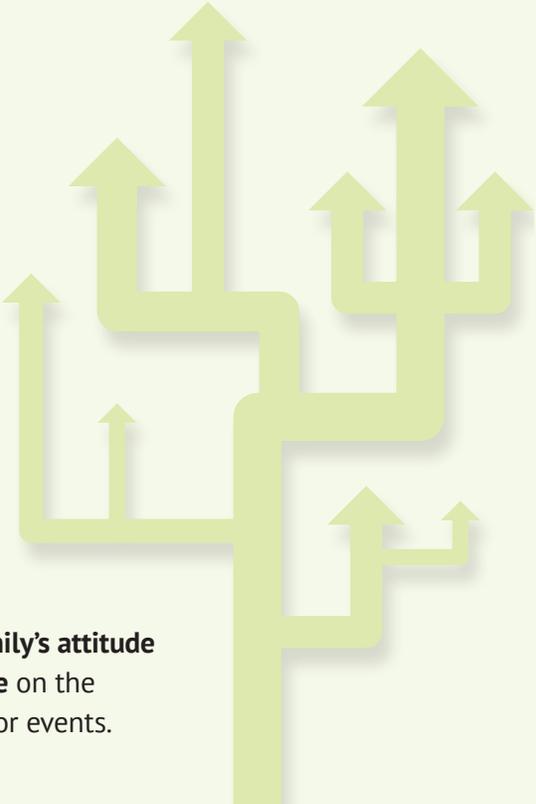
- 1 How conflict is managed makes a world of difference when addressing family issues. In terms of communication, listening skills outweigh speaking skills as the tool to master.
- 2 Families who embrace disputes as a healthy way to tackle “family matters” perceive their listening skills as strong, which suggests a stronger capacity for conveying purpose.
- 3 The more a family views its style of communication as problematic, the more negatively it will view conflict – a defeatist posture which, if not remedied, can debilitate a family’s ability to summon the courage to address difficult matters and see solutions through.

LEVERAGING LEARNING

Purpose matters. Enterprising families must **communicate clearly and frequently** in order to better transmit their *raison d'être* along generational lines. If their desire is long-term family ownership, then a **learning journey** comes into play, but it **must be intentional**.

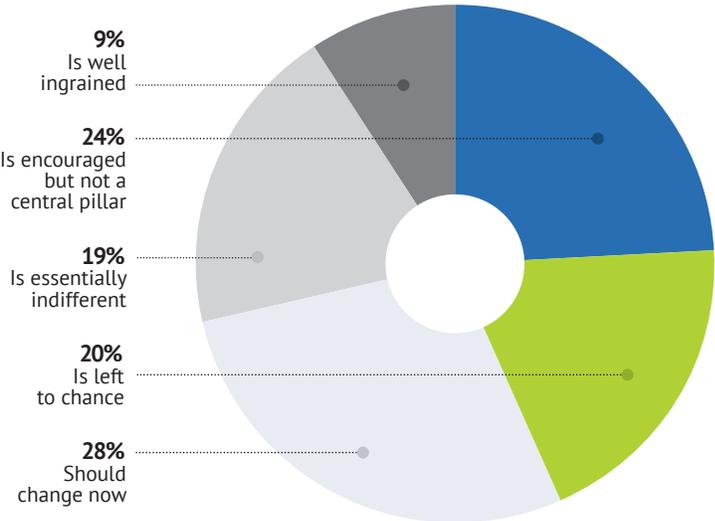
Business-owning families all too often fail to adequately plan for the continuity of their enterprises, which can have negative consequences for all involved. Many of the inevitable challenges associated with **the transition process can be managed much more constructively if business-owning families are well informed about what they are getting themselves into and best practices are shared.**

Education and learning paths make a huge difference and attitudes towards learning matters. **The more deeply ingrained a family's attitude is towards their learning path, the more positive an effect it will have** on the frequency the family undertakes family business learning programs or events.

