The journey towards governance for a family enterprise: aligning multiple values and priorities to develop family capital

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In addition to legal, financial and business advice, advisors are increasingly asked to help the family create policies about personal relationships, conflict and differences in an increasing pool of relatives, aligning goals and values, learning to work together as a cross-generational family team, and making fair and effective decisions that serve the long-term interests of the family. In accounts of family feuds and lawsuits, we observe the great personal and financial losses that arise from seemingly minor disagreements, and the great passion aggrieved family members bring to a dispute about inheritance or control.

Legal and financial advisors are increasingly called upon to help families anticipate needs and prevent or head off future conflicts. Advisors not only have to work with legal and tax structures, but also the personal relationships that exist between family members who share assets as business partners. While an agreement can be legal, the family must also see it as fair, and understand how it works and why is it there, or conflict will ensue. A growing wealthy family must help all family members understand and deal with the dual aspect of their relationships—as family members with a shared history, and as business/financial partners. The structures and practices set in place must serve both sets of interests, which can sometimes seem divergent and incompatible. This is not the kind of work that the advisor anticipated or learned about in professional school, but it is what the family want and need in order to make use of some aspects of professional advice.

This chapter reviews concepts and activities that define the best practices of relationship management and governance of the wealthy global extended family. It is based upon several articles written by myself and my colleague James Grubman, building upon the important work of many colleagues, our experience with families, and the tools, models and practices emerging in family business and wealth consulting. These concepts are being incorporated more and more into the holistic practices of financial, legal and accounting firms who serve the global ultra-wealthy.

1. Acquirers and inheritors: from founder to successors

We have defined a common process of social adaption as a family acquires wealth and passes it to the next generation.[1] While there are cultural differences, wealth acquirers in all cultures tend to have certain character traits that suit them for the risks of starting a company, such as a deep reservoir of self-confidence and passion about what they are doing. Stylistically, they tend to keep their own counsel and keep control over as much of the business as they can. They are adaptive and improvise, taking advantage of opportunities. They often come from modest or even poor backgrounds, and their motivation is less to create wealth than it is to actualise their dream. They want to make a difference, and they see their business as the centre of their lives. Family plays a lesser role.

Coming from mostly modest backgrounds, they are in sense immigrants to the lifestyles, habits and world of the wealthy. They know very little about how to live with wealth, and nothing at all about how to prepare their children to inherit wealth. This challenge has led to the homily "from shirtsleeves to shirtsleeves in three generations," and the observation that most family wealth is dissipated by the third generation.

The wealth acquirer is therefore not the type of person who makes a good teacher, or a patient and understanding parent. Creators are proud of what they have done, which is expressed in part by their wealth and power, and they want the best for their children. But they may also lack understanding of the experience or needs of their children, and tend to deal with the future by trying to control it. This can present a challenge to their children as they pursue their own independence amid family wealth and privilege.

Inheritors, especially those who inherit great wealth, report contrasting experiences, again across cultures and nations. Unlike their parents, who remember not having wealth, the next generation grows up around wealth; the culture of wealth is natural to them. But they frequently report that their parents, especially wealth-creating fathers, are distant or even absent from their lives. 'Having the best' means going away to schools, rooms full of luxury items, and servants doing many tasks that would otherwise fall to parents. Being special means that they grow up in enclaves of wealth, often isolated not just from ordinary people but also from learning how to meet demands or take care of themselves; this has been called the 'gilded ghetto'. Money is frequently a substitute for contact and intimacy, and they may grow up feeling peculiarly deprived even amid all their riches.

[1] See Jaffe, D. and Grubman, J., Acquirers' and Inheritors' Dilemma: Finding Life Purpose and Building Personal Identity in the Presence of Wealth, *Journal of Wealth Management*, fall, 2007, and Grubman, J, **Strangers in Paradise: How Families Adapt to Wealth Across Generations**, Family Wealth Consulting, 2013.

