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FAMILY MEMBERS WHO DO NOT WORK IN THE FAMILY BUSINESS: HOW TO ENHANCE THEIR "UNITY" AND "COMMITMENT"

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# FAMILY MEMBERS WHO DO NOT WORK IN THE FAMILY BUSINESS: HOW TO ENHANCE THEIR "UNITY" AND "COMMITMENT"

**Abstract:**

This study builds on the results of a recent international study, "Success as a Function of Love, Trust and Freedom in Family Business" (Gallo *et al.*, 2001), which introduced a new conceptual model identifying family unity and commitment as driving forces behind the success of Family Businesses (FBs). Whereas the earlier research dealt with family members who are active in the business, this study aims primarily to reflect what non-active family members, from their position as "outsiders," think about the business of which they, too, are a part. One of our principal hypotheses is that successful FBs are supported by families that place an emphasis on family unity and commitment. Secondly, based on a typology of family members according to their levels of effort, loyalty and idealism, the study identifies a number of rewards or motivators that can help to raise these levels over generations.

**Keywords:** Family business; family values; agents of commitment; sustainability of family unity.

# FAMILY MEMBERS WHO DO NOT WORK IN THE FAMILY BUSINESS: HOW TO ENHANCE THEIR "UNITY" AND "COMMITMENT"[1]

## 1. Introduction

It is a well-known fact that what gives family businesses the inner strength to successfully develop and grow through several generations is the "unity" of the family members who make up the community of persons that constitutes the company (Gallo and Melé, 1998). Unity, that is, with one another and with their business.

And as various authors have pointed out (Gallo *et al.*, 2001), unity cannot be achieved without the input of a particular kind of energy, which is the family members' "commitment" to make whatever strategic decisions are right for the company and will save it from falling into any of the traps (Gallo, 1997) that lie in wait for family businesses and family-business relations, or help it to extricate itself if it does.

At the same time, in any successful, multi-generational family business we can expect there to be a significant number of family members, by birth and by marriage, who do not work in the family firm. Some will be shareholders; some will have every chance of becoming shareholders in the future; and some will never be shareholders. Understandably, in a family business spanning several generations, the unity and commitment of these people is an essential part of the strength we have mentioned.

The true unity and genuine commitment of those family members who do not work in the family business is founded not only on economic ties but also on deep affective bonds and a shared underlying culture that makes this a unique kind of human community (Gallo and Melé, 1998): a multi-generational family business.

In this perspective, as we reported in an earlier study (Gallo and Cappuyns, 2003), unity and commitment are directly related to the amount of "effort" that these people are willing to make for the benefit of their company; their "loyalty" toward the company; and the "idealism" with which they view the long-term undertaking (Lansberg, 1999) that a multi-generational family business can become for all members of the family.

[1] This study has been carried out with the financial assistance of the Rafael Escolá Foundation.

The above-mentioned study contains a statistical analysis of a sample of 200 people belonging to 98 family businesses. The analysis identifies eight variables[2] that can be used to measure "effort," "loyalty" and "idealism."

In the case of ***"effort,"*** the variables are:

1. Finding ways to:
   - Motivate other family members to improve their knowledge of the family business.
   - Improve one's own business expertise.

2. Vigorous use of understanding and will, which manifests itself in:
   - Taking risks for the benefit of the family business.
   - Making resources available to the business.

3. Willingness to devote time to the family business.

In the case of ***"loyalty,"*** the variables are:

4. Faithful constancy, which manifests itself in:
   - Understanding that the family business has advantages for the family, even if it does not pay dividends.
   - Putting the company's values into practice in one's own life.

5. Conscientious performance of commitments, which basically entails:
   - Avoiding, and helping others to avoid, favoritism.

6. Sincere constancy, which is put into practice by:
   - Saying what has to be said to those who govern and manage the family business, even if they do not want to hear it.
   - Offering solutions, even if they are not accepted.
   - Being patient during any difficult periods the company may go through.

In the case of ***"idealism,"*** the variables are:

7. Trusting desire, because:
   - One knows what is best for the family business.
   - One knows that what is best for the business is being done.
   - One identifies with the family business.
   - One is proud of the family business.