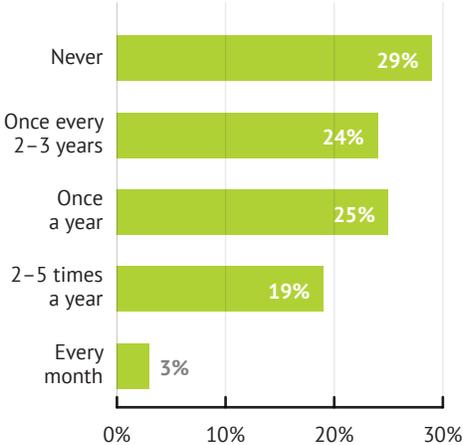


Attitude: A Little Thing That Makes a Big Difference

FAMILY ATTITUDES TOWARDS LEARNING



MY FAMILY UNDERTAKES LEARNING OR EVENTS



Not surprisingly, if family members view their attitude towards their leaning path as something that should change immediately (28%), something left to chance (20%), or they are essentially indifferent (19%), they are more likely to have a negative view regarding their learning champion. Conversely, if their attitude towards learning is well ingrained (9%) or encouraged (24%), then they have a positive response to their learning champion.

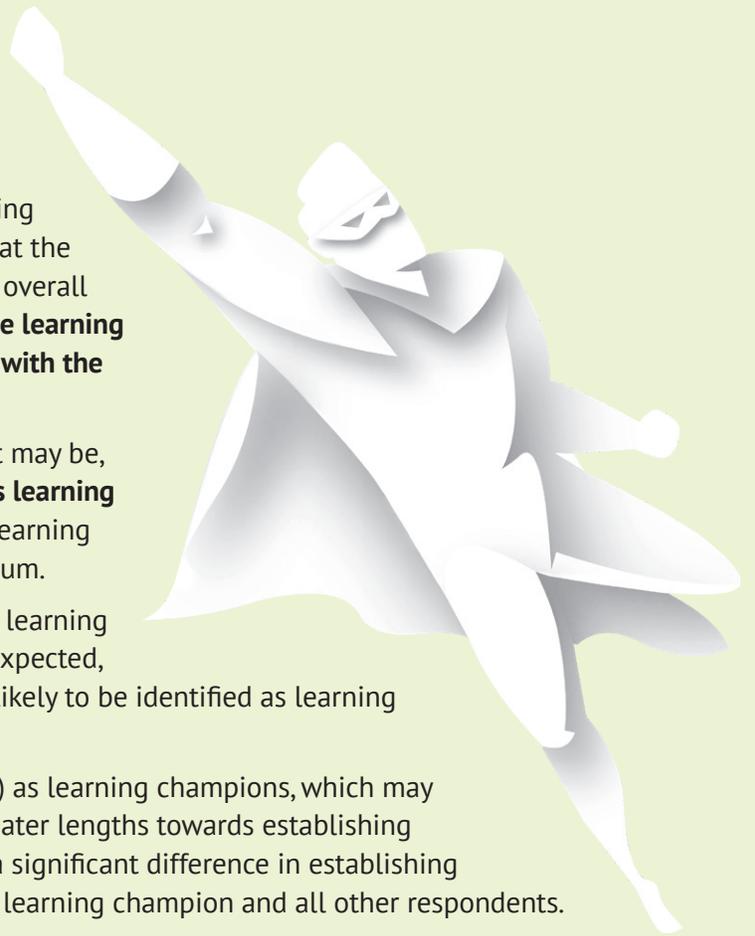
Does Having a Family Learning Champion Matter?