The greatest challenge is for the inheritors to develop as people, figure out what to do with their lives, and find ways to experience a sense of personal fulfilment, self-worth and accomplishment. This is difficult. As offspring of well-known and powerful parents, how can their actions compare with the achievements of their parents? Their parents can make things even more difficult, with high but unclearly defined or unrealistic expectations. They are protected from failure and from learning from adversity, but they face a web of expectations and pressures to perform.

Figure 1: The realities and concerns of acquirers and inheritors

Acquirers	Inheritors
• immigrant to land of wealth • passion for control and autonomy • business is centre of life • remember not having financial security • enter new social reality, want to fit • self-confident risk-takers • improvisational, thrive on crisis • not good listeners or teachers	• grow up with money • anxiety about sustaining it • stewardship and entitlement mixed • desire continuity, tradition • familiar with financial resources • risk-averse, prudent investors • not conscious about financial affairs • delegate wealth management • searching for life purpose, meaning
Concerns about their Wealth	**Concerns about Future Wealth**
• effect of wealth over generations • what to pass on to heirs? • raising happy, productive children • fear of spoiled, entitled kids	• making mark after parents have done so well • getting motivated to discover their life passion • anxiety about failing family, making mistake • being credible to the older generation

As we see in the comparison in Figure 1, acquirers and inheritors, while they grow up in the same household, have very different life experiences, that may put them at cross-purposes. While the parents are concerned about their wealth being spent by their children, the children are concerned about finding their place in the world. Parents may not fully understand how to help them develop themselves, and by creating trusts and other vehicles to manage family wealth, may keep them feeling like dependent children far into adulthood. As a family, they ought to send a clear message to their heirs about what is expected, and how they are expected to relate to the family resources. If there is a trust or a family board with outside advisors, it may not be clear how or when the next generation can become involved in governance or participation, even if they are expected to be ready to do so, which may feel frustrating or even demeaning. They can feel that the trust's very existence into adulthood means that they are not trusted to take care of the family's wealth.

Each generation of the family adds inheritors who grow up in a world of wealth, developing particular expectations of what is theirs, what they will have to do, passions, skills, capabilities and willingness to be part of the extended family. The challenge for each offspring is to what degree they feel **entitled** to a certain level of wealth and lifestyle, and what they are willing and able to do for the family to help preserve its wealth, and develop other forms of family capital; to become stewards rather than merely consumers of the family wealth. Clear family values, messages and policies about this must guide them.

The older generation wants their children to become stewards and take good care of what they inherit. The wealth creators worry about what will happen to the wealth when it gets into the hands of the next generation. How will the kids use it? If simply preserving the money is the goal, then it is prudent to put it in the hands of financial professionals who can invest wisely. Make the professionals responsible, so the kids are passive heirs who can enjoy their gift. Mission accomplished: the wealth is preserved. Or is it?

What is the underlying message given to the (now) adult children when parents take control and responsibility for the family wealth out of their hands in this way? On the one hand, elders want their children to be responsible and not squander their inheritances. Yet they frequently create trusts and layers of professional management that deny them this opportunity. Being a 'trust fund baby' means a life of affluence and continued dependence well into adulthood, which is not an adult role. This conundrum— wanting to share the benefits of money with children, but wanting to control how the children use the money— causes confusion. How can parents trust their adult children to use the wealth responsibly? When can they risk giving up control, and how can they best prepare the next generation to take control?

Their children have almost the opposite worldview. They grow up as "natives" in a culture of great comfort, where they are treated as special because their families are wealthy. They may never realise that other people do not have what they have. They have never been without wealth, but they don't really know where it comes from or very much about the skills they would need to earn such wealth. Unconsciously, they may project arrogance or exhibit incompetence in daily activities. They assume and expect that their lives will continue to be privileged. They may think that the money is, or should be considered, theirs, although in fact it is not. Because they have so much, they may experience anxiety about what would happen if it were gone.

