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The Non-active Family Member in the Family Business

How to Help All Members of the Family Flourish

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In the classic three circle design of the family enterprise system, there usually are members of the family who are not employed by the family business or foundation and who are not owners. This collection of family members, no lesser part of the family enterprise system, has legitimate perspectives that impact the unity of the family. These family members are crucial to the family enterprise system; how they are treated and listened to becomes a benchmark of how the family engages in fair processes.

One of the hallmarks of a healthy family in business or in wealth transition is how non-active family members are involved in the family. The goal is how to help these family members that are non-active in the family business flourish in their chosen pursuits in life. How to empower all family members in their chosen paths is also a universal goal for the family in business. This strategy avoids the sense that family members are locked into an exclusive future with the family business or foundation. Family members whose only goal is remaining in the family business easily become mired in deadly turf battles with other family members.

I often ask younger generation members, “If the family business or foundation wasn’t here, what would you be doing?” This question is designed to help family members think beyond the business into the realm of increasing their personal marketability. This process achieves two results: First, their future are not exclusively tied to the family business; and second, adding skill sets and capabilities will help them optimize their roles, whether they are active in the family business or not.

There are several scenarios in which some family members do not participate actively in the family business or foundation. Some families specifically determine that a limited number of younger generation members will be allowed to be employed by the family business. Some families elect to require specific educational achievement for participation. Occasionally families determine that there are incompatibilities among younger generation members that would undermine family unity. Finally, a younger generation member decides he or she does not want to enter the family business, having elected to pursue another career. These scenarios can be unifying or destructive. Regardless, the family in business needs to be aware of the legitimate perspectives of all family members with a view to helping all family members flourish in their chosen fields.

The same scenarios are true in the ownership circle of a family in business or with a foundation. Family members may function as owners of the business or trustees of the foundation, though they are not employed by either the business or foundation. Other families elect to not allow ownership unless a family member is employed by the family business.

Each of the above scenarios has its strengths and weaknesses. Certain families operate from legal documents from previous generations that direct who may be employed by the family business or foundation and who may be an owner or trustee.

I have listed these scenarios alerting families to exercise diligence in how guidelines and legal documents affect family members. Having previously practiced law for over 10 years, I am fully aware of the difficulty of the best laid legal documents to operate successfully within a family that is not unified in their vision or values. Regardless of the ironclad nature of these documents, family members who conclude they are not being treated fairly, whether that conclusion is warranted or not, can cause incredible destruction via a lawsuit. The results of the lawsuit do not reflect the potential of irreparable harm done to the family, the business or the foundation.

One crucial approach for the family is to not give disproportionate attention to the careers of a limited number of family members. One vision I recommend for a family in business or with a foundation is to desire and work towards the flourishing of all family members. This does not preclude setting requirements for specific employment in the family enterprise. If the requirements are clearly stated and available, family members can make the unilateral decision to comply or not. Regardless of their decisions, the family can take proactive steps to help them in their chosen fields with guidance from family vision and values.

Senior generations are critical to this process. In utilizing family wisdom and guidance, no family member is permanently tied to employment in the family business. Often, I speak to family members who believe they have no options. There are always options. The senior

generation members must lead the family to an optimized conclusion that squelches the emergence of distrust and favoritism within the family.

Families in business should pursue fair processes rather than dictated decisions. Fair processes treat the legitimate perspective of each family member with respect and dignity. The results achieved through fair processes provide the best approach to promoting family unity and harmony while allowing each family member to have a measure of control, i.e. doing what they choose to do.

This is an article of encouragement to families who are struggling with discomfort over how to help all family members. As stated above, even families who believe they are locked in situations in which members who are not actively involved are distrustful have options to redirect the family in a course of harmony. Keep everlastingly at it.