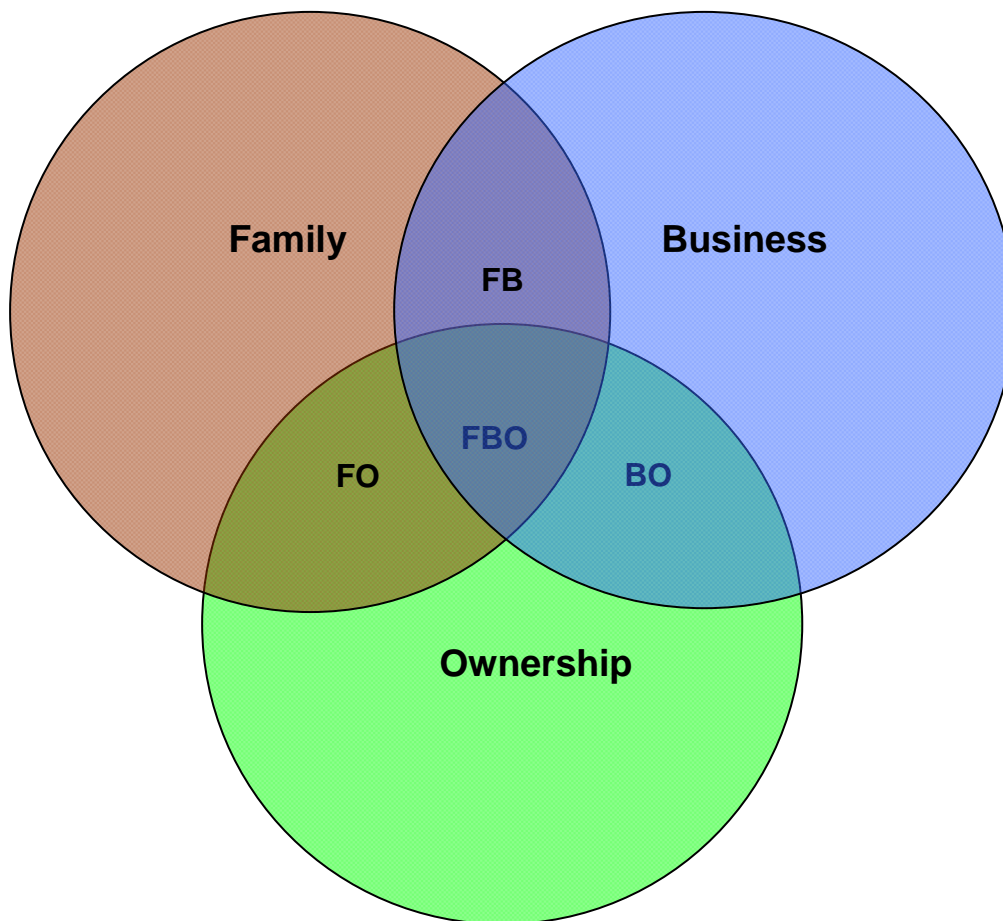


FAMILY BUSINESS AWARENESS & ENGAGEMENT

1. An Interlocking System



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FBO - family members who work in the business and own shares in it

FB - family members who work in the business, but don't own shares in it

FO - family members who own part of the business, but don't work in it

BO - employees who also own part of the business

How can you begin to unravel the complexity of your family structure? First, you need to begin to differentiate the family from the business. If you are involved in a family business, you hold membership in one, two, or three groups, each of which has a different perspective. In effect you are part of three overlapping, interlocking systems. Each of these systems contains a group of people who have distinct interests, locations, needs and styles of operating:

1. Family System - Membership: Personal family, children, spouses and cousins

Emotion-based, oriented toward security, nurture, fun and growth. Inward focus on its members.

2. Business System - Membership: Employees, managers and customers

Task-oriented, demands productivity from its members. Outward focus on its customers.

3. Ownership System - Membership: All shareholders - family and non-family

Owens the business. Oversees and creates policy. Hires top management. Helps create and manage the plan for moving the business into the future as a vital institution.

Membership in these three groups overlaps.

You can be a member of any one, two or all three. These three systems are interrelated and support each other to a certain degree. Problems arise when it is unclear which system takes precedence. For example, is the business designed to serve the family's needs, or does the business come first? Different answers to that question lead to different financial, employment, and strategic business decisions. Also, when two people who simultaneously belong to different systems talk to one another, it is sometimes not clear from which system's perspective they are speaking. For example, when a father who owns a business berates his son in a business meeting for not being prepared, is he acting as a father, as a business owner concerned about competence of management, or as a boss talking to his GM? *This is often where serious communication breakdowns begin – and thus can have severe repercussions for both the family and the business.*

Looking at the three systems as three interlocking circles, there are several possible overlaps. The middle space, labelled **FBO**, includes people who are owners, managers, and family members. This includes the business founders and the heirs who have been given ownership shares. Because they have three perspectives, the members of this group may get particularly confused in their relationships and the boundaries between family, business and ownership decisions may be especially unclear.

