



DENNIS T. JAFFE

BORROWED

FROM YOUR

GRANDCHILDREN

THE EVOLUTION OF 100-YEAR
FAMILY ENTERPRISES



WILEY

Additional Praise for *Borrowed from Your Grandchildren: The Evolution of 100-Year Family Enterprises*

Advance Praise from business families

Once again, Dennis Jaffe reveals a treasure trove of stories for families and advisors that demonstrates how generations can benefit from teaching and learning from one another. Dennis shares practical examples and best practices used by family enterprises, including family councils, family offices, and family foundations, strategically designed to move the family, its business and its wealth forward—generation to generation. Whether you are just beginning your journey or have multiple generations in play, this book is filled with insights, ideas and actionable next steps to turn a family enterprise into a family legacy.

—Dirk Junge
Retired Chairman, Pitcairn

Owners of family businesses with a desire for multi-generational endurance face a complex and never-ending task to pursue both commercial and familial success. Dennis Jaffe and his team have scoured the world for successful exemplars whose practices have allowed them to surpass normal experience and expectations. This is an exceptionally valuable source of inspiration and guidance for family business owners and advisors who wish to pursue and refine effective multi-generational stewardship.

—Alexander Scott
4th generation family business owner and director, FBN-International

*When I want authoritative, wise, and knowledgeable insight on family businesses, Professor Jaffe is my one-stop shopping center. The range of both knowledge and wisdom that Jaffe possesses makes him a national treasure. *Borrowed from Your Grandchildren* is a synthesis of this knowledge and wisdom.*

—Mitzi Perdue (Mrs. Frank Perdue)
speaker, business owner, author of *How to Make Your Family Business Last*

We all need to give Dennis recognition and gratitude for his tremendous research and wisdom around how we can all lead our companies in a way that will leave the world a better place. I believe family business is the foundation of society around the world and is the best way to bring social change for the good due to its multi-generational nature. We all thank you for the work that will be recognized for generations to come and we are forever grateful.

—Charlie Luck
President/CEO Luck Companies

A wealth of practical insights for families and their advisors based on success factors distilled from 4th generation and older family businesses. Unique concept of the “generative family” to explain how families re-invent and adapt themselves and their businesses. Over 100 relatable and honest family stories to illustrate and reinforce the various concepts.

—Yuelin Yang
Deputy Group MD of IMC Industrial Group (and nephew of the founder)

*No one but Dennis and his team have ever interviewed so many successful 100-year family enterprises from all over the world, and distilled their recipe for success in such an engaging and easy to read book! The real-life stories from major business families around the world, combined with the insights and best practices that Dennis brings in this well-structured book, make *Borrowed from Your Grandchildren* an invaluable resource for every family business in the world, be it small or large, 1st gen or 5th gen! I can't wait to get all my future grandchildren a copy of the book for their 18th birthday!*

—Edouard Thijssen
CEO of Trusted Family, leading online governance platform for family businesses, 5th generation family member

*Dennis focuses on “generative family enterprises” around the world with common attributes. *Borrowed from Your Grandchildren* is an inspiring book for our Tan family, now with four generations. It is our dream and our goal to evolve into a 100-year “generative” family enterprise. This book gives us great inspiration and references in developing legacy and stewardship of our family and business.*

—Sunny Tan
EVP, Accessories Group, Luen Thai Holdings Ltd.

