

CHAPTER 1

Learning from the Best

Researching Long-Term Family Enterprises

Everywhere in the world there are family businesses. When we enter a restaurant and see parents cooking and serving and their children doing homework, when we buy clothing or cars, when we visit a resort or convenience store, we are frequently interacting with a family business. Seeing the family there, personally responsible, causes us to hold the family in special esteem, as the family commitment and visibility seem to guarantee quality and care. Families lie behind our food supply, manufactured goods, as well as service companies.

Many became huge global enterprises while others are tiny but sustainable, with several family members helping out to earn a livelihood. We look with admiration and a touch of envy at the success of long-lasting families that parlay business and financial success into a glittering life of privilege, status, and power. But we also read about families diminished by dysfunction or by displaying and using their wealth to no discernible purpose. We are sad for these families, but maybe we also experience a bit of *schadenfreude* about their misfortune. How did they begin with so much and end up with so little? Despite the existence of some troubled families, many of the best families sustain themselves *as families* over multiple generations and raise successful children who both enjoy their wealth and pursue philanthropic and socially responsible ventures. These families appear to be both blessed and good. We wonder that makes some families great and others dissolve into dysfunction.

When it comes to global commerce, the impact of family enterprise is inestimable. Networks of business families, many of them having grown over several generations, form the economic, social, and political infrastructure of every nation. While there are different ways of defining such enterprises, estimates in every country are that a majority of businesses, and of the economy, are family-based. In developing countries, a majority of the large businesses are owned by families. As I will show, these businesses are based on more than economic return. While some are self-centered, even corrupt, a theme of social values and responsibility echoes throughout many global business families. They want to see their businesses as contributing to the well-being of their community and nation.

All over the world, uncountable families create successful businesses that they want to see continue and benefit their successors. But few are able to sustain themselves even into their second generation with the same level of wealth and success. If such success is a marathon, how do these most successful long-term families prepare themselves for the rigors they will face? Many of these families learn from the envy and admiration of their communities; they strive to live up to their reputations. They also want to learn from successful families, how to express their values and succeed across generations. Professional advisors also want to know what these families do so that they can guide their client families along this path.

Every culture has a proverb akin to “shirtsleeves to shirtsleeves in three generations.” Why is this observation so universal? Is family wealth really so ephemeral? While probably not meaning that third-generation families enter poverty, it does suggest that sustaining shared family wealth after the third generation is immensely improbable and difficult. While every new family of wealth would like to outlast this prophecy, only a few succeed. If they do, they enter largely uncharted waters.

Many wise voices propose paths these families can choose in order to avoid this fate. This study adds a new perspective. It recounts in their own words the practices and stories of more than one hundred large, global families that have successfully transitioned significant businesses or financial wealth through at least three generations over a century or more. They have lived what others have wished for or talked about. Theirs are the stories of those families that recognize the “shirtsleeves” possibility and respond “not yet.”

What Is a Family Enterprise?

It’s easy to spot family businesses but harder to define what they are. In smaller family businesses, family members work together across generations as owners and operators. How do they pass skills and sensitivity to each new generation so that the inheritors can grow and sustain themselves? When families get larger, not all family members can work in the business. Over time, many family businesses turn operations over to nonfamily leaders. But the extended family, whose members have a familial relationship with one another, remain majority owners and actively engaged in the enterprise.

- The first defining quality of a family business is that they are a business where the majority owners share a personal relationship, which usually includes shared values and nonfinancial goals that are as important as making a profit. This bond among the owners makes family business very different than a public corporation where there is no personal link among shareholders.
- A second defining quality of family business is that young family members who are not yet owners are preparing to become owners. Because of their future ownership, they feel some connection to the business, which must be taken into account. The current owners are concerned about their future and take active steps to prepare the future owners for their stewardship. Owners are concerned not with today but with the future; their self-interest is to pass a “gift” to their children, and prepare them to receive it.

Over time a family may sell its initial legacy business and then choose to remain together to become a financial family entity. Or it may acquire and share ownership of multiple businesses. It may add property and a philanthropic foundation out of profits. Thus, a family with a single family business may evolve into what I call a family enterprise, containing a portfolio of jointly owned assets. In this book, I look not just at family businesses but at the multiple family-owned ventures that evolve from a single family household owning a single business to shared ownership of a growing, diversified, expanding extended family enterprise.