It is hard for them to prepare to work, assuming that an inheritance awaits them. Why work? What will it mean for them and their family? They may fear making choices and not being good enough, especially when compared to the outsized achievements of their parents. So, while they may want to work, they find it hard to take the first steps successfully. At the first sign of difficulty, they may pull back. Because they have a nice cushion, they don't feel pressure to push through adversity as they start careers. This dynamic explains the checquered work careers of some heirs—they don't have the incentive or the skills to put up with adversity or take risks. This may puzzle their parents, who have taken great risks in their lives. Why are their children so different from them?

Growing up in the very narrow world of wealth, privilege, fine houses, grand vacations, and private schools (living, as Robert Frank put it, in the country of "Richistan") they often have a very naïve view of how the world works and what real effort and achievement looks like. For example, young people from wealthy families who get into highly competitive colleges may feel (reasonably) that family connections—not personal efforts—are responsible for the accomplishment.

When they get to school, their allowances and their names may lead to distractions they are not prepared to overcome. Young people coming from such circumstances need to grow and develop their own sense of what to do with their lives, and the credibility and capability to achieve it on their own. To do this, they need to become independent of the role their parents have set out for them.

Young people from wealthy backgrounds frequently begin this journey when, often for the first time, they get the message that they can't do anything they want. They get poor grades, get cut from a sports team, or have difficulty in a relationship. Others struggle with drugs, alcohol, eating disorders or behavioural addictions, which they have to solve on their own. Some heirs do not emerge well from these challenges; for others, these challenges provide a wake-up call that guides them to personal responsibility, self-confidence, and capability. Parents must hang back but provide appropriate emotional support and show children that they have faith in them. That often is a hard balance for any parent to find.

To grow up in a wealthy family, a young person will have to go through several life stages that are somewhat unique to families of wealth, all over the world, in that they have different challenges than young people from more modest circumstances. In Figure 2, I define the key stages, challenges and activities a wealthy family faces to help their children become stewards. This progression outlines the multiple tasks that a wealthy family must engage in to educate and support their heirs. Due to the family wealth the young person faces added responsibilities and threats, which the family must actively confront.

Figure 2: Inheritor's developmental journey in a wealthy family

Stage	***Life Stage***	***Outcomes***	***Activities***
Teach children about money	Childhood to pre-teens	Acquisition of values about money and basic understanding	-Talk about money in family -Saving, giving, spending -Share money values -Work within family
Develop positive wealth identity	Late teens to young adulthood	Development of personal sense of who one is and what one wants to do	-Leave family home -Make personal financial choices -Find passion, develop skills -Develop close relationships outside family
Encounter the family enterprise	Young adult	Understanding of nature, responsibilities, and opportunities of the family enterprise	-Attend family enterprise briefings -Develop functional skills to understand the enterprise -Explore career options
Participate in a social mission	Young to mature adulthood	Development of commitment to improving the world	-Active involvement in a social cause, service -Define personal, family philanthropic mission -Participate in family service, philanthropy
Become a family citizen	Adulthood	Taking an active role in family estate and enterprise activities	-Participate in activities to develop family connection -Take contributing role in family enterprise -Engagement in succession dialogue

2. The challenge of crossing generations

The problem of crossing generations has another wrinkle that makes it difficult to sustain a family over time: the family by nature centres power and control in the older generations. Their past success leads them to avoid, resist and find it difficult to consider any sort of change, especially change that affects the way they have always done things or threatens their continuing control. A family thus has a natural tendency to resist change and maintain what has been successful in the past, even though this tendency can lead to difficulty in innovating and adapting.

Change, however, is going on both within the family and outside, whether the family chooses to deny it or not. The challenges facing a family are tremendous, and to succeed a family must actively adopt and respond to them:

- Internally, they face growing numbers of family members, diverging interests, the limitations of the family's talent (its gene pool) as regards duplicating the skills of the wealth creator, and a family culture that may not support the values and behaviour needed to sustain wealth.

- Externally, the family business faces forces of growth or decline, market pressures, globalisation and the need for capital and business reinvention in order to survive.

