

# Family mission vision and values statements: the essential foundation of an effective family governance system or just another form that cannot function?

Christian Stewart

The family office might ask the family it supports for a family mission statement or a family vision statement or a values statement. Are these essential documents to form the foundation of an effective family governance system?

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Will the family council be able to make better decisions on behalf of the family if it has a written family mission statement or family values statement to guide it? Does the culture of the family make a difference? Would these kinds of written documents be more expected and more helpful to family decision-making for a 'Western individualistic' family, as opposed to an Asian 'collective harmony' culture family where 'things are understood' and there is naturally a more collective orientation within the family?<sup>1</sup> How can a family office offer guidance to its family on this issue?

The term 'mission' seems to be most helpfully understood as referring to purpose or goals – a family mission statement therefore referring to the stated shared purposes or goals of a family. The term 'vision statement' refers to an ideal picture or image of how things should be in the future (ie, it has a future orientation). A 'values statement' refers to a statement of the core values of (in this context) a family.

## Family values – how to capture them?

Dennis Jaffe, in his book *Stewardship in your Family Enterprise*, declares the following:

- Values are not created by a values statement; they are already there and just need to be highlighted and recognised.
- Values are about behaviour; and when a value is stated, it should be clear what sort of behaviour is expected – a values statement needs to specify what the values mean in action.
- There is always a gap between stated values and actual behaviour. We have to make a distinction between 'espoused values' and 'enacted values'.<sup>2</sup>

Dr Jaffe stresses the importance of starting with

each individual looking at their own individual values, before moving on to developing a set of shared family values. This process helps to bring home to a family the point that there are always both individual values and shared family values and the two very naturally coexist. He writes:

*The challenge is to take this work seriously – not to simply hold a half-day workshop and come up with a values statement that does nothing more than gather dust on the wall. The values that you define must be used as a yardstick for evaluation, as a basis for dialogue about what is right, and to help the family company respond to new realities without sacrificing what was special and important in the past.*

## Mission and vision with a family business

In the context of a family that own a core operating business, experts consistently state that family enterprise continuity requires:

- a united family and capable owners;<sup>3</sup>
- family commitment to the business and a shared vision for the business and the family;<sup>4</sup> and
- commitment from the family to the collective enterprise, together with a 'shared dream', which is a collective vision for the future of the family enterprise.<sup>5</sup>

To get to the purpose or goals of the owning family, critical questions that the family should be discussing include:

- Why do we want to be in business together?<sup>6</sup>
- Why do we want to work together?<sup>7</sup>
- What does the family want to become by working together?<sup>8</sup>
- Why should we stay together as a family and as owners of this enterprise?<sup>9</sup>

- Should the family remain together as an entity?<sup>10</sup>
- Is the family there to serve the business or vice versa?<sup>11</sup>
- How much do we want to be connected and how much do we want to be independent?<sup>12</sup>

Randel Carlock and John Ward, in their book *When Family Businesses are Best*,<sup>13</sup> stress that an effective family business vision (FBV) has to lead to action. Specifically, it has to lead to the current generation of owners confirming their commitment to continue ownership of the business. 'Commitment' here refers to an active relationship between the family and the business and the contribution of talents and resources to the business.

To develop an FBV, the authors outline a very practical and grounded approach of including a consideration of family values, business potential, family expectations and family investment. They state that an FBV flows from a consideration of the values of the family and should in turn flow into a family commitment to the business that includes a decision as to what kind of investment the family is willing to put into the business. In short, is the family really willing to 'put its money where its mouth is'? Developing an FBV should point to the kind of dividend policy, for example, that the family wishes to adopt for the business.

