

# The International Family Offices Journal

Editor: Barbara R Hauser

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Barbara R Hauser

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# The International Family Offices Journal

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# Welcome to the March 2021 issue of The International Family Offices Journal

Barbara R Hauser, Editor-in-Chief

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Again, continuing thanks for all the positive feedback on our Journal. Remember this is for the entire family office community – we solicit contributions and comments! As the word continues to spread, we enjoy receiving offers to write for us. We are already starting to fill the June 2021 issue.

## The focus of the Journal

We feature articles from leading experts in the field, on a range of topics including the variety of family office models and structures, governance, investment approaches, succession planning, charity projects, family communication and consensus, and next generation issues among others. A key feature of the Journal is its international approach. We value our independence and our commitment to offering content without any conflicts of interest.

In addition to heavyweight substantive articles, we regularly feature in-depth country reports, profiles of family offices, interviews with industry leaders, a luxury corner, technology tips, book or film reviews, relevant news alerts from the Society of Trust and Estate Practitioners (STEP), and reflections by those who have grown up with wealth or advise those who have done so and what it has meant to them or their clients.

In this issue we are proud to include another fascinating variety of in-depth articles. We hope you enjoy them! This year, yet another with the pandemic, is already proving difficult for so many – we are hoping for brighter times ahead.

We begin with some intriguing predictions for the future of family offices by Tom Handler of the Handler Thayer law firm in Chicago, Illinois. Tom predicts that family offices will continue to restructure and reorganise – see our included articles on this very issue. See also his additional predictions.

We are very pleased to present another Country Report by Julia Booth and Kirit Javali of the University of Sydney, Australia, on the intriguing topic of the Hindu undivided family. Their comprehensive detailed article explains the many unusual and beneficial aspects of this tradition.

Next we have a practical article by Guillermo Barandalla of the INJAT private investment office

in Burgos and Bilbao, Spain, describing the process followed for a Spanish new family office. The focus of the project was to establish a robust and reliable investment function. The process they followed should be helpful to a number of family offices.

“The role of elders” is based on continuing reflections by James E (Jay) Hughes of Aspen Colorado about the role of elders in family governance. The first part, identifying elders, was in the June 2019 issue. Here, in his inimitable, thoughtful style he proposes that the elders can play substantial roles – as mediators, as trustees, as ‘elders’ in a family. We thank Jay for this thoughtful addition to the literature.

The next article, by Iraj Ispahani, CEO of Ispahani Advisory, London and Dr Carl Sjöström, Stockholm, Sweden, highlights the necessity for single family offices in the 21st century to “remain fit for purpose”. Their advice ties in with the opening predictions in this issue by Tom Handler.

Dr Alon Kaplan and Meytal Liberman of Tel Aviv, Israel share some of their extensive knowledge on the use of trusts in Israel. They offer a variety of planning tools. As they note: “In the past 10 years, there has been a positive development in the use of trusts under Israeli law, by both Israeli and foreign residents”. They draw from some of Alon’s insights in his book, *Trusts in Israel*. In our opinion there is no more knowledgeable lawyer on this subject.

With a focus on family offices, Peter Lorange, of the Lorange Network Investment in Zurich, Switzerland, addresses the dilemma of how small companies – such as a family office – can achieve good strategy formulation without the same resource base as that which larger corporations might have. He offers a step-by-step process to follow, which is “a speedier, more ‘democratic’ process, where most/all relevant family members might be participating”.

Dr Alexander Bove of Boston, Massachusetts focuses on an intriguing role of the trust protector, “the new bodyguard for the family office”. A recognised expert on the role of protectors (and the author of the book *Trust Protectors – a practice manual*), Alexander reviews the history of protectors, and adds the use

of a protector on an as-needed basis, known as a 'springing protector'. Then if a problem does arise, "the trustee, instead of preparing for court action, can simply call upon the trust bodyguard to deal quickly and privately with the issue".

Christian Stewart, of Family Legacy Asia, based in Hong Kong, contributes a comprehensive study of family meetings and facilitators. Based on his many years of working with families, Christian gives extensive examples of why family meetings are the cornerstone of good family governance. Critical to successful family meetings is the role of a skilled facilitator. Again, Christian offers numerous practical examples of the characteristics of an effective facilitator. His comprehensive report includes a very helpful checklist. We thank Christian for his extensive report.

For a visit to the art world and our Luxury Corner, we have another entertaining piece by our frequent contributor and art consultant, Ronald Varney of

New York. This time the intriguing title is "Nakashima living rooms – the revenge of brown wood".

In our Book Review, Dennis Jaffe, San Francisco, California, reviews the new innovative book on family philanthropy, the *Family Philanthropy Navigator: The Inspirational Guide for Philanthropic Families on their Giving Journey*. The authors, Peter Vogel, Etienne Eichenberger and Malgorata Kurak, of IMD, Lausanne, Switzerland engage family members on an active level. Jaffe comments: "The book is not intended simply to be read, it is to be used. The pages provoke you and ask you to then reach out to family and community and become an active learner."

Lastly, we continue to express our gratitude to STEP for their list of news alerts.

We thank all the wonderful contributors and hope that our readers find value, comfort and inspiration during these unusual times!