*I have been a great follower of Dennis Jaffe's work over the past 20 years. As a 4th generation family member of a 100+-year-old business, his work has been indispensable to helping our family and many others to navigate the opportunities and challenges of surviving and thriving through five generations of ownership and beyond. *Borrowed from Your Grandchildren* is no different. Dennis clearly defines how other families have survived and thrived in a way that makes it possible for others to follow in their footsteps. I have always believed that to have a successful family business, one must have a good sense of humor and short-term memory, or as in Dennis's words, resilience. It is easy, in a family business, to focus on the business and neglect the family. Still, Dennis's research proves that one must focus on the family returns: Legacy, Social, Human, Financial, Capital. Without success in these areas, the business will not have the solid foundation it needs in the family to attract and retain the top talent required for the business to succeed for the second 100 years. Encouraged by Dennis's work, our family has evolved our thinking, cultivating and caring for the family far more than we ever have before.*

So much of the family business research provides insights into 1st, 2nd, and 3rd generations; however, not much research has been done for 4th generation businesses and beyond. To have survived and thrived for four generations is remarkable and difficult. It is a fairly isolating experience, as there are so few peers available to share successes and potential pitfalls. Dennis's work provides a clear path and connects those families out there who are on the lonely journey of being a 5th generation family business and can pave the way for those who want to get there.

—Meghan Juday
Non-Executive Vice Chair, Ideal Industries

Advance Praise from Family Advisors

As the world continues to become more interconnected and complex, generative families need to evolve and adapt together. Dennis Jaffe has written an informative book for the 21st century. While the core pillars of family values and family constitutions remain the same, this book highlights the importance of building a resilient culture while being able to anticipate uncharted waters and emerge even stronger.

—Peter K. Scaturro
former CEO of Citigroup Global Private Bank and former CEO of US Trust Company

In this tour de force, Dennis Jaffe debunks the myth that every business family is destined to suffer the fate of “shirtsleeves to shirtsleeves in three generations”. Filled with rich and engaging interviews with members of thriving multi-generational families, Jaffe and his research team expertly identify the practical secrets of success of the many families that beat the odds and create long-lasting legacies. This book is destined to become

a classic for every family - and family advisors thereto - that aspires to be become a long-lived, flourishing, generative family.

—Tom McCullough
Chairman and CEO, Northwood Family Office, Co-Author, *Wealth of Wisdom: The Top 50 Questions Wealthy Families Ask*

An amazing resource for multi-generational business families and professionals that advise them. I love the premise of the book. Rather than focusing on all the things that can go wrong, try to learn as much as you can from the families that have already succeeded for more than 100 years. And the stories – hearing them in the words of so many families from around the world – are inspiring. Each family is clearly unique. At the same time, seeing common practices and behaviors that have helped shape so many incredible family legacies is fascinating. I couldn't put the book down!

—J. Richard Joyner
President, Tolleson Wealth Management

Transgenerational success may be elusive but Borrowed from Your Grandchildren shines a light on the fact patterns behind those families who have achieved it. Jaffe's research-based story telling is an approachable and tangible guide for families looking to leverage the lessons learned by those who went before them.

—Jim Coutré
Family office and philanthropy professional

Discover a treasure trove of insights into what forms the essence of highly enduring and generative century-old family enterprises in yet another groundbreaking research by one of the most renowned and influential family enterprise advisors of our time.

—Aik-Ping Ng
Co-Head of Family Office Advisory, Family Governance and Family Enterprise Succession, Asia Pacific, HSBC Private Banking

Dennis Jaffe's in-depth, qualitative research on what makes family enterprises pass the test of time offers valuable and actionable insights for families and the advisors that serve them. This is a must read.

—Arne Boudewyn, PhD
Head of Institute for Family Culture, Abbot Downning

Through decades of experience and painstaking research Jaffe has created the definitive work on multi-generational wealth. In this very approachable book, both families and those who advise them will find insights and practical guidance on how to successfully manage the challenges associated with significant wealth. Borrowed from Your Grandchildren is an instant classic and a significant contribution for those of us who work with ultra-affluent families.