Carlock and Ward have also written about an "enterprising family model" where the family decide that their goal is to grow a great family, and the business becomes viewed as a portfolio investment of the family. Ward writes:<sup>14</sup>

*The Enterprising Family sees family as the central purpose. It sees innovation, quality and significance – how it conducts its affairs – as the core values. The Enterprising Family creates opportunities for most, or all, of the interested family members to participate and contribute to the collective good. The Enterprising Family focuses the challenge as personal family leadership of the family's priorities. The Enterprising Family has the privilege of supporting all members of the family, especially those with special needs. Special care for the match of talents and corporate needs is appreciated.*

Ivan Lansberg, in his book *Succeeding Generations*,<sup>15</sup> says that developing a shared dream is the basis for successful family business succession. To develop a shared dream, one looks at the individual aspirations and goals of each stakeholder (in particular each owner), and then whether those individual aspirations connect and whether there is enough common ground to build a collective vision of a family enterprise. Therefore Lansberg is also stressing the need for this shared dream not only to be considered by each new generation of owners, but also for the aspirations of each individual to be counted in the process.<sup>16</sup> Lansberg has also written that a leader –

especially one who does not personally have a controlling shareholding – is someone who is able to foster a shared vision. Lansberg writes:<sup>17</sup>

*First, they must get in touch with their own deepest aspirations. Second, since leadership is fundamentally a relational process – an ongoing negotiation between the leader and his or her key constituents – leaders must actively engage their followers and get them to articulate their own deepest aspirations. Third, they must then weave a common vision from their own aspirations and those of their constituents. In so doing, they create conditions that foster and sustain collaboration over the long run.*

Lansberg also takes care to stress the importance of reality-checking the shared dream, which must be viable in the real world.

### **When the family become a financial family with a family office**

What about mission and vision in the context of a financial family where there is no longer a core operating business?

A purely financial family with its own single family office (SFO) should be in a different situation from a family that has ownership of, and perhaps manages, an operating business. When the family own a business, the family members are shareholders and the shares (if it is a private company) may be illiquid in nature. The shares can often represent the bulk of the wealth of the family at that stage, and the family shareholders all have common exposure (in proportion to their individual holdings) to the risks that their business faces. It is also easier to be emotionally attached to a business that has many stakeholders that go beyond the family, that provides jobs for employees and opportunities for customers, and that might provide support for the communities in which it operates. The values of the owning family can be reflected in the business and can become a competitive advantage for the business.

When the shares in the family business get sold and the family leaders set up a single family office, the family members are no longer shareholders but instead clients of the SFO. The SFO itself is an entity that provides services to the family; it does not represent an investment of the family.

Frequently the financial assets that the SFO has to help to manage will include some balance between pooled family investments and investments that are owned by (or held in trust for) individual family members or are held for a branch of the family (through a trust). This allows each individual client of the SFO to set their own asset allocation strategy and determine their own risk profile.<sup>18</sup> It also means that it is very easy for a client of the SFO – whether that is an individual family member or a branch of the family – to take their investment business elsewhere. They no

longer have the shared asset of the operating business.

It seems harder to become emotionally committed to a pile of cash and other financial investments than to the continuity of a family business. Similarly, it seems hard to be emotionally committed to a service organisation, namely the SFO itself (unless you are one of the family members who has a significant role in the running of that office). It must logically follow then that once a family become a financial family, even more thought and effort need to be given to the questions of what the mission, vision and values of the family are. Without putting effort into these questions, without having a shared goal as a family, and without having organised processes to help achieve or sustain the family mission, vision and values, it is quite predictable that family unity and cohesion will dissipate.

Thus if the family office asks the family to develop a formal written mission, vision and values statement, logically this is a very important task for the family to attend to – and again, logically this is something that the SFO should be initiating as soon as possible. However, contrary to the foregoing logic, there are a number of strong and experienced voices from the family advisory field who are saying that, for the financial family in the real world, this might not be the right way to start – nor may it actually be that important after all.