8. Hopeful desire, because:
   - One is confident that unity among present and future members of the family will be achieved.
   - One is confident that the commitment of present and future members of the family will be obtained.

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[2] These variables are directly related to the traditional definitions of "effort," "loyalty" and "idealism":
- "Effort": Vigorous use of understanding and will to achieve an end. Purpose and courage.
- "Loyalty": Faithful performance of commitments. Constancy and exactitude.
- "Idealism": Desire founded on hope and trust.

The same study classifies the 200 people in the sample in four groups, according to their attitudes toward the family business. The four groups can be seen as marking a progressive decline in unity and commitment:

– The group of those who are willing to put “effort” and “idealism” into the family business, but expect certain rewards in return.

– The group of those who think that the business owes them rewards, even though they themselves owe the business nothing.

– The group of those who are quite willing to help the business, but only if it can be done without taking on serious commitments.

– The group of those who to all intents and purposes appear not to believe that their business is a family business.

The purpose of this paper is to identify practical means of enhancing the “commitment,” and thus also the “unity,” of the family members who do not work in the family business.

First, we propose a typology of family members who do not work in the family business, based on their levels of “effort,” “loyalty” and “idealism.” We then discuss different types of rewards or motivators that can help to raise these levels. After that, we classify the 200 people from our earlier study (Gallo and Cappuyns, 2003) according to our typology. Lastly, we outline the courses of action most likely to be effective, bearing in mind the characteristics of the family members and the business.

## 2. Typology of family members according to their levels of “effort,” “loyalty” and “idealism”

Figure 1 shows a two-by-two matrix corresponding to the dimension of **“effort.”** The horizontal axis, with the legend “Able to make an effort,” corresponds to variable (1) in the list presented in the introduction; while the vertical axis, “Willing to make an effort,” corresponds to variables (2) and (3).

**Figure 1. Effort**

| Willing to make an effort (2 and 3) | – Able to make an effort (1) | + |
|---|---|---|
| + | C<br>Ignorant | A<br>Agents of effort |
| – | D<br>Passive | B<br>Demotivated |

People in cell A may be described as "agents of effort" on account of their high level of commitment to the family business; not only are they capable of making an effort, they actually want to do so. People in cell B may be described as "demotivated," as they do not want to make an effort for the family business, at least not for the family business as it is at present. Family members in cell C may be described as "ignorant," as they do not know how to make an effort for the family business; in other words, they are incapable of putting their commitment into effect, even if they wanted to. People in cell D may be described as "passive." Besides not knowing how to demonstrate commitment to the family business, they do not respond to any attempt to stimulate their commitment.

Figure 2 shows the matrix for "loyalty." The horizontal axis, "Identify with the business," corresponds to variables (4) and (5) above, and the vertical axis, "Are active," to variable (6).

**Figure 2. Loyalty**

| Are active (6) | – Identify with the business (4 and 5) | + |
|---|---|---|
| + | C<br>Opposed | A<br>Agents of loyalty |
| – | D<br>Passive | B<br>Lazy |

People in cell A may be described as "agents of loyalty" to their family business, as they not only identify with the business but actively put this identification into effect in their behavior. People in cell B may be described as "lazy," as their love for the family business has no practical consequences. Family members in cell C may be described as being "opposed" to the family's having a business at all, or at least to the business's continuing as it is at present. People in cell D may be described as "passive".

Figure 3 shows the matrix for "idealism." The horizontal axis, "Trust the family business," corresponds to variable (7) above, and the vertical axis, "Love the family business," to variable (8).

**Figure 3. Idealism**

| | | Trust the family business (7) | |
|---|---|---|---|
| | | – | + |
| Love the family business (8) | + | C<br>Untrusting | A<br>Agents of idealism |
| | – | D<br>Passive | B<br>Economic interest |

People in cell A may be described as "agents of idealism," as they not only trust the family business but also are proud of it and love it. People in cell B trust the family business but are motivated exclusively by "economic interest;" it does not matter to them what the firm does, so long as it provides an income. Family members in cell C may be described as "untrusting;" they are opposed to what the family business is, or is trying to be, disagree with the make-up and decisions of the company's governing body, reject the demands of its strategy, doubt the abilities and intentions of its managers, etc. Family members in cell D may be described as "passive," the same as the cell D groups in the "effort" and "loyalty" matrices.