—John Zimmerman
President, Ascent Private Capital Management of U.S. Bank

Dennis Jaffe has outdone even himself. His latest book, Borrowed from Your Grandchildren, builds on the exhaustive interviews he has conducted during his ongoing research into what makes a successful "100 year" family-owned business. Now he turns to the families themselves: what makes a successful 100-year family? He lists and explains factors that distinguish these families. I especially liked his inclusive definition of "family". These great families were not families in the sense of being a household; they can be seen as tribes, or clans, with members dispersing but sharing common values and purpose as business and financial partners. Their definition of family is inclusive and expansive, and often extends to include their employees, key advisors, and even their home community. For anyone curious about how great families succeed this collection of family stories is an invaluable resource.

—Barbara R Hauser
Editor-in-Chief, International Family Offices Journal

A tour de force in research and narrative sociology for any professional advisor wanting to understand the DNA of successful multigenerational business families. Jaffe's work provides a colorful mosaic about how these diverse multigeneration families think about their wealth, their values and responsibilities toward their communities. Documenting in technicolor the evolution and fabric of these successful families, as Jaffe has so well done, will arm any advisor with a unique framework with how to add more value to the families we serve. The chapter on family philanthropy is both simultaneously refreshing and fascinating to read and particularly relevant today as we grapple with affluence in America – Jaffe keenly paints a clear picture, without judgment, of their understanding and moral commitment to the responsibility of giving back to society.

No one has more appreciation and understanding of the complex brew that makes for a successful legacy family than Dennis Jaffe. Granted the privilege of interviewing multiple members of families that have prospered for over 100 years, Jaffe distills the fundamentals of their success. A strong sense of mission and values coupled with robust governance and concerted development of the next generation are the factors that characterize these families. Borrowed from Your Grandchildren is an exciting, studiously researched roadmap whether your business is just starting out or has been around for generations. An equally terrific read for those of us who work with these families. Researchers always look for patterns to help make predictions. The patterns Jaffe uncovers are worth revisiting as every generation transitions into leading the family, the business, or both.

—Madeline Levine, PhD
NYT bestselling author of *Ready or Not*, *The Price of Privilege*, and *Teach Your Children Well*

Excellent research and review of over 100 successful family businesses to determine what makes them successful over generations; in a nonjudgmental and nonevaluative manner. Terrific guide for families who wish to beat the “shirtsleeves to shirtsleeves” curse, and professionals who assist in their journey.

—Pat Soldano
President, Family Enterprise USA

Families and business have been the building blocks of successful societies around the world. They have their own cultural construction, attributes, and functionalities. Dennis and his colleagues present a wealth of experiential stories forming a treasure trove of practical examples of what denotes a generative family. The key component is stewardship. These families share with us the importance and skills necessary to be great stewards of family wealth.

Much has been written over the past 30 years about families, business, ownership, and wealth. This book enables the reader to learn through historical, organizational, and practical analysis the key components of successful families of wealth. Indeed, these families not only tell their own stories, but they highlight and underscore the relevance and importance of the research, its findings, and conclusions. A primer for all, a learning tool, a resource for reflection and wisdom.

—Laurent Roux
founder and CEO of Gallatin Wealth Management, and a partner in the Willow Street Group,
a family office and independent regulated Wyoming trust company

A tour de force in research and narrative sociology for any professional advisor wanting to understand the DNA of successful multigenerational business families. Jaffe's work provides a colorful mosaic about how these diverse multigeneration families think about their wealth, their values and responsibilities towards their communities. Documenting in technicolor the evolution and fabric of these successful families, as Jaffe has so well done, will arm any advisor with a unique framework with how to add more value to the families we serve. The chapter on family philanthropy is both simultaneously refreshing and fascinating to read and particularly relevant today as we grapple with affluence in America – Jaffe keenly paints a clear picture, without judgment, of their understanding and moral commitment to the responsibility of giving back to society.

—Roy P. Kozupsky, Esq., Rimom Law

Advance Praise from Family Researchers:

The definition of opus is “a large-scale creative work” . . . which aptly describes Borrowed from Your Grandchildren. Dennis and his dedicated research team have captured a treasure trove of learnings from “the best of the best”. On every page, they have highlighted the resilience, the hardiness, and the entrepreneurial mindset characteristic of these generative business. Importantly, they have included ways that families can take action. This is not only a literary opus . . . it is a gift to the vast and significant global enterprising family community.