#### **The power of telling stories may be more effective**

Family adviser Matthew Wesley has written a piece with the intentionally provocative title of “Burn all the Mission Statements”,<sup>19</sup> in which he explains that mission statements are really a tool taken from the corporate consulting environment that consultants coming from that environment are wishing to apply to families. Wesley says that families are not corporations, they are tribal. He explains:

*Our friends in the world of anthropology would tell us that families function organizationally as tribes – not corporations. Tribes are what are known in their parlance as “kinship systems”. This means that they are bound together by ties of blood and marriage. They function not so much because of organizational*

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*structure but because of cultural values, roles of individuals, and complex systems of norms and expectations. In tribes, all of this is carried in stories. ... At the end of the day, families are tribes, not corporations. Mission statements are a business solution for a family problem. After doing work with families, I have become convinced that telling stories is the way to go. If a family can change the story it tells about itself, it is able to slowly shift its destiny.*

Wesley says that, in his practice, what he has found to work effectively is to guide family groups through a process of creating stories together about the possible futures of the family. Wesley also makes a distinction between governance documents and agreements that have been made ‘from the neck up’ (ie, as a purely intellectual exercise) as opposed to a process where family members have been moved or touched emotionally.

Another mission statement sceptic is Barbara Hauser, author of the book *International Family Governance*.<sup>20</sup> She too points out that mission statements might make sense in the corporate world where you have a group of strangers who are voluntarily associating.<sup>21</sup> In a family, Hauser says there is already a group and it is an involuntary group. Taking a simple and practical approach, Hauser stresses the importance of an adviser having one on one conversations with each family member and drawing out of them what their individual goals are and what they want from the family: its financial capital or its business. She then feeds this information back to the family on a consolidated, no-names basis. The goals and objectives of the family group can be developed organically from this process.

Hauser notes that she would avoid referring to the family goals and objectives as a mission statement. If a family came to her and asked her to help them prepare a mission statement, she would ask them to explain why they wanted one. She is particularly wary of anything that even looks like a standard mission statement. However, she advocates that families create their own family constitution (their own written joint decision-making framework) and that this document should commence with a preamble.

Hauser states:

*The family needs to explain to its members why this seems important to do. This is extremely important, as it contains the reasons for engaging in family governance. To be successful, in my experience, the beginning of the project must have the full support of all of the “key” family members and they must agree about why they are doing this.*

James E Hughes Jr, author of *Family Wealth: Keeping it in the Family*,<sup>22</sup> notes that: “the problem with the mission statement is that most of the families who have them don’t use them”. Hughes offers the following points:<sup>23</sup>

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*The original wealth creator has a powerful dream – a dream that they cause to materialise. However, the more powerful the original dream, the more likely that it will in time change, from being a bright sun that has provided so much for the family of the founder into a powerful black hole that has the effect of silencing the dreams of the later generations of the family.*

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- A mission statement that is handed down from the wealth creator is not really a mission statement of the second and later generations of the family; rather, it is the founder's own legacy statement – essentially an ethical will.
- It has to be voluntary and it has to come from the second, third or later generations of the family.
- Families do not have an obvious common purpose; they have to discover it.
- A mission statement can only emerge out of the joint decision-making experiences of the family. You cannot have a mission statement that is effective and 'real' unless it is a reflection of, or consequence of, a shared journey of the family.
- If there is a family committee formed to work on developing a mission statement, the best people on that committee will be the family's 'leaders from behind' – ie, those interested in the bigger picture, not the transactional or business leaders of the family.
- The ideal kind of consultant/facilitator to help a family to develop its mission statement is one who says: "I'm going to find out whether your family is at a point that it has a common purpose that can be reflected in a mission statement". It is very possible that the consultant might in the end report back and say: "Sorry, you don't actually seem to have a common purpose."
- The mission statement has to be about doing something.

