WIFU_compact_07:
Elements of Ownership Competence

Not every CEO, owner or managing partner reacts with immediate enthusiasm to the idea of educating shareholders and empowering them within the business. Sometimes, when structures of non-participation have been established over some years, a sudden desire to participate on the part of younger family members, for instance, may come across as "meddling" or even as a lack of trust in the current management. However, the reverse is often the case: it is precisely because the family business is opaque that non-managing shareholders may develop a distrust that can lead to conflict and, in the worst case, tear the business family apart.

Can anyone learn how to be a competent shareholder?

Each business family starts from a different baseline, with distinct expectations and levels of commitment. The size of the family, the business and its assets, the previous education of the shareholders and the generation of the family involved play a role. Certain elements, such as fundamental business knowledge or the history of the family business form part of the basics and can be learnt. More specific content must be appropriate for the roles of the shareholders in the business, for example, whether they hold a position in a supervisory body.

What does an ideal programme to develop ownership competence look like?

From practical experience, WIFU describes five validated areas – varying in size and detail – that should form part of such a competency development programme:

Getting to know the business from the inside This starts with visits to the business and can be extended through summer jobs and internships to enable adolescent shareholders to become familiar with internal processes, products, services and key staff members. Many business families are aware of the risks to the business culture if a shareholder generation grows up with little knowledge of the firm, and may offer younger and older family members internships or "guest chairs" in committees to build up further knowledge about the firm or maintain existing interest.

Capability to evaluate and lead executives Besides getting to know the firm, members of the business family should also meet senior executives outside the working environment. This could happen at an annual gathering for managers or a summer barbeque at the family residence for executives and high potentials. For managers and shareholders to work together fruitfully, it is helpful if the latter have their own management experience outside the family business, both passive (being managed) and active (leading). Such experience can be acquired in professional positions or through a charitable commitment.

Understanding the business strategy and how individual elements of the business combine Independently of their own career, every shareholder should be able to classify, evaluate and rate the pivotal decisions or proposals of the business management. Ideally, this complementary strategic competency would be developed through training and coaching. Unfortunately, most training starts with "How do I read a balance sheet or the shareholder's agreement?" Yet these rather dry topics incite little interest, especially among family members from other subject areas. It is advisable to start with the basic strategic framework before moving on to explain business, tax and legal matters, ideally using the example of the family business in a targeted way.

Understanding of the role of the family shareholder and systemic competency This concerns the interplay between business logic and family logic and requires reflection on how these apply to the individual's situation. If this has not already been addressed in the development of the family strategy, this opportunity should be taken to define and critically analyse the specific "mental model" of the business family. It may also be helpful to apply knowledge of classic and typical conflict dynamics (e.g. concerning succession) to the history of the particular business and conduct a constructive but critical reflection on the past.

Developing personal communication competency A task not to be underestimated is the professionalisation of the behaviour of members of business families with close or distant relatives. Family communication often finds its way into family council or shareholders' meetings and complicates issues when different ideas or expectations clash. Family members should develop the capacity to reflect impartially in order to achieve a conflict-free exchange about their different expectations. In this way, they can easily identify, separate and handle bonding and decision-making communication. Structured interviews with individual family members or even – in the case of large groups – regular family surveys have proven to be effective in making questions, wishes and needs transparent.

Who can teach in a family-run programme?

Finding and choosing suitable speakers is a key task and usually results in a circle of persons connected with the family and/or the firm as well as external people. From the firm or its direct affiliates, this could include lawyers, auditors, the chief digital officer or an HR advisor but also the CEO of a company-owned start-up or an important subcontractor, a representative of the supervisory board, a reorganisation consultant or an experienced business figure. Further contributions might come from family members themselves, for example, concerning the business history or from a NextGen representative with specific expertise on a topic. Lastly, objective, psychologically grounded assistance will prove valuable for topics around communication and conflict.

Why does every business family not do something like this?

There is no overall answer to this question. However, WIFU infers from its exchanges with business families that most organise themselves according to the logic of the family, which does not include educational training together as a family. Within the family, they learn informally by copying others and participating. The family then applies this pattern unthinkingly to the shareholder role, resulting in the rejection of any proposal for structured, frequent and intergenerational training as a shareholder (family) as inappropriate. Paradoxically, family shareholders willingly agree to structured further education as part of their private professional career.

How common are programmes to develop ownership competence?

WIFU has surveyed business families on this topic in several studies. In a 2013 study, 65 per cent of the 263 members of business families stated that they systematically practised DOC. The contents – mostly limited to workshops and external advice – were largely focused on business knowledge. In another survey, in 2019, 22 per cent of 214 respondents stated that their family had an educational training programme for members of the business family. Evidently, the participants consider the development of ownership competence to be important for both family and business. However, there remains scope for improvement in this area.

WIFU FOUNDATION

Alfred-Herrhausen-Strasse 48
58448 Witten | Gemany
Tel: +49 2302 926-510
stiftung@wifu.de | www.wifu.de

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