

# Developing Your Business Family Strategy: Where to Start and What to Consider

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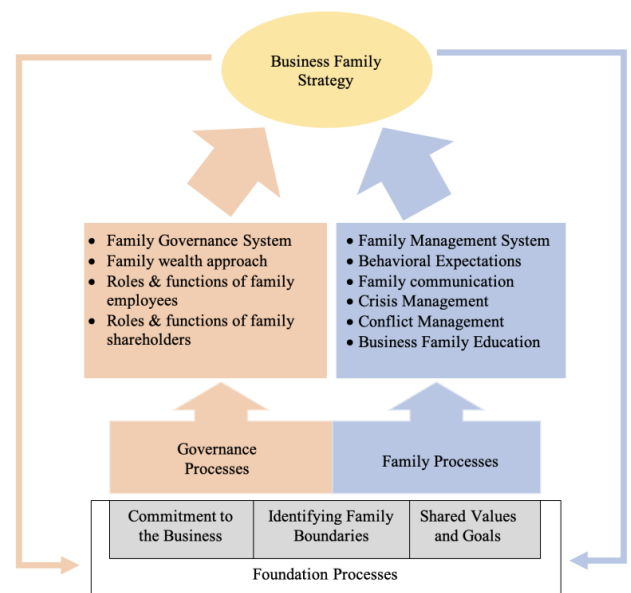
Successful, long-lasting business families share an understanding of what is important to them, what they want to do together, and how they want to work together to achieve their collective goals and vision. They have a business family strategy. This strategy helps family members understand what brings them together and keeps them together across generations.

Even though evidence has shown the importance of investing time and resources in developing a strategy for the business family, many business-owning families work mostly on their *business strategy* and largely neglect the *business family strategy* (Rösen & Löhde 2021). This is interesting given that as families grow, it can be more difficult to have a shared and united approach. Larger business families can be more geographically dispersed, have a wider set of goals and experiences, and have fewer opportunities to connect and meet with one another. These make it difficult for family members to agree on how to work together and what to do together as a business family.

For over 20 years, we at WIFU<sup>[1]</sup> have been doing research and consulting with long-lasting business families to understand how they achieve continuity in the family *and* the business. We've seen that successful business families have an implicit or explicit "business family strategy" that helps family members create a shared understanding of what they want to do together and outline a plan of how to achieve these goals. But we've also noticed that having a strategy is only a small part: The process of developing the strategy matters even more because it helps family members understand and align their expectations to work as a unit (Botero et al., 2015).

In this article, we summarize the 12 different areas that play a role in the process through which long-lasting business families develop their business family strategy. Addressing these 12 areas can help families create spaces for different generations to learn about the family and how to work with one another. The model below (see Figure 1) outlines how these 12 areas combine to help families develop a foundation and shared understanding of who they are and how to work together as a family to achieve these goals.

**Figure 1 – How Long-lasting Business Families Build Their Strategy**



## Foundation Processes

The foundation of strategy development is made up of the family's shared commitment to the business, their sense of family, and their shared values and goals. Business families are connected to one another through a business in which they share ownership in (Brinkerink et al., 2020). And so, the shared **commitment that they have to this business** can be important in helping point everyone towards the same goal (see Binz Astrachan, 2022). Importantly, and perhaps crucially, family members from different generations view the connection between family and business differently. Thus, before a family can even begin to develop their strategy, they need to have the same vision of what they hope the relationship between the family and the business will be. Not having a unified vision about this relationship can create points of contention that will make it hard to develop a united family strategy.

As the composition of the broader family changes, family members increasingly may reveal their views about who belongs in the business family (i.e., **the boundaries**). They have to decide where they stand on issues such as adoption, spouses/partners, and those who "drop out" of the business family (although still belonging to the family in extended meaning). Determining how different family members will be treated and included in the strategy process helps the family work towards their shared understanding of these boundaries and determine who is affected by their business family strategy.

Another part of the foundation is helping everyone understand the shared values and goals. The more family involved, the more values and goals can differ and make working together difficult. Thus, for a business family to develop their strategy, they need to agree on broader goals that family members will pursue together. These emerge from conversations that help the business family identify what they want to achieve together. Discussions about **shared values and goals** provide an initial source of alignment and a framework for the family to make decisions together and provide direction for building the business family strategy. We do not imply that consensus is the goal here. Instead, having shared goals helps make decisions because if something is outside of these goals, then it is easier for the business family (as a unit) to say no without perceiving it as an attack or a negative. In this sense, having shared goals helps the family make decisions consistent with their wants.

Once the family has alignment in their commitment to the business, the family boundaries, and their values and goals, they are ready to discuss how they will govern their family and business systems, and how they will manage their family processes.

## Governance Processes

Family business governance represents the system of processes and structures that are put in place at the highest level of the business, family, and ownership to make the best possible decisions about the family and the business. This assures accountability and control (Gallo & Kenyon-Rouvinez, 2005). This governance system defines how to organize relationships within the business family context (Schlippe et al., 2021) and between the business family and the business (Berent-Braun & Uhlener, 2012). It's important that business families define specific governance mechanisms that will help them make the best decisions, who will serve on these governance bodies, and which issues each mechanism will help the family address. This helps the business family understand who can play a role in developing the business family strategy, and how this strategy can be monitored.

Within the governance processes three areas need alignment from family members as they build their strategy: (1) roles and functions of family members in the business, (2) roles and functions of shareholders, and (3) family wealth approach.