My focus is on the extended family moving across generations. Along its journey, such a family may come to own multiple family assets, including:

- Privately held companies
- Public companies with the family remaining in control
- New ventures started by family members or new businesses bought by the family
- A holding company for multiple family enterprises and assets
- A family office to manage and coordinate family assets and activities
- Trusts that own assets for beneficiaries
- A family foundation for charitable and philanthropic endeavors

These asset types often overlap. For example, a privately held family business might include a few nonfamily owners or investors. Stock in a public company may be held by a family trust or a family holding company. The family might own several business entities, each with their own boards but with family owners making the major decisions.

A family enterprise is characterized by shared, collective leadership by a related family that wants to continue into the next generation. Along with its ownership, the family exercises discretion and control over the use and development of a variety of assets.

Family enterprises form the majority of businesses large and small in every country in the world. Since they involve related family members, they need to be understood as more than just businesses in isolation but as an expression of the intention, identity, and legacy of the families that own and operate them. They are disciplined businesses, and they are also families that care about each other. What is the nature of this complex hybrid?

The impact of the enterprise on the family can be positive or negative. The family enterprise can offer a lifetime livelihood for generations or can be fought over and cause permanent family rifts. The family enterprise can be an icon of high quality and offer employment and status to villages and nations, but the enterprise can also exploit people and destroy the environment. A family enterprise doesn't run on its own forever; it needs regular rebuilding and renewing. By their action or inaction, next-generation family members can add significantly to the family enterprise's success or destroy it.

Successful family enterprises are incredible engines for generating wealth and expressing the owning family's values about people, business, and the community.

These values are the basis for the quality of their goods and services, for their relationships with employees, other businesses, and the entire community, and for their philanthropic work.

But only a small fraction of the families that create businesses sustain them for more than a single generation. The few surviving enterprises are huge and have a powerful impact on the community, global commerce, and the environment. They also have a strong influence on family members and all those touched by the family's various operations. Much can be learned from them.

Successful family enterprises can be long-lived. Among the 750 largest global family businesses,¹ 230 are older than one hundred years, and another one hundred or so are older than seventy-five years. Ninety of the 230 are public companies, with majority ownership or control by a family. They are spread over every country, though some countries, like Japan, Germany, and the Scandinavian countries, contain a larger proportion. In every country, it is estimated that the combined net worth of family enterprises contains a large majority of the country's economic wealth. Successful long-term family enterprises are thus large, profitable, and influential.

Beyond the Fourth Generation

The family business literature and its key models describe generations one, two, and three, but descriptions stop there. Whither the fourth generation? Is it just more of the same? Or are there just too few of them to bother to study? We know they exist, and they are large and important. But to my knowledge this is the first time there has been a study of who they are and what they do. The study of long-lived families and their business and financial ventures is important because this is the goal of many families who have not reached that milestone. What awaits them if they reach one hundred years? Another opportunity in such research is that the long-lived family can look back on its first three generations and report on what they did that was helpful and not.

And the fourth generation differs from third and earlier generation families. When a business family reaches the third generation, internal and external forces threaten the family's ability to continue as partners. A family reaching this milestone faces a choice point: Should we continue together as a financial or business entity or just distribute what we have and let each household move forward in its own way? A few courageous families make a conscious decision to continue united. By sharing the experience of families that have successfully crashed through this barrier, I offer a roadmap of the hard work and expansive outcomes that result.

From Small Business to Family Conglomerate

I begin with a story, the first of many stories that will be shared in each chapter. These stories feature the exact words of family leaders, which will be indicated by italics. Unlike the stories to follow, the family in this first story is a composite, created to introduce the key themes and developmental model that will be featured throughout

(continued)

the book. This story shows how each generation of a family enterprise becomes larger and more complex and how the family must evolve through internal and external challenges:

Great-grandfather Albert started a factory, which had the good fortune to manufacture a patented building element that everyone needed. At the beginning of the twentieth century, the business expanded along with the new skyscrapers that formed the new industrial cities. Albert had a son, Claude, and a daughter, Sophie. Following tradition, Claude, barely thirty, began to work in the business.

Albert used his wealth to buy a ranch, and Sophie and her new husband, Raymond, lived there and managed it. Everything was incredible until the patriarch died suddenly just before his fiftieth birthday. Claude discovered that Albert's finances were a mess and that the business was threatened by his loose management practices.

