



Family Governance

Most families who own a business have challenges with communication, decision-making, and managing conflict. When you add in Family Legacy Planning and Family Wealth Stewardship, those issues can become even more acute.

There are ways to address these challenges that, when implemented with discernment and practiced with rigor, lead to better outcomes for the family, the business, and everyone involved. The solution involves establishing a system of governance that integrates and aligns with their values and vision.

Aristotle, in the famous book *The Politics*, outlines several forms of governance and why societies evolve over time. In the United States we have formed a republic, and part of the constitution calls for the pursuit of happiness, with each person afforded the freedom to pursue their hopes and dreams. In a family, the goal should be similar—each member should be afforded the opportunity to pursue their hopes and dreams without detracting from the vision of the family. A key is creating a system of governance that isn't too complicated and allows for conflict resolution and decision-making that aligns with the family's values and culture.

Effective governance also requires that a family take inventory of its human and intellectual capital and determine which role each member would like to play as it relates to the management of their wealth and business. The family members can then determine how to allocate resources so each one can pursue their own hopes and dreams.

Ultimately, they will adopt a set of rules or a framework for making decisions that work for the matriarch and patriarch, or first generation. The best way to start this process is to create a **family council** and assign roles and responsibilities for each council member. We often find that the first generation is reluctant to give up control of major decisions until they are confident they have the right person in the right role to continue to prosper and make decisions in alignment of family values, as well as contribute to the pursuit of happiness for each family member.

“It is important to teach each new generation, early on, the difference between ownership and stewardship. Ownership is a right of possession. Stewardship is a fiduciary role. It is holding the institution in 'trust for' the next generation. We feel, as a family, that this institution has been passed on to us for our care and not for us to dissipate or do what we will with it for our personal gain.”

There are several family governance frameworks that have been implemented in practice. Some come with strict rules and procedures, while others are more open and flexible and allow for dialogue on key issues. Many are clear on requirements for being part of the family council and being involved in decision-making. For example, do sons- and daughters-in-law have a vote on key decisions? The best form of family governance is **one that is created and monitored by the family**. Without a clear process in place, they may struggle to achieve their common vision, and many of the decisions will fail to align with their values, leading to family legacy ultimately suffering in the process.

At Hightower Bellevue, our Family Wealth Stewardship process is aimed at helping you create a legacy of values and creating a family governance process that ensures those values continue for years. If you would like to learn more about our Family Wealth Stewardship process, please don't hesitate to contact Randy Williams-Gurian.

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