What is a family learning champion? A family learning champion (FLC) is a family member who ensures that the family's learning program and strategy supports its overall goals and purpose. **A qualified champion propels the learning strategy and aligns the development of individuals with the enterprising family's overarching goals.**

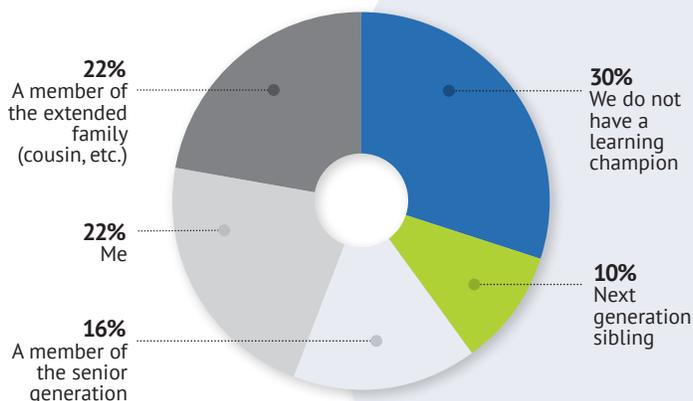
Having a learning champion, regardless of who that may be, means a family is more likely to undertake business learning programs and participate in educational events. A learning champion pulls the family along a learning continuum.

Unfortunately, 30% of respondents indicate that no learning champion exists in their family. As we might have expected, members of the senior generation (16%) are more likely to be identified as learning champions than next gens (10%).

Extended family members figure prominently (22%) as learning champions, which may suggest a willingness by some families to go to greater lengths towards establishing themselves on learning paths. Regardless, there is a significant difference in establishing learning paths between those families who had no learning champion and all other respondents.



THE LEARNING CHAMPION IN MY FAMILY IS...



KEY INSIGHTS

- 1 Our Family Learning Champion has opened up specific conversations and given access to specific consultants that we otherwise wouldn't have had.
- 2 A family learning champion needs to have the skills to open the door to sharing experiences and meeting everyone's needs.
- 3 To on-board the next generation, we will be pushing for some post-secondary education, and we'll institute a rule in the Shareholder's Agreement that next gens must work elsewhere for 24 months before coming into the business full time.

Interestingly, those who answered that they were the learning champion (22%) also believe that a strong sense of alignment requires collaborative movement towards a common goal (21%). **If respondents identified themselves as the family learning champion, then this had a much more positive impact on how they gauged the strength of their family alignment**, specifically an accord between family members as they relate to their respective personal and professional objectives.

If respondents indicated that the learning champion was someone else (48%), or that they had no learning champion (30%), then this had a negative effect on how they viewed a strong sense of alignment. Meanwhile, family members actively involved in the business are more likely to have a positive view of their family's strong sense of alignment.

Roles of a Family Learning Champion

A Family Learning Champion ensures that the learning strategy aligns both the family and business goals. If a clan expects to retain ownership and attract talented family members, a funded learning strategy is non-negotiable. In many families, its FLC oversees training, learning trips, visioning processes, etc. Emphasis is on developing family members as human resources, as shareholders and as (better) humans. Validation “to allow each family member to be known, to feel recognized in their identity and to be supported in their project” is a fundamental pillar.

Let's Consider

Can we conclude that FLCs hold the key to aligning and articulating family vision?

Our data suggests that family learning champions have a favourable view of alignment when they believe *they* are the learning champions, but not necessarily if it is another family member.

TIPS FOR FAMILIES LEARNING TOGETHER

- 1 For families just embarking on learning together, start small and keep it simple. Have fun. As families begin to learn together, they realize the benefits and feel motivated to do more, champion learning, and develop their own learning plans.
- 2 “Entrepreneurship without education is just a hobby.” Families truly interested in growth and development, are more outward looking. These families will be open to appointing a learning champion to lead the way. This learning is not limited to business and financial acumen, important as these are.
- 3 Families learning together can be very advantageous. They can address the “why” we want to be together as a family. The why and the family purpose are key to venturing down the road of shared learning as a family. When all of this lines-up, and family values have been explored, it's incredible the unity that forms.

THANK YOU TO OUR CONTRIBUTORS

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