## 3. "Rewards" in family businesses

In light of the typology outlined above, and the fact that there really are groups of people like those described in the introduction –those who think they "owe the firm nothing," those who "do not want to take on serious commitments," and those who "do not believe that they really belong to a family business"– the heads of family businesses will naturally look for motivators, different kinds of rewards that will help to enhance the commitment of the family members in cells B, C and D of the three matrices. Clearly, commitment is not something that can be taken for granted, and we can hardly expect it to come from pure "self-sacrifice."

There are three points to be borne in mind in relation to these motivators: First, for a person to rationally commit to a company, the company must be capable of doing business efficiently in a competitive market in accordance with accepted principles of strategic management, that is, good business practice. Accordingly, we may safely conclude that the family members' commitment will be enhanced if the business has a good leader; serious efforts are made to plan for succession; there is a clear and effective distinction between governance and management; the company has a strong competitive strategy and a well organized team to put it into effect; the company is making a profit; the value of the company is steadily increasing, etc.

Secondly, the rewards must be rational; in other words, establishing the rewards must not entail falling into one of the typical traps[3] of family business.

Thirdly, those who govern the family business must be under no illusion: if they cannot change people's attitudes, they will have to be ready to take steps such as expelling the dissidents and acting as the heads of a "short-term family business" (Gallo and Tomaselli, 2003), that is, a firm in which the family remains united until a majority or the entirety of the share capital is sold.

What kinds of rewards can the heads of a family business "offer" to family members who do not work in the company or who are not even shareholders? There are many different kinds, but it takes imagination to devise and implement them, as well as a firm conviction that running the business, notwithstanding the recognition they deserve for doing so, is not the same as doing everything that can be done to convert these people into "agents of effort, loyalty and idealism." While good financial results are the primary and irreplaceable foundation of unity, they cannot produce unity by themselves. That is a fact that the administrators and chief executives of listed non-family companies understand very well, as they know how much more they have to do to win their shareholders' backing.

Firstly, rewards may be financial, starting, of course, with appropriate dividend and growth policies. Other policies that may prove helpful but are often overlooked or even frowned upon in family businesses include providing micro liquidity (Visscher, F., Aronoff, C., Ward, J., 1995) to meet owners' urgent financial needs; creating the conditions for macro liquidity to allow owners to buy and sell significant parcels of shares; establishing agreements to regulate and facilitate share transfers with minimal tax exposure, etc.

Secondly, rewards may consist of "status" or "image." This may involve giving people opportunities to publicize their relationship with the family business, either in the media or in internal publications. People may also be given opportunities to obtain recognition for the efforts they make for the company or the unity of the family through their appointment to positions of responsibility in the family council, the committee of a foundation promoted by the family business, etc.

Thirdly, rewards may involve "training." For example, seminars to help shareholders expand their business knowledge, attendance at national and international conferences organized by family business associations, specific training to take on board responsibilities if they are elected. At the same time, they can be given more substantial information about the company at family councils, and more contact with other members of the family to enhance their sense of belonging, etc.

Fourthly, people may be rewarded with assistance in their training and career development. Younger family members may be offered the opportunity to gain work experience through internships in the family business or other companies with which the firm has collaboration agreements, etc.

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[3] In particular:

- Confusing the fact of being an owner with that of being qualified to work in the family business.
- Violating the contractual rules of business by allowing the affective rules of family to exert undue influence.
- Not adhering to market practices.

