

BEING A GOOD OWNER OF FAMILY WEALTH



Key Takeaways

- › Being a good owner of family business requires having a grasp of Business issues, Strategic issues, and Soft issues
- › Business Issues include:
 - › Accounting and finance
 - › Understanding of assets and ownership
- › Strategic Issues include:
 - › Governance
 - › Understanding your role on the board
 - › Family constitution
- › Soft issues include:
 - › Communication skills
 - › Leadership
 - › Being a team player
- › Being a good owner means recognizing when the family is unable to contribute further to the company's innovation and growth
- › Think regularly about your business portfolios and where they are in the life cycle
- › Have aboard that includes non-family
- › A good owner must know the possible strategies for the company

Questions to Consider:

- › What does it mean for you to be a good owner?
- › Do you have a programme for the next generation?
- › What gaps exist and how can they be addressed?

INTRODUCTION

Being a good owner of your family's business is important in preserving wealth and prolonging the business life cycle. However, there are many approaches to being a good owner, which do not necessarily equate to being involved directly in the day-to-day management of the company.

Oftentimes, there is a lot of emphasis put on the length of a businesses' lifecycle, but it is also important to maintain a sense of perspective when it comes to expectations. Three generations is not a short time to have a business, when a typical business lasts for an average of 50 years.

The ability to innovate and grow are very important when it comes to sustaining a business, and a good owner is aware of this. Knowing when to sell a business is also important in ensuring the maximum value is captured at sale.

Guidance

What does it mean to be a good owner? How can you know when you are prepared for the responsibilities involved with your assets?

It is important to have the skills associated with your particular asset. For example, if your asset is financial, a grasp of accounting is important to managing the asset. A knowledge of the discipline your asset is involved in, whether industrial or financial, is very important. It is also vital to understand the strategy of ownership, and what roles you have in governance as it relates both to the business and familial issues. While working towards these "hard issues", it is important to keep "soft issues" such as communications and relationships at the forefront as well.

The family-oriented nature of family business often leads to a greater potential for longevity, but keeping such longevity requires innovation and change in order to keep the business prosperous. Maintaining growth can present a challenge, so knowing when to sell and how to go about such an endeavor is also an important consideration. Knowing your portfolios and where they are in their life cycle is another role of an effective owner.

Keeping an effective board is another mark of an effective owner. It is important when building this board that having non-family members adds diverse opinions and objective viewpoints.

Good ownership does not require being a part of management, and in fact owners who focus on a thorough knowledge of the business as opposed to spending time on managerial duties can be more effective. However, having every family member acting as an owner can lead to a distance with the business itself, so having family members somehow involved is vital to maintain an effective balance. Some owners do this by choosing a proportion of their time to dedicate to getting involved with the business.

The family needs its members to understand it's business thoroughly, either by spending time with it or maintaining an intimate knowledge of it. A good owner must know the possible strategies for the company, and whether the current CEO is the right choice. Having the best person in the position of CEO is one of the most important roles of an owner.