

Family Education For Business- Owning Families

Strengthening Bonds By
Learning Together

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Family Business Leadership Series

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Effective Leadership in the Family Business

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The Nine Benefits of Family Education

1. Learning together brings extended family members closer to one another.
 2. Cousins get to know and trust each other and learn how to work together as owners of the business and members of the family council.
 3. The family business becomes stronger and healthier. The more educated family owners are, the easier it is for them to make better decisions about the business. They become assets to the business.
 4. Family members who don't work in the business feel more connected to it. By taking responsibility for family education, they also have an opportunity to contribute to the enterprise and make an impact on it.
 5. Cousins may put aside old family conflicts and discover they actually like each other.
 6. Life becomes richer as family members enjoy new experiences together.
 7. Family members reconnect with the community they grew up in when they return to plan or attend educational events.
 8. Younger family members develop respect for employees by seeing how hard they work and how much they know.
 9. Education instills pride in the family business and in the family and its values.
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II. The Evolution of Family Education

Family education evolves as businesses and their owning families grow and evolve. As family businesses go from being young and small to older and larger, the focus of education will shift. We generally find families progressing through these five phases.

Phase 1: Education for Future Family Employees and Managers

Business-founding parents very often first get interested in education once their children are teenagers and begin to be considered as prospective employees. The parents start to say, “We’ve got a 16-year-old and an 18-year-old. How do we introduce them to the business? How do we help them understand what their career choices are?” The parents begin to offer their children more background on the company and expose them to the business in ways that will help them make career decisions.

As the young people get involved in the company, perhaps as employees and managers, their education focuses on career development and preparation for higher levels of management. The family takes steps to make sure that the children’s spouses understand what’s going on in terms of the second generation from a managerial point of view.

Phase 2: Education for Sibling Team Effectiveness

It’s often assumed that all the siblings in the second generation will join the business. As the second generation begins to contemplate joining the business, the family becomes more focused on education that will enhance the younger people’s managerial skills in both the business and the family. The family concentrates on how its members work together as a team or as a group, and more emphasis is put on education to help increase the effectiveness of the family.

Families in this stage also focus on teaching interpersonal skills, such as communication proficiency and conflict resolution. The family initiates education about the business for the spouses so they have the understanding they need to support the enterprise.

Phase 3: Education as Governors and Owners

As the family grows larger—perhaps entering the stage of Cousin Consortium—proportionately fewer family members work in the business. Nevertheless, some of those who do not join the business will become shareholders one day, while others will serve on the company’s board of directors. Still others will play roles in the family business, serving on the family council, for example, or heading up a committee on philanthropy.

Now the family begins to raise new issues. Someone may say, “Clearly, some family members don’t really understand the business as well as family members did in the past, when everybody worked in the business. And more people have roles as owners instead of as managers.” Family members begin to ask, “What are the roles and responsibilities of owners? What are the owners’ rights and privileges? What’s the dividing line between being a manager and being an owner?”

On the governance side of things, family members begin to ask, “What do company boards do? How do they work? What’s the relationship of the board to the company? To the owners? What kinds of people should we look for to be on the board?” Families may also start to raise similar questions about governance of the family itself: What is the role of a family council? How does a family council relate to the shareholder group and to the company board? What qualities should we be looking for in family leaders?

As a result of the new issues the family faces, it begins to concentrate on helping family members—particularly the cousins in the third generation—learn how to fulfill their roles as effective shareholders and competent governors of both the business and the family.

Phase 4: Education for Inheritance

As wealth is transferred from one generation to the next, families seek ways to educate members about inheritance and affluence. Learning may focus on issues such as living with wealth, parenting children of privilege, security, philanthropy, public relations and what it’s like psychologically to bear both the blessings and burdens of wealth.

But inheritance is about more than just the transfer of money. Often, members of the third and fourth generation were born after the founding members passed away. Or family members are living far from where the family business is located, yet they feel a sense of identity or a pride of association with it. So education about inheritance also becomes education about inheritance of an identity; inheritance of a tradition, history or legacy; inheritance of reputation; and inheritance of responsibility, values, social contacts and more.

Phase 5: Education for Life

In this phase, the family asks, “Why should we educate just family members who are in management, who are going to be in governance or who are shareholders? Why don’t we educate every family member so that everybody feels like an important part of our family, no matter what direction in life they choose?” When the family reaches this stage, it starts providing career development education for all family members who want it, not just for those headed for jobs in the family business. It looks for ways to involve the geographically distant family members in the life of the family, using education as a means. It takes on an attitude of “Let’s support all family members in becoming successful and happy in whatever they do, in whatever role they play.”

Recognizing the Signals

You can have family education at any stage of a family business, but when you reach the third generation, the cousin consortium stage, it becomes imperative. It's inevitable that the larger, more diverse cousin group will become more removed from the business. The third-generation cousins are more diverse both geographically and in terms of lifestyles and interests. Unlike the second generation, when the siblings might have worked in the business, proportionately fewer cousins can do so. And that's when the family, in need of something to hold itself together and create the closeness and unity that will support the continuity of both family and business, wisely turns to education. Education becomes the key family glue. The family asks, "What kind of people are these cousins going to be? How do we prepare them to be owners someday? How do we provide education so that they enjoy each other, get to know each other and learn together?"

What other triggers alert the family to its need for education? Generational shifts are one. When the family sees the next generation coming up, it knows that the young people in it have to be readied in many ways. Even if the transition is from the much smaller first generation to the slightly larger second generation, the older family members recognize that their children need to learn about what's going on in the business or understand estate planning.

Still another trigger is that someone in the sibling generation, or perhaps the cousin consortium stage, says, "We really ought to do some planning together and make some decisions together." That kind of statement begins a phase of interpersonal learning aimed at helping family members work better as a team, communicate more effectively and make decisions as a group.

During the progression from one phase to another, families wake up to two realizations: First, over time, members have different education needs. And second, the family can make education available as a benefit for the entire family rather than as a resource only for those who are interested in the business.

EXHIBIT 2

The 5 Phases of Family Education

1. Education for future employees and managers.
 2. Education for sibling team effectiveness.
 3. Education for governors and owners.
 4. Education for inheritance.
 5. Education for life.
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