

# RESETTING THE EMOTIONAL BAROMETER FROM ONE GENERATION TO THE NEXT

As small family businesses evolve into multi-national corporations, the third and fourth generations can tend to feel distanced from the central management of the company. An annual 'cousins' consortium' can help maintain harmony, explain **Bonnie Brown and Chester Weber**



The history of American business reflects the growth of American families who started those businesses. Consequently, the issues of family still concern business, from some of the great national corporations that are household names to local enterprises with generational issues. Consider that many publicly-traded corporations began as small, single generation family businesses. Yet today, as those smaller businesses have evolved into multi-national corporations and families have scattered, many still have a significant number of family members as large shareholders, and more than a few have family members on the board of directors. In part because of the sense of legacy involved and in part because of a natural deference to those whose forbearers had the intelligence and will to start a company, the impact of family on the business and the impact of the business on the family may be hard to measure. In large family-controlled corporate entities, by the third and fourth generation the scope widens for potential dissention among family members associated with the business but not necessarily part of the management. As stakeholders in the family and the business, their roles, rights and responsibilities may be vaguely defined and poorly understood – all fertile ground for high family drama.

One reason for potential problems is that, while most families are held together through relationships other than business, often business families frequently rely primarily on the glue of the business both as family members and as investors. True, the business may be a significant part of the family's legacy, its sense of self, yet as families grow from generation to generation, they also may become more geographically dispersed, leaving the business rather than people as the emotional cord holding families together. As a consequence, without considerable effort and commitment, it may be harder for fourth or fifth-generation cousins to know one another, leaving them more as business partners than close family members, yet still carrying the 'baggage'

associated with being a member of the family. In short, later generations may know the business better than they know their own family.

Considering these variables in the context of a business family with living members in the third, fourth and fifth generations prompted us to ask the following two questions.

- Is it possible for fourth-generation cousins who have little or no personal relationship to create and maintain a cousins' consortium that will enhance the preservation of that extended family's human, social, intellectual and financial capital for the next hundred years?
- And, will meeting as G-4 cousins on an annual basis add value to their lives by intertwining an emotional cord to the business connection?

These were the guiding questions we used to create a structure and process for resetting the emotional barometer of the fourth generation of a business family based in the US.

## OPPORTUNITIES AND THREATS

From the family's perspective, three primary opportunities arose as we considered these questions. We saw accessing education as a means to grow human capital in two ways. First, by learning from earlier generations' fortunes and mistakes; secondly, by revitalising multi-branch, multi-generational family relationships. We also thought that leveraging the G-4 financial capital would be a means to preserve and grow wealth for the G-4 and subsequent generations. Finally, we posited that creating a legacy of life-long learning and open communication would be a means to enhance the G-5's' experience of family wealth and family appreciation from childhood on. Thus, a healthy balance between legitimate business interests and natural family affinity could be achieved.

As we considered our goals, we also identified three threats to this healthy balance. In publicly-traded companies, long-term may mean 5-20 years; in this family, long-term means 200 years. With little 'glue' holding the family together except its shares in the company, there was considerable potential for indifference to family and dissention among the G-4s as business partners. Finally, different life styles, levels of wealth, access to wealth, and

### ASSESSING THE G-4 SOURCES OF CAPITAL

In the context of business families, human capital comprises people and their values, including the individual and collective values, competencies interests and experience of family members, professional advisors and managers who work with the family. Financial capital includes all investments that provide a financial return, including cash, property, portfolios of stocks and bonds and equity ownership in family businesses. Social capital comprises a family's community and philanthropic activities and resources. Intellectual capital includes the structures and processes that allow a family to manage its other capital resources effectively within family councils, family foundations, family offices, boards of directors and family constitutions.

willingness to engage in the G-4 annual meetings might mean that some branches would flourish pushing aside those that had little or no participation, thus effectively breaking the generational cord.

With this as our conceptual point of departure, we created a plan for a G-4 'cousins' retreat'. Our goal was to create an experience that would enhance the cousins' relationships with one another and would give the cousins an opportunity to explore the two questions we posed together. This process would allow the G-4s the opportunity to reset the family's emotional barometer while giving them a greater understanding of the opportunities and threats of working together as business partners for the next several decades. And just as a weather barometer measures atmospheric pressure and may forecast changes in the weather, in order to reset their emotional barometer, the cousins needed to know how to measure the emotional atmospheric pressure. Then they would be able to measure its impact on their ability to manage their family relationships, operating companies, family offices and family foundations.

Families are not by definition teams, but business families usually have opportunities to develop teamwork and mutual respect because of the variety of tasks and roles businesses sometimes create. For instance, in a business family, some family members may serve on an operating company's board of directors, while others serve on their foundation board, and a few – even generations removed from the company's founding – may be part of company management. If family members do get involved, they need to respect those who do not and realise that some 'team members' are simply wise and prudent investors who should be treated as such. Mutual respect between those more and less involved in a family business is critical to family harmony.

When a generation of cousins considers the possibility of organising itself into a "cousins' consortium," they need to match organising tasks to the stakeholders' interests and experience. (In this context, stakeholders include cousins and their spouses or partners.) This is often a virtual team that functions as the organising committee as the cousins may live all over the globe and

communicate primarily via e-mail and telephone. In the context of the family's human capital, shared values are the foundation from which effective family teams operate.

The organising committee offers repeated opportunities for input, participation and feedback. The creation of the committee should include those most interested and willing to give the time and effort, and seek to be inclusive of all the dispersed branches of the generation. Ideally, this is the first building block of structure and process that will allow the G-4s to enhance family relationships, thus strengthening the family's human capital. In so doing, the G-4s also explore ways to work together as investors to safeguard and grow the family's financial capital over the next century.

The first cousins' retreat is most likely to be successful if the organising committee ensures that people are in a comfortable setting and the agenda includes lots of time to socialise as well as some facilitated discussion on the benefits of a 'cousins' consortium'. They start to know each other better by constructing a genogram which can be updated before each annual meeting. They reinforce connections by gathering data about shared values, beginning with a survey of G-3s and G-4s, and increasing gradually through storytelling and shared experiences.

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### TO ENSURE THESE EVENTS OCCUR REGULARLY IT IS CRUCIAL TO ENCOURAGE FEEDBACK FROM EVERYONE

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As a way to get closure on the cousins' first retreat and ensure these retreats occur on an annual basis, it is critical to encourage active feedback from everyone. If the group can set a date a year in advance for the next retreat, everyone should have the opportunity to arrange schedules around this now annual family event. If the organising committee sends a report of the retreat (with pictures if they are available) to all the cousins, whether or not they attended, the message is conveyed that everyone is welcome the following year. It also communicates to older and younger generations that this structure and process serve the family as a whole.

Over a few years, participating members of the 'cousins' consortium' may arrive at some valuable conclusions related to their process of resetting the emotional barometer. Everyone does not have to lead to be seen as productive; for families, simply showing up can be a positive sign. Still, it needs to be accepted that the commitment to the consortium and a desire to see the experience as being part of a good family is paramount to the members' success as family members and business partners. Life-long learning in this format grows human capital and allows family members to be wiser, more sensitive people. As a group, the 'cousins' consortium' is able to leverage all sources of capital among themselves, thus increasing the likelihood for sustaining the harmony between family and business for generations to come. ■

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