

How to Transform Your Family Business into a Family Enterprise and Create an Enduring Legacy

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How do you define a “family business?”

In its simplest form, a “family business” is a business owned or operated by one’s family. Other definitions expand the description to mean ownership and/or management of the business is held by more than one family member of the same family. These very technical and literal definitions are accurate.

Yet they utterly fail to describe what it truly is. It is more nuanced than that. When we blend family, ownership, and leadership dynamics together to manage an asset, the potential for confusion over what it means to be a part of a “family business” increases.

And you may be thinking, why does the definition matter?

How one defines a “family business” has a deep impact and life-altering consequences. Your definition influences, and in some families determines, whether one is a part of “it” or not. Without thoughtful consideration and conversation to arrive at a shared definition, families risk separating family members from the “family business” based on their role or involvement. A natural consequence of such separation is potentially creating an “us” versus “them” mentality across the family and the other key stakeholders.

The Williams Family Journey from Family Business to Family Enterprise

Experience tells us that there is an alternative way to frame it that is both more inclusive and accurate. Rather than merely a “family business,” think of it as a “family enterprise.” This was the challenge presented to the Williams family.

The Williams family had historically taken immense pride in being a family business. The current patriarch, Derek, joined the family business, Williams Widgets, shortly after



his father founded it. He worked alongside his brother, Marcus, for many years. The two brothers expanded the company and added more operating entities. Both Derek and Marcus married, and each had their own families. Some of Derek’s family members currently work in the business in leadership roles, whereas Marcus’s daughter, Patricia, serves as the company’s legal counsel through the law firm she and her sister, Mary, started together.

Recently, Derek bought Marcus out as he wanted to retire. Still enjoying each other and wanting to continue to work together, Marcus and Derek decided to form a family foundation together. As Derek and Marcus prepared for these changes, they shared their concerns about the future. Are we still a “family business” together?

Navigating an Identity Shift

Technically speaking, under a “family business” mentality, Marcus’s branch would no longer be a part of it. He was relinquishing ownership and management responsibilities in Williams Widgets and the other operating company entities. His kids didn’t have ownership or management responsibilities either. With the Marcus Williams branch

"out," they were afraid that this shift in thinking could threaten the fabric of the family and its health, wealth, and well-being.

However, with coaching through this paradigm shift, they and their other family members were able to come around to the fact that their family enterprise could and would remain intact and thriving. While the form in which the assets are held within the enterprise would change, if they broadened their view toward an enterprise, the values, purpose, vision, and goals the family reaffirmed at their most recent family retreat would be able to evolve and bloom. They could remain as the Williams Family Enterprise.

This was not a simple exercise in semantics.

Their shift from "family business" to "family enterprise" was substantial. It demanded a change in how everyone involved in the broader family group thought, made decisions, and acted regarding the family's assets. With this paradigm shift in their thinking, the family recognized the value of forming a family council to address the common interests across the branches of the family.

Expanding the View Beyond Business Assets

As an "enterprising family," their view expanded beyond the singular operating business asset to include all assets where there may be a common or shared interest (legal, beneficial, or emotional) in:

All operating business entities

- Liquid assets such as cash, savings, stocks/bonds, etc.
- Real estate holdings, whether associated with the operating business assets or independent
- Family heirloom assets such as art, jewelry, special items, and family vacation homes
- Deferred assets such as retirement plans, trusts, annuities, life, and long-term care policies, etc.
- Family office or philanthropic/foundation assets
- Human assets ranging from intellectual and relational capital to the family's reputation, integrity, and other prized family values

They started by defining their family enterprise. Working through a collaborative and facilitated approach, the Williams created a family enterprise map outlining the various assets held throughout their defined enterprise.

This analysis enabled them to understand the breadth and nature of the shared assets and resources.

With this expanded view of their family and their family enterprise, the family was able to have meaningful conversations and deepen individuals' knowledge and understanding about:

- What are the operating costs, debts, leadership requirements, and value associated with each asset (besides the human/relational ones)?
- Who in our family understands our family enterprise? (i.e., who knows all these components?)
- What assets do we hope to transition to the rising generation?
- How will/is the rising generation preparing to receive, operate, and govern these assets together?
- How can we engage our collective intellectual and relational assets for the good of the enterprise and across the various assets?

Creating Opportunities for Family Involvement

Looking through their family enterprise lens, the Williams family uncovered opportunities for engagement across all members of the family for involvement with the management of the various assets. One no longer had to be a shareholder or employed by Williams Widgets to feel included or valued as a part of the enterprise.

For example, Patricia's sister, Mary, focused her career on elder law and had no interest in Williams Widgets. She did have a deep connection and commitment to the family cabin that her grandparents built. As the family migrated from a family business to a family enterprise model, Mary felt, for the first time, that she could have a role in the family enterprise. She stepped up and coordinated a remodel to the cabin, engaging members of both branches and all four generations in the project. This led to the group developing governance systems for reserving, enjoying, and funding the future management of the cabin as well as other vacation homes held within the family.

The success of the cabin initiative further spurred Mary, Patricia, and one of Derek's sons' interests in becoming more engaged in other aspects of the enterprise. They joined their fathers in their efforts to form and manage the family foundation.

Building a Long-Lasting Legacy through Participation

When a family business migrates to a family enterprise model, the opportunity to create a long-lasting legacy expands. Family members who were once disenfranchised can become engaged in a wide variety of initiatives, from the family council or board participation to leading the family office to developing the next generation's educational programs, mentor programs, and social responsibility and philanthropic efforts.

- Communication and governance systems play a critical role in fostering a culture of participation and inclusivity throughout the enterprise, including:
- Establishing a joint family vision and goals
- Developing an inclusive decision-making process that provides individuals a voice, if not a vote

- Creating and maintaining open and transparent communication channels
- Clearly defining roles and responsibilities, including the process for selection and assignment
- Developing a mechanism for addressing concerns and differences

The Impact of Definitions

Definitions do matter. They frame how we view ourselves in the context of whatever is being defined. By implementing a family enterprise model, we expand that context to welcome more family to the table, contributing to and sharing in the bounty of the collective efforts.

How do you define your family's endeavors?

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