



The James E. Hughes, Jr.
FOUNDATION

Reflection: The Special Nature of Ownership of Family Enterprises

The special nature of ownership of family enterprises has occupied academics and practitioners in the field of family flourishing since its beginnings with writing thousands of years ago. Aristotle opined that he felt it relatively easy to make a fortune but very difficult for a family to retain one. Many other authors in other cultures have opined the same.

We know this pattern in Western cultures as the proverb “shirt sleeves to shirt sleeves in three generations” and in China, in one of its many forms, as “rice paddy to rice paddy in three generations”.

Why this should be so is unknowable as each family, as its bonds of affinity dissolve, as Tolstoy observed, does it in its own way. Each reflects the second law of thermodynamics, energy to matter to energy, as entropy works its will.

Despite this reality those of us who seek to help families flourish and postpone this outcome for at least seven generations attempt to find answers that work for each such family. We seek to help them define “when” this will happen to them and as I say help them try to postpone this inevitable outcome for at least seven generations. Their humility that the proverb cannot be avoided and their willingness to try is heroic in its own way and is to be applauded.

Such families form the core of Dennis Jaffe’s great book “Borrowed From Your Grandchildren”. Families in this book had to have achieved their third generations of flourishing members to get into the book and then often had fourth, fifth and sixth generation members flourishing together. These families exemplify the quality of affinity and their awareness that their purpose is to enhance the journeys of happiness of each of their family members toward the entire family continuing to flourish. Or if you like, that all family members boats will rise. They each vow to seek to help each members boat to rise. All so the family flotilla sails on safely anti-fragily and flourishingly far into the future. The members of each generation in turn making the

same vow and being given the help each individually needs to attain a flourishing life and strengthen the bonds of affinity each individually shares with his or her family members.

Each of the families of affinity described above share resources far beyond their individual needs. The creation of their original resources almost always lies in the actions of a single person whose life was about this act of creation. Often, such persons are regarded as the “Founders” of these families and their stories form important parts of the positive myths of such families.

HOWEVER, the core genesis of such families lies in whether their second-generation members decide to seek to become a family of affinity and seek by doing so to avoid the proverb’s edict for at least seven generations into the future.

Among the questions such second generation family members face is are they willing, as owners de facto or de jure, to work together to “dynamically preserve” the resources they receive from the Founder.?

If they can answer the previous question affirmatively:

Can they imagine that their family resources are much larger than their Financial Capital?

Can they see very early on that their family assets consist of five separate and collective capitals and seek to dynamically preserve each and all of them?

Can they see that their assets consist of Human Capital, Intellectual Capital, Social Capital, Spiritual Capital and Financial Capital?

Can they see that the role and purpose of their Financial Capital, their Quantitative Capital is to grow all four of their Qualitative Capitals, Human, Intellectual, Social and Spiritual?

Can they see that a focus on their Financial Capital alone, as history teaches, will condemn them to fail to hinder the proverb coming true?

Can they see that focusing ,as their highest purpose and practice, on growing their Qualitative Capitals supported by growing their Quantitative Capital is the path to success?

Can they adopt dynamic preservation of each capital as their purpose going forward? I add that ONLY this awareness and then the consistent persevering development and growth of each capital has enabled the families, mine and all those I have helped and studied, avoid the proverbs edict.

Great dynamic, conserving, stewarding, stakeholder ownership and its principles and practices, as consistently and perseveringly applied to all five Family Capitals, by a family, over multiple generations, lies at the core of families of affinity’s success.

Such strategic owners understand the power of dynamically preserving all five of their capitals to enable all family members to benefit fully from them.

Their Elders, their newest members and their intermediate generation members all find that their individual flourishing is at the core of their families' of affinity's dynamic conserving stewarding stake holding ownership strategic and tactical practices.

Each member finds him or herself positively attracted to the family and its continued flourishing as he or she finds his or her "SELFS" growth and flourishing at the core of the family enterprises governance and evolution.

With this awareness of how others are helping them individually members much more easily seek to help all the other members achieve their flourishing—as this process unfolds and evolves all boats rise and the proverb falls farther away; "When" falls farther away.

Thus the core of the work of a family at every stage of every members life is to learn how to dynamically preserve and thereby grow all of its five capitals. How to be a dynamic conserving stewarding stakeholder owner of all five capitals. Why? Because without learning how to do this and then forever practicing what is learned as each capital's growth is continuously challenged by its own risk of entropy the proverb and its description of entropy and the families dissolution must inevitably occur.

Namaste

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* This reflection is adapted from a foreward written by Mr. Hughes for the book entitled, Own It!: How to Develop a Family Enterprise Owner's Mindset at Every Age, by Wendy Sage-Hayward, Gaia Marchisio, and Barbara Dartt, 2022