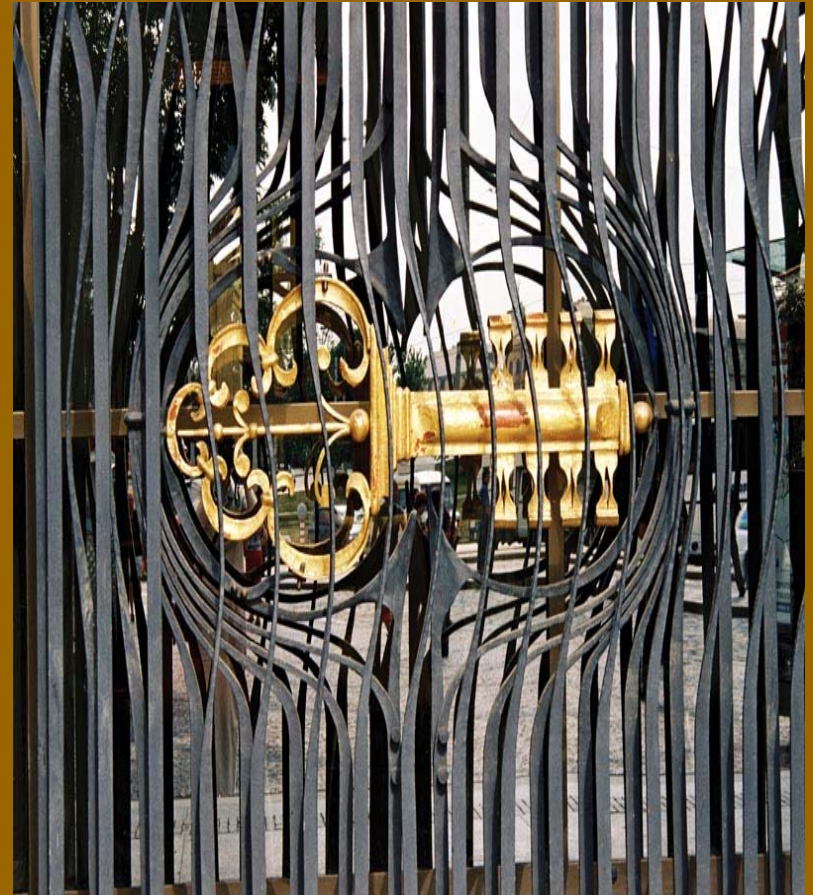


Managing Family Business dynamics: impact on family wealth and continuity

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I. Background

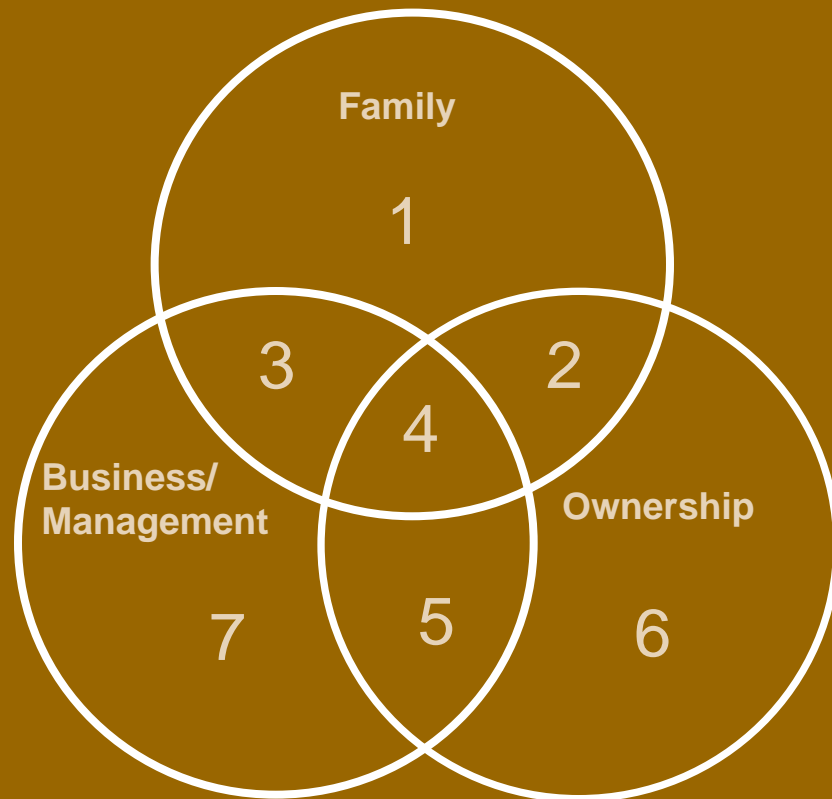
- “Business success cannot make up for *family* failure”
- The *family* is a unique component part
- Understanding these dynamics and managing this is critical

II. Family Dynamics

“Business success cannot make up for family failure”

The family is a unique component part

Understanding these dynamics and managing this is critical



1 = Family

2 = Family shareholder

3 = Family & management

4 = Family shareholder & management

5 = Shareholder & management

6 = Shareholder

7 = Management

III. Challenges faced by Family Businesses

- ❑ Do we have a common vision.
- ❑ Transition of current to incoming generation
- ❑ Reluctance of senior generation to let go
- ❑ Succession in Ownership and Management
- ❑ Decision making and the rule of the majority
- ❑ Family representation in the Holding Company Board
- ❑ Engaging passive members of the family
- ❑ Family Employment policy and restrictions on family members' investments
- ❑ Dealing with the wider family including In-laws
- ❑ Family of more than one branch

IV. Sources of conflict

- Perception that family needs are not met
- Where decisions are made without consulting others :
 - ✓ dividend policy
 - ✓ family representation on the Board
 - ✓ family compensation
 - ✓ corporate vision and strategy
- Active and passive family members
- Sibling rivalry
- Families of more than one branch

IV. Impact of conflicts on family wealth

- destroying successful family business
- negative impact on family harmony & relationships
- freezing of assets and family wealth

V. What successful families do to address these challenges ?

- Decouple the ownership issue of the family business from the management issues
- Create a Family Council or Shareholders Assembly as a forum to discuss ownership issues
- Build and agree a set of rules or protocols including Conflict Resolution Mechanism
- Leave the management to get on with the effective management of the company, but;
- Set up good corporate governance and communication between the management and the Family Council / Shareholders Assembly

VI. How to manage Family Business

The most successful family businesses of Europe adopt these structures. To them the Family Council Shareholders' Assembly occupy as much, if not more, of their time than does management of the company.