Over generations, the family enterprise evolves in a biologically determined pattern. The first generation has a single wealth creator, with children growing up together in a single household, with the consequent family dynamics and rivalries. Even though one may be designated as the next leader of the family enterprise, no sibling can have the same credibility in the family as the wealth creator, and, therefore, as heirs the siblings have to form a team and learn to collaborate,. The other siblings have their own needs and sensitivities, which can lead to conflict and the need for clear rules and policies for how to manage them.

With the emergence of the third generation, each sibling has married and formed another family. Third generation cousins grow up in separate households and may know little about each other, and hold very different values, expectations and desires for the family wealth. Hence, by the third generation, the lack of family intimacy must be recognised as the family partners develop clear and explicit governance for how they make decisions. As new members join the family by marriage, and new cousins grow up and are introduced into the extended family and its business/financial entities, they often express new and different values and needs that must be taken into account. Also, with each generation more family members means the family wealth will have to go further. Without clear processes to limit spending, preserve wealth and add to it with entrepreneurial ventures, the wealth will dissipate – as predicted – by the third generation.

3. Best practices that develop all types of family capital

Families that have acquired wealth are not only concerned with passing the money on to their children. They are also concerned with other aspects of their legacy: keeping united as a family, sustaining their business and financial enterprises, their standing in the community, the well-being and livelihood of their children and grand-children.

Specifically, to be successful over generations, a wealthy family must balance goals from three major pathways.

- Pathway I – Nurture connection as a family. The first pathway is about how the family actively builds connection and shared purpose over generations, fighting the natural tendency for family members to move into separate worlds and greater disconnection.

  For a multi-generational family to remain together as a financial or business entity, the family members in several generations must find a reason for them to remain together as partners. They must create an inspiring and motivating common vision as an extended family that makes them want to work together. In addition, as partners and shared owners, they need to develop trust in each other, spend time together, develop personal relationships across families, and develop common values they stand for in the community.

- Pathway II – Steward the family enterprises. The family must organise itself for the business of the family, and these are the practices of the second pathway. It contains practices by which the family has a voice in the management and oversight of its business and financial enterprises, which are applied transparently and clearly to all family members.

  The extended family has not just a family legacy of values, but a shared family business or several family financial enterprises, which they own together. The business can be large and public, employ many people and have a high profile in the community. As owners who are personally involved and accountable, they are identified with the business, with personal expectations of what the business will provide and their role in and relationship to it. As more family members expect to become owners, there must be clear rules for how to make decisions, work together, and operate their financial and business entities. The family needs a plan for growth and diversification, and how the rewards and resources of their family enterprises will be distributed. It needs to create an internal market for buying and selling shares of family enterprises, so that family members can choose whether to remain together or leave. The roles, responsibility and authority of each person should be clear, so that each family member feels that he or she is treated fairly.

Often a first or earlier generation had a single benevolent leader, or a simple structure that will need to be adapted to deal with the new realities of the second or later generation. As the family moves across generations, it must organise to anticipate the challenges it will face. Family members have also to deal with any conflicts and differences they have as family members, who share a tradition that does not exist with owners who are not related. Many families have good intentions, but they do not go so far as to define *how* they are to be put into practice. Therefore, different interpretations of what ought to be done can lead to conflict. The practices in this pathway help the family anticipate or avoid conflict, and help it make decisions that preserve both family harmony and financial returns.

- Pathway III – Cultivate human capital for the next generation. The third pathway defines practices that are unique to a family enterprise: how they will prepare and develop the next generation to take over control of the family wealth.

  The most unique element of a multi-generational family enterprise is that a new generation of young people grows up in the family, feeling a connection and an expectation of sharing in its legacy. The young people are in a new category of potential and expected owners-to-be, which need to be prepared for this role, and to learn how to work with each other. As inheritors of family wealth, they need to learn how to deal with their inheritance responsibly, and have a clear pathway outlining how to move into responsible family roles. The successful multi-generational family enterprise must actively, even pro-actively, develop the next generation. It must create clear, explicit and active steps for the next generation to emerge into full citizenship in the family. Developing the next generation involves governance and family activities that are unique to a family enterprise — a shared concern with the development, roles and responsibilities of a new generation of family members.