**Barbara Hauser**

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# Family meetings – theory, practice and facilitation

Christian Stewart

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## Joint family decision making is the key to family wealth continuity

'Family wealth' can be defined as comprising of family human capital, intellectual capital, social capital, spiritual capital and financial capital. The key to continuity of all dimensions of family wealth over the long term is the ability of the family members to make effective joint decisions together. This can be referred to as having effective 'family governance'.<sup>1</sup>

With this view in mind, it is important for family members who are the joint owners of family wealth to deliberately consider the question of "what is the best system for the family members to make joint decisions together?". This applies to families who have joint ownership of a business, or who jointly own an investment portfolio, a family with a shared family office, and it can also include the concept of a family that is jointly engaged in charitable and philanthropic activities.

What should the decision-making process be? How will decisions be made if the family members become deadlocked? What if there is a conflict? What decisions should be in the hands of the family, what decisions are made at the ownership level, what decisions should be made at the board level, what decisions and authorities lie at the management level? What are the rules governing appointment (or succession) to these different levels of authority? Can decisions that have been made be reviewed or appealed? What if someone does not follow the rules?

Family members that have a common goal of wanting to continue family human, intellectual, social, spiritual and financial capital need to invest the time together to articulate the joint decision-making system that will work best for their family. The vehicle for articulating the best system for family members to make joint decisions as a whole, is a series of facilitated family meetings.

*A family can consider how it would like to define the different components of its overall wealth for itself, as well as how each component is defined, and then how they will measure the state of their human, intellectual, social and spiritual capital (and how often). When families hold family meetings they should reflect on whether they are giving sufficient time to each of the different dimensions of their family wealth, or whether one topic (eg, financial capital) tends to dominate meeting time.*

## Start with a blank sheet of paper

For a family to devise an effective system of joint decision making, a system that is appropriate for their family culture, their generation and their circumstances, Barbara R Hauser, in her book, *International Family Governance*,<sup>2</sup> states that the ideal approach is to start with a "blank piece of paper" and to suspend the "natural decision-making processes" of the family. This requires the use of an outside facilitator, someone who is not part of the family system, someone who can be a neutral and objective party.

For a different approach, good questions to examine at the start of a process are:

- What are we already doing that is working?
- What should we retain and strengthen?<sup>3</sup>
- What is not working and we might consider stopping?
- What practice might we consider starting?<sup>4</sup>

## The importance of a fair process in decision making

When looking at the question of how families make effective joint decisions, the concept of fair process in decision making is very important. The question of whether there is fair process or not is a good touchstone for family and advisers to keep coming back to.

When a family are the joint owners of family wealth, on the one hand there is always a family, emotional, system present, which has its own automatic, natural, and sometimes unconscious rules for communicating, decision making and conflict resolution. On the other hand, there is also a management system present. The management system might be concerned with the management of a business, or it might be concerned with the management of family financial investments, or the family office, or the management of a family foundation.<sup>5</sup>

It is normal to find that the rules of the family system are in conflict with (or just different from) the rules of the management system. For example, in the family system the rule might be to treat all family members with equal love and respect, and avoid hurting anyone's feelings. The management system will typically have rules that are based on merit and what is the most commercial approach, and to look at

good practices or best practices that are intended to help achieve the goals of the management system.

According to Randel S Carlock and Christine Blondel,<sup>6</sup> what is fair in the family system is always going to be different from the concept of what is fair in the management system. Therefore, the only way to achieve decisions that could be acceptable to both the family system and the management system at the same time, is to make decisions that are based on having a fair process.

A fair decision-making process is not necessarily a democratic decision-making process. An effective decision-making system for a family enterprise that is into the second or third generation of ownership normally requires a system of delegation of authority to management with strategic oversight being provided by a board, and with a clear understanding on the decisions reserved to the ownership or member level.<sup>7</sup> Where a group of family members jointly own financial wealth together or are jointly responsible for the governance of a family foundation, they should invest the time in designing a decision-making system which they regard as being one which involves a fair process.

Designing a fair decision-making process might involve finding a way to:

- give a group of affected stakeholders a voice in relation to issues such as mission, values, strategy and goals;
- delegate to an accountable group of managers the authority (ie, vote) they need to run the enterprise; and
- ensure the stakeholders recognise the decision-making mechanism as being a fair one.

In summary, before any group start working on a specific task they should first invest the time in agreeing on their decision-making process as a group.

#### **The importance of trust and communication**

According to Williams and Presser in their book *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*,<sup>8</sup> when you examine the reasons why family financial capital fails to transition from one generation to the next:

- In 60% of the failure cases, there is a breakdown in trust and communication within the family.

- In 25% of the failure cases, the failure was attributed to not preparing the heirs to deal with the family wealth.
- The remaining 15% of the failure cases can be attributed to all other causes, including poor investments and failure to do proper legal and tax planning, and lack of an effective mission.

This points to the critical importance of putting in place structures and processes to promote trust and effective communication among family members who are the joint owners or joint stakeholders of family wealth. This is why it is so important to have periodic formal family meetings so that the family have a structured platform for ensuring ongoing effective communication among family members.

*Where the trust among family members needs to be strengthened, consider bringing in a coach or facilitator who can work with family members specifically around the different elements of trust. The topic of how family members view each other in light of the different elements of trust can be a family meeting exercise. The goal of the exercise is to give each other authentic feedback and to consider if there are ways to build on those elements of trust that are strongest in a particular relationship.<sup>9</sup> For one example of a trust framework, Brené Brown has a model of the different elements of trust which she calls “braving” and which she discusses in her book *Braving the Wilderness*.<sup>10</sup>*

#### **Establishing decision-making and communication forums**

In the context of families that are the joint owners of a business, best practices for family controlled firms point to the critical importance of having formal communication and decision-making structures established for each of:

- the family system;
- the ownership system; and
- the management system.