Writing in *Family: The Compact Among Generations*,<sup>24</sup> Hughes says with families, "form should follow function". This means that written forms such as governance documents, legal agreements, trust structures and mission statements need to be designed to reflect the way that the specific family actually functions. In answer to the question of how to respond when the family office asks for the

family to develop a mission statement, Hughes answers as follows:

*When a family first decides to have a family office and needs a mission statement and hasn't had significant experiences together and wants to make decisions together, I would say wait on that. Get your office going, make decisions together. See what your experience is over three to five years [and] then begin the process. First you must have a sense of what your common purpose is. You don't do these things at the beginning or what seems to be the beginning of a family's decision to govern themselves.*

#### **The family mission statement and the black hole of the founder's dream**

Hughes is also the co-author of *The Voice of the Rising Generation*,<sup>25</sup> along with Keith Whitaker and Susan Massenzio. When a family decides that it wants to develop a mission statement, it would be well advised to reflect on the metaphor of the 'black hole' as described in this book and to understand how this black hole can have the effect of silencing the voice of members of the second and later generations of the family.

The original wealth creator has a powerful dream – a dream that they cause to materialise. However, the more powerful the original dream, the more likely that it will in time change, from being a bright sun that has provided so much for the family of the founder into a powerful black hole that has the effect of silencing the dreams of the later generations of the family.

The authors counsel each member of the rising generation of a family to reflect on whether they personally are within the gravitational pull of the black hole of the founder's dream and to ask the question: "Who stands for me and who is helping me to be free from the gravity of the black hole?" They write of the importance of coaching each member of the rising generation of the family to identify their



own dreams and voices and to ‘test the boundary’ of the black hole – as opposed to automatically rejecting it and running away from it (or falling into it). They need help to understand where their own dreams might intersect with or diverge from the founder’s dream.

### **The family office mission statement**

An SFO is a company formed by a single family (which can also include several branches of the original family) to help provide administrative and organisational support for the family.

Does an SFO need a mission statement – a statement of its purpose? Here, Hauser says:<sup>26</sup>

*If it is an SFO I think it’s odd for the office to have a mission statement because in my view the SFO is reactive to whatever the needs are [for] the family. So the family could have its goals and those would be carried out with the help of the family office administration.*

A family that forms an SFO can set its own unique mission and purpose for the SFO. This mission and purpose can evolve over time. Logically it would make sense that the mission or purpose of a SFO is described as being to support the mission or purpose of the family.<sup>27</sup> Interestingly, it is suggested that one point of differentiation between the SFO and the multi-family office (MFO) is that the family can set the mission of the SFO, but not so with an MFO.

In practice the relationship between the family and the SFO should be a two-way street. The family council can make decisions and set direction for the family, which the SFO would then help to administer and implement. Likewise, the SFO can help ensure that there are regular family meetings being held and give suggestions as to the next steps that the family might take to evolve its family governance.

### **The cultural framework makes a difference**

As a consultant working with families in Asia of a collective harmony culture, I have never had a family come to me and ask for help with the preparation of a mission or vision statement. But being asked to document the family values as set down by the founder generation (ie, really the founder’s values) happens a lot.

The idea that there will be a representative family council that refers to a written articulation of the family mission, vision and values to guide its decision-making reflects a Western, formal, legalistic cultural approach (which is not to say that I don’t advocate the creation of family councils for Asian families). I am often reminded that, in Asian families, things are ‘simply understood’ and don’t need to be written down on paper (although, as noted, a desire to entrench the founder’s values is a frequent exception to this sentiment).

Given that Asian families (or at least the older generation) tend not to be legalistic in approach and given that there is a risk that among the family members any written family mission, vision or even values statements tend to be forms with no capacity to be made to function, it might be more useful to focus on ensuring that the right forums are created so that there will be an ongoing process of the family members developing a shared understanding together of their common goals and reasons for remaining together as a family. Let’s not put too much weight on the form but instead focus on ensuring there is an ongoing process of thoughtful and respectful family conversations. Additionally, my own personal experience in exploring Wesley’s recommendation to use storytelling with family groups in an Asian context is that the story is indeed a powerful tool to build family cohesion, as well as to explore possible futures for the family.