Claude, Sophie, and Raymond struggled but were able to make both businesses profitable, especially the manufacturer. Claude and Sophie each had a pair of children and shared ownership in the manufacturer and the ranch.

The third generation grew up with great wealth but, absorbing the lessons of their parents, developed a positive work ethic. The whole family got together regularly at their huge vacation home on the ranch.

As the third generation grew to adulthood, a series of changes swept the family and its businesses. First, Claude and Raymond began to buy real estate in their home city. Raymond and Sophie's son joined them after he finished business school. Claude received an incredible offer from a huge conglomerate and sold the manufacturing business. In addition to buying more downtown real estate, Claude's son located a cross-country shipping company for sale and persuaded the family to buy it. After a difficult transition, this new venture—like their other ventures—began to grow. After the sale, Raymond and Sophie's daughter married a fellow she met while traveling, and they moved to Australia. They wanted to take their share of the funds from the business sale to begin their new life overseas. And finally, given their Christian values about tithing, the family began a foundation, to which it contributed 4% of its profits each year.

As the members of the fourth generation began to grow up, they were part of a huge and complex set of family ventures that offered them incredible possibilities for their lives. But do they want to remain together as business partners? What will their wealth be used for? How will things be organized in the new generation? Who will be in charge of each business and the embryonic family office, which manages the family's real estate and other investments? How can the next generation prepare to be part of all this?

Generative Families: Continual Cross-Generational Value Creation

Threats and crises naturally emerge as a family enterprise extends across generations. Success soon leads to emerging new challenges that lie beyond the experience of prior generations. In this book, I look at how a business family deals with success and moves across generations. I will present these families not at a single moment in time but through their ups and downs, changes and renewals, across generations. While only a relatively few families are able to survive and thrive across many generations, the wisdom and activities of the members of these successful families are objects of fascination, as they are role models and inspirations for each new family business that dreams of generations to come.

I call such families *generative* because of their creative achievement in sustaining a sense of family connection and a profitable, vital family business or group of family operations. They uphold their coherence, partnership, and family connection against the tides of dispersion and separation. I estimate that fewer than 1 percent of family enterprises become generative in these ways. But their impact is great in that these families together own a large proportion of global wealth and perform great service to their communities.

Generative families are rare, unique, and important. In a time when the lifespan of businesses is declining, these family enterprises represent a rare species that sustains consistent control over a long period of time. In fact, if a business is still operating over the course of two generations, it is very likely to be family owned. These companies are important because, unlike so many business ventures that focus only on current profits, they endure long term with values that transcend profitability. They stand for something, offering lessons that can be learned not just by family businesses in their first generation but also by nonfamily ventures that want to operate with values beyond the bottom line.

Generative families are a special and unique family/business hybrid. They are a small subset of the huge number of family businesses, but they are incredibly significant in their social and economic impact. They form the bedrock of socioeconomic activity of every country. This project looks at how they become what they are and are able to combine family and business to have such impact. As I will show, these families share features of ancient structures that have been with us since the dawn of civilization. In the modern, industrial world, they have grown and expanded, taking on modern features. As we examine successful models for enterprise that look to the future and whose family owners act as responsible stewards, the generative family is a prime model of how business success can benefit society.

Given that so few families survive with both financial fortunes and family relationships intact, I wanted to learn how this wonderful achievement occurs. While these families began with a legacy business, I view them here as evolving *families*, not just businesses, sharing a changing portfolio of assets and business ventures.

This book celebrates the resiliency and hardiness of generative families. They are generative because rather than depleting or consuming resources, they add to and amplify the various forms of family wealth. Such a family uses its resources not just to sustain what it has but also to create something new. It extends its legacy—the family members' values and practices—in new directions that add not just to the family's financial wealth but also to its human, social, relationship, and spiritual "capital."

As I will show, one of the essences of their success is balance. They are able to balance what seem to be opposing polarities, business and family, legacy values and innovative practices, and individualism and collaborative teamwork. In Chapter 6, I present the concept of the generative alliance as a model for balancing voices and constituencies to build a successful generative family enterprise.

