



WIFU_compact_03: Family Management in Practice

The cohesion of a business family as a family is not necessarily a given. In the first generation, this cohesion may emerge unforced and informally but, as the family extends, more effort is needed to ensure that it remains close. As different branches of the family develop, governance tools must be adjusted to avoid tensions between them. For several years WIFU has analysed multigenerational business families. The results show clearly that deliberate and systematically (!) practised family management is essential to secure the commitment of family members to the business family.

Managing the family – do we have to?

Yes, we do. It is too risky to assume that shared values and common approaches will simply develop “naturally” or “automatically”. In particular, the false assumption that family members will understand each other with few words has proved the best breeding ground for misunderstanding. More and more sub-families have started to professionalise their organisation in recent years and have established family governance (alongside corporate governance) because they recognise the potential for misunderstandings and have learnt from conflicts apparent in other business families. A family management system is one component of such family governance (family strategy).

Are family management and family strategy the same?

No. The family management (system) is one of twelve subject areas defined in the Witten Process Model for Developing a Family Strategy. In particular, family management is important in transposing defined elements of the family strategy into the daily practices of the business family and, thus, bringing them to life. However, a structured design and professional planning and implementation of the family’s wishes are important in preventing the framework of a family management system from appearing arbitrary.

What does a family management system comprise?

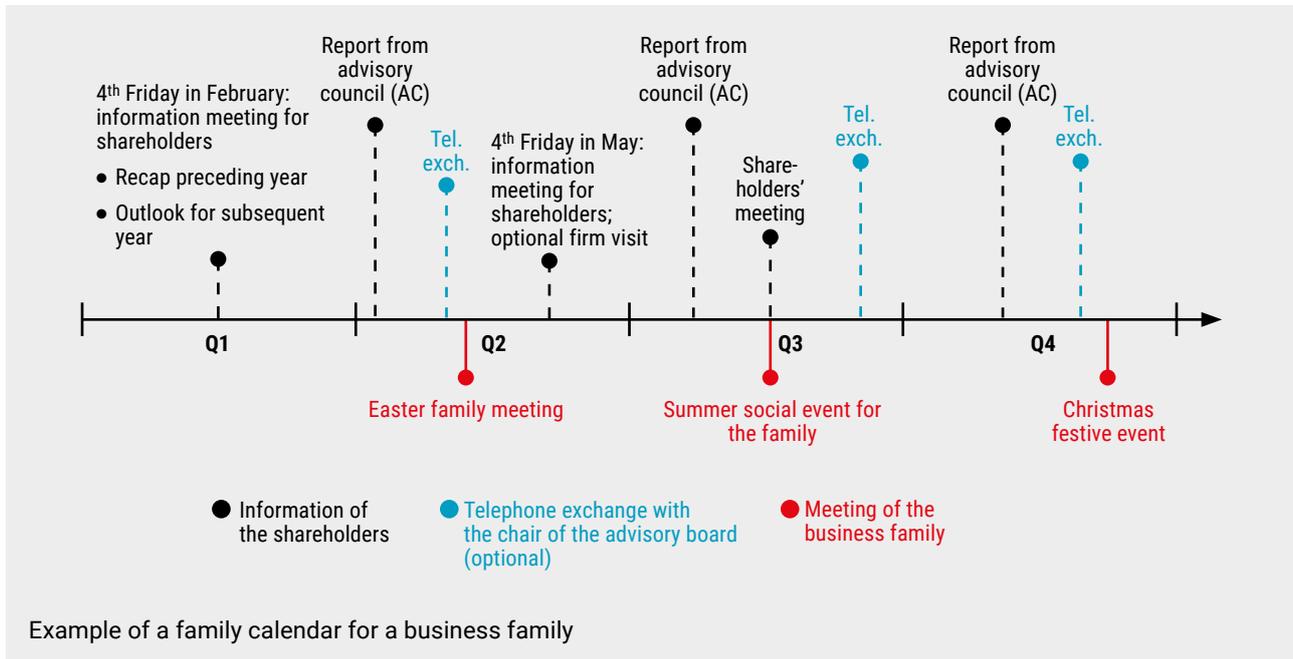
Communication is key. The person or group responsible for the portfolio of tasks (the “family welfare officer” or the family council) organises planned communication together with the family. Ten elements have proven to be particularly relevant and achievable: information on important changes in the family; the organisation and planning of family activities; regular encouragement for family members to state their wishes, sentiments and positions; introduction of young or new family members to family governance; inclusion of wishes and interests of individual family members regarding the business; maintenance of the digital family platform; organisation of intra-familial programmes to develop ownership competences; point of contact for problematic issues; organisation of structured formats to enable shareholders and family to reflect; the conception and execution of a family crisis management.

Who decides what is relevant to a family management system?

The members of the business family, in developing their individual family strategy, define the offers, meetings and measures that they consider important and practicable. A family calendar that is regularly updated and accessible to everyone is as much a part of family management as an annual family day. The spectrum ranges from summer festivities to a family intranet, from a family magazine to a company fair or programmes for ownership competence development. If the business family has agreed on certain joint activities throughout the year, family members must keep the corresponding times free as far as possible. This commitment is crucial for the success of each activity. The family should make an effort to meet and interact as a family, but also as shareholders, with the two elements clearly distinguished. Likewise, clarity is needed on who belongs to the family, who is allowed to participate in each event or offer, and from what age certain offers are accessible.

So the family welfare officer or family council is a sort of event manager?

No. The portfolio of tasks depends on the size of the family and its commitments. Sometimes an actively involved family member will take on these tasks alongside their other responsibilities but, mostly, they quickly become so extensive that one family member – or more than one in larger family communities – will take on the responsibility for family management – ideally equipped with all necessary resources. The organisation of events may be shared between multiple family members or delegated to external service providers. The welfare officer should not let their time be filled by the organisation of events – it is more important that they tactically guide communication within the business family.



What happens if individual members do not want to take part?

No one can be forced to participate but the value of strong relationships among family members should be clear to everybody. Although family members scattered across the world may not be able to take part in every event, alternative ways to participate should be developed (for example using digital formats) and such members should attempt to take part whenever possible. If a member of the family appears to be consistently withdrawing from all family events, this should be discussed and the reasons why clarified.

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