This ‘three-circle’ model<sup>11</sup> can also be applied directly to families that jointly own financial investments and that might be organised around a family office:

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*The only way to achieve decisions that could be acceptable to both the family system and the management system at the same time, is to make decisions that are based on having a fair process.*

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*Many families struggle to work together effectively because the individual family members each have their own different understanding of the roles, responsibilities and authorities that are involved in their family enterprise.*

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- For the family system, this again points to the importance of having formal family meetings. Larger families will create a more formal representative structure called a ‘family council’. A common arrangement is for the family council to meet four times a year, and for the whole family to come together at least once a year as a ‘family assembly’.<sup>12</sup>
- For the ownership system, if there is a family owned business or a family office then there first needs to be a forum (an ‘ownership forum’) at which the interests of the owners can be discussed.
- In addition, the board of directors is a second communication and decision-making structure which is responsible for (i) representing the interests of the owners as a whole, and (ii) corporate governance of the enterprise.

Often at the time of first-generation control, there may be a board, but it will function as a ‘rubber stamp’ board with the founder making all key strategic decisions. As a family transitions into the second generation of ownership, it is important for the board to evolve into a more effective organisation that can help bring an objective point of view to the enterprise and can help to provide a buffer between the interests of ownership and management of the enterprise.<sup>13</sup>

*The family office can help coordinate the family governance activities of the family, to ensure that meetings are scheduled and overseeing the work of the meeting facilitators and/or advisory team. Alternatively, the family council can take responsibility for planning and scheduling meetings and committee work with the family office providing administrative support.*

### **Role clarification**

Many families struggle to work together effectively because the individual family members each have their own different understanding of the roles, responsibilities and authorities that are involved in their family enterprise. Family members who are involved in a family foundation, or who are the joint

owners of a business or other financial wealth, often have to struggle with untangling a complex web of family and business relationships, based on their shared ownership. This complexity results in role confusion and family conflicts. *Many of the conflicts that occur in family enterprises are role conflicts.*<sup>14</sup> An important task to carry out at family meetings is role clarification. This means getting the different family members to agree on the different roles and responsibilities that are present within their family enterprise system. This is an important aspect of developing the overall governance system. It is not possible to have a good relationship unless the rules of that relationship have been properly clarified. Family meetings are a way to help educate and bring family members on to the same page.

In a family enterprise, each family member carries around with them at least several different ‘hats’ or roles that they play. Role conflicts can occur when family members are unclear (i) as to which hat they are personally wearing at any given point of time, and (ii) as to which hat the family member(s) they are talking to have on at that time.

*One helpful exercise at a family meeting is to teach the family members how to ‘manage your hat collection’. For the rules for this see the book Hats off to You by Lee Hauser and Ernest Doud.*<sup>15</sup>

### **Ownership education and emotional commitment**

Specifically in the context of Chinese-owned family firms, research carried out by a Hong Kong academic<sup>16</sup> has pointed to the inability of family members at the ownership level to make joint decisions concerning the enterprise as being a key factor in the inability of Chinese family firms to last for three generations.

This research leads to the conclusion that family ownership is more important over the long run than family management. In other words, if you want to help preserve the wealth of an ethnic Chinese family here in Asia it is very important to ensure that the family members have the ability to make joint decisions at the ownership level.

- This includes having clarity on what decisions are to be made at the ownership level (decision-making authority).

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## *The first-generation wealth creator often fails to develop collaborative skills among siblings while he or she is alive and in control.*

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- It includes having clarity on which decisions the owners should have a voice (ie, the right to be heard, but not the right to decide).
- It also includes ensuring that there is a way for the owners to communicate with the board.

All of these matters are aspects of designing an effective governance or decision-making system. This also points to the importance of the topic of ownership education.

*Ownership education is another item that can go on the agenda for family meetings.*

A related factor in the failure of Chinese family firms to last for three generations coming from the same research is that by the second generation and definitely by the third generation, family member stakeholders who are only in the ownership role (this refers to family members who are owners but who are not involved in the management of the family enterprise) can cease to be emotionally committed to the family enterprise. Therefore, maintaining the emotional commitment of family member stakeholders who are not involved in a management role is another critical element in ensuring continuity of Asian family wealth, if not everywhere.

Emotional commitment can be cultivated by giving stakeholders a voice in key issues and also by “planning for family participation”.<sup>17</sup> Finding different ways in which family members can contribute to the overall family enterprise or family governance system (which might include participation at either governance (board) level or management/operational level in a family foundation) builds emotional commitment to the family enterprise.

*Planning for family participation is another activity for a family meeting. A fundamental reason for holding family meetings of all shapes and sizes is to help preserve and strengthen family emotional commitment.*

### **Family members need collaborative skills**

As the family transitions into the second generation of ownership and beyond, it is critical that the family

members need to be able to develop the ability to collaborate together, to learn how to work together in a group and to share power together – while respecting the roles that they are operating in.<sup>18</sup> The first-generation wealth creator often fails to develop collaborative skills among siblings while he or she is alive and in control. It is often a task that falls to the sibling generation. Sibling teams often need help to change from having a hierarchical set of relationships, to becoming a group of siblings who are able to work together collaboratively – to have a more horizontal set of relationships.