A successful family must create practices along each of these three paths. Emphasis on setting up family activities to support only one element of this trio, for example to support anything that young family members want uncritically, risks undermining other elements, such as effective business practices. Alternatively, an emphasis on controlling the business may interfere with the healthy growth and development of the next generations, who remain dependent and find it difficult to grow and thrive. Finding structures that balance and support all three of these is a large challenge, and often a family is divided with some wanting to emphasise one above the others.

How common are such practices in successful families? A sample of nearly 200 wealthy, multi-generational family enterprises (families who had either a family business or family office), most of them moving into the second, third or even fourth generations by the Family Office Exchange and Family Business Network, were asked whether they used the 15 practices listed in Figure 3. We found that these families all used a large number of these practices to organise their family governance. They also intended to develop many of these practices further in the near future. These findings suggest that the use of these governance structures is an important element in becoming one of the few families that sustain themselves over generations, and continue to generate additional wealth (see Jaffe, *Three Pathways to Evolutionary Survival*, fully cited in references below).

Figure 3: Best practices of multigenerational families

Pathway I: Nurture the Family
1.1 Clear, compelling family purpose and direction
1.2 Opportunities for extended family to get to know each other
1.3 Climate of family openness, trust and communication
1.4 Regular family meetings as a family council
1.5 Sharing and respect for family history and legacy
1.6 Shared family philanthropic and social engagement
P**athway II: Steward the Family Enterprises**
2.1 Strategic plan for family wealth and enterprise development
2.2 Active, diverse, empowered board guiding each enterprise
2.3 Transparency about financial information and business decisions
2.4 Explicit and shared shareholder agreements about family assets
2.5 Policies that support diversification and entrepreneurial ventures
2.6 Exit and distribution policies for individual shareholder liquidity
Pathway III: Cultivate Human Capital for the Next Generation
3.1 Employment policies about working in family enterprises
3.2 Agreement on values about family money and wealth
3.3 Support & encouragement to develop next generation leadership
3.4 Empower individuals to seek personal fulfillment and life purpose
3.5 Opportunities to become involved in family governance activities
3.6 Teach age-appropriate financial skills to young family members

Another way to conceptualise the multiple tasks of cross-generational family governance, as suggested by Jay Hughes in his seminal book, *Family Wealth: Keeping it in the Family*, is to consider the family as generating both financial and non-financial 'capital' (sources of value) for succeeding generations.

These forms of capital represent the types of value a family creates and can then pass on. The foundation and starting place is legacy, or spiritual capital. This refers not religious faith, but more broadly the values, meaning and core purpose that motivates and inspires a family to see itself as a meaningful entity and to have pride in what it can do. Every generation needs to replenish and develop its spiritual capital, before it can develop other areas. Then, elements of financial, family, human and social capital can be developed by the family.

To do this means that the family has to see itself as a dynamic, active operating group beyond its various business and financial entities. As a family sets up trusts, foundations, new businesses and investment entities, they must be organised to reflect the meaning and values of the family as a whole. In addition to its businesses, the family will want to undertake other activities to further its goals and values. These will entail meeting and working together as an extended family team. These are described in Figure 4.

Figure 4: The five dimensions of family capital

Capital	Definition	Expressed as
Legacy **Spiritual**	Mission, values, core purpose and shared meaning - the foundation of the family, its approach to wealth and to relationships with each other	Understanding the deeper meaning and purpose of family wealth Family mission and values statement Telling the family story to the next generation Talking together about values and what is really important, including faith-based values