These families are more than the businesses they own; they also share a family *culture* of relationships, values, traditions, respect, and learning that underlie their business capabilities. Their family culture is the foundation of their business acumen. Such families dominate the economies of many countries because they are able

to innovate and pursue opportunities with sustained commitment and resources. Beyond their business activities, these great families have a powerful impact on the social fabric of their countries.

When family business was first conceived as a field of study, in the 1980s, the family was viewed as inseparable from its legacy business. The assumption was that, without the business, a family lost not just its livelihood but its identity. The experience of one-hundred-year families, however, is quite different. These family businesses are not single businesses owned by a family so much as ever-changing business partnerships. These partnerships share a business legacy, values, and culture as they navigate through a turbulent environment. A single successful business may provide the initial thrust, but sustaining and growing family wealth demands skills exercised over many lifetimes. This is not an easy task, as can be seen in stories of family wealth squandered by heirs and successors. Passing on the dedication, creativity, vitality, and innovation of the founding generation across new generations is a challenge of the highest order. How that happens is more about the nature of the extended family as a family than about wealth creation by any particular business.

The ability to adapt, renew, and reinvent in response to challenge and adversity while sustaining a consistent culture and set of values is the essence of generativity. After creating success in a legacy business, each successive generation builds on this legacy, adding value through innovation, new ventures, and inspiring visions for family and business success. Business families do this by encouraging and developing the creative energy of each new generation.

My bookshelf includes more than forty volumes of histories of families from this study. These books highlight inspiring origin stories. A founding patriarch rises from humble roots and sees an opportunity. Powerful matriarchs help build the businesses and are teachers and role models for family values with their children. Dedicated and passionate family members and employees create transformational products and services. The books feature family pictures of stern couples and playful children and show how each new generation contributes to the enterprise. Businesses are sold or expand globally, bringing the family's values and vision into an ever-wider playing field. No matter how disciplined and professional the business becomes, however, it still expresses the family's spirit and values in its business practices.

Generativity is both a public and a private activity. A business family's public achievement cannot be sustained without the private and personal project of building a great family. A great extended family contains many households organized into several branches that are aligned to steward a portfolio of shared assets such as a family business, family office, or family foundation. These legacy families affirm shared values and an active commitment to inspire, develop, educate, and pass on leadership at an opportune time to each new generation of capable and committed young people. They use their resources to develop their capability and commitment.

This study looks at families, not individual businesses. Through the book's focus on the expanding extended family over generations, I show how business is a path to creating value for the family, its business or businesses, its community, and its society. But the business is a creation of the family with its values, vision, and

commitment. Creating wealth is not an end in itself. Sometimes it seems more like a useful by-product rather than the central intention. Many of our families have sold their legacy business, but they continue as partners, sometimes sharing other resources. The business is a vehicle for family success. Family culture and identity are sustained across the family's many ventures.

It is hard to listen to these families' stories and not admire and respect what they have done. In a time when there is much concern about the concentration of wealth in the hands of "the one percent," this study, showing how these families make use of their wealth, is an important addition to the dialogue. While this study should not be taken as an apology for wealth concentration, it does offer a positive narrative about how great wealth is used. The successful one-hundred-year family is not necessarily a selfish group of consumers of excessive luxury goods. Instead, it can become a socially responsible entity, using its vast resources responsibly to make a difference in the world. When we compare activities of a family enterprise with those of a public corporation, we see the special nature of a family that shares not just resources but a values-based connection that can be of great benefit as a new generation faces harrowing global challenges.

What My Research Team and I Did

My research team and I located global family enterprises that succeeded over more than three generations and that were able to align goals and create positive family relations in what can be a huge family of owners. These we defined as generative families. How did we define and select the "best" family enterprises? In the absence of good data on outcomes and our desire to look beyond financial results, we proposed three objective criteria for successful long-term family enterprises:

- **Business/financial success.** These families created a successful business, or set of family-owned ventures, with current annual revenues of more than \$250 million² (with the average family's net worth being much greater). Half the families had sold their legacy business and had transitioned to become a family office, often including a family foundation.
- **Adaptability over generations.** These families successfully navigated at least two generational transitions of shared ownership, with control being passed to the third generation or beyond.
- **Shared family identity.** These families retained shared connection and identity, with practices and processes that sustained their values and personal relationships as an extended family.