*One practical way to foster more effective work together as a team is to follow a process for doing group work. There are various assessments that look at how individuals like to work in groups. One simple approach to facilitating group work recommended by James E Hughes Jr is the 4MAT process, which is based on the book About Learning by Bernice McCarthy. Hughes describes this in his book Family: The Compact Among Generations.<sup>19</sup> The 4MAT process teaches us that groups work best when they start with the Why questions; then move onto the What questions; then the How questions, and finish with the What if questions. This process is a cycle that can keep repeating as often as required to move the work of the group forward.*

### **Change and communication**

When any family goes from the first generation of control to the second generation of control, or from the second generation to the third generation, there is a change within the family. These are times of transition. The old decision-making and leadership model will no longer work. Families have a natural tendency to try to ignore the pressure for change. Times of transition are also times of increased anxiety within a family. However, one of the ways in which a group of family members change is through communication. Again, this comes back to the important role of the family meeting, especially for families that are facing a transition. For a family that are learning to work together on a collaborative basis, the family meeting provides a formal forum for family members to communicate together and make plans for the change.



*This points to the importance of having the family members to look at the question of what the communication patterns are within the family, and how flexible the family is when it comes to change. There are exercises that can be done to get the family members to jointly explore these issues.*

*One of the roles of the meeting facilitator is to help build this safe environment. A second key role of the family meeting facilitator is to encourage the family members to communicate at a deeper level, ie to be more authentic, and to feel safe to be vulnerable in the group.*

### Developing communication skills

Family meetings can also be used as an opportunity to jointly work on new skills, with one critical skill being listening. Another important skill is the skill of having difficult conversations. These are part of the skills of being able to collaborate together. A very useful reference is the book *Difficult Conversations: How to Discuss What Matters Most*.<sup>20</sup>

Another important communication skill for family members is to be aware of the concept of emotional triangles. This includes being aware of the concept of scapegoating, of finding someone in the family to put the blame onto. *As a rule of thumb, if one family member has an issue they need to take it up with another family member, they need to go direct, and not 'triangle in' a third party.*

Other excellent references on deep listening and curious communication include:

- Nancy Kline's books *Time to Think*<sup>21</sup> and *More Time to Think*, which explain how to create a thinking environment and thinking partnerships; and
- Ian Marsh's book *If it is so Good to Talk, why is it so Hard?*<sup>22</sup>

### Safety and honesty

Family members who work together or who jointly own assets together often have a difficult time expressing themselves honestly – for fear of hurting other family members' feelings or of triggering conflicts. Yet change within a family depends on honest communication. Therefore, family meetings need to occur in a safe environment. A safe environment means an environment in which family members are safe to have difficult but important conversations together. Authenticity requires capacity for vulnerability.

### Family meeting rules

When starting a series of family meetings, it is common for a family to look at developing a series of family meeting rules and discussing the question of confidentiality. Family meeting rules are an aspect of agreeing on the process by which the meeting is to be conducted. Family meeting rules are intended to expressly articulate how family members are expected to conduct themselves in the family meeting and to encourage good communication, respect and effective listening skills, and to create a safe environment. One of the simplest ways to develop family meeting rules is for the family members to look at examples from other families.

*A third key role of the meeting facilitator is to hold the family accountable to their own family meeting rules.*

### The family meeting as a transitional environment

It has been mentioned above that: (a) the way a family work together in the second generation has to be different from the way they worked in the first generation; (b) families change through communication; and (c) an ideal family meeting is one which takes place in a safe environment where the family members are helped to communicate together honestly. Expanding on these themes, another view on how enterprising families, including financial families, go through a transition together is that the family members need to go through the process of: (i) disengaging from the way they have worked together or done things in the past; (ii) exploring new alternative ideas of how things could be done differently in the future; (iii) deciding on one course of action to take; and then (iv) implementing that decision.<sup>23</sup> The family meeting becomes the vehicle through which the family members (i) disengage from the current situation and (ii) explore new possible options together before (iii) deciding.

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*Family members who work together or who jointly own assets together often have a difficult time expressing themselves honestly – for fear of hurting other family members' feelings or of triggering conflicts.*

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Therefore, the family meeting becomes a transitional space for the family and the role of the meeting facilitator includes helping the family members (i) handle the discomfort and uncertainty of the exploration stage, and (ii) explore together the pros and cons of different scenarios that they can generate when exploring what the future might hold.

#### **Another family meeting task – developing a shared dream**

According to Ivan Lansberg, the foundation of a successful transition for a family enterprise is to develop a shared vision or a shared dream for the future.<sup>24</sup> Developing a shared dream for the future can be part of the exploration stage mentioned above.

*The creation of a shared dream or a vision of the future should be more of a right-brain than a left-brain exercise. Therefore, the facilitator has to work with exercises intended to activate the right brain, including storytelling, and creating a narrative about the kind of future that is desired.<sup>25</sup>*

However, Lansberg also points out that an important part of the process of developing a shared dream for the family includes ‘reality testing’ the dream, which includes being realistic about the inherent capabilities of the family members. This comes back to the point of the importance of honesty of communication with the facilitator helping the family members to make an honest assessment of their relationships and their circumstances.

