

# Family Business

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From left: Jonathan,  
Laura, Sabrina and  
David Merage

## A continuing streak of VALUE CREATION

David Merage and his brother sold their company to Nestlé in 2002. He then started a private family office with a portfolio now valued at more than \$2 billion.

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# All family business members have a duty to be intentional about legacy

BY ANN KINKADE

**A**nyone in a multigenerational family business has profound responsibilities centering on the concepts of “birthright” and “duty.” Let’s break it down.

I define “birthright” as an individual’s right to identify and assume his or her own values. Our actions are based on our values—what we believe is important. Through our actions we share our personal legacy, whether we are conscious of that or not. This “birthright” and opportunity come laden with responsibility—to yourself and to others—to be intentional about your personal legacy.

Living in accordance with one’s values is also a duty. As has been said: “The unexamined life is not worth living.” Understanding the significant formative events that have led to one’s decisions and actions is essential. There is a saying, “We are born for meaning and live for self-expression.” To fully express our personal legacy, we must assume the duty to develop an understanding of our deepest meaning or purpose.

More gently expressed, I think of the duty to examine one’s life as an invitation—all you need do is courageously open the door and walk in. Ideally the family business issues an invitation for you to announce “your place in the family of things.” Your values will guide you as you accept the offering.

After exploring values on a personal level, the next step is to determine how those values are integrated and implemented in a multigenerational family business. Your family business is not “a nameless, faceless corporation”; rather, it has present and vested shareholders—other family members. A multigenerational family business is a good example of something that can be greater than the sum of its parts.



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But this takes effort. Each person contributes to a common good that sustains the family business over generations.

Lately, we can point to an increase in multiple generations owning and working together, therefore creating more complexity. Longer life spans allow people to work much later in life. Since primogeniture is less often the default position in terms of leadership and ownership transfer, more complex options present themselves. Geographic dispersion of family members adds complexity in terms of communication and connection, as well as opportunities for business expansion in new locations. With the 21st century’s changing definitions of family, and as young adult children choose paths that may be unfamiliar to prior generations, both consternation and excitement can follow.

## The family effect

When working with family businesses, we refer to the “family effect,” that is, family members’ level of satisfaction, confidence, dedication and commitment to the business. The family effect is grounded in your values and becomes your source of inimitable power. It is the “secret sauce” that appeals to stakeholders (family, owners, employees, the community, customers and suppliers).

The question becomes: How do we leverage the family effect and transfer our values across generations? I often ask “for the sake of what?,” abbreviated as *FSoW*. Why are we in this business together? Answering these foundational questions reveals our values and the meaning behind our actions. In your family business, it matters both what gets done and why it gets done.

Asking *FSoW* integrates meaning and action. Our values arise from our experience, traditions and beliefs. Values form and become our philosophical culture: why we do what we do. Values also form our functional culture: how we work and what we choose to do. When family businesses identify and share their values, they ground themselves in their intended philosophical and functional culture. The process begins with the examination of deep questions:

1. Why are we here?
2. Why is this business better because we own it?

**3.** Why are we better off as a family because of the business?

Answering these questions influences everyone's interactions and actions. This work, which requires deeply connecting to one's heart and soul, is exceptionally rewarding. Investing oneself in increasing awareness leads to alignment of values and desired outcomes.

Deep examination of these three questions involves four steps: soul-searching (often guided), reflection (listening internally, as opposed to "thinking"), listening (externally to others) and—finally—taking action.

This work can be done on an intrapersonal level by oneself, and interpersonally with others. On an intrapersonal level, *FSoW* looks like this: *Why do I get up every day? Why am I here? How can I best contribute to the greater good? What is my journey about?* Understanding the "why" highlights your values. Discovering what interferes with integration of your values and actions can be as important as identifying the values themselves.

On an interpersonal level, *FSoW* looks like this: *What does this relationship mean to me? How do I positively contribute to it? What do I get from it?*

A sorting process often occurs during times of transition, of which a family business presents many: succession, mergers, growth, contraction, reinvention, innovation. Our individual lives also present transitions: career change, college graduation, divorce, relocation and redefined family roles, among others.