—Justin B. Craig

Visiting Professor of Family Enterprise, Kellogg School of Management, Northwestern University

A landmark and a long overdue “must book” which all those working and involved with family firms should read to understand what makes family business complex and at times challenging. Introducing an innovative concept “generative family”, he firmly establishes a conceptual framework for understanding the multigenerational growth and development of family companies.

—Toshio Goto

Research professor, Japan University of Economics

Dennis Jaffe has produced a classic work of great insight and relevance not only for managers and consultants of family firms but for all students interested in the breed as it progresses across the generations. In today’s climate of opportunistic executives driven by quarterly returns, a long-term orientation of evolving business stewardship represents a far more promising way forward. Dr. Jaffe shows us the path with convincing arguments and superb examples. I cannot recommend this book more highly.

—Danny Miller

Research Professor, Co-author of *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses*

Dennis Jaffe has written a thoughtful book which is eye-opening, extremely interesting, and helpful. Using his background in sociology, he takes us into the lives of wealthy families and the challenges they face in managing succession. His real-life examples will help families build successful working relationships. Highly recommended!

—Annette Lareau

Professor of Sociology, University of Pennsylvania

From our earliest days in our own families, we learn from stories, which provide a link to our past and help us develop a vision for our future. In this book, Dennis Jaffe has curated an exceptional collection of stories to deepen knowledge of the complexities, challenges, and triumphs of multi-generational family enterprises.

—Patricia M. Angus, Esq.

CEO, Angus Advisory Group LLC; Adjunct Professor and founder, Family Business Program, Faculty Director, Enterprising Families Executive Education, Columbia Business School

Creating thriving multi-generational business families is no easy feat. This engaging book gives you practical know-how plus key insights on how to achieve this goal—backed by Dr. Dennis Jaffe interviews with business families globally in addition to his decades of advisory experience working in the field. This is a must read for anyone attempting to take on such a daunting, yet worthy goal.

—Florence Tsai

Author of *Phoenix Rising—Leadership + Innovation in the New Economy* and Founder of Centerprising

In Borrowed from Your Grandchildren Dennis Jaffe, one of the world's leading family business advisors, presents unique insights into how some families manage to combine family and business, typically seen as divergent social systems, into organizations that create long-term value for both the families in control and the stakeholders they engage with. The book represents an extremely rich source of original examples, reflections, and conceptual models that make the book fascinating to read. At the same time, the book represents a source of inspiration as you design your own path, one that will lead you toward creating your own long-lasting family enterprise.

—Thomas Zellweger
Professor of Management, University of St. Gallen, Switzerland

Corporate governance is different when there is a family business, because the owners are related and share certain values. *Borrowed from Your Grandchildren* offers an overview of family business governance, and the potential benefits that derive from the differences, in families that share long-term ownership of large enterprises. These business families use governance practices not only to create a strong and professional business, but also to serve their social and family agendas. The experience of these families shows that these two agendas can work in harmony.

—Professor Martin Hilb, PhD
Chairman of the Board Foundation and its International Center for Corporate Governance

Congratulations to Dr Dennis Jaffe for this wise reflection of his life-long experience advising and researching enduring, generative families. Dennis shows how these families successfully evolve and transition from family business to business family, by building in mechanisms for their family tribes to learn and govern together, and to build resilience amid different disruptions. Drawing on wisdom of global business family leaders, Dennis ends each chapter with practical tools families and their advisors can use to leap forward and achieve this multi-generational endeavor. Thoughts covered in this book are highly consistent with my experience and research, and I highly recommend this book to families who want to break the curse of “wealth doesn't go beyond three generations.”