#### **Family groups that are not voluntary groups**

One of the advantages of holding facilitated family meetings is that they can help a group of family members come to the realisation that they have been put into a situation (eg, by the first-generation business founder) where they are forced to work together to carry out the wishes or dreams of the business founder, and that individually they are not really free to simply take their share of the family financial capital and exit.<sup>26</sup> This is a common scenario in families and coming to the realisation that they are in such a situation can help the family members settle on a more effective way of working together.

One way to surface this issue according to Jay Hughes is to ask the family members whether they see themselves as being a Steward or an Inheritor?

- The term ‘Steward’ refers to a member of the second generation who wants to work together with his or her fellow siblings to see the family firm continue under family ownership. They see themselves as being under an obligation to pass on the family firm as a legacy asset to the next generation. Legacy is important to such a person. A Steward is likely to be emotionally committed.
- On the other hand, an ‘Inheritor’ sees their ownership in simple financial terms. Such a person is more like an arm’s-length investor. Importantly, they want to be their own person, and they do not want to feel like they have to work together with other siblings. They may lack emotional commitment.

According to Hughes, Stewards cannot force Inheritors to change to be Stewards.

#### **Family meetings need to look at both task and relationship issues**

It is a paradox of an effective group or team that attention has to be paid to the task which the team is faced with, as well as paying attention to the relationships among the members of the team. Ideally, family meetings will therefore include a mix of both:

- discussion of specific tasks that the family members have to decide on as a group; as well as
- engaging in exercises that are intended to look at, and help develop, the relationships among the family members, as well as improving group effectiveness.

#### **Family meeting task issues**

It is important not to confuse family meetings with other kinds of communication or decision-making platforms. A family meeting is usually not the same thing as a shareholders’ meeting. A family meeting is not a board meeting. A family meeting is not a management meeting. Developing an effective family governance system is not the same thing as saying

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*It is a paradox of an effective group or team that attention has to be paid to the task which the team is faced with, as well as paying attention to the relationships among the members of the team.*

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## *Addressing relationship issues can include looking at topics such as respect and empathy and being curious about other family members.*

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that the family members should all have an equal say in the management of the family enterprise.<sup>27</sup> Therefore, what are the kinds of task issues which may need to be worked on at a family meeting?

The family meetings might have the task of agreeing on a shared dream or shared vision for the future. There might be the task of determining the mission, vision, values and goals of the family enterprise. The task might be agreeing on roles and responsibilities and developing the overall governance system for the family and its enterprise. The task might be to develop policies and agreements; the task might be to develop an ownership education programme or a programme of trustee-beneficiary education; or the task might simply be to communicate information about the business or the family investments.

### **Attending to relationships in family meetings**

The relationship issues that might be worked on in a family meeting could include a discussion of trust and communication patterns within the family; it might include discussing the topic of family hierarchy and family roles (eg, the role of the ‘black sheep’ in the family). Addressing relationship issues can include looking at topics such as respect and empathy and being curious about other family members. It includes the concept of being able to have adult-to-adult conversations, where family members are able to listen to each other as mature adults, rather than to look at them through the filter of long out-of-date family roles and relationships.<sup>28</sup>

*It can be very useful to have the family members undertake various assessment instruments including personality assessments.<sup>29</sup> One assessment system that can lead to greater shared understanding in a family is the Enneagram assessment. Another is the Insights Discovery Process.<sup>30</sup> For a discussion of a family assessment process see Chapter 19 of Family: The Compact Among Generations.<sup>31</sup>*

### **Deciding to work together as a family – the social compact question**

A key relationship issue for a family group is to explore whether the family members can form a ‘social compact’ – can they imagine themselves as a family of affinity,<sup>32</sup> or as a generative family?<sup>33</sup> This

refers to a decision by the family members that in order for each family member to have the greatest possible personal freedom (but not total freedom) they are willing to give up some personal freedom to the group. It means arriving at the conclusion that the family are stronger by being united and working jointly together and that there are going to be times when a family member has to be willing to subvert his or her own personal freedoms and interests for the good of the group. It means accepting that ‘we’ should be greater than ‘I’. There are limits to this, however, and the group also have to negotiate those limits. There should be some areas where the individual agrees to be governed by the group and some areas where the individual has his or her own freedom. Reaching this decision (like learning how to collaborate) can be a process. It can often take time. Again, the role of the facilitator is to help the family members to explore this important question and to help them go through the stages of the process.

The importance of developing collaborative skills within the family has been mentioned earlier in this article. Jay Hughes describes collaboration as an important skill for family members, but argues that the key to a family flourishing and to beating the “shirt sleeves to shirt sleeves” proverb is that the family must become a family of affinity. He writes:

*For a family, the fusion that arises out of positive affinities – members’ positive relationships with each other – is the holy grail of family life. The image of affinity as fusion is at the heart of a successful family vision and at the heart of its mission and of the practices that foster positive relationships that enhance the lives of each of its members and thereby preserve the family.<sup>34</sup>*

### **Building connections by exploring both shared and individual values**

Family values are often referred to as part of the glue that helps to keep a family united, and agreeing on a set of shared family values is often one of the first tasks that family members will undertake in a family meeting. There are various approaches and exercises that can be used to look at the question of family values. However, according to Dennis T Jaffe, before a family can look at shared family values the first step is to look at the individual values of the different family members.<sup>35</sup> One of the paradoxes of a healthy family

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*Ongoing family meetings are a critical activity for family members who have to make joint decisions – and more importantly – to build affinity together and for their family.*

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is that it can accept at the same time that there are both unique individual values as well as a set of shared family values.