How did we find these families and persuade them to talk with us? Initially, we recruited them through the sponsorship and support of two leading global networks for such families: Family Business Network and Family Office Exchange. Each gave us access to family members who fit our three criteria. We reached out to them and offered them anonymity in exchange for sharing their experiences and history. The book recounts their direct words from these interviews, without revealing their exact locations or identity.

The 100-Year Family Enterprise Research Project has so far interviewed family leaders of older and younger generations of just over one hundred such families, from more than twenty countries. Our ongoing research project³ opens the curtain on the private worlds of the longest-lasting and most successful global family enterprises. This study turns to these families as *teachers*, helping other successful families learn how to sustain success and connection across generations.

The people we interviewed talked candidly about how they went about building a great family with sustained wealth and active, responsible, engaged, and effective successors. Because of the isolation great financial wealth often causes, learning “straight from the source” is a rare and valuable opportunity. Their personal accounts allowed us as a research team to part the curtain and learn about the family dynamics and activities behind their public success.

The research team and I interviewed a family leader from each family at length and in depth. (We interviewed two family members from different generations in about 20 percent of the families.) We asked them to describe their evolution over generations and tell illustrative stories that describe not just what they did but how they were able to do it. Among the families in our study are renowned families from different countries, many of them household names.

To honor the privacy of families whose names are well known and iconic, none of the families or companies are identified. I disguised details of their families and businesses without changing the spirit or meaning of what they said. Because I use their own words, the reader can see not just what they did but how they see their actions and account for them.⁴

The interviews focused on generational transitions, including such questions as:

- How does the family influence and interact with its business and financial assets?
- How do you remain unified and connect as a family over generations?
- How do family owners manage their business and financial relationships?
- How does the family teach and prepare their next generation?
- How did these practices evolve?
- How do you as a family define success?

Throughout the book, I share the stories of these families primarily by direct quotes from the interviews. These are indicated throughout the book in italics. I also present many longer narrative case studies, or stories. Their stories and direct words illustrate how they have thrived not just as a loving and connected family but what they did to produce new generations of committed, active innovators, adding capability, complexity, and new directions to the expanding extended family. Since those interviewed are leaders in the third or later generations, they can look back with some distance and perspective on what was successful in earlier generations. I believe this will help families that have achieved public business success to succeed as well at the second, less visible, task: to develop and empower their rising generation.

Although they are a diverse global group, these families have many commonalities in how they organized themselves as extended families and in the time and energy they devoted to this task.⁵ I present their stories to inspire, guide, and

focus those who want to follow them and share their insights that illustrate how they have thrived as loving, connected families and vital businesses. The stories also demonstrate their activities to produce new generations of committed, active innovators who add capability, complexity, and new directions to the expanding extended family.

While these generative families are all moving past their third generation, their stories are relevant to the much greater number of families now moving into the second generation. The conditions for the success of these families were set early on, when they made the first decision to create a disciplined and values-based business culture and to develop the capability and interest of their rising generation. Choices made by the second generation set the family on a generative path. Their activities for defining purpose and values, adapting to major change, holding annual family meetings, educating and preparing the young members of their third generation for leadership, and giving back to their communities can all help position first- or second-generation business families for transition to the third generation.

Describing the Families in This Study

The families in this study range from the third to the fourteenth generation of shared family enterprises. Each of these families takes on a new form almost every generation. The families represent every sector of the world (see Figure 1.1), with 62% of them from North America (US and Canada).

More than 80 percent of the families still own their legacy businesses, though many of them have shifted from family to nonfamily leadership, gone public, or acquired or bought into additional businesses. Most of the businesses are approaching the centennial mark. They are huge, with the average net worth being well above \$1 billion. Most of them remain privately held. These legacy businesses form the foundation for developing the family enterprise, in which the family develops or

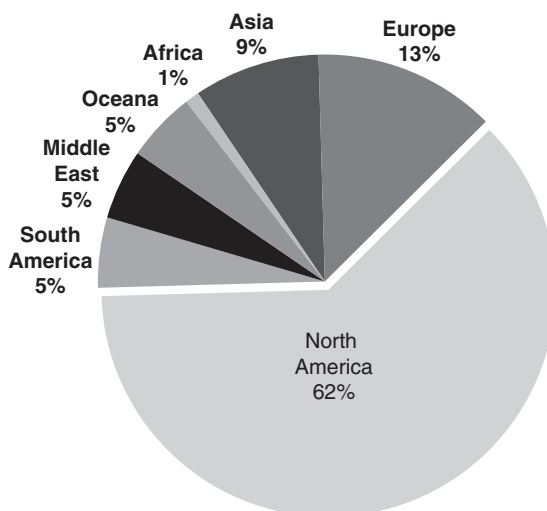


Figure 1.1 Global representation of families.