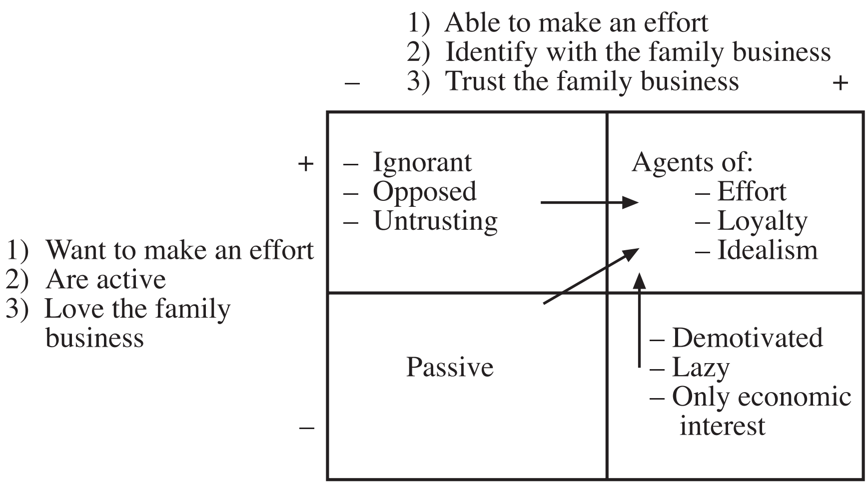
Lastly, rewards may consist of the "guarantee" that in the family business there will be no favoritism; that, on the contrary, everyone will be treated equally and strictly in accordance with the law.

In connection with these five points, it is worth mentioning the findings of a study carried out several years ago into the attitudes of the spouses of the founders and chief executives of first and second-generation family businesses (Gallo, 1990), as they illustrate the opposite side of the coin. It was found that a significant number of spouses who believed that they were not well informed resorted to other means of finding out about the company for themselves, either by taking on low-level jobs in the company, or by talking to managers, or by directly questioning whoever seemed most willing to "talk." Usually, these procedures did not give the spouses any more reliable knowledge of the company, as they tended to yield more information about the negative aspects of the business than about the positive aspects, with no clue as to the possible reasons behind them.

If this kind of behavior becomes habitual, it can lead to a downward spiral of distrust, fed by the following line of reasoning: "If when I try to find out about the business on my own initiative I come across things that are unacceptable, the things I don't know about must surely be even worse."

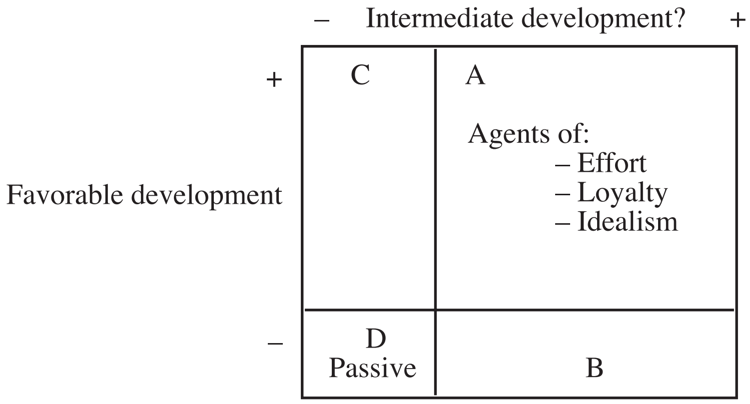
If the right rewards are introduced successfully, they should bring about a "favorable development" in the qualities of the family members. The desired direction of change is that shown by the arrows in Figure 4 below.

**Figure 4**



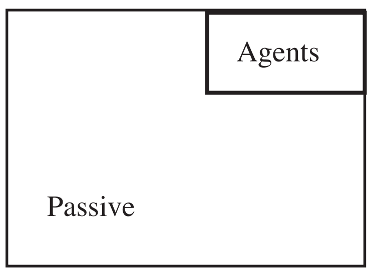

If the change in attitude is only half-hearted, the intermediate situation shown in Figure 5 may be reached. This situation can be dangerous for the unity of the company if the family members in cells B and C become "active dissidents," that is, if they actively oppose the type of family business that the majority wants, lie in wait for a chance to seize power and change the company, or sell their shares at a profit to the detriment of the common good.

**Figure 5**




Precisely because they are aware of such risks, the people who hold power in family businesses often end up in a situation such as that shown in Figure 6[4], where the family members are divided in two groups. One very small group governs and manages the company, as if they owned it outright, with indisputable “effort,” “loyalty” and “idealism,” while a much larger group, consisting of almost all the other shareholders and family members, remains completely passive, either because they have no opportunity to do otherwise, or because they simply do not have the necessary knowledge or the right attitude to intervene, or because over time a culture has grown up in the firm such that any intervention by family members who do not work in the business is frowned upon.