Different approaches will involve looking at the question of values at different levels or depths. However, from experience, even a relatively light-hearted look at the topic of individual and shared family values can be a fun exercise for family members to do, and one that can help improve relationships among family members, even if only in the meeting setting. Therefore, the process of looking at the topic of family values helps with the relationships among the family members present at the meeting. Looking at the topic of individual values helps reinforce the unique character of each individual family member present at the meeting. It leads to a better understanding of and respect for individual differences. Then, looking at the topic of shared family values can help to build a sense of family connection. Family values are not static and can change over time. Again, the way to change and update family values is for the family members to communicate about their values. Therefore, the topic of family values can be a theme that is revisited from time to time by the family over the years in its family meetings.

*One tool to start working with individual and shared family values is Dennis Jaffe's The Values Edge Tool (a set of values cards).<sup>36</sup> For an excellent discussion of values and how to enact values see Brené Brown, Dare to Lead.<sup>37</sup> To go even deeper, see Matthew Wesley's blog post "The Hidden Truth About Values".<sup>38</sup>*

#### **Building connections through family stories**

Another very important exercise that should always be carried out at family meetings and that helps to build connections between family members, and is therefore part of the relationship aspect of the family meeting, is the sharing of family stories.<sup>39</sup> Therefore, it is always advisable to plan time for family storytelling at a family meeting. These stories should be about the family as a whole. They should go far beyond the usually well-known story of the founder of the family wealth.

*One exercise is to ask each member of the family, in order going from youngest to oldest, to tell a story about their family, told to them by the oldest living member of the family that they can remember.<sup>40</sup>*

#### **Defining the family meeting?**

Ongoing family meetings are a critical activity for family members who have to make joint decisions – and more importantly – to build affinity together and for their family. However, not every meeting of family members should be regarded as a family meeting in this sense. Family members coming together for Sunday lunch or Sunday dinner should not be regarded as amounting to a family meeting. Family members who are part of the management team of the family enterprise or who are members of the board of directors of the enterprise are not having a family meeting every time they meet to discuss management or board issues.

Summarising this article, a family meeting is a meeting of family members:

- that has been carefully planned for and arranged so that there will be a safe environment;
- in which family members are committed to listening to each other with empathy;
- where family members treat each other with respect and curiosity;
- where there will be a focus on good communication;
- where family members can communicate more honestly;
- where an effort is made to ensure that there is role clarity in any discussions;
- at which the relationship among family members is, as far as possible, a horizontal one, not a hierarchical one;
- where each individual family member has a voice;
- where each family member is given time to think (Nancy Klein);
- where there is a healthy balance between working on tasks issues and raising awareness of relationships or group process.

#### **One-on-one conversations before the first family meeting**

When working with a family for the first time it is common for the facilitator to spend one-on-one time interviewing each of the key family member stakeholders to help build up a picture of the specific issues facing the family, to get an understanding of the unique culture and characteristics of the family,

and to start to see the big picture of the family enterprise. This is like a doctor carrying out a diagnosis before making a prescription. It is important that these one-on-one conversations are confidential.

It is also common when starting to work with a family for the first time for the facilitator to prepare a written feedback report, on a no names basis, identifying the specific issues that are raised during the course of the one-on-one interviews. This written feedback report can be presented to the key family members before the family meeting, giving them enough time to digest the feedback and perhaps even to have their own discussions together before the family meeting. The items listed in the feedback report become the task issues to be discussed at one or more family meetings.<sup>41</sup>

A written feedback report is a very effective tool to help get important issues on the table for discussion in an objective and impartial manner. In practice, sometimes the receipt of the written feedback report before the family meeting is sufficient to trigger the family members to change and deal with the issues identified in the feedback report.

#### **Preparing for each family meeting**

If there is a series of ongoing facilitated family meetings, in practice it is also highly effective for the facilitator to have some one-on-one contact time with each of the key family members before each of the meetings. This helps to build up the trust and connection between the facilitator and each key family member. It allows the facilitator to understand the thoughts and concerns and position of each key family member going into the meeting. It gives the family members individually a chance to think out loud and get themselves mentally prepared for that meeting.

Sometimes it gives them a chance to get things off their chest before the meeting. It is often very helpful for individual family members just to have the experience of being listened to by the facilitator. The facilitator might be able to help reframe, or normalise, concerns that individual family members have before going into the meeting. There is a saying that “the past is just a story”.<sup>42</sup> It might be helpful for the facilitator to try to encourage the ability for

family members to hold their stories more lightly, by asking questions like “Is that true?” and “What might be true about the other person’s story?”<sup>43</sup>

The facilitator or a communication coach can also facilitate conversations between dyads of family members (eg, two siblings) between meetings with a view to strengthening their ability to collaborate.<sup>44</sup>

#### **The role of the facilitator**

The ideal family meeting facilitator will be one who helps the family members to communicate and make their own decisions together and not somebody who tells the family what those decisions should be. The family meeting facilitator can help to advise on process issues but it really helps the family the most if the facilitator leaves the family members to think through their own options and to generate their own solutions. The relationship between the facilitator and the family members should be a helping relationship. In this regard, the facilitator role is not an expert advisor role. An expert advisor would typically make an assessment of the family enterprise and then give an opinion, advice or assessment on what the expert, based on their experience, believes the family should do. The expert gives the family answers which the expert has generated. A facilitator does not do this. Instead, the facilitator role is to advise on process and to help the family generate their own answers. Expert advisers tend to focus on content. A facilitator that works with family enterprises will tend to focus more on process.

