

Successful Ownership Transitions Rest on Strong, Knowledgeable Shareholders

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A cohesive, well-informed shareholder group is a tremendous competitive advantage for family businesses. How can you do a better job communicating with, educating and involving next-generation shareholders in their family business? How can you create enthusiasm among family members—all very busy with their own lives—for a business that may not be very attractive to them for a whole host of reasons?

On the flip side, when shareholders clamor for involvement and education, what's the most appropriate way to respond to their interest? How can you best structure their exposure, and who will take the time and effort to make the experience a positive one?

Around the world, families have wrestled with these questions and come up with wonderful, innovative answers. Here are some of the best ideas we've encountered recently for your consideration and adaptation.

Take Your Family Shareholder to Work Day

This idea was brainstormed by a 20-year-old, fourth-generation member of a nationally known publishing company. "We spend a lot of time and effort educating and involving employees' kids during Take Our Daughters and Sons to Work Day. Why not make the same effort for our family shareholders, especially in the next generation?"

"Take Our Daughters to Work Day" was introduced in

1993 by *Ms. Magazine*. The hope was that spending a day in the workplace would inspire girls to pursue career options that would otherwise have been invisible to them. The concept has been extended with great success to boys and girls in many businesses of all sizes across the U.S. Companies that actively pursue this program believe that it builds closer ties with employees, increases the quality of their future labor pool, and generally serves their communities.

It's easy to adapt this concept for shareholders:

- Plan one day a year when shareholders can shadow employees in departments of interest.
- Create fun, exciting and enticing experiences for the shareholders.
- Include a large assembly-type gathering at some point during the day to:
 - » Showcase key executive
 - » Share innovative projects.
 - » Dissect competitors and customers.
 - » Present career opportunities.
- Highlight the skills and knowledge most needed by the firm to fulfill its strategy.
- Make use of existing company materials, such as the new employee orientation program, product training, or customer communications.

The potential benefits of this approach go both ways, with owners having a short, enjoyable exposure to

their business, and employees having a close, personal experience with otherwise distant owners.

Shareholder Universities

Whether you're a small business with one location or a global player, you can benefit from regularly scheduled, well-organized shareholder education and information. It could be a monthly conference call, a quarterly financial update, a biannual site visit, or an agenda item on the annual shareholder meeting. Consider adapting these proven approaches for your situation:

- Poll shareholders to determine subjects of greatest interest. Then, establish a rolling 12-month education calendar with dates set well in advance.
- Plan the location, timing, and structure carefully to maximize attendance. Consider a rotating meeting location to showcase important facilities or customers, and to reach out to the greatest number of shareholders.
- Create a budget and expense guidelines to ensure a fair process. Pay to bring far-flung family shareholders together. Pay to bring experts to the meetings. Pay to create tasty meals, conducive settings, and memorable team-building experiences. Some families even pay attendees a small stipend for their time, arguing that well-informed shareholders achieve a competitive advantage.

One large third-generation family holds an annual Shareholder Education Week. They bring family members to corporate headquarters for a full week each summer. They combine team building, corporate presentations, financial education, owner goal setting, site visits, customer and competitor updates, individual career assessment and counseling, and just plain fun. This approach has helped them meld a cohesive shareholder group—across two generations, multiple family branches, and many time zones—that has stuck together during the boom and bust times in this company's cyclical industry.

Dos and Don'ts of Shareholder Education

DO keep family members directly involved in all aspects of the education. Scheduling, funding, preparing and presenting programs should all include family members' direct participation. Here's one example: A fourth generation auto parts manufacturer in the Southwest

needed to educate a large next-generation group about the ownership structure. A complex network of trusts and real estate holdings, along with the core operating businesses, made the situation tough to understand. Even after several presentations, the G3s were still a bit uncertain as to who owned what. A member of the G4s worked with the company CFO to prepare a financial overview. Every third slide had a picture of a cool, fast car, selected by a young man. Whether it was a hot red Ferrari, or an antique Austin, these cars provided laughter, mental relief and just sheer fun. Not only did the family gain a clearer understanding of their ownership structure, they left the presentation in high spirits—a meeting they'd never forget.

Factors that promote successful shareholder education and involvement:

- Regularly scheduled and planned well in advance (6- to 12-month rolling calendar)
- Modest requirement of time and energy
- Involvement of shareholders in program planning and presentation
- Well-planned approach with topics that deliberately build upon each other
- Fun, active, creative venues and approaches
- Use of existing materials (sales and product training, newsletters, marketing materials, management training, new employee orientation, etc.)
- Coordination of schedules with board meetings, foundation meetings, estate planning sessions, etc., in a way that promotes participation
- Regular evaluation and adjustment of content and process

DON'T wait until the last minute. Provide plenty of notice for folks to fit this into their schedules. Plan the materials carefully and invest adequate resources into making the sessions polished and professional. Regularly evaluate and adjust the materials and approaches based on shareholder feedback.

DO create the expectation that shareholders will attend these sessions on a regular basis. Shareholder involvement and education should take place in a moderate, steady manner. Without a strategic, proactive approach, most families find themselves engaged in bursts of frenetic activity followed by years of inactivity.

As with any kind of fitness, you know this doesn't lead to strength, but to overuse of weak systems, and ultimately, to injury.

Shareholder Communications

What is your employee communications budget? How does it compare with your shareholder communications budget? Many sophisticated, successful family businesses that communicate regularly and thoroughly with their employees lack an organized approach to shareholder communications. There is no budget. There is no staff. And, most important, there is only the merest trickle of information flowing to shareholders on a regular basis.

In this digital age, it can be very easy to create communications vehicles to stay connected with family shareholders.

- Family website, including opportunities to “blog” or communicate across the group.
- Family newsletter (could be digital): Frequency is a key here. Consider a monthly update with news of important company developments, people changes, family changes, etc. Have a next-generation editor who collects news from each branch or family member.
- Family fact sheet: Create a one-page fact sheet for family shareholders, and update it at least annually. This can include an overview of the company, the

ownership group and the family. It can highlight current locations, products and corporate efforts. It is a cheat sheet: everything you need to know about the business you own, but were afraid to ask.

- Shareholder conference calls, video meetings or webcasts.

Alternate Ways to Involve and Expose the Next Generation to Their Business:

- First, the tried and true: Offer internships, summer jobs or short assignments.
- Check and Report: Assign one or two family members to research an area of the business and prepare a report for the rest of the shareholders. Or, investigate the industries and markets in which the business operates.
- Publications review: Collect all the publications related to the family business, such as marketing brochures, internal memos, employee orientations and strategic plans. What does an analysis reveal? What phrases or words keep emerging? What values are indicated? What is missing?
- Attend a sales meeting, a strategic planning meeting or a sales planning meeting. Prepare a report for the rest of the shareholders.
- Shadow or buddy with a family or non-family executive.



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