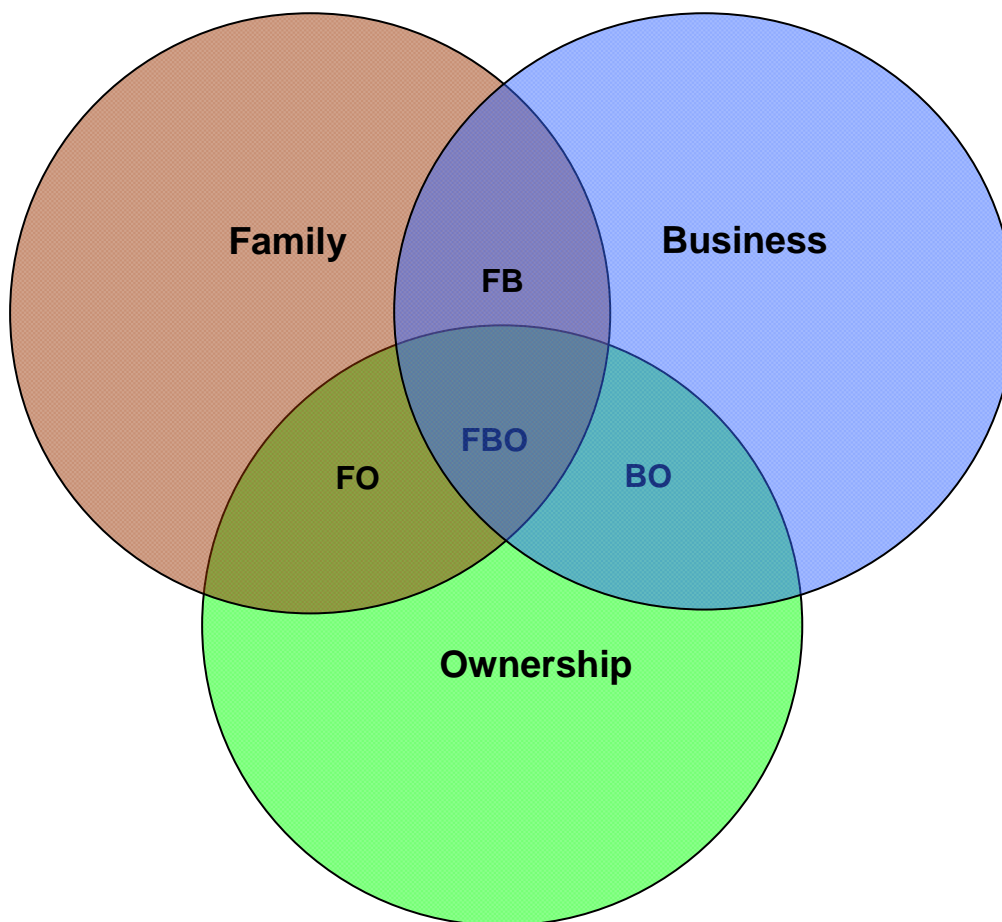


## FAMILY BUSINESS AWARENESS GUIDE

### 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.

**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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