THE FAMILY BUSINESS CONSULTING GROUP

Family Business from the Cousins' Perspective

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Cousins and the world in which they grow up are vastly different from siblings and the world that shaped them. These changing conditions have a profound impact on family dynamics and on how cousins can most effectively own and run a business together.

Consider the following:

Siblings have more shared experiences than cousins do. Siblings generally grow up together in the same household and share the same set of parents. Cousins aren't subject to the kind of intimacy that brothers and sisters share. The cousins grow up in separate households and have different sets of parents.

Brothers and sisters are likely to experience that intense phenomenon known as "sibling rivalry." Patterns of behavior developed at an early age can haunt their adult relationships. As one man in business with his older brother complained, "I'm 40 and my brother is 44, but there are times when suddenly I'm 10 again and he's 14." Nevertheless, strong feelings of kinship exist between siblings and they look out for one another.

While there's less rivalry among cousins, there is also less of a sense that "we have to take care of each other." But cousins have the opportunity to enjoy friendships with each other that are unencumbered by the shared and often "loaded" childhood experiences of siblings.

While siblings may stay geographically close, work in the business together, and share similar values, cousins become more diverse. Many leave home and settle into other communities. Values and points of view diverge, influenced by the spouses that the siblings brought into the family and ultimately by the cousin's own spouses. Some cousins may join the business, but most typically make different career choices. Not everyone in the cousin group feels the passionate commitment for the business that nearly everyone in the family had in the founder and sibling stages. Some cousins may not even wish to be owners of the family business.

Diversity and loosening family ties in the cousin generation pose two major challenges: How to build shareholders' voluntary commitment to the family enterprise? and How to hold the family together?

Changing Conditions in the Business

The changes that take place in the family as it moves from siblings to cousins result in changes in the family's business as well. Here are some key examples:

- In the sibling stage, most or all of the family members work in the business. But in the cousin generation, proportionately fewer family members are likely to be employed in the business. Many of the cousins may not have the skills needed by the business or may simply wish to pursue careers in other fields.
- Family members usually hold the top family business leadership positions in the sibling generation. In the cousin stage, there's a higher probability that non-family executives will rise to CEO, chairman, or other key posts.
- In the sibling generation, all or nearly all the family members serve on the board of directors. In the cousin generation, however, there are more family members than director slots and in many instances,

the family has moved to strengthen the board by adding talented, independent directors.

- The family enterprise most likely began as one business. By the time the cousins arrive on the scene, it may well have evolved into a complicated portfolio of subsidiaries and independent businesses with interlocking ownership—different corporations or partnerships owned by various configurations of the family.
- Equal treatment of family members is often a key to success in the sibling stage. Siblings may inherit equal shares of the business, have equal pay, and have an equal voice in decisions. By the cousin stage, treating everyone the same is typically no longer realistic or viable. Compensation is more likely to be based on market rates and merit. Additionally, some cousins may inherit larger ownership positions than others. While equality may help siblings to avoid conflict, forcing equality on cousins who bring different skills and talents to the family business can lead to the very conflict that equality was suppose to avoid.

Moving to a "Cousin Collaboration"

All of the differences described above have implications for how the family is organized and for how the business is managed in the third stage. A Sibling Partnership was the center of the family organization and of business leadership and ownership in the sibling generation. Now that the family and the business are both larger and more complicated, the family must move toward a different form of teamwork and leadership. We call it the "Cousin Collaboration."

We like the word "collaboration" because it has such a positive connotation. The very definition of "collaborate" is "to work together." The key to a Cousin Collaboration is that it is voluntary. Each of the individuals involved is making a conscious commitment to work together with the others toward certain agreed-upon goals.

In a true Cousin Collaboration, the cousins come together because it's something they want to do. They aren't coerced by their parents to do it, and while they may be influenced by their history and the legacy that the business represents, they don't feel bound by their history and that legacy. They also know they have the freedom to opt out. By this time, the family has probably given deliberate attention to liquidity issues and drawn up guidelines whereby family members can sell shares.

A goal of the Cousin Collaboration is to make remaining an owner so satisfying that opting out is rare. Maintaining the commitment of shareholders is important because doing so helps to hold the family together and to retain financial and leadership resources for the business. It represents the next generation of the healthy family/healthy business paradigm necessary for family business success.

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