—Professor Roger King
Founder, HKUST Tanoto Center for Asian Family Business and Entrepreneurship Studies

**Borrowed
from Your Grandchildren**

Borrowed from Your Grandchildren

**THE EVOLUTION
OF 100-YEAR FAMILY ENTERPRISES**

Dennis T. Jaffe

WILEY

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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Library of Congress Cataloging-in-Publication Data is Available:

ISBN 978-1-119-57380-7 (hardback)

ISBN 978-1-119-57382-1 (ePDF)

ISBN 978-1-119-57381-4 (ePub)

Cover Design: Wiley

Cover Images: World skyline © Antikwar/Getty Images, New York skyline © bananajazz/Getty Images, Human figures image: Wiley

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*To Cynthia, my life partner, my three sons and their life partners,
and our growing third generation, who are the future*

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Foreword: Rice Paddy to Rice Paddy

Rice paddy to rice paddy, clogs to clogs, shirt sleeves to shirt sleeves—all in three generations. These proverbs are the ways, in various cultures, that the three-generation cycle of families' failures to prosper and their tendency to decay are described. There are many other such proverbs. Each culture I know of has one. In fact, this proverb is the only one I have ever discovered that is universal culturally. I have spent this lifetime, literally since I was four and first heard my mother state the shirtsleeves form of the proverb, asking myself two questions every day. Why should there be this sad outcome for a family? And what might a family do to avoid its dictate and flourish for at least three more generations? While I have worked hard to find answers to these conundrums, until now I had only my experiences, those of a few colleagues, and some thoughtful academic treatises to use to try to form answers.

Now with the advent of Dennis Jaffe's book, *Borrowed from Your Grandchildren: The Evolution of 100-Year Family Enterprises*, I have solid data to affirm that such long-term flourishing by a family is possible. Dennis's in-depth interviews provide the first solid evidence I know of that explains how families that stay together over one hundred years evolve to include their third, fourth, fifth, even in a very few cases their sixth generations, and continue to prosper. Dennis's willingness and that of his co-researchers to go deep into such families' evolutions is a major contribution to our field, a field of professional practice in which we seek to help families thrive, a field in which we seek to help those families, whose vision and mission, their highest intention, is to avoid the proverb's sad prediction. In practical terms, we seek to help them avoid being added to the list of families whose stories end with the outcome the proverb foretells. To say that our families and those we serve will be positively influenced by this book's findings and by the family stories it recounts is to understate the book's significance. In my opinion, this book will profoundly change a family's outcome provided the family members commit to avoiding the proverb as their highest mutual intention and utilize the practices of successful families the book describes to materialize that intention. Should a family do these two things—commit to avoiding the proverb and use the practices outlined in this book—it can substantively increase its odds of flourishing for at least another three generations. Yes, this book is that significant a contribution to a family knowing how to prosper.

This foreword is not a book review. It is rather a way for readers to connect with the salient points in the book they are about to read. It should seek to offer the reader some main points to consider that will carry him or her into its depth. Which among Dennis Jaffe's principal findings might I then bring to your attention? Which of them point toward your deeper appreciation of how your family and any family you advise might succeed in attaining its one hundredth birthday? A one hundredth birthday celebration with nearly all of its possible members still in relation with one another,

still deeply committed to the family thriving, and renewing their commitment to one another to working toward helping the family achieve another one hundred years of success?

First, in my experience, a family that seeks to become a one-hundred-year flourishing family and, as Dennis's research suggests, become a generative family almost always intuitively that becoming a family of affinity is its deepest spiritual purpose. While this concept has many elements, perhaps the most succinct way of describing this intuition and the ethic it engenders and enables is that its members are committed entirely to the enhancement of the individual journey of happiness of each family member over the entirety of each family member's lifetime toward the goal of the entire family prospering. This is the family's generative dream, and its practices reflect this way of knowing how to help the family system enable family flourishing. Or if you like, the family is committed to every family member's individual boat rising so that the whole family fleet becomes a powerful armada for its long-term flourishing. In this way, the family becomes a family system that can meet and endure all the storms it will face as it seeks to attain its one hundredth birthday and go on being generative by offering the same intuition for its members over the next one hundred years. Families of affinity are much too rare. But Dennis's book proves they exist and can be emulated.