**Figure 6**




It is plain to see, however, that a situation such as that shown in Figure 6 is incompatible with the long-term survival of the family business. It is a time bomb set to go off at any moment, often when there is a hand-over of power among the committed core who govern and manage the company, or when a significant parcel of shares is transferred to members of the younger generation.

As has long been apparent, the long-term survival of family businesses depends on their having “clearheaded and active” shareholders. Clearheaded in the sense that the shareholders have the prudence to understand the situations the company goes through or is

[4] In this figure all the family members are included, those who do not work in the family business and those who do.

likely to go through and know how to deal with them; and active in the sense that they act rationally in their assigned roles to bring the family's long-term shared undertaking to fruition.

For all these reasons, if real progress in the direction indicated by the "favorable development" (Figure 4) proves impossible, or if progress is expected to be very slow, with the consequent danger that unity will gradually be eroded, it will be preferable to concentrate ownership in the hands of those who are willing to put in the most "effort," "loyalty" and "idealism." This may be done not only by buying up the shares of the dissident and passive family members, but also by splitting the firm's assets and spinning off certain business activities.

## 4. Sample analysis. Classification and description of family members

Figure 7 shows the classification of the 200 people in our sample into the four different types for each of the three variables of commitment: effort, loyalty and idealism.

**Figure 7**

**Effort**

| | Able to:<br>– Motivate people to learn about the FB<br>– Govern their own learning | |
|---|---|---|
| Want to:<br>– Take risks<br>– Contribute resources<br>– Devote time | C<br>Ignorant<br>11% | A<br>Agents of effort<br>28% |
| | D<br>Passive<br>50% | B<br>Demotivated<br>11% |

**Loyalty**

| | Identify with:<br>– The advantages of the FB<br>– Its values<br>– Avoiding favoritism | |
|---|---|---|
| Actively:<br>– Say what has to be said<br>– Contribute solutions<br>– Exercise patience in difficult times | C<br>Opposed<br>4% | A<br>Agents of loyalty<br>61% |
| | D<br>Passive<br>10% | B<br>Lazy<br>29% |

**Idealism**

| | Trust:<br>– In what the firm is trying to achieve and how it operates | |
|---|---|---|
| Love the firm as a long-term venture:<br>– The project will be handed on to later generations | C<br>Untrusting<br>6% | A<br>Agents of idealism<br>77% |
| | D<br>Passive<br>10% | B<br>Economic interest<br>7% |

In cells A and D of this classification, we can see two clear differences. First, the difference between the high percentage of "agents of idealism" (77%) and the low percentage of "agents of effort" (28%).

This difference may be partly due to the characteristics of the companies in our sample: compared to the universe of family businesses, they are exceptional, in size, rank, governance and shareholder relations. Their average turnover was 30 million euros (in euros of 2003), and 24% had a turnover in excess of 60 million euros; 70% were among the top ten firms in their industry; 69% had an active board of directors; and 65% regularly distributed dividends. In other words, they are firms that it is easy to be idealistic about.

We should never forget, however, that being "idealistic" about a firm (loving the business, trusting in the organization, etc.) is one thing; actually being capable of "making an effort" (being able to motivate other family members, contribute resources, take risks, etc.) is quite another[5].

[5] Popular wisdom has said as much for centuries, as in the saying "actions speak louder than words".

The "agents of loyalty" are in an intermediate position (61%), below the "agents of idealism" (77%). This is partly because the B group in the Loyalty matrix ("Lazy," 29%) is so much bigger than the B group in either of the other two matrices. Again, identifying with the company's advantages and values is one thing; actively speaking one's mind and offering solutions is quite another[6]. The fact that such a high percentage of family members fall into the "lazy" category of the loyalty matrix should prompt the heads of family businesses to investigate the underlying reasons. Is it that only the loyalty of those who work in the business is appreciated? Is the loyalty of those who have chosen other professions not rewarded? Is the loyalty of older family members valued more highly?

Secondly, there is a marked difference between the percentage of people classified as "passive" with respect to effort (50%), and the equivalent percentages with respect to loyalty and idealism. This may be due to the reasons mentioned above. Whatever the case, it is a clear indication that fully half of the family members who do not work in the family business are unwilling to "make an effort" to support the business. We may conclude that neither a high level of idealism nor a high level of loyalty is sufficient to boost the level of effort that people are willing to put into the business. These people thus become a dead weight holding back progress towards a greater commitment by the family as a whole to the business, that is, towards greater unity.