#### **Family meetings allow the future to emerge**

As a concluding thought, family meetings have the potential to be transformative, to allow for something new to emerge for the family members, to be generative. To achieve this, however, requires a special kind of listening or ‘presencing’. Matthew Wesley points to the generative dialogue framework of Otto Scharmer.<sup>45</sup>

According to Scharmer, there are four levels of listening:<sup>46</sup>

- Level 1 is *downloading* – listening to what I already know; listening to reconfirm my opinions and judgements.

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*If there is a series of ongoing facilitated family meetings, in practice it is also highly effective for the facilitator to have some one-on-one contact time with each of the key family members before each of the meetings.*

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- Level 2 is *factual listening* – noticing disconfirming data; asking “what am I hearing that contradicts what I know?”
- Level 3 is *empathic listening* – seeing the situation through the eyes of another. Asking “can I connect with the experience of the other?”; “can I listen from the place that the other person is speaking from?”
- Level 4 is *generative listening* – listening from the future waiting to emerge; connecting to emerging future possibility; listening for the highest future possibility; which requires the ability to “let go and let come”.

What are the amazing possibilities if families can practise generative listening together, whereby the family members become a kind of group field from which the future can emerge<sup>47</sup> or ‘download’?<sup>48</sup>

## Appendix

### Family meetings: a summary of the role of the facilitator

- When a family are devising an effective system of joint decision making, the facilitator has to help the family start with a blank sheet of paper and suspend their natural approach to decision making.
- The facilitator may have to help family members to develop new skills, with a critical one being listening skills.
- The facilitator has to help create a safe environment. This means an environment where it is safe to have important, but perhaps difficult conversations, where it is safe to be vulnerable.
- The facilitator will encourage the family members to communicate at a deeper level of honesty (ie, to be more vulnerable and honest).
- Another role of the facilitator is to enforce the family meeting rules. This will include ensuring that each family member has a voice.
- The facilitator role can include helping the family members to become conscious of family rules and messages and whether those family messages are appropriate for a business.
- When a family is going through a transition, the role of the facilitator includes helping the family members (i) handle the discomfort and uncertainty of the exploration stage, and (ii) explore together the pros and cons of different alternative scenarios for the future.
- When a family is going through a transition the facilitator can also help the family to (i) become more self-aware of the family communication patterns, and (ii) discover how flexible the family is when it comes to change.
- The facilitator will help the family explore the important question of whether they can form a voluntary social compact together, whether they see themselves as being a family of affinity.
- The facilitator role might include helping the family members who are just learning how to work together to go through the different stages of forming a group.
- The facilitator role includes helping the family members to make an honest assessment of their relationships and their circumstances. An important question is whether the family members have the capacity to collaborate together.
- Ideally the facilitator will structure the family meeting to include a mix of both (i) discussion of specific tasks that the family members have to decide on as a group, as well as (ii) engaging in exercises that are intended to look at, and help develop, the relationships among the family members; as well as improving group effectiveness.
- When working with a family for the first time it is common for the facilitator to spend one-on-one time interviewing each of the key family member stakeholders. They may also prepare a written feedback report, on a no names basis, identifying any specific issues that are raised during the course of the one-on-one interviews.
- If there is a series of family meetings, in practice it is highly effective for the facilitator to have some one-on-one contact time with the key family members before each of the meetings.
- It is often very helpful for individual family members just to have the experience of being listened to by the facilitator.
- The facilitator might be able to help reframe, or normalise, concerns that individual family members have.
- The ideal family meeting facilitator will be one who helps the family members to communicate and make their own decisions together and not one who tells the family what those decisions

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*The facilitator may have to help family members to develop new skills, with a critical one being listening skills.*

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should be. The facilitator should help the family members to generate and explore the pros and cons of their own solutions.

- The role of the facilitator is to advise on process issues. The word ‘process’ can refer to a specific

series of steps to work through, as well as group dynamics and decision-making processes.

- The relationship between the facilitator and the family members should be a helping relationship.