A family of affinity, as Dennis describes, learns from its second generation on that to have future generations continue the family's journey to flourish, become generative, and avoid the proverb's dictate, the family must create family systems that are positively attractive. Why? Because the family knows this is the only path to assure that future generations will be attracted to join. Otherwise the family will disappear. The realization by the second-generation family members that they must create such a positively attracting family system and the actions these family members then take to make this realization actionable are the moments when Dennis's one-hundred-year families are born.

What intuition does a generative family discover and awaken in itself that in turn leads family members to dream of becoming and being a flourishing family? There are many, and the most important is the family's realization that the word "wealth," in the context of the family, means the well-being of each family member and of the whole family, not exclusively the success of the family's financial means. In this one major awakening lies so much of the family's future prosperity, its generativity. With this awareness, the family gradually comes to know that it consists of multiple capitals, the most important of which are qualitative. The family discovers that growing its qualitative capitals, supported by its quantitative capital, *never* led by it, is the key to future family flourishing. It is with this awakening and the awareness that follows that the family becomes generative and truly begins its long-term journey toward its members' and its future-generation members' happiness. The family is now on the path to becoming a family of affinity with all of its rewards for human happiness.

These qualitative capitals include the following:

Human capital: Are all family members thriving?

Intellectual capital: Is the family a learning system that is constantly growing its individual and communal learning? Are its members sharing what they are

learning so the capacity of the whole family to meet the challenges it will face is enhanced?

Social capital (or to use Dennis's term, *relational capital*): Is the family capable of making extremely good strategic joint decisions, of governing itself? Is the family working toward cultivating a long-term ability to avoid the following:

Internal sequestration: Death by poor social relations with one another and its insularity (often not leading to fission and death by heat but far more often death by inertia in the family members' relations with one another and death by cold).

External sequestration: A failure to meet attacks on itself from the outside world. Are its social relationships creating fusion? That is, are family relationships leading energetically to positive growth so that $1+1=3$? Are those same relationships leading to positive connections through philanthropy with nonfamily members?

Spiritual capital: The family's ability to form a common generative vision that seeks to enable the long-term flourishing of each individual and of itself; to do together the seven-generation generative thinking that all successful families learn to do; and to offer a vision and set of practices that are positively attracting to future family members so they will join the family's long-term journey.

As I am sure you can feel and see, it's these four qualitative capitals and their constant positive development and evolution that lie at the core of a successful family journey. They are what Dennis's research found and describes—and what my life experience affirms. The growth of these capitals is the key to these families flourishing. These capitals and their evolution will determine whether a family becomes a family of affinity.

The awakening of the second generation to this deep awareness leads to its creating and evolving a system of joint decision-making, grounded in consistently growing each of these capitals, toward each and all family members' boats rising, that will become the system that is positively attracting to the next two generations of potential family members. This awakening will enable the family to become the thriving generative family Dennis discovers and defines.

Of course, such families continue to grow, develop, and evolve their quantitative capital, their ventures, whether as businesses and/or as financial enterprises. What these families know—and what families falling to the proverb don't seem to discover—is that their efforts to grow their quantitative capital must be designed to support their having the *means* to enable them to grow their far more important long-term capitals, their qualitative capitals. By understanding this relationship between their qualitative and quantitative capitals, these families achieve what I consider the *great knowing* that leads to, and that Dennis's research shows and affirms, their generativity and flourishing, their long-term success, their growth of agile, awake, and aware human beings able to participate in the great cooperative journey to grow a flourishing family while fully becoming whoever they are meant to be as individuals.

I now turn to what these historically successful families of affinity discover as important principles to be integrated into their shared vision. The learnings these principles engender then become practices the families utilize as their journeys unfold.