At the same time, the fact that the percentages of agents of loyalty and idealism are comparatively high should never be cause for self-congratulation among the family members who do work in the company. If those who *do not* work in the business are not motivated and rewarded, there is a risk that they will lose interest and switch from cell A to cell B.

Turning to the people in cells B and C, it is important to highlight the group of family members who are "opposed" to the family business. They are a small proportion (4%). But the fact that they do not identify with the family business, at least not in its present form; the fact that they are able to offer solutions, which naturally will be solutions involving changes to the business; and the fact that they are capable of communicating those solutions to others and exercise patience means that they play the role of active dissidents. They will put forward their proposals at every opportunity, in the shareholders' general meeting and in the board of directors. Furthermore, they are people who will do their best to win the support of others by offering a new vision for the future of the family business or its assets, one that inspires more confidence, illuminates those who are ignorant, galvanizes those who are lazy, and rouses those who are passive into action.

In the matrices in Figure 7 we can identify two large but clearly distinguished groups of family members who do not work in the family business: the "agents," and the "passive" family members. The statistically significant differences between these two groups are shown in Tables 1 and 2 below.

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6 This, too, is a truth embodied in popular wisdom. Consider the saying "practice what you preach."

**Table 1**

| **Characteristics of the person:**<br>**Total no. of people per group:** | **Agents**<br>**48** | **Passive**<br>**51** |
|---|---|---|
| Has worked in the family business | 54.21%* | 26.20% |
| Has sat on the board of directors | 43.2% * | 18.20% |
| Is a shareholder | 48.20% | 33.32% |
| Is a member of the family council | 62.52% | 35.20% |
| **Has acquired a knowledge of the family business:** | **Agents**<br>**48** | **Passive**<br>**51** |
| From having worked in the business | 62.5%* | 29.40% |
| From having sat on the board of directors | 60.0%* | 34.10% |
| From reading the information provided | 66.70% | 56.80% |

*The differences in % for similar caracteristics are due to the fact that not all respondents answered every question, and the % is calculated on the total no. of responses for each question.

As can be seen from these tables, the "agents" group includes a higher percentage of people whose situations allow greater participation, and also a higher percentage of people who have actually participated in the past, through working in the family business, sitting on the board of directors, being shareholders, or being members of the family council. This suggests that it may be advisable to allow rotation among board members, and expand the number of shareholders, with the values established in the corresponding share pooling agreements.

At the same time, the "agents" (Table 2) assign statistically significant higher weightings to four values, taken from a broader set of values, that imply adherence to a strict personal code of conduct[7].

**Table 2**

| | **Groups** | |
|---|---|---|
| **Weighting of values:**<br>**Total no. of people per group:** | **Agents**<br>**48** | **Passive**<br>**51** |
| Diligence | 4.23* | 3.91 |
| Initiative | 4.43 | 3.91 |
| Simplicity | 4.15 | 3.42 |
| Austerity | 4.04 | 3.48 |

*The values range from 1 to 5, with 5 as the highest weight.

[7] An earlier study of successful Spanish family businesses found that a particular set of values holds pride of place in the culture of these firms. The values in question are known by the acronym ELISA (Excellence, Labor Ethic, Initiative, Simplicity and Austerity). An analysis of interviews with the top managers of centennial American family businesses, published in the *Family Business Advisor* over the last five years, reveals that they share these same ELISA values.

The characteristics of the families and firms in the “agents” group that differ to a statistically significant degree from those of the “passive” group are shown in Tables 3 and 4.

As can be seen in Table 3, in the businesses belonging to the “agents” group, family councils are more effective in promoting unity and communicating information. The percentage of businesses with a “chief emotional officer” is much higher among the “agents.” A higher percentage of families in the “agents” group has a family protocol. And the family businesses in the “agents” group are significantly more open to providing information, promoting participation through the board of directors, and distributing dividends.

