



WIFU_compact_28:

Ownership Competence in Four Dimensions

It is one thing to want to preserve a common heritage and pass it on to the next generation. It is quite another to work together to develop a sustainable strategy for the family-owned business, to take decisions and to support them by consensus. At critical junctures, where divergent opinions and irreconcilable arguments dominate, the competence of the shareholders is tested.

Does this mean that competent shareholders should avoid conflict?

No, on the contrary. Ownership competence involves dealing constructively with conflicts and differences of opinion – in the knowledge that the overriding interest is the survival of the family business across generations. For this reason, carefully designed programmes for the development of ownership competence (DOC) always include structured learning fields that also empower family members who are less involved in the day-to-day running of the business, at least to the extent that they too can make sound decisions in their respective roles. The content of the DOC programme is adapted depending on the activities and roles in the business.

Are very different people not then coloured with the same brush?

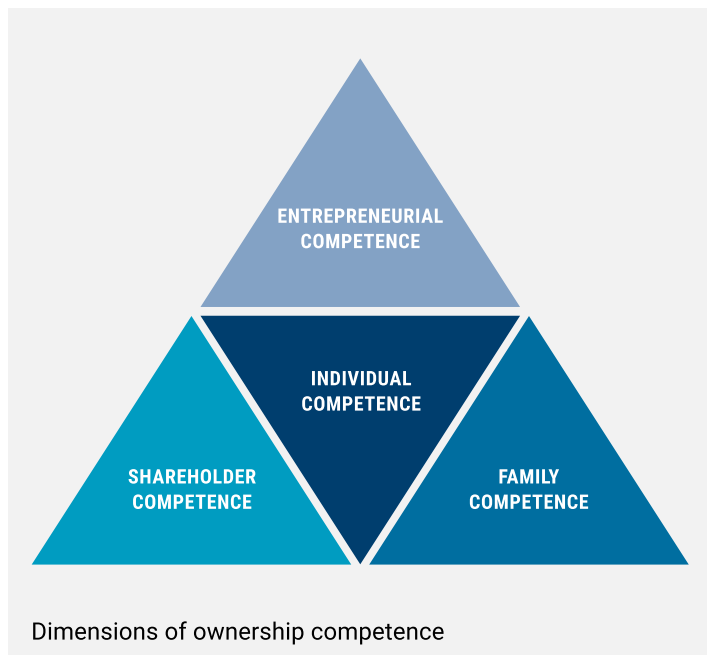
No one should be forced into a role that does not suit them. However, each family member should accept that in return for the expected benefits (in terms of dividends and wealth, but also reputation and identity), they will make at least a certain contribution so that the existence of the business and the cohesion of the family are not jeopardised. The four dimensions described below help to assess concrete expectations of ownership competence.

Dimension 1: Entrepreneurial competence

Not surprisingly, this is an essential skill for shareholders in a family business. Non-managing family members also need a certain level of business knowledge, for example, an understanding of the basics of accounting and finance, with a focus on understanding balance sheets, cash flow statements, forms of financing and profit and loss statements. Competent shareholders will know and understand the business strategy and its overarching objectives, as well as specific market and competitive dynamics, and current developments in digital transformation and sustainability orientation. Entrepreneurial competence equips family members with the ability to discuss issues with management on an equal footing, lead or supervise it. They speak the same language.

Dimension 2: Shareholder competence

This highly relevant area of competence encompasses an understanding of the legal situation of the business and the family, as well as the management of private or joint assets of the business family outside the firm. A basic knowledge of corporate and tax law is required in order to be able to classify the existing legal construction of the business and the resulting opportunities and challenges. In addition, private and family law challenges (e.g. choice of residence, marriage, the drafting of healthcare proxies and wills) must be understood in terms of their impact on the circle of owners or the family business – and, if necessary, appropriate consequences drawn for one's own life. This dimension also includes a basic knowledge of the professional management of the family's secondary assets, that is, strategic objectives and the ability to exercise appropriate control rather than simply delegate the management of these assets to external service providers. The ability to assess investment strategies as well as organisational forms of asset management (e.g. investment firms, single or multi-family offices) is an important element of the shareholder skills required here.





Dimension 3: Family competence

Essentially, this dimension is concerned with the ability to communicate effectively, reflect critically on the family system and its dynamics, and deal constructively with conflict. Family members equipped with these skills have a sound knowledge of typical patterns of action and behaviour within the family and can anticipate these patterns and address them in a way that avoids conflict. Family decision-makers need a thorough understanding of the family dynamics of a business family. In addition to a basic understanding of the variety of roles played by members of a business family and knowledge of the existing 'mental model', familiarity with and knowledge of the specific communication and conflict dynamics at play are particularly important. Those business families that are capable of self-reflection and have communication and conflict-solving skills are clearly at an advantage when facing conflictual decisions.

Dimension 4: Individual competence

This is closely linked to family competence as it is difficult – if not impossible – to develop family competence without building individual competence at the same time. This involves the ability to develop oneself, recognise role patterns, develop non-judgmental communication skills, accept and reflect on feedback, and develop a basic learning and growth mindset. Individual competence also means setting limits and controlling one's reactions, i.e. reacting appropriately and adapting one's behaviour to the situation at hand. It involves self-care – an important element that many members of achievement-oriented business families struggle with. Assessment centres, which identify individual strengths and weaknesses, skills and knowledge deficits, and development and personal growth potential, can provide valuable help in this respect.

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