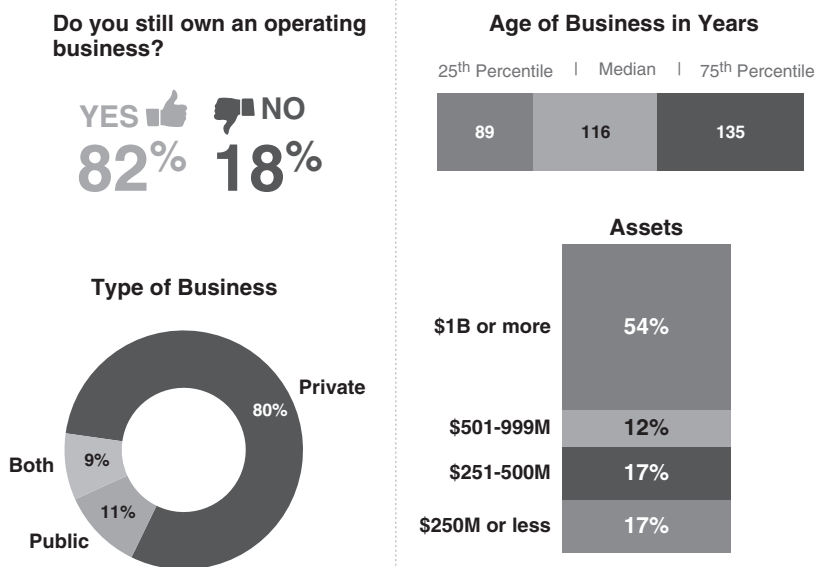


Figure 1.2 Business ownership.

diversifies into other ventures, like a foundation, a family office, property, or other investments. (See Figure 1.2.)

The legacy family businesses represent just about every category of business, manufacturing, resort, financial, food service, engineering, transportation, media, forestry, farming, and service companies. Many families own more than one business or a business that has expanded into several areas. The families also have family real estate, investments of all kinds, family banks, venture capital funds, family offices, and charitable foundations. Whatever kind of commerce is possible, the families in this study are in it.

These are not just business families but family enterprises. They commonly develop a family council, where the family conducts what I call “the business of the family,” activities that develop relationships and engage and develop each new generation. I will have a lot to say about family councils in later chapters. As the family adds to its wealth, by selling its business or harvesting profits, it often forms a family office. And the family places great value in giving to its community by creating a family foundation or other vehicle for philanthropy. Figure 1.3 shows how each of these new entities is very common to generative families, and in fact, by the fourth generation, generative families tend to have all three of these.

I labeled each generation of the family in relation to the business founding generation, which is G1. In this study, 62 percent of the families have control and leadership in the fourth or later generation and 31 percent in G3. The families are large and growing. In the third generation there are an average of forty family members while in the fourth or later generations the number rises to an average of 130. The rising number of family members, I will show, is one of the triggers to implementing family and business governance. (See Figure 1.4.)

14 **Borrowed from Your Grandchildren**

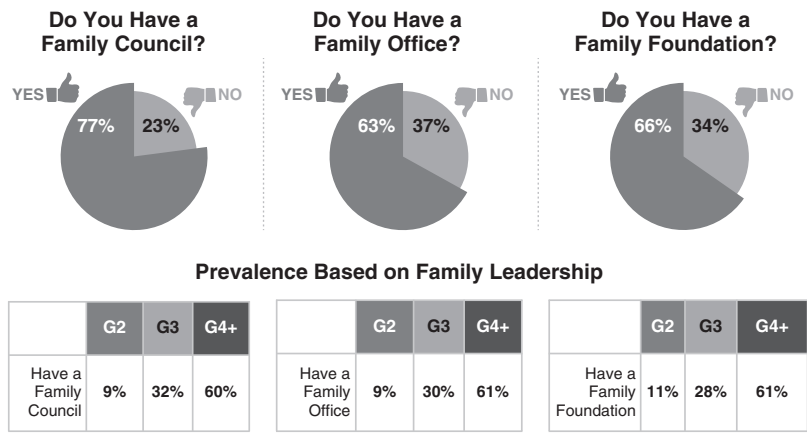


Figure 1.3 Nonbusiness entities in family enterprises.

