

Developing an accountable family business ownership

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When owners start talking about their rights rather than their responsibilities, a family business is in trouble“. - Smith Lanier

Most family businesses today are battling the challenge of ownership and succession from one generation to the other.

In one such conversation with a family of 4 brothers with nearly 7 next generation ownership members, the discussion on who would take up which role in the future became quite a contentious topic.

Be it in India, London, Chicago or Zurich – this challenge of developing an accountable ownership for family business remains.

In our research, family businesses make these **9 mistakes** when it comes to developing the family business ownership for future.

(1) The mistake of not starting early

They do not plan in advance (or rather timely). This makes the approach to ownership vague at its best, opening room for ambiguity, confusion and quarrels of who rather than what is important for the future of the family business.

For example, learning the essence and perspective for money must begin as early as 8 years of age, whereas working on one's self esteem is a continuous and lifelong learning.

(2) The lack of clarity

Family as well as non-family members fail to recognise the importance of clear responsibilities, rights and remedies. These documents must be dusted off and reviewed way before your next generation even joins the business.

(3) Investing in emotions

Family businesses need to consciously invest in developing the next generations' emotional capital and social capital, as much as they focus on developing their financial capital. Without this, family businesses are most likely to take a hit due to emotional fallouts in the next 2-3 decades.

(4) Engaging with future generations

Family businesses need to seek expert advice for developing programs to educate the next generation about the business as well as the family's core values, history and identity.

Family businesses need to consciously develop the younger generations within the family enterprise so that their individual aspirations are respectfully shared, discussed and ways to support the same are addressed.

(5) Charting the future

Most family owned businesses fail to chart their future on paper. They think they have in in their minds, and that the picture in minds of all members align – but in reality, it does not. In fact, at times this picture may even conflict.

It is not just essential but critical that family businesses chart their future with the help of externals, and ensure that every member of the family participates in making, agreeing and signing the chart to ensure commitment, co-operation and results.

(6) Owning the family mission

Families come far from their core mission consciousness. A few rare family businesses develop methods that help align each owner and members with what ultimately their family commits to be (their mission).

This helps them to reduce cost of disorientation, cost of swaying or worst committing in opposing directions from each other. Owners must own mission to its all depth, meaning, extent, purity, and rationale.

(7) Fraternity is not based on spoken words but visible behaviour

Words can lie but not behaviours. Certainly not the pattern of behaviour.

Truth usually is in visible, yet silence of behaviour, and never in spoken words of tongue or eyes. The constitutional system in family is to help most sincerely the family to align behaviours and remove the facade of empty verbal togetherness.

It is crucial that owners hold mission sense above any other driver that they maybe having. This mission sense and powerful constitutional system helps members to truly develop the endless power of unity in diversity.

(8) Having a transparent financial future and its means to accomplish must be open and clear to all

Families fail to create honourable financial clarity for future of all owners. This financial clarity compels everyone with confidence that only transparency can gift. It is important that members are aware of what they do to get what they believe they deserve.

(9) Creating powerful 93% systems support to run family (93% system-dependency and 7% human-dependency)

As the family grow in size and prosperity, it is not just important but vital to have a systematic institutional approach developed to make decisions. Families who don't take steps early get entangle in politics or perils of something but not find them on tracks of covering good distances living their mission.

Having an accountable family business ownership sits on transparent system of what, why, how, when, who, what if, why not, and similar. All pertaining to or leading to direction of family mission and securing its financial aspirations and success.

This transparent system is cross generational and it isn't only amongst the owners. The systems can be greatly eternalising the benefits if they are institutional in their thoughts, emotions, design and implementation.

Such transparent systems when witnessed and lived by all generations it develops a unique sense of palpable unity and clarity. This give tremendous confidence to owners for executing what they are accountable for. It shares all clearly to them - the benefits, the consequences, the risks, and the rewards.

Of course there are tonnes of other details on how to build a smooth running ownership of multiple generation but I believe it is beyond the scope of this insight centric article.

I hope it inspires right questions in you to put you in search of correct direction you and your family may need to make choices today.