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Branch Organisations – A Matter of Type

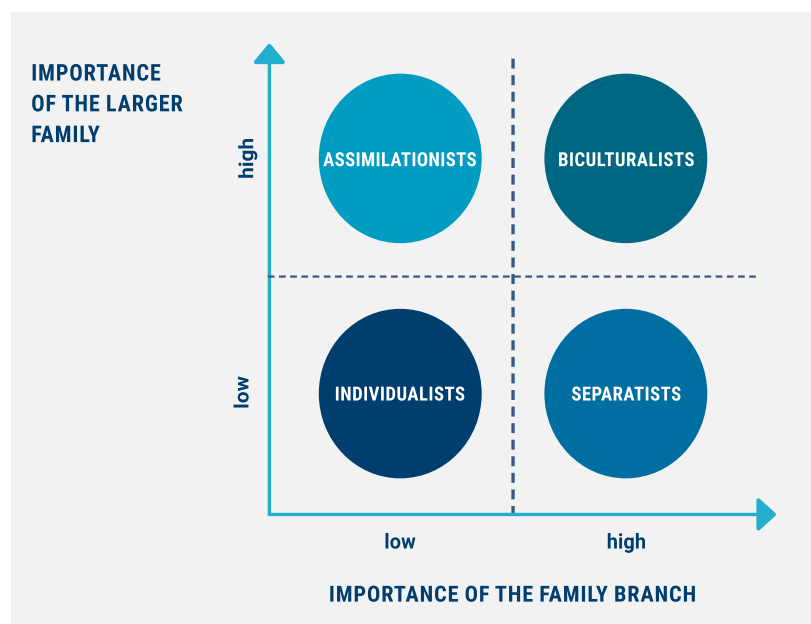
Episode 26 described the establishment of the branch principle within a business family. On the one hand, a founder's desire to ensure "equity" between all their children is influential in this context; on the other, it is crucial for the business that unity is fostered among the shareholders. However, it remains to be seen how the branches will work together and how the branch principle will be embodied in the ensuing generations.

A preliminary remark on groups and their characteristics

An individual's sense of identity is partly shaped by their affiliation with a group, be that a family, an ethnic group, or a group based on other shared interests, such as a political party or football supporters. Group members engage in comparisons with others and strive to promote and represent their group positively. The salient group characteristic in a given context varies depending on the situation, for example, a party meeting or a stadium visit. In the case of a branch organisation, two characteristics carry varying weight: the sense of belonging to the wider family as opposed to a sense of belonging to one's own family branch.

However, these affiliations are fixed, aren't they?

Indeed, but their emotional expression is not fixed. Who is referred to when a member of a multi-generational business family uses the term "we"? Do they mean the larger family or the branch? While weighing the characteristic of "belonging" does not provide a measurable, concrete criterion, it can aid in categorising a branch into one of the four types described below.



Type 1: Individualists

This type is 'alien' both to the family branch and to the extended family; it is seen when strong branch leaders dominate events within the circle of shareholders and negotiate all important decisions bilaterally or multilaterally. Families of this type rarely hold regular family management activities (such as trips, family councils or information events).

- + The advantages of this type are that there is little conflict between groups due to the absence of strong feelings of belonging and that branch leaders do not have to take into account the complex interests of their branches when making decisions.
- This model shows its weakness when conflicts arise among the branch representatives, which usually leave the business unprotected. Another disadvantage is that shareholders' interest in the business may become solely financial, which can result in decisions detrimental to the business when investment and dividend priorities conflict.

Type 2: Assimilationists

Here, the sense of "we" refers more to the extended family than to one's own branch. This strong identification with the family as a whole is usually the result of good family management. The collective sense of family often fosters the development of robust family strategic measures, such as family charters or family offices.

- + The many opportunities to meet and interact prevent animosities from growing unnoticed. As everyone recognises the others as members of their own group, they all take a leap of faith. In decision-making situations, branch members are more likely to put the interests of the whole family and the business above their own interests.
- The downside is that over time, and as families and shareholder groups grow larger, the effort required to maintain these relationships/networks becomes greater. A potential for conflict can arise if individuals identify very strongly with their branch and perceive the strong orientation towards the extended family as competing with their own views.

Type 3: Biculturalists

This type is perhaps the most complex, in that neither of the two identities dominates. This balanced dual identity is, in most cases, the result of family strategic measures both within the family branches and the extended family. In this type, the individual branches have recognised branch representatives with authority. A family office or a family foundation further strengthens the extended family and gives it an identity.

- + The branch side is particularly important for large and growing business families as it provides a space for individual recognition. This makes it easier, especially for junior shareholders, to stay connected to the superordinate family and the business. Compared to members of other branches, there is a sense of having important things in common.
- In the long term, maintaining and balancing this dual identity is costly, and it is always important to bear in mind that there can be too much activity. It may also be that individuals do not want to support this type of biculturalism.

Type 4: Separatists

Belonging to the family branch is the dominant characteristic; this is where individual identity is rooted. This form emerges when the extended family lacks appropriate family governance structures, and *internal branch* activities secure the bond between family members.

- + Despite strong group boundaries, this type can remain closely connected to the family business, especially when this connection is mediated through the branch. This is particularly successful when conscientious representatives of the branch act as a link.
- However, it is more likely that this type will gradually develop such strong demarcations that tensions and branch conflicts become unmanageable. This can spill over into the business if, for example, personnel decisions are made on the basis of the prestige of the individual branch.

In a nutshell: What should a business family focus on?

A common factor, relevant to all types, can be identified: *internal border management*. Those businesses that manage this well increase the likelihood of smooth cooperation between the extended family and the branches. This means managing not only the boundary *between family and business*, but also the boundaries *between family branches*. An open view of what unites and what divides is the basis for honest analysis and the subsequent development of an appropriate and sustainable way of dealing with one another.

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