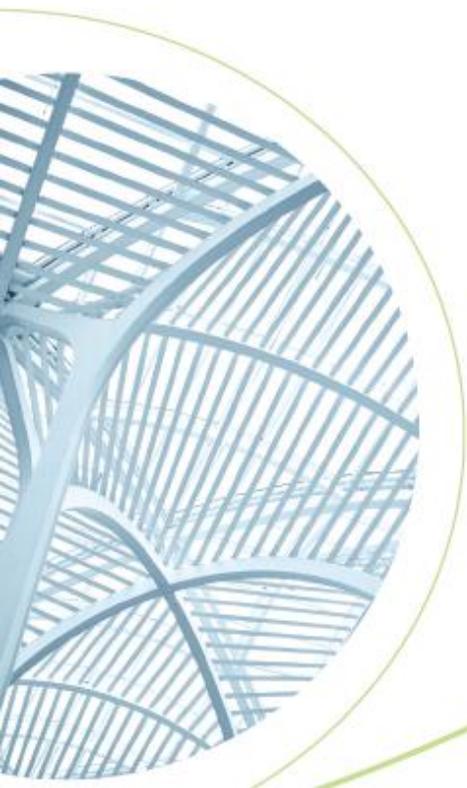


Additional Reading Materials and Handouts

Stephen L. McClure, Ph.D., Principal Consultant
The Family Business Consulting Group



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About Stephen L. McClure, Ph.D.



Steve is a principal of The Family Business Consulting Group. He specializes in making family owned a competitive advantage. In doing so, he assists with family communications and decision making, succession planning and implementation, and governance & management in family firms. His work often involves family and non-family employee teamwork, implementing advisory boards or boards of directors, family councils, successor development and management practices, such as compensation and strategic planning, tailored to family firms. His clients are primarily in North America and include financial services, manufacturing, philanthropic, distribution, construction, retail, agricultural, textile services and professional services (i.e., family offices and trust companies); all operated or owned by families.

Dr. McClure earned a Ph.D. in Organizational Behavior from Purdue University. He has taught business continuity planning and family business management and governance to retail networks of international manufacturers, clients of law practices, international trade groups, business advisors, and to the members and owners of family businesses, both domestically and internationally. He is an innovator in providing unique services to private businesses and his articles on consulting methods appear in three volumes of collected works. He is co-author of books on family business succession, family councils, compensation and working in a family business. He is an active member of the Family Firm Institute, serves as a mentor to consultants entering the field, and has won the prestigious Beckhard award for outstanding contributions to the field of family firm consulting. He is regularly quoted in media and a frequent speaker on family business topics.

Stephen McClure can be reached at mclure@thefbcg.com or by phone at 208.342.7775.

How Successful Business Families Get That Way

By: Craig E. Aronoff, Ph.D. and John Ward, Ph.D.
The Family Business Consulting Group

Over the years, we've been blessed with the opportunity to meet and study many of the world's oldest and largest family firms. We're impressed with how often we find them practicing similar methods of achieving success.

We believe that these highly successful models offer lessons valuable to even the smallest and youngest family firms. As one family in business told us, We like to focus on what we hope to become, and act that way now. That way, we're much more likely to get there!

Selective family employment.

The oldest firms have policies that seek to limit jobs to those family members who are very qualified. Over time, these families have found that to do otherwise chase away the most talented leaders in the family and erode the effectiveness of the business.

Selective employment clarifies that working in the business is more an opportunity than an obligation. When family members feel obligated to work in the family business, they lose motivation.

Selective family employment also reinforces the importance of merit in compensation and promotions for everyone.

Freedom to sell the stock.

Family shareholders who feel locked into their ownership can become mistrustful or turn into harsh critics of the business. Sometimes family members are told they are disloyal to the family if they exercise their ownership prerogatives. In time, these pressures can explode. The

families we hold as models usually make everyone feel that selling shares back to the business or to other family members is acceptable.

Written family mission statement.