Conflict can erupt when family members have different perceptions of **the roles and functions of family members within the business**. Thus, business families need to be aligned on issues that include: (1) whether family members should work in the business; (2) the requirements to join the business; (3) the terms and conditions for family members to leave the business; (4) the role of family external board members in managing conflict with family employees; and (5) setting compensation and development opportunities for family members who join the business, just to mention a few. Once family members are aligned on the roles and functions of family members in the business, they will understand what they need to discuss as they develop their strategy. This alignment is achieved through open conversations and sharing and discussing the decisions that have been prevalent in the family regarding these issues, how these decisions are made, and why. When family members have these conversations, they bring out different opinions and perceptions that enable

alignment to occur.

Shareholders play a role in the strategic decisions of the business family, but every family has a different view of who can become a shareholder and what they should do. So it's important that each business family defines who can be a shareholder, how strategic decisions are made, the rights and responsibilities of shareholders, and how family members will be educated to take their role as shareholders. Clearly outlining the **roles and functions of shareholders** will build alignment in how families view the ownership role.

Finally, the family's approach to wealth is a big factor in developing the family business governance system. The wealth of business families is tied in part to having joint assets, dividend policies from joint ownership in the business, and having other assets that are not related to the business. When business families avoid discussing wealth, it leads to misunderstandings about money and decisions that involve it, and can lead to inter- and intra-family conflicts. In this sense, as business families develop their strategy, they should talk about their **family's approach to wealth** (i.e., how they manage shared wealth, why they do it that way, and how this affects different family members). These discussions can help build alignment to achieve shared financial goals.

As business families clarify the different aspects of their governance processes, they can decide: (1) who can participate in the strategy development process, (2) how the strategy will be developed, and (3) how the strategy of the business family will be monitored and adapted. This helps larger families ensure that the process includes relevant members and is transparent for those participating in it.

## Family Processes

Along with working on governance processes, the business family also needs to invest time and effort working on family processes. This involves managing the relationships in the family, determining the communication patterns of the business family, outlining how to manage the conflict and crisis, and determining how to prepare the family owners to play an active role within the business, the ownership, and the family.

The **family management system** focuses on creating opportunities for members of the business to connect with one another, to learn about each other, and to

develop interpersonal relationships. It promotes the formal and informal connection between family members and sets goals for the business family to meet regularly to work on their relationship with one another. This might include creating a family day, developing a reunion calendar for the family, facilitating trust-building activities in the family, and making sure that all family members feel included in the family activities. The family management system then helps to develop the connections that make it easier to discuss business family strategy. Long-lasting families often have individuals responsible for leading this part of the family.

As part of the family processes, the business family needs to identify **conduct expectations** for its members as representatives of the family and the business. Families should talk about how their actions can affect the business and the family legacy. They also must work on their intra- and cross-family **communication** strategy. Topics should include how communication within and across branches will take place (i.e., through newsletters, intranet, secured social media channels, or apps), what communication topics will be discussed (i.e., business or family updates) and the types of rules that will help manage these shared spaces. Outlining expectations and creating a communication strategy will help the business family understand how they can be efficient at exchanging and interpreting messages in building their overall family strategy. Working on these two areas helps create a way for the business family system to understand how to communicate and interpret what others are saying.

Families must also discuss how to **manage any conflict** or crisis. This means setting ground rules for disagreements between family members. Families should create spaces and procedures for their members to engage in conflict resolution. Successful families assist family members in resolving and managing their differences in ways that will help build family respect and trust. Business families also need to prepare to manage different **crises** that can occur within a family (e.g., family illness, family death, or any other internal crisis). Having a family strategy involves understanding what to do during a crisis and setting up legal, family, and economic safeguards to help them navigate the crisis without destroying the family legacy, the business, or the family relationships.

The final component of family processes is the **preparation of family members**. To ensure that a

business family strategy has continuity over time, family members need to learn the intricacies of being a business owner and a member of the business family (Rüsen 2020). Educational programs make the business family strategy more resilient. Successful families develop programs that help members learn about the business and the responsibilities of ownership, and gain skills in management, leadership, interpersonal competencies and other areas.<sup>[2]</sup>

To ensure the continuity of the business family's strategy, the business family also needs to think about: (1) how can they manage the strategy development, revision, and evaluation process, and (2) the consequences for family members who don't comply with the strategy. This helps ensure that future generations have some input in developing and implementing the strategy, and that family members are encouraged to work together, be aligned, and have a shared purpose for the future.

## How to Begin

Business families that succeed in their strategy should be ready to work together and understand where they are and where they want to be. This article can help them assess four areas:

- The starting point for the business family regarding their combined perceptions and shared understanding about the family
- The readiness of the business family to manage the family to business relationships, and how to achieve alignment in this area
- Where the business family stands regarding aspects of ownership and the rights and responsibilities that come with ownership
- And finally, where the business family stands regarding the preparation of the family's future.

All these factors are important to outline the shared direction the business family wants to take and the different activities that should be planned to achieve that goal.

To best develop a business family strategy, try not to think about the difference between family and company. Instead, appreciate that the challenge is to manage the difference between itself being a *family* and being a *business family* at the same time. Think of them as two different but connected psychological spaces. Because of this, the first step in developing the business family

strategy is working out shared goals and values. In this step, the family consciously establishes itself as a *business family*. Shared goals and values represent a strong foundation for building the business family's strategy, so a good start would be articulating what they are. This can create the alignment your family needs to take their first steps in becoming a conscious business family and turn that business family into a powerhouse that serves the family's best interests.

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[1] WIFU = Witten Institute for Family Business, Germany's oldest and largest research facility for the issues of family businesses and business families, hosted at the Witten/Herdecke University

[2] A best-in-class reference model on this topic can be found in the Merck family. See Rüsen et al. (2022)