First, as Nassim Nicholas Talib writes in his book *Antifragile: Things That Gain from Disorder*, they become family systems that are ever more resilient, ever more agile, all toward meeting and overcoming the internal and external sequestration events that will attack their systems. They learn how to grow their systems beyond resilience to immense capacities for endurance against all the odds.

Second, they grow stewards, family champions, and family elder wisdom keepers/way showers who lead the work of growing a family of affinity. They discover among themselves family members who espouse seven-generation visioning and awareness and enable such family members to lead their process. They seek family leaders who understand that the wealth of the family lies in the well-being of each and all of its members, leaders who seek to keep every family member's boat rising.

Third, they construct conservative generative structures that are antifragile. These structures are then able to assist in the families' endurance as they enable joint decision-making systems to develop that permit very long-term strategic planning and the tactical execution of those plans over a long-time horizon. These joint decision-making systems encourage, as Cicero tells the story, old men to plant trees so their grandchildren will have shade. These systems encourage copper beech trees, which need 150 years to mature, to be planted today, as there is no time to waste to get them started growing. Yes, these are systems that encourage metaphors and stories like these two for how families think and encourage their members to consider the family's potential in the long term and generatively imagine future generations flourishing.

Fourth, and perhaps most importantly, these families understand that if their families are to stay the course and have third-, fourth-, fifth-, and sixth-generation members join in, they must enable these future-generation members to decide to join in. What do they know that so few families seem to know, and what does this knowing require? They know that in a lifetime each of us, likely only three or four times, makes an existential decision, a decision in which our lives and our happiness are at risk, to decide to join one group instead of another. These families—especially the elders of these families—know what wise elders of human communities have always known: human beings cannot live alone. We live in communities. We are not hermits. However, communities require that we give up personal freedom to help the other members of the community in the hope they will help us. This seems clear. But how often in a lifetime do we voluntarily give up freedom? It is the rarest of moments. We know the risks of doing so, and we almost never take the plunge. Families that flourish, that are generative, know that their futures depend on their future members making a positive decision to join in, *and* they know how difficult that decision will be for them. Thus, they seek to create systems that are positively attracting to future generations to join in. They know that their families' futures depend on at least some of their rising generation members taking the existential plunge to give up freedom to join in.

Why might rising generation members take this plunge in a particular family? Because they find the invitation to join the family journey an invitation in which they perceive that the family's generative vision, the family's spiritual self, its core beliefs and virtues are all working together to offer them more personal freedom to discover and become themselves, more opportunity to bring their unique selves to life than any other group competing for them to join. These rising generation family members decide to *give up freedom to gain freedom*. Only the most positively attracting family system, one devoted to the growth and development of rising generation members, can offer such invitations with any hope of such members signing on. This great knowing and the actions to make these critical invitations real are, I believe, at the heart of why such a family is generative and long-lived and why most families aren't. Such a family knows it has succeeded when its rising generation members form new horizontal social compacts committed to these principles and committed to offering a future rising generation the same invitation their wise elders offered them. The formation of each rising generation's new horizontal social compact, committed to each of the above principles and particularly to the family system being positively attracting to new members, with its promise that giving up freedom will enable the gaining of freedom, is the evidence that the family has the continuing capacity for endurance and the ability to continue to flourish and be generative for another two generations.

So we have Dennis to thank for providing us with the research that confirms our intuitions about why a family flourishes, why it is able to be generative for many generations, and how it does this. His gift of this book offers the proof we need that the proverb's dictate need not be predictive. The stories of the families he profiles assure us that if we learn from their stories, our family need not be another family where the proverb comes true. It is my hope that your family and those you guide as their advisors will take to heart Dennis's great findings, act on them accordingly, become a family of affinity, and flourish for many generations.

May your journeys be blessed. May you and each of your family members flourish and achieve happiness. May your family flourish and be generative.