Successful families are bound together more by strong values and purpose than by shared business ownership. Rather than letting the business run their lives, they identify how business ownership helps strengthen and perpetuate important family values. Their family mission is to perpetuate those values, with or without the business. Some of the values that strengthen family and the business include integrity and mutual trust.

Open, coordinated estate planning.

As families grow more complex, the advantages of sharing estate plans with all members become clear. Each benefits from the knowledge of everyone else. In addition, the business is better insulated from surprises that result from poor or secretive estate planning.

Just as important, open and coordinated estate planning reinforces trust among family members. It also demonstrates care for responsible ownership.

Family educational meetings.

Successful families meet regularly to learn together. They learn about the business together, including its heritage and how to interpret its financial performance.

They invest in learning skills together, often by hiring a consultant or by attending seminars. The most common topic they study is family communications — including

listening. They also learn about conflict resolution, behavior patterns and raising children of affluence.

Traditional times for fun.

The strongest families establish regular occasions just to be together as an extended family and to have fun.

Most often, the tradition is an annual vacation---to a cabin, for example, or skiing, or camping. For others, it is a sailboat or weekend home frequented by everyone. Whatever the activity, everyone looks forward to the tradition, and business talk is off-limits.

Family leadership succession.

It is important to separate family leadership from business leadership. Both jobs are important, demanding and different. Both need continuity.

At the beginning of the business family's history, we find that the parent whose time is not consumed in the business to often dedicated to the family's welfare. That person stresses the personal development of each person, teaches good family communication skills, and builds or maintains family traditions.

When the business founder and the original family leader die, both roles need to be filled. Successful families ensure that there is a well prepared successor to family leadership, whether it's one person or a family committee or council. The best solution is one that does not depend on the business's leader. It's important to remind the family that it doesn't live for the business.

Understated wealth.

The most successful, long lasting families are not flashy with their money (or power), nor conspicuous in their spending. They realize that how they use their money sets important precedents and attitudes for future generations. They establish traditions within the younger generation of saving and charitable giving.

Independent business boards.

The most prevalent advice to others from successful families in business is to recruit respected, objective, outside directors to their boards. Independent directors ensure a forum for making difficult decisions with the highest of standards and the best of care. They also bring a freshness and creativity to help keep the company's strategy and culture current and flexible.

Eagerness to learn and improve.

The most successful families in business are active students of family business. They read and discuss newsletters, articles and books about family businesses. As a family, they attend family business seminars. Family members visit and study other successful family firms. The family invites other successful families to share their experiences at family meetings.

We hope these principles are helpful to you. We encourage you to discuss them at a family meeting. There is always a lot we can learn from the successful experience of others.



John L. Ward, Ph.D. is a co-founder of The Family Business Consulting Group, Inc., and can be reached at ward@thefbcg.com or 847.475.3000.



Craig E. Aronoff, Ph.D. is a co-founder and principal with The Family Business Consulting Group, Inc. He can be reached at aronoff@thefbcg.com or 678.277.9865.

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Three Family Keys to Multi-Generational Business Success

By: Craig E. Aronoff, Ph.D.

The Family Business Consulting Group

As we've suggested many times in *The Family Business Advisor*, family challenges are more likely than business challenges to lead to the demise of family businesses. We've observed three related characteristics of families which achieve multi-generational business continuity and success.

Families that stay in business together over generations have an articulated sense of family vision, values and goals. They have an answer to the question: "What do we hope to accomplish as a family?" They see their business as a critically important means of serving their larger goals, not as an end in itself.

Second, families who own and operate businesses together over generations develop mechanisms which allow individual family members to choose freely to participate in building relationships, careers in the business and ownership status. Having provided

freedom of choice, however, successful families work hard to make belonging attractive in ways beyond financial return. By "standing for something," by stimulating pride, excitement and interest, by providing opportunities for contribution and leadership, as well as by providing solid rates of return and access to liquidity, family businesses seek to become the "first choice" of family members. Vague promises that "someday this will all be yours" simply do not have the same stimulative effect.

Finally, the culture of families enjoying multi-generational success foster individuals' sense of responsibility and accountability to something larger than one's self. Rather than thinking "what's in it for me?," family members seem unusually willing to sacrifice short-term self-interest for what is perceived as the long-term greater good.