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- 1 See James E Hughes Jr, *Family Wealth, Keeping it in the Family*, Bloomberg Press, 2004.
- 2 Barbara R Hauser, *International Family Governance – Avoiding Family Fights & Achieving World Peace*, Mesatop Press, 2009.
- 3 An advocate for the view that we must assume that families are already doing many things right, is adviser Ken McCracken.
- 4 Source of the last two questions on this list is communication coach Matthew Flynn.
- 5 This article is intended to apply equally to the family with one or more operating businesses as it is to a financial family supported by a family office.
- 6 For a discussion of fair process see Randel Carlock and John Ward, *When Family Businesses are Best: The Parallel Planning Process for Family Harmony and Business Success*, Palgrave Macmillan, 2010, p74.
- 7 If a charitable foundation has been formed as a company limited by guarantee then it has members.
- 8 Roy Williams and Vic Preisser, *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*, Robert D Reed Publishers, 2003.
- 9 Kenneth Kaye, *The Dynamics of Family Business, Building Trust and Resolving Conflict*, iUniverse, 2005.
- 10 Brené Brown, *Braving the Wilderness, The Quest for True Belonging and the Courage to Stand Alone*, Random House, 2017.
- 11 The three-circle model was developed by Renato Tagiuri and John Davis at Harvard Business School in 1978.
- 12 Barbara R Hauser, *International Family Governance – Avoiding Family Fights & Achieving World Peace*, Mesatop Press, 2009.
- 13 See John L Ward, “Good Governance is Different for Family Firms”, Campden FB, 1 January 2003. Available at: [www.campdenfb.com/article/good-governance-different-family-firms](http://www.campdenfb.com/article/good-governance-different-family-firms).
- 14 There are various models for thinking about conflicts in family enterprises. In the author’s experience, it is hard in practice to separate interpersonal conflict from process conflict (of which role confusion would be an example). Possibly, the interpersonal nature of conflicts is higher in the first and second generation of ownership while the “Three Circle model” explanation of conflicts becomes more dominant in the third generation of ownership and beyond. Private conversation with retired mediator Ian Marsh.
- 15 Ernest A Doud, Jr, and Lee Hausner, PhD, *Hats Off to You 2, Balancing Roles and Creating Success in Family Business*, 2004.
- 16 Wong Siu Lun, “The Chinese Family Firm: A Model”, *Family Business Review*, Vol VI, No 3, 1993.
- 17 Randel Carlock and John Ward, *When Family Businesses are Best: The Parallel Planning Process for Family Harmony and Business Success*, Palgrave Macmillan, 2010.
- 18 Collaborative skills are important even if the context is a forum that is about voice and communication, rather than a decision-making body or role.
- 19 See James E Hughes Jr, *Family: The Compact Among Generations*, Chapter 19, “Educational assessment tools”.
- 20 Douglas Stone, Bruce Patton and Sheila Heen, *Difficult Conversations: How to Discuss What Matters Most*, Penguin Random House USA, 2010.
- 21 Nancy Kline, *Time to Think, Listening to Ignite the Human Mind*, Ward Lock Cassell Illustrated, 1999.
- 22 Ian A Marsh, *If it is so Good to Talk, Why is it so Hard? Rediscovering the Power of Conversation*, Matador, 2018.
- 23 Kelin E Gersick, Ivan Lansberg, Michele Desjardins and Barbara Dunn, “Stages and Transitions: Managing Change in the Family Business”, *Family Business Review* 12, 1999, p287.
- 24 Ivan Lansberg, *Succeeding Generations: Realizing the Dream of Families in Business*, Harvard Business School Press, 1999.
- 25 Matthew Wesley advocates that families engage in adaptive scenario planning which is a process of creating at least three alternative stories of the future, to help them say what they do want and what they do not want and what they might need to get from where they are to where they want to be.
- 26 Private communication with James E Hughes Jr.
- 27 This article is intended to apply equally to the family with one or more operating businesses as it is to a financial family supported by a family office.
- 28 Private conversation with James E. Hughes Jr.
- 29 See James E Hughes Jr, *Family, The Compact Among Generations*, Chapter 19.
- 30 [www.insights.com/products/insights-discovery/](http://www.insights.com/products/insights-discovery/).
- 31 See James E Hughes Jr, *Family, The Compact Among Generations*, Chapter 19.
- 32 See James E Hughes Jr, *Family, The Compact Among Generations*.
- 33 Dennis T Jaffe, *Borrowed From Your Grandchildren: The Evolution of 100-Year Family Enterprises*, Wiley, 2020.
- 34 See James E Hughes Jr, *Family: The Compact Among Generations*, Chapter 1, “A family of affinity”.
- 35 Jaffe has a set of values cards called The Values Edge, available at: <https://dennisjaffe.com/publications/>.
- 36 *Id.*
- 37 Brené Brown, *Dare to Lead: Brave Work. Tough Conversations. Whole Hearts*, Vermilion, 2018. See Part Two, “Living into our values”.
- 38 <http://www.thewesleygroup.com/blog/?p=438>.
- 39 “The Stories that Bind Us”, *The New York Times*, by Bruce Feiler, 17 March 2013.
- 40 Private conversation with James E Hughes Jr.
- 41 Barbara R Hauser, *International Family Governance – Avoiding Family Fights & Achieving World Peace*, Mesatop Press, 2009.
- 42 See Carol Tavris and Elliot Aronson, *Mistakes Were Made (But Not By Me), Why we justify foolish beliefs, bad decisions and hurtful acts*, 2015.
- 43 See Ian A Marsh, *If it is so Good to Talk, Why is it so Hard? Rediscovering the Power of Conversation*, Matador, 2018.
- 44 Private conversation with communication coach Matthew Flynn.
- 45 C Otto Scharmer, *The Essentials of Theory U: Core Principles and Applications*, Berrett-Koehler Publishers, 2018.
- 46 See Otto Scharmer describe the four levels of listening at: <https://www.youtube.com/watch?v=eLfxpRkVZaI>.
- 47 For inspiration see Charles Eissenstein, *The More Beautiful World Our Hearts Know Is Possible*, Atlantic Books, 2013.
- 48 See Thomas Hubl, *Healing Collective Trauma, A Process for Integrating our Intergenerational and Cultural Wounds*, Sounds True, 2020. Hubl’s book seems aligned to the work of Otto Scharmer and he also refers to an intelligent field created among a community. However, Hubl writes that unless our intergenerational and societal collective shadow has been integrated, or cleared, we will keep reliving the past and won’t have the ability to download the future.

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