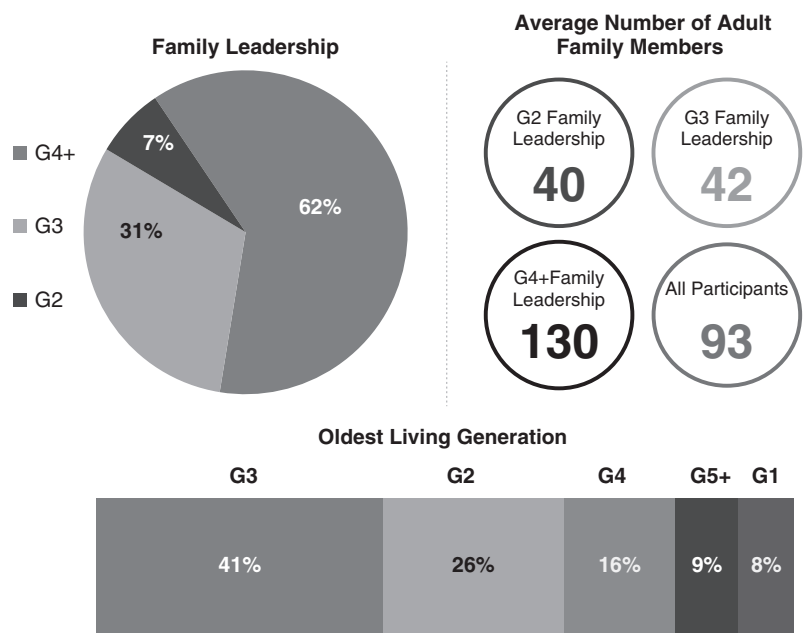


Figure 1.4 About the family.

My focus is on the transitions and development of these families across generations. The greatest number of families in this study are transitioning from G3 to G4. Based on these families' longevity, the respondents in this study reported on over 250 generational transitions! My research team and I interviewed active and influential members of the emerging, or rising, generation, who recently entered or were preparing to take responsible leadership roles.

The research focused on common qualities of generative families across the world. However, it should be noted that there are some interesting differences when comparing the 58 families from North America with the 37 families from other parts

of the world. The sample, unfortunately, is not large enough or random enough to draw any conclusions, other than to point them out.

Families outside North America are larger and older, with more family members. Of the world families, 82 percent have a value of more than \$1 billion, compared to 37 percent in North America; 88 percent of North American legacy businesses are private while only 69 percent of the others are; 77 percent of the global families have family offices compared with 54 percent from North America. Global families are older, but fewer of them have family councils or boards with independent directors. I suspect that this is due to sampling rather than regional differences, but there is also an impression that North America is a forerunner in applying the governance mechanisms described here.

Glossary: Definitions of Key Terms

This glossary contains the terms and key concepts that you will encounter in each chapter. Since there is no agreed-upon terminology for referring to the concepts and practices of long-term family enterprises, I offer these definitions to refer to as you read each chapter. Other work about such families may use slightly different terms:

Board of directors: A formal group, legally representing the owners of a family company or asset, that oversees the performance of the family ventures, hires and fires the CEO, and guides the family company through challenges and crises. It can contain some family owners and also independent nonfamily directors.

Dynastic family: Long-lived extended families with a strong sense of family connection and commitment but not necessarily linked by values other than wealth. Only some of them can be called “generative.”

Exit policy: An agreement that defines how a family owner can request the other owners to buy his or her ownership shares and how those shares are valued.

Familiness: The qualities and resources that come from the personal relationships and family network that add value to the family enterprise.

Family: The extended family of descendants and married-in relatives of a wealth creator who started a successful business and whose ownership and control was passed on to succeeding family generations.

Family assembly: A multipurpose gathering of all family members, usually held yearly, which combines business reporting, education, family issues, and fun.

