

# Strengthening family ties builds shareholder value

BY PETER BEGALLA AND STEVE LYTLE

**B**UILDING A FAMILY ENTERPRISE that enriches the lives of each member while growing the core capital assets can be an incredibly rewarding journey, despite the challenges. While there are many factors at play in determining how a family enterprise continues to thrive (or not) from generation to generation, we believe that one of the most fundamental is the quality of the family relationships.

Beyond best-practice tools like family meetings, education programs and constitutions, working on the family relationships—developing mutual trust, support and empathetic accountability—is a critical factor. Regardless of what the operating business or asset is, such intentional, ongoing and disciplined work builds lasting value that extends not only to the balance sheet, but also to the identity/brand of the individual, the family and the business.

Let's explore five key elements that serve to build long-term connections among members of the family enterprise.

## 1. Notice inflection points

How many of us have encountered something that stops us in our tracks or, in some incomprehensible and out of

the blue way, hooks our attention? We call this type of “Aha!” moment an inflection point.

In each of our family enterprise practices, when families or their leaders are less experienced at looking for them, we'll often see inflection points show up in the form of some kind of challenge: often a missed opportunity, a loss of something or someone, or a gap of some kind. These are the often-humbling moments, large or small, that invite us to consider what's missing or what is really needed for our family, our business or ourselves.

A more healthy way to use inflection points to build relationships is for family members to consciously notice them and use them to start an important conversation. When family members are trained and encouraged to be aware of them and bring them up, opportunities to build deeper, more meaningful relationships abound.

*Example:* At a small firm, a father eventually realized (in this case over time) that his son did not possess the type of systems thinking that would be required of a successor CEO. While concerned by the prospect of a difficult conversation with his son, he recognized his realization as an important inflection point. After seeking the counsel of his closest advisers, he ended

*Trust-based vulnerability requires physical presence—for example, at regular family meetings.*

up having a thoughtful discussion with his son, which ultimately led to deeper trust and new possibilities for both the son and the family business.

## 2. Vulnerability-based trust and presence

Trust is required in order to share “Aha!” moments in an open, clear and meaningful way.

More often than not, what we call “trust” is simply based on our experience with others. For example, because I've known my brother so well and for so long, I am confident that if I push one of his “yellow buttons,” I will get a “yellow button” response. Note the use of the word “confident.” We suggest that while confidence is helpful, it cannot build truly transformational relationships. For that to happen, we need trust based on something deeper: personal vulnerability.

This more profound notion of trust arises from exposing ourselves by laying our mind and our heart out for all to see—we set an example by being the first to speak up and trust others with our feelings and needs. This lets



**Peter Begalla** (left) is the outreach manager and lecturer at Stetson University's Family Enterprise Center ([www.stetson.edu/fec](http://www.stetson.edu/fec)). **Steve Lytle** is the principal of Clearpath Family Advisors, which provides consulting, executive coaching, strategic planning and facilitation services to family businesses and their leaders ([www.stevenjlytle.com](http://www.stevenjlytle.com)).

others know they will not be blamed, shamed or corrected simply for expressing their own ideas, feelings and needs.

This kind of trust-based vulnerability requires physical presence. We believe that the most powerful way to create a cohesive family enterprise where vulnerability-based trust can be practiced is by holding regular, facilitated family meetings that include the following elements:

- “Check-ins” or updates on what is significant in individual family members’ lives and the feelings that are associated with those areas of significance.
- Transparent shareholder-level business updates.
- Family education programs.
- Governance discussions to develop a clear vision, behavioral values and goals for the entire family enterprise and its individual members.
- Celebration and recognition of individual and enterprise accomplishment.

### 3. Provide context for meaningful action

A question we consistently are asked by family clients of all generations and stages is, “What are we doing?”

In our experience, gaps in healthy family enterprise relationships stem from a lack of context for meaningful action. When trust is based on vulnerability, families and their business leaders are able to engage in what are often called “fierce” or “commitment” conversations. This kind of robust dialogue creates the clarity and context for action.

Discussing and documenting these goals—in well-vetted vision, mission and values statements; family constitutions; family employment policies; thoughtful succession plans; and philanthropic missions—is a relationship-building process. This gives families the best chance to make clear commitments to one another through high-quality discussions and accountability, which drive enterprise value.

### 4. Education for quality performance

We have found that business families who pursue life-long learning develop ample iterative opportunities for personal vulnerability, trust building and discussions that create context and clarity for action. Education can come in nearly any form. The important factor is that mutual understanding can be built and reinforced effectively when a family consistently provides for collective educational opportunities.

*Example:* A multigenerational family enterprise purposefully set out to identify learning opportunities for the fourth generation. From their experiences in working together, the third generation identified educational gaps and set out to fill them by attending conferences and workshops and completing a series of readings. The plan-

ning discussion and the educational events themselves brought the third generation closer, resulting not only in a filling of the education gap, but also in a renewed commitment to each other and the enterprise. This set an example for the fourth generation, who observed how planning, attending and discussing the education programs, and ultimately implementing what was learned, can create stronger bonds and a more vibrant family enterprise.

### 5. Reflection and celebration

Regular opportunities to check in to discuss gaps in clarity or goals and to celebrate success both individually and collectively serve as a “timeout” in the game of life. When a family honestly evaluates its asset performance and creates opportunities for individuals to share their private victories, the family enterprise is reminded of its purpose, vision, values and goals. These gatherings create additional opportunities for the vulnerability and empathy that foster stronger relationships.

*Example:* After a conference for family enterprises, members of a fifth-generation business brought the fourth and fifth genera-

tions together with a trusted adviser for a family dinner. The goal of the dinner was to introduce members of the fifth generation to the adviser and process the conference experience. They briefly discussed the topics presented at the conference, noting the family’s progress in addressing key relationship dynamics and what the family saw as their strengths and key challenges in the coming years. The environment allowed for the family to reflect on and celebrate their successes.

### A perpetual motion machine

Each of the previous elements exists in an iterative and virtuous circle that is analogous to a perpetual motion machine. As each cycle closes, new inflection points are discovered that can, in turn, give rise to new opportunities to engage in further relationship building.

Purposeful attention to family relationships is key to building enterprise success and shareholder value. The five elements provide a framework for developing healthy, thriving family enterprise relationships. Every meeting, training session and interaction is an opportunity to further cement high-quality, empathetic relationships that further develop the identity and capabilities of the family enterprise, enhancing return on investment for both the enterprising family and the assets that support them.

*Beyond best-practice tools like family meetings, education programs and constitutions, working on the family relationships is a critical factor.*

FB