The area labelled **FB** consists of family members who also work in the business, but don't own shares. They may be sons or daughters who expect one day to become owners. **FO** indicates family members who own parts of the business, but don't work in it. This includes passive shareholders, perhaps children or spouses who inherit parts of the business. Their interests obviously differ from family members who work in the business. **BO** refers to employees who also own stock in the business.

Each of these groups has a unique perspective on the business. Each wants different things. For example, family members not working in the business may be concerned with the time family managers spend working and may resent the lost companionship, while business owners who aren't involved in day to day operations may want their values or wishes taken into account by management. Understanding the dynamics of a family business begins with defining the membership of each of these spaces.

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To initially understand your Family Business dynamic & situation, follow the next 3 steps:

Step 1

What is the family history – describe by way of a typical family tree – names, ages & lineages

Step 2

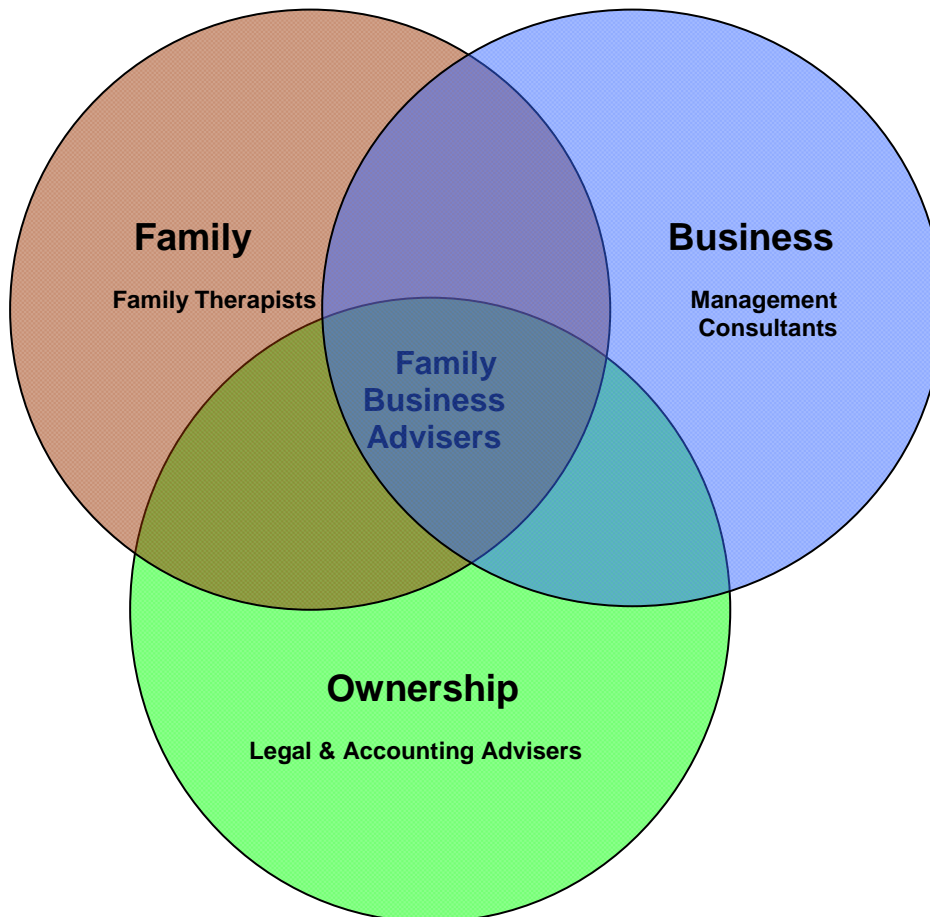
What is the family business history?

Step 3

- What is the current ownership structure?
- What is your (preliminary) preferred structure? Maybe refer back to the current family tree to illustrate.

2. The Role of the accredited Family Business Adviser/Consultant

Different types of consultants work in the three systems of family firms - often as if the systems were separate and distinct from one another. The figure below illustrates where these advisers often do their work. "True" Family Business Advisers are distinguished from other types of consultants in that they work on the boundaries of these systems, where there are overlaps between the family, the business and ownership/governance.



3. So where to from here for you and your Family Business?

The optimum outcome is for your selected specialist advisers, mentors & family business guides to act together in collaboration. Therefore what do you believe is right for you? Are you now clearer on what course of action you should take?