Family constitution: A formal family agreement that integrates and expands upon legal agreements and expresses what the family stands for, its values, and how various family entities and structures operate and interact. The constitution contains the rules of the road that guide the family, often containing personal information about the purpose and goals of the family enterprise.

Family council: A working group, usually elected, that represents the family members to coordinate and carry out family activities, to manage communication within the family, to resolve differences, to report to the business board of directors, and to manage family assets and resources.

Family enterprise (sometimes referred to as an enterprising family or business family):

A family that shares ownership and control over various assets, which can include a legacy business, new businesses, a family office, vacation and investment property, and a family foundation. By the third generation, the enterprise has many elements that may or may not include the original “legacy business,” the source of family wealth.

Family of affinity: A family that contains only the family members who share a particular set of values or vision for their investments. A family of affinity arises when some blood family members decide not to remain part of the family enterprise and ask for their ownership to be bought out.

Generative alliance: How a generative family balances three cultural orientations that unite to enable the resilience of such a family enterprise: the **legacy values and culture** of the family, **professional business expertise and organization** that develop a strong and effective business, and **opportunistic innovation** that allows the family to continually seek new avenues for the family enterprise and allows the family to continually reinvent itself across generations.

Generative (or legacy) family: The whole extended family that has created a thriving family enterprise, with the intention of having family involvement across generations and with continuity of values and family commitment. A generative family consists of multiple, individual “households,” which also identify as part of one of several family branches, stemming from their connection to siblings of the second generation.

Governance: The agreements, skills, and structures that enable the growing family to define values, mission, and policies; maintain connections; oversee the business and the family participation in it; and distribute consistently and fairly financial and other rewards.

Household: A nuclear family living under one roof, with parents and children.

Legacy business: The original business started by the family.

Next, or rising, generation: As each generation grows up, I call them, somewhat interchangeably, the rising,⁶ emerging, next, or successive generation. Their growing children are “heirs” or “successors,” depending on whether I am referring to their role as inheritors or their role as emerging family and business leaders.

Nonowning family members: Family members who are not owners or shareholders in the family enterprise. These are young people who may expect to inherit ownership in the future or married-in members whose spouses may or may not be current owners.

Numbering and identifying generations: By convention, the financial wealth creators form the founding generation, or G1. Each successive generation has a new number: G2, G3, G4, and so on.

Owner-to-be (or owner-in-waiting): A family member who does not share current ownership of family wealth or assets, but who, by virtue of his or her family role, expects to inherit ownership in the future.

Owners' council: The family members who have some degree of ownership of the family enterprise and who meet to select the board members, give input to the board and family enterprise about their goals and wishes, and make sure that the family members have overcome business disagreements and achieved alignment.

Steward: A family owner in a family enterprise who looks responsibly at the use of family assets with a concern for sustaining them for the benefit of later generations.

Ventures: Individual businesses and financial entities that are owned or created by the family enterprise.

Notes

1. PWC Family Capital 750, 2019. Available at familycapital.com.
2. Here and throughout the remainder of the book, monetary amounts refer to US dollars, unless specified otherwise.
3. The first working paper, "Three Pathways to Evolutionary Survival: Best Practices of Successful, Global, Multi-generational Family Enterprises" (2012), presented survey data from 200 families. The second paper, "Good Fortune: Building a Hundred-year Family Enterprise" (2013), offers an overview of the evolution of these families over generations. Subsequent papers were "Releasing the Potential of the Rising Generation: How Long-Lasting Family Enterprises Prepare Their Successors" (2016); "Governing the Family Enterprise: The Evolution of Family Councils, Assemblies, and Constitutions" (2017); "Resilience of 100-year Family Enterprises" (2018); and "Social Impact in 100-Year Family Enterprises" (2019). They are all available on Amazon, in print and electronic versions.
4. I have slightly shortened and edited their stories and direct quotations to be more readable.
5. There were not enough families from different areas to make meaningful comparisons of differences across various parts of the world. In another book, *Cross Cultures: How Global Families Negotiate Change Across Generations* (Northfield, MA: FamilyWealth Consulting, 2016), James Grubman and I compared the cultural styles of family businesses around the world.
6. This term comes from James E. Hughes, Jr., Susan E. Massenzio, and Keith Whitaker, *The Voice of the Rising Generation: Family Wealth and Wisdom* (Hoboken, NJ: John Wiley & Sons, 2014).