**Table 3**

| **Characteristics of the person:**<br>**Total no. of people per group:** | **Agents**<br>**48** | **Passive**<br>**51** |
|---|---|---|
| Family council is effective in promoting unity | 68.80% | 47% |
| Family council is effective in providing information about the firm | 68.80% | 47% |
| There is a family member who is key to the success of family council meetings (“emotional head of the family”) | 62.50% | 37% |
| Has a family protocol | 54% | 15% |

**Table 4**

| **Characteristics of the business:**<br>**Total no. of people per group:** | **Agents**<br>**48** | **Passive**<br>**51** |
|---|---|---|
| Has a board of directors | Yes = 81.9% | Yes = 68% |
| **Provides regular information on:** | **Agents**<br>**48** | **Passive**<br>**51** |
| Finances | Yes = 85.4% | Yes = 43% |
| Plans for the future | Yes = 87.5% | Yes= 54.9% |
| New products | Yes = 68.8% | Yes = 23.5% |
| Company newsletter | Yes = 41% | Yes = 17% |
| Press kit, TV, etc. | Yes = 54.2% | Yes = 15% |
| Distributes dividends | Yes = 62.5% | Yes = 34% |

## 5. Measures to increase the levels of “effort,” “loyalty” and “idealism”

In this section we describe a number of measures to raise the levels of “effort,” loyalty” and “idealism,” based on the different types of family members who do not work in the family business (Figure 7) and the distinctive characteristics of “agents” and “passive” family members.

### *5.1. A shared plan for the future*

The basis for all of these measures is to develop a family business plan that will inspire idealism in as many members of the family as possible. Once the family members start to accept this plan as their own, and as something they have in common with the rest of the family, they will be motivated to make more effort and show more loyalty to help put the plan into effect.

The process of formulating and communicating the family business plan, with a view to building a shared commitment to the future of both the business and the family (Carlock and Ward, 2001), can help to sustain and enhance the positive attitudes of the "agents," while at the same time changing the negative attitudes of those who have always been "passive" (Sorenson, 2000).

While the competitive strategy of most companies tends to be structured around areas such as products, markets, geography and competitive advantage, drawing sustenance from the corporate beliefs and values (Hax and Majluf, 1991), if a family business wants to convert as many family members as possible into "agents," it will have to add another area, that of "relations between family members and the business," while at the same time drawing sustenance from family beliefs and values.

### *5.2. Family protocol*

Closely related to the previous point is the need to formulate and implement a family protocol. Spelling out the type of family business that the family wants to have, the family protocol will define the body of principles and rules that must govern the work of family members in the business, the means of transferring ownership, and the procedures for the exercise of power. It will establish a set of rules that serve as the foundation not only of fair process (Blondel, Carlock and Van der Heyden, 2000), but also for the orderly conduct of business, rendering the disruptive tactics of active dissidents ineffective.

The above tables coincide with previous research (Poza, Alfred and Maheshwari, 1997) in suggesting that one of the many ways in which the commitment of the "agents of effort, loyalty and idealism" can be reinforced, one that family members consider particularly important, is through meetings and forums set up to provide information, training, or simply social contact, as well as through informal conversations (Poza, Alfred and Maheshwari,1997).

One of the most important meetings for family members who are shareholders is the General Meeting, which should be scrupulously prepared to ensure that, besides the purposes envisaged in the company's by-laws, it also serves to raise the levels of "effort," "loyalty" and "idealism." Careful preparation will also help to prevent it from becoming a mere formality, as it is in so many family businesses. General meetings may be held more than once a year if necessary.

The disadvantage of using the general meeting more proactively as a forum for information and training is that, legally, only family members who own shares in the company or who represent shareholders are allowed to attend.

For that reason it is often a good idea to set up a separate forum to which all the family members who wish to attend may be invited. This second forum is what is generally known as the "family assembly" (Neubauer and Lank, 1998).

From a procedural point of view, the following considerations apply to both types of forum, as both require appropriate and thorough preparation:

- Inform about the implementation of the corporate strategy, explaining the successes and the reasons for any failures.
- Inform about the company's management team, the individual members of the team, their qualities, and any changes that may have taken place.
- Explain important developments in the company's situation and its environment.
- Inform about the company's principal advertising and marketing activities, so that family members do not find out first from television or magazines.
- Encourage high levels of attendance at all meetings.
- Make the meetings interesting and participatory, avoiding endless monologues and wearisome repetitions of the same old arguments.
- Tactfully cut short any unhelpful interventions by dissidents.