4. Engaging with your Family Business

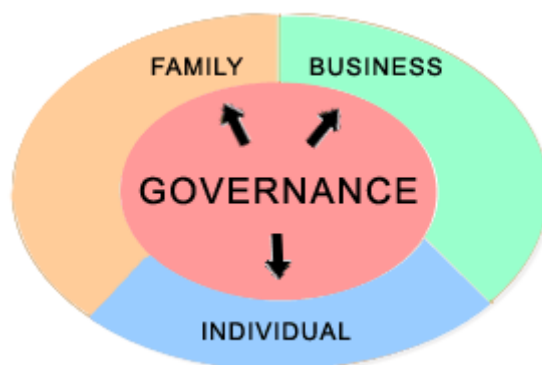
As fully accredited Family Business Advisers (by Family Business Australia) and Transition Managers we act as your mentors, guides and facilitators in a professional friendship. We have helped families who own a family business or who share family investments, to manage the personal and organizational issues that lead to successful and fulfilling transfer of businesses, wealth, values, commitments and legacies between generations.

We work at the intersection of family relationships, business, financial and philanthropic enterprises and personal development. Our goal is to help families develop:

1. Positive and supportive relationships
2. Clear agreements and understandings about the future
3. Effective and profitable businesses and enterprises
4. Clarity of roles and relationships in management and governance
5. New leadership and the passing of responsibility, ownership and capability
6. Individual development of responsibility, competence and fulfillment

We believe these are largely human, not financial or legal challenges. They are best addressed by creating clear agreements, effective structures and clear communication and collaboration within a family, and with its employees and other stakeholders.

Our professional consulting takes place in the four key dimensions of family business and wealth management success



The challenges facing families who share a business or financial inter-relationship are not confined to any one dimension, but span all four. We help families to address issues and achieve results in all these areas. Our work with families spans these four dimensions:

Governance
Aligning Family Stakeholders

Helping family members manage their involvement in business, asset management, and philanthropy and perpetuate their legacies, by forming family boards, shareholders' assemblies, management teams and family constitutions that define and implement a vision, values, mission and expectations.

Business
Transition for Succession & Renewal

For the business to operate effectively the focus must be on strategic planning, installing an effective management team, working with non-family executives, and creating a board that allows appropriate ownership involvement and effective business development.

Family
Communication, Stewardship & Conflict Resolution

Families have painful issues that need healing, and differences that are hard to discuss. They influence the process of inheritance, developing capable heirs and sustaining family connection. Family concerns include fairness, expectations between generations and healing past hurts and misunderstandings. We help individuals talk openly about difficult issues and resolve conflict, establish positive family connections and help to pass their legacy to the next generation.

Individual
Mentoring for Personal and Professional Development

Growing up in the shadow of a powerful founder can be a challenging experience. Young people need support and coaching to create development plans to achieve their potential. We help family members to assess their personal capabilities, discover their most effective roles, and find ways to make a difference in the family and in the world.

5. The Process usually takes this form

While every family has unique challenges, we generally begin working with a family by meeting all the “stakeholders” and helping them to look at the big picture of the challenges they face and create an action plan for engaging with them.

So the first step is to contact us directly for an initial consultation by email or phone to talk about working together.

This consultation is a very personal relationship, and often involves some activities that a family has not done before. Some members of your families may have reservations, questions or concerns that need to be addressed up front.

We may have to meet once or several times in order to decide whether to work together.

Phases of an Engagement.

1. Initial Family Engagement Meeting

Having initially met with the key stakeholder(s), we then meet with the whole family, or the family board, to understand the issues, recommend a plan of action and make the decision to work together - and explain how we work.

2. Interviews and Family Business Assessment

Conduct confidential individual interviews with all family members, and key non-family executives and advisers. All family members also complete appropriate Personal and Business Inventory Assessments, and perhaps use other tools to explore their business or personal culture, leadership or communication styles.

3. Preparation and Delivery of Report to Family

We deliver a report to the family where everyone explores each issue and generates a clear and concrete action plan for moving ahead with work in each of the dimensions.

4. Implementing Structures, Agreements, Councils and business professionalism

We then work with the family to implement the action plan, to create family agreements such as a Family Constitution, Employment Agreement, to develop a family council or develop transition to next generation family leadership. We then generally work with a family over time to make sure that they succeed in creating effective business, financial and personal outcomes and relationships.

The 12 Key Attributes of Successful Families-in-Business are to:

1. Develop, declare, share and live a **stewardship** culture
2. Create a **shared family vision** and **shared sense of purpose**
3. Be **proactive** and **plan** consciously for the family's future
4. Communicate, **Communicate** - always **Communicate**
5. **Don't procrastinate** - resolve those problems and conflicts
6. **Separate** the business from the family - **use structures**
7. **Separate** ownership from management - **use strategies**
8. **Seek Balance (1):** Work **on** the business **AND** ... **in** the business
9. **Seek Balance (2):** Work **for** the family **AND** ... **with** the family
10. **Seek Balance (3):** Grant yourself some **"me time"** for sanity
11. Develop a **Family Constitution** - your values, policies and rules
12. **Parent well** (teach+support+respect) at home and in business.

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"Working together we have the minds and the means to get you where you want to be."

