



For families-in-business and families of wealth . . . Today and Tomorrow

Practice Makes Perfect

Developing Successors for Responsible Ownership and Leadership 10 Examples

The following examples are based on my consulting activities with hundreds of families-in-business.

Ownership Practice – To learn how to function effectively as an ownership team, siblings and cousins need to learn about the governance structures of the corporation, such as the Board of Directors, and of the family, such as the Family Council. Here are some examples of “practice” that siblings and cousins can accomplish before they actually have any voting stock.

1. The Shadow Board – Next generation family members attend Board meetings to learn how the Board functions, who the outside Board members are, and to learn about the high level Board issues that are critical for the business.
2. Special Board Reports – Sibling or cousin teams study key ownership level issues and make a team report of their recommendations to the Board. For example, a cousin team studies a proposed Voting Trust agreement and provides their approach to managing the voting control of the corporation in the future.
3. Buy-out Approach – Sibling or cousin teams may work together to structure a plan to purchase the voting control from the senior generation, or in general to help design the estate planning transition., including the terms of their Stockholders Agreements.
4. Investment Strategies – Sibling or cousin teams study the family’s current investment portfolio and then manage a small portion of the portfolio to learn how to work with financial advisors and make investment decision.
5. Philanthropy – Siblings or cousins take responsibility for a overseeing some aspect of the philanthropic activities of the family. For example, the older cousins work with those under age twelve to oversee a \$10,000 gift to the local community.

Management Practice -- Beyond functioning effectively together as co-owners, sibling and cousin teams that are employed in their family business must also learn to function within the operational arena. Here are some examples of “practice” that siblings and cousins can accomplish in the business to address critical business issues:

1. Market Study - Sibling or cousin teams work as a cross-functional management group to research marketing options for the product lines within the business.
2. Executive Committee - Sibling or cousin teams meet regularly as part of the executive management team to address the key operational issues that support the strategic initiatives of the business.
3. Business Development - Sibling or cousin teams review future business opportunities such as the

acquisition of another business and make recommendations to the executive management group and the Board.

4. Company Meetings - Siblings or cousins work together to design regular company-wide meetings and make presentations to the employees about the business and key issues within the company.
5. Major Projects - Sibling or cousin teams participate together with other key managers to implement critical projects, such as the selection and roll out of lean manufacturing or new systems such as Oracle.

Practice makes Perfect. Sibling and cousin teams need real life experience together to practice the art of decision making -- both at the ownership and management levels. Practicing together builds great teams and also highlights where the weaknesses and potential conflicts will emerge once their team plays in the "Big Game."

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