At this point, it is worth considering what reasons there may be, if any, for not disclosing such information to family members. If the reasons are that the family members do not know enough to be able to understand it, or lack the necessary discretion, then they will have to be given appropriate training. But if the reason is to keep things secret, so as to have a monopoly of power, then unity and commitment among the family members is unlikely to be achieved.

"Training meetings" are another type of forum that often yields good results. That is not surprising, as many family members are likely to have little business or management expertise. The subjects covered at such meetings tend to be more specific and, in a sense, more technical, such as how to interpret balance sheets and income statements, company law, the family business's by-laws, the rights and responsibilities of the institutions of governance, the advantages of different types of marketing actions, etc. In other words, they are intended to educate family members so that they do not stay stuck in cells C and D on account of errors which, besides harming the family business, may also harm them.

At the same time, these types of family forums are a means of encouraging participation and a chance for social contact. It is therefore advisable to be alert to ways of preventing possible disruptions by dissidents, and to create opportunities for the "agents" to motivate the "lazy" family members and all those in the B cells.

### *5.3. Newsletter*

If there is a very large number of family members, or if the family members are geographically dispersed, it can be very useful to publish and distribute a printed or electronic newsletter, providing information similar to that given in the other forums. This can stimulate a simple and immediate "dialogue" between people.

As in the other forums, in the newsletter, too, it is important to offer the “agents of effort, loyalty and idealism” a chance to act as “agents of change” in relation to the other family members. If they have earned respect, and if their independence as directors and managers of the family business is real and recognized, then they will certainly be in a good position to help change the attitudes of those family members who are “passive,” “lazy” or “demotivated,” boost the morale of those who are willing to put in effort and idealism, and bring about a change of heart in those who think they owe the company nothing.

### *5.4. Chief Emotional Officer*

The measures proposed in this section create a significant workload for the people specifically tasked with nurturing the long-term prospects of the family business. Hence the need for a person in the family to take on the role of what has been termed the “chief emotional officer of the family (CEO)” (Gallo and Amat, 2003). This person will be a focus of affection and respect, and must be willing and able to devote time to building commitment. Finding a successor for this person is not easy, but it is important that one be found. That is why, sometimes, it is best to separate the role of chairman of the board from that of chief executive (7), and to ask the chairman, besides devoting more time to building commitment, to be ready to be replaced in the role of chairman and to take over that of “chief emotional officer.”

## 6. Concluding remarks

The dangerous consequences of not raising the levels of “effort,” “loyalty” and “commitment” have been demonstrated on many occasions. If instead of increasing, the levels decrease, family businesses lose their essential strengths of unity and commitment, and are weakened by the discord among their members and the often unjustified demands that some of them make upon the company.

The four types of family members described in the introduction, whose existence has been statistically demonstrated, show very clearly how family businesses may be eroded, and also help to explain their high failure rate (Aronoff, 1999). If the first group, the family members who are indeed willing to put in effort and idealism, lose that willingness, they will evolve toward the second group, made up of those who think that they owe the company nothing while the company owes them a reward. And if the situation continues to deteriorate, this second group will evolve toward the third, made up of those who do not want to commit themselves to the firm, and from there to the fourth group, made up of people who are not convinced that the business is, in fact, a family business. At that point the situation will be as shown in Figure 6.

Inexorably, as time goes by, the number of family members associated with the family business naturally increases. It is possible, however, to prune the tree in order to limit the number of shareholders. If the heads of a family business want the business to survive for many generations, they will therefore need to be ready to devote time to it and take measures such as those suggested in the previous sections to ensure that the family members not only trust the company and the people who govern and manage it, but also love the company because they know and understand it.

At the same time, it should never be forgotten that a good family business must first and foremost be a good business. And that excellence must be maintained over many years to produce a good multi-generational family business.

Just as any increase in the levels of “effort,” “loyalty” and “idealism” is not going to be possible if the business on which the family business is founded is not a good business, nor will it be possible if the family members who govern and manage the business do not set a good example, not only by acquiring the necessary professional skills to perform their duties but also by exercising the necessary care and foresight to avoid falling into any of the traps that lie in wait for family businesses and that are the chief cause of disunity.

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