In a collective harmony culture, the family unit is more important than the individual, family members have their roles to play in the family (which continues in their adult lives), there is respect for elders, for family hierarchy and for ancestors. Asia’s Confucian wealth creators attribute their success to having lived their lives in accordance with traditional Asian values, which they want to pass on to future generations. It is a hierarchical, patriarchal culture (though there are also matriarchs).

My impression, however, is that where formal written mission, vision and/or values statements are being prepared on the instruction of Asia’s wealth creators, and notwithstanding the strong pull of tradition and respect for elders, in most cases these are still just paper exercises (or at least with respect to the family members<sup>28</sup>).

The paradox of Asian families is that while family togetherness and family harmony and traditional values of the older generation are all important, Asian families are just as prone to the proverb “Wealth does not survive three generations” as families are elsewhere. Another Chinese saying I find to be telling is: “Parents in heaven, children in court”. Carlock’s observation that in too many Asian families the family harmony is an espoused, rather than an enacted, value has already been referred to.<sup>29</sup> Carlock’s prescription is for Asian (business) families to adopt the practice of holding regular family meetings, with a focus on ensuring that there is honest communication, and that each family member has a voice and gets listened to.

In a 2015 report by the Business Families Institute at Singapore Management University, entitled “Asian Business Families Governance: Crossing the Chasm for Intergenerational Change”, which was based on a survey of 102 Asian families, Professor Annie Koh concluded that Asian families take family glue for

granted – with the predictable consequence that by the third generation it has all but faded away. The report showed that Asian families state that they are committed to business continuity but are not doing anywhere near enough to address succession planning, family governance, and engagement to preserve the family's harmony, values and culture.

As an adviser working with collective harmony families, my own personal conclusion is that it is critical to strengthen the importance of the individual family member and their own personal aspirations, goals and purposes and their individual values. I believe that by highlighting or promoting the importance of the individual in the Asian family (as well as ensuring equal 'air time' for family members who are going to be in ownership – but not management – roles) this will help to strengthen and preserve the family glue, which research shows is otherwise not going to last.

This is also a theme explored in *Cross Cultures: How Global Families Negotiate Change Across Generations*, by Dennis Jaffe and James Grubman,<sup>30</sup> who explain:

*Rather than seeing the dimension of individualism versus collectivism as a single axis with two poles, it may be more useful to view individualism and collectivism as two independent qualities present to greater or lesser degrees in various cultures. Family enterprises can be low or high on each of these dimensions, depending on their orientation and the effort they put into developing their skills and core values.*

*... We propose that a necessary adaptation of all successful family enterprises is to grow toward healthy support of both the individual and the family, capturing that crucial balance between Independence and Interdependence.*

### **Mission vision and values – drawing some conclusions**

There are eight conclusions that can sensibly be drawn from the foregoing analysis and the work by other authors that is quoted from, as follows:

- We should distinguish between documents that are statements of the founder's vision values and goals from the 'family mission and vision' statement developed by second and later generations.
- We should always be aware of statements that are espoused rather than being enacted. These statements should lead to some action, to some doing.

- The process is critical, starting with each individual on their own before moving to the collective discussion. With each individual there is the question to be answered of where does that individual stand in relation to the 'black hole' of the founder's dream? Each individual in the process should be respected as an adult – ie, as entitled to have their own view respected as any other member of the family.
- The process should include education, hearing examples and considering alternatives and possibilities.
- The process is much more important than the product; and perhaps rather than be concerned about having a product at all, it might be more productive to see the questions of family purposes, goals and values being incorporated into ever-ongoing respectful family discussions.
- Remember the rule that "form should follow function". Don't launch into a mission statement project for the rising generation of the family. It would be far more effective to start providing opportunities for family members to make joint decisions together and to have collaborative experiences together.
- There has to be a reality check on any vision or dream. For example, do the family members really have the capabilities to work together, the skills to lead the business, and the money to invest in the business (or in other joint family activities)? Furthermore, there should be active consideration of the obstacles that must be overcome in order to achieve the vision.<sup>31</sup>
- The role of the SFO and how the SFO might support the goals and purposes of the family is something the family should be considering and communicating, as part of an ongoing dialogue between the family and the SFO.