### Family values and personal values

Such elements present a universal challenge, but they are exacerbated in family businesses. One's family culture and values contribute to one's personal values. There can be a "pushing out" pressure to become your own person independent of the family and its business (stronger in some families). Alternatively, there can be a "pulling in" pressure to conform and adopt the values of the family and the business (stronger in other families).

Values help determine which force has greater or lesser impact, and what challenge the family business faces. If the pressure is pushing out, the task is to answer: *How will we nurture and take care of one another? How will we connect?* If pulling in, the task becomes: *How do we create space for each person's unique contributions? How do we value differing perspectives?*

Identifying values presents a common lens through which to view a shared future as a family business. As mentioned before, it is not just about *what* gets done, but *why* and *how* things get done. When there is ambiguity, disintegration ensues: literally, dis-integration between one's values and actions; and figuratively,

disintegration or dilution of the values and, therefore, meaning. When values are challenged, both internally and in relationship with others, conflict arises. Family businesses are fertile ground for conflict, but after trust is established, identifying shared values helps moderate this situation.

### *Identifying values presents a common lens through which to view a shared future as a family business.*

There are three myths about values that I'd like to dispel and discuss.

**Myth # 1:** We transfer values by our actions; therefore, we don't need to articulate them.

To align and integrate values with behaviors, we must know who we are, say who we are, demonstrate who we are, reflect and get feedback. Articulation leads to intentionality and awareness, as opposed to a plodding journey of one foot in front of the other. When we articulate our values, we can leverage them as a motivating force, a resource during conflict resolution and a foundation for accountability.

Values can be leveraged as a motivating force only if there is alignment with actions. One family business (a window manufacturer) that had a "no layoff" policy was severely challenged during the recent economic downturn, which had a devastating impact on the housing industry. Because one of the company's stated values was to retain employees, the owners did not let anyone go. Instead, they kept the employees busy with other work, reduced hours and collectively made other sacrifices (including no distributions/dividends to shareholders). Their actions aligned with their values, and they continue to have a committed workforce. When the going gets tough in family businesses, we can lean into our values as a source of strength for the long haul.

When values are being challenged, conflict often follows. In a family business, for example, age differences and diverse life-stages can play a big role in what values take priority. Those in their late 60s might value safety, security and freedom, while those in their late 40s might value and want to demonstrate mastery, deepen their identity as a leader and assert their power. Both can have what they need when they work on finding ways to live their shared values.

**Myth # 2:** Values are not static, but solid.

Values may be solid, but the people who set them change. Consider the difference between jobs that offer

“fulfillment” and those that provide financial security. Traditionally, senior generations leaned more toward security while current generations chose fulfillment and making positive impacts. Some research indicates that basic values do not change much after 20-25 years of age, unless the individual undergoes a

***When we articulate our values, we can leverage them as a motivating force, a resource during conflict resolution and a foundation for accountability.***

profound experience or crisis. But in the 21st century, many of life’s most profound experiences occur after age 25. Contemporary external impacts worth considering include globalization, economic influences, media, information accessibility and the rapid rate of change. Internal impacts to be aware of include much greater and widely varying individual experiences, and one’s level of exploration and examination.

**Myth # 3:** It is OK or normal to live by one set of values at work and a different set in one’s personal life.

Lip service to core values without true commitment

to acting in accordance with those values leads to a loss of credibility. As a case in point, the level of trust in “corporate America” has plummeted. How does this create fertile ground for family businesses guided by shared core values?

It should be noted that values taken to the extreme can create problems. This is but one of many paradoxes family businesses face. For example, a desire for peace could lead to avoidance of conflict; we do a disservice to the family business if we ignore the role that conflict—properly managed—plays in generating new ideas. Family businesses must seek to create opportunities for family employment but avoid cultivating a sense of entitlement. Families must develop a sense of loyalty to the family without cultivating a distrust of outsiders.

Using your values to manage these paradoxes and to strengthen your family business requires courage. Note that the word “courage” comes from the Latin word for “heart.” Families in business are uniquely positioned to check in with their hearts and develop values that are authentic to them. They can ask: (1) *What is our reason for being here?* (2) *Why is this business better because we own it?* (3) *Why are we better off as a family because of the business?* And then they can apply those answers to fulfill their duty and protect their birthright: their family business values. FB

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