Financial	Resources to manage and sustain over time support for a comfortable lifestyle for the family – partnership between the family and the family's wealth management/family office	Choosing and implementing good wealth management, with appropriate oversight and collaboration by the family Creating clear and realistic expectations among all family members and generations Teaching heirs values, responsibility and skills about managing wealth Generating a sense of responsibility and stewardship Creating trusts and financial entities that coordinate with overall long-term wealth management
Family	Ability to develop structures to make decisions, manage family capital, maintain connection, compromise, manage conflict and create caring positive and productive relationships	Creation, maintenance and ongoing adaptation of family councils, boards and assemblies A written family constitution Accountability and clear communication to beneficiaries Generating respect, caring and trust by communication Develop family social networks
Human	Fostering development of the character, skills and identity of each family member for managing self and wealth; encouraging purpose through paid or unpaid work; guidance for a complex, demanding global environment	Initiating age appropriate discussions about money with heirs and those entering the family from the outside (in-laws, stepchildren) Building self-esteem and identity independent of having money Helping heirs develop a sense of purpose for their lives Developing skills and capability for heirs to make their way independently in the world
Social	Commitment, respect, compassion for suffering and concerns of others, service within one's community for the future of the planet.	Expressing individual and collective family values in the community through action and/or investment Involving family members in service and philanthropy Socially-responsive investing, micro-loans, etc.

4. Governance, constitutions and the family council

I have suggested that families, perhaps because of their refusal to face the need for change, tend to avoid or deny the need to prepare for the next generation. But even families that prepare with a good legal and financial structure tend to put off, or not understand the need for active engagement in, planning for the future as a family. The family looking at future generations must set up more than just a legal financial structure for inheritance. It must also consider how it will sustain and preserve a family connection, make family decisions about governing its shared wealth, and develop and empower the next generation. Activities to achieve these goals go beyond the usual legal agreements, into informal and formal family policies and agreements.

As a family becomes involved in more complex family investments and businesses, the need for new policies increases. The structure and agreements that worked for an earlier generation may not take into account the added size and complexity of the future. For example, as a new generation takes control over assets, and new family members have less informal contact, the need to share, reassess and revise operating agreements arises. A sibling team that worked together seamlessly and never had to vote on decisions will find that the next generation may need to develop a more formal process.

'Governance' is a word for the sum total of the agreements about how the family owners set priorities, define goals and values, and make decisions about their shared assets. In a family enterprise, governance covers a lot of ground, in terms of all of the possible activities that a family can engage it. Governance is not just about financial decisions, regulations and business oversight; it also encompasses decisions on roles and activities to prepare the next generation, to convene family activities and to set up philanthropic and charitable activities. Some elements of governance are defined in legal agreements; others can be based on custom or what are termed morally binding policies, that are known and adhered to by all family members. For example, a family can invite all family members to an annual family gathering, even support it financially, but family members are expected, not compelled, to attend. If they are present, they can then express opinions and participate in the work of the family.

Family governance can only be understood in relation to the unique nature of family enterprise; the family owners include people who have a deep and shared history (and set of values and expectations) as a family, and include not only the actual owners but also a group of people who expect to obtain ownership, and as potential owners have their own expectations and assumptions. Unlike strangers who are shareholders in a venture, family shareholders care about their children, and want to prepare them to ultimately take their place in decision-making and control. The complex nature of family governance for a global family arises because it must be set up to govern both personal and business/financial relationships, and to balance the multiple priorities of each.

However, we have seen that a growing set of practices are being used by global families, to achieve these goals (Figure 3). These practices are often organised and integrated into a set of family agreements that has been called a family constitution. This is a master agreement that covers all of the policies, activities, and policies of the family. Some families call upon a legal or governance expert to draft or propose such an agreement for a family. But, looking at families that have successfully created and used constitutions, a different picture of where they come from, what they look like and how they are used emerges.

Keeping in mind the three key pathways for a thriving cross-generational family enterprise, we view the successful evolution of a family enterprise as the development of a set of governing agreements, policies, practices and activities that help the family act as a coordinating entity for many kinds of family capital. To develop them, the family must begin to work together not just in the financial and business arena, but in social, educational, recreational and philanthropic activities. As the family numbers grow, and disperse to many different communities, active maintenance of family connection and oversight is an increasing challenge.