Craig E. Aronoff, Ph.D. is a co-founder and principal with The Family Business Consulting Group, Inc. He can be reached at aronoff@thefbcg.com or 678.277.9865.

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Family Employment Policies: Best Practices

By: Chris Eckrich, Ph.D.

The Family Business Consulting Group

Increasingly, business-owning families develop family employment policies to help family members understand their relationship to the business. While such policies differ from family to family, several principles maximize results both in business performance and family relationships. These policies not only help the business-owning family, but can also serve to clarify expectations for all employees in the family.

Involving family members in the business can produce positive results. Employees report pride and feeling connected when they work together with family members. Multiple siblings, at their best, can produce a culture of positive peer pressure, where family members seek to cast pride on each other, supporting each other's success.

From the business perspective, successful involvement of multiple members of the owning family is most likely to occur when clear and rigorous employment criteria are in place and when senior management implements clear lines of authority, accountability and regular performance review.

Best practices that successful family firms include in their family employment policies include:

- The owning family should not ask others to do what it will not do for itself.

- Family members are subject to defined expectations for education and outside work experience before joining the firm on a full-time basis.
- Family members do not report to anyone who is related to them by blood or marriage.
- Compensation levels are based on “market” value.
- Regular performance review practices, such as 360-degree feedback, are used to assure proper feedback.
- Measurable goals are established, based on feedback to be used in future performance evaluations.

Even the best policies may not address all possible scenarios when it comes to employing multiple family members within a firm. Should expectations be made for purposes of management succession? Must a sibling leave the department when a sister or brother work together and one is being promoted to a supervisory position over the other? How are these decisions made?

Some family businesses create a Family Employment Committee that reviews personnel decisions regarding all employed family owners and any employee related by blood or marriage. The committee can convene as needed, and can either be advisory in nature, or be

given the power to review and modify decisions. The committee's membership may include an employed family owner or two, one or two senior non-family employees who are above family politics, a family owner not employed in the company, and an outside board member. Another approach would be to create a special "ombudsman" office that coaches and assists in resolving family employment scenarios, such as those described above.

Employing multiple family members can be a source of strength and enjoyment, if expectations are clearly established among those involved. Our experience clearly demonstrates that recognize this need for clarity, and implement positive practices, will find it less problematic managing family members and their relationship in the business.

Christopher Eckrich, Ph.D. is a Principal Consultant with The Family Business Consulting Group, Inc., and can be reached at eckrich@thefbcg.com or 260.436.0045.



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There is absolutely no obligation.

Helping Family Businesses Prosper Across Generations®

Predictable and natural tensions occur between a family and a business. These tensions can lead to conflict, slowed decision making, management issues and other challenges to business continuity and family harmony.

We work with clients to manage this tension through a unified vision for the future, and providing structures and processes for effective ownership, management, governance and family systems.

Our Work

For over 20 years, The Family Business Consulting Group has worked with enterprising families around the world to achieve one common goal: protect the integrity of the family and the enterprise for future generations.

We do this by facilitating clarity and balance at the intersection of sensitive family issues and critical business decisions.

Our Team

Located across North America, our team of consultants is the largest and most experienced group of its kind, with deep educational and real-world expertise in disciplines like strategy, management, finance, governance, psychology, leadership development, communication, conflict resolution, succession planning, and family education.

We share a core belief that multi-generational family enterprises are precious and vitally important to the economies and social fabric of the world and deserve the best care and counsel.

Our Approach

We listen first. From our first conversation, we seek to thoroughly understand your business, your family, and your unique needs.

We focus on fit. Chemistry with a consultant is critical for success. We recommend a consultant with the right expertise and the right approach for your family.

We begin with the end in mind. We plan for success and support your family until your goals are achieved.

We co-create solutions with you. Our collaboration throughout the process yields more engagement from the family and better, sustainable, long-term outcomes.

We take a multi-system view. To serve both family and enterprise, we consider all angles and all stakeholders as well as both short- and long-term impacts.

Let's start a conversation.

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