So mission, vision and values can be helpful. For the family with a core operating business, the family business vision will be an essential tool. For the pure financial family with its own SFO, the need for a formal written statement of mission, vision and values is less clear – the ongoing experiences of working together jointly and the ongoing dialogue within the family is more critical. Families and family offices need to keep in mind that the best products will come from the best process, with the common goals of the family at the core.

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- 1 The characterisation of the dominant ethnic cultures in the world as being 'Western individualistic', 'collective harmony' or 'honour' is taken from the 2016 book entitled *Cross Cultures; How Global Families Negotiate Change Across Generations*, by Dennis T Jaffe and James Grubman.
- 2 INSEAD Professor Randel Carlock has written of how many Asian families have an espoused value of family harmony – yet it is often not an enacted value, and hence the prevalence of family feuds in Asia despite the cultural importance, in theory, of preserving family harmony. See "Solutions for infighting among Asian business families", Randel Carlock and Loh Keng Fun, *South China Morning Post*, 5 June 2015.
- 3 John Davis, *Next Generation Success* (Cambridge Family Enterprise Press, 2014).
- 4 Randel Carlock and John Ward, *When Family Businesses Are Best* (Palgrave Macmillan, 2010).
- 5 Ivan Lansberg, *Succeeding Generations* (Harvard Business Press, 1999).
- 6 Ken McCracken, "STEP Advanced Certificate in Family Business Advising" (course brochure).
- 7 Carlock and Ward, note 4 above.
- 8 Carlock and Ward, note 4 above.
- 9 Lansberg, note 5 above.
- 10 DT Jaffe, *Stewardship in Your Family Enterprise* (2014).
- 11 Jaffe, note 10 above.
- 12 Jaffe, note 10 above.
- 13 Palgrave Macmillan, 2010.
- 14 Ward, "The ultimate vision for continuity?", *Families in Business*, Sept/Oct 2003.
- 15 Harvard Business School Press, 1999.
- 16 Jaffe also writes: "Each generation of the family must get together and ask, 'What is our purpose relative to the business and to each other?'" – see *Stewardship in Your Family Enterprise* (2014).
- 17 "The Dreams that Drive Business Success", *Families in Business Magazine*, Spring 1999.
- 18 Professor Roger King, Hong Kong University of Science and Technology.
- 19 See [www.thewesleygroup.com/blog/?p=348](http://www.thewesleygroup.com/blog/?p=348), posted 21 March 2013.
- 20 Mesatop Press, 2009.
- 21 Hauser's comments are from a Family Office Association Q&A paper entitled "When Mission Statements do more than collect dust".
- 22 Wiley, 2nd edn, 2004.
- 23 Hughes' comments are also drawn from the Family Office Association Q&A Paper "When Mission Statements do more than collect dust".
- 24 Bloomberg Press, Wiley, 2007.
- 25 Wiley, 2014.
- 26 See Family Office Association Q&A Paper "When Mission Statements do more than collect dust".
- 27 Professor Roger King, Hong Kong University of Science and Technology.
- 28 Unfortunately for the members of the rising generation of the family, if these paper exercises have been incorporated into the terms of family trust structures, perhaps through the letter of wishes, there can be non-family trustees and advisers who may be very happy to enforce their terms literally on the family.
- 29 See footnote 4 above.
- 30 A primary focus of *Cross Cultures* is on how to help the members of the rising generation of a family from a collective harmony or an honour culture, who have been exposed to Western individualistic culture, negotiate across cultures with their elders.
- 31 Hartley Goldstone of Wise Counsel Research Associates stresses this last point and points to the book *Rethinking Positive Thinking* by Gabriele Oettingen (Penguin Random House, 2015).

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