While the family finances and legal agreements are centred on either a trustee or board of directors, the role of family governance expands to include how the family defines and communicates its intention to the trustee or board, and also the ways in which the family members decide that they have shared interests and a desire to conduct other activities as well.

While the business of the family is under the direction of the board or trustees, the other activities must be set up by an organisation of the family. While this organisation has many forms, the term that has grown to describe it is a family council. The intention of gathering family members to define shared values, interests and policies is a clear one, but putting it in place is a challenge. First, all members (though some few may choose not to participate) must agree to set it up, and the family elders must support this activity. For the first two generations, membership in the council is clear and manageable—it contains the founding parents, their children, and often, but not always, their spouses who have married into the family.

By the third generation, the adult membership expands; the council contains more people. At this point, a family may elect a smaller steering committee or executive council for this purpose, holding annual or semi-annual meetings for the whole family. But the purpose and nature of the family council is unchanged. The role of the council is to unify the family, define its operating values and principles, communicate them to the board or trustees, and set up activities to deal with shared family investments like vacation property, to create recreational activities, to oversee the growth, development and education of new family members into the family enterprises and, finally, to deal with conflicts that arise in the family in order to make sure that they do not escalate or affect the business or the wider community.

The council begins in the form of a single family meeting. If a family decides to continue to meet regularly, and begins to take action and make decisions, it can then be considered a family council. This entity creates the family constitution. While the council may have an advisor, and may draw on legal and trust agreements for parameters for how decisions are made, the task of creating the constitution is one the family has to do itself. If an outside person draws it up, the family members who are closest to the advisor may understand and agree to it, but the whole family will not. An advisor can help a family create agreements, but the family must define the specifics. As we have seen, the policies and practices often go beyond the legal, to set up family task forces that, for example, plan vacations or work on a family mission and values statement. In order for the agreements to work, the whole family must be engaged in creating them. They will often go through several drafts, and evolve over a year or more.

The activities undertaken by the family council and included in the family constitution include those that deal with each of the pathways defined earlier. They begin by working on the legacy capital, defining what the family is and stands for, its mission, vision and values. These values guide the family not just in its personal relationships but also in the directions it goes as an investment or business partnership. Then the family defines its goals and activities in each type of capital.

While it may be argued that many of these activities are under the control of a trustee or governing board, the family council's activities create a formal two-way communication vehicle for the family to make its intentions known and to learn about the family's investments and business activities. The family, not the business, has to define how it wants or expects family members to participate. If there is a family employment policy, whereby family members are expected to adhere to certain policies if they want to work for the business, this is a family, not a business decision. As a business, the board is concerned that family members are competent and accountable. As a family, it can decide what family members can do to prepare for work in the business—for example educational expectations or work outside the business. The family, or the sub-group of shareholders, may also decide who to appoint to the board, or what level of risk and return it wants from investments. It may also add ethical or social impact values for investments.

A major focus of the family council is to make sure that the new generation of adult family members, who grow up in different households and environments, develop the commitment and capability to make sure that the business continues to thrive. The greatest hedge against having spendthrift or thoughtless inheritors is for a family to develop not just a set of policies, but some clear ways that the next generation can become educated, can learn about the family legacy and businesses, and can begin to get involved and demonstrate their ability to become shareholders and leaders in the family enterprises. Many family councils develop family educational programmes, briefings for family members about the business, hands-on philanthropic programmes, and family social networks that engage family members in productive pursuits. These are also active ways that the family can actualise its values and mission together, so that the inheritors will have the desire to continue the family as a shared entity over one more generation.

5. Final thoughts

This article offers a brief overview of the family dimension necessary for a family that owns a business or multiple enterprises if it is to survive and thrive over several generations. Only a few families are able to combine business and financial success with success at sustaining cross-generational connection and engagement as an extended family. While a good trust agreement and a strong business can be helpful, I have suggested that a family must become aware of itself as a network of personal relationships, and begin to work together actively on both a personal and a business/financial level.