Namaste
James (Jay) Elliott Hughes, Jr.
Tahoe, August 2019

Preface

Family businesses are among the world's most enduring and ubiquitous economic and social institutions. They are the foundation of social relations and communities; as humans evolved from hunting to agriculture, trading, and industrialization, family businesses evolved as well to make this possible. They take many forms. Our nature as human beings is expressed in how we act in our economic life, and family businesses are the most common manifestation of this. While the market view of commerce emphasizes economic behavior as individual choices and rational self-interest, this book takes the perspective that at the core of our economy are living families that seek and stand for so much more than financial profit.

This book presents the findings of a global multiyear project to understand the evolution and essence of large, global family enterprises that have succeeded over generations (a glossary of terms used in this book is at the end of Chapter 1). The research team interviewed family leaders from different generations of over one hundred large global families, each of which has thrived as a shared economic entity for more than three generations. These families are successful both as extended families and as businesses. By viewing the evolution and history of the largest and most successful global families, by looking back and looking forward, we can learn something about the nature of social evolution. We can also observe the human foundation of global commerce, which has largely been hidden from view. By hearing from families with great wealth and longevity, we can look beyond individual businesses to the positive foundations and use of economic wealth.

Long-Lived Business Families

My purpose is to learn from the best of the best family enterprises—extended families that have been in business for more than three generations—to uncover the internal secrets of their success. Their wisdom can help families just starting on this path—those moving into a second or third generation and facing significant challenges. Their stories can also be instructive to the millions of lawyers, accountants, bankers, coaches, consultants, board members, and other trusted advisors who offer resources to families to keep them on course. While the families my research team and I interviewed own complex businesses and other assets, I see them as families first because that is what the owners are. As family members, the owners have personal relationships, and these relationships are about far more than just running a profitable business. Such a family is more than a single business, or a business alone, because the family can start, buy, and sell many businesses as it adapts and grows across generations and because the family consists of many households related to and caring about one another and their future.

I am particularly interested in long-lived family businesses because, by their nature, a family business or family enterprise is fundamentally different from a public corporation. The owners of a public corporation have nothing in common, and no relationship, other than a desire for a profitable business. In a family business, the owners know and care for one another and share values as well as a desire for profit. This makes a huge difference to the enterprise.

The family has concerns beyond profit that go beyond the business. The family's business expresses a core aspect of the soul and identity of the family. Their values, reputation, role in the community, and impact are all considered in its oversight of the business. Because the business originates from a family, it also embodies and reflects the nature and personality of the owning family. All of this creates a different form of business, arguably one that is more complex and faces more agendas. When a family enterprise lasts for several generations, its family nature is a central feature of how it operates.

The book's title comes from the observation "You don't own a family business; you borrow it from your grandchildren." When I first heard this expression, attributed to a fifth-generation family member of the Hermes family, I was blown away. Professionals spend a great deal of time helping older generations consider whom they want to "give" the business and their wealth to. This notion turns it around and views the family's enterprise and wealth as a gift from the future that current family members are able to use only with conditions. It catches the most important difference between family and nonfamily business: the awareness that current family members make decisions looking generations ahead. I have since learned that this worldview is adapted from Native American and other global indigenous cultures, who do not believe that land and natural resources can be owned by individuals; they are to be shared, valued, and preserved for the future. That mindset makes so much difference to the nature of families who have acquired large amounts of wealth, and how they see the role of their families as stewards of their family wealth.

My Journey

This project has been a dream of mine and a labor of love. After nearly forty years of teaching, research, and practice, since the dawn of family businesses as a field of study, I have wanted to do this project. A dozen years ago, after working only inside the United States, I began to wonder how families from other cultures were similar or different. I knew that family businesses emerged in every part of the world, and I wanted to see if the practices and tools professionals were suggesting to them were applicable in other cultures. Because my experience was only with US business families, I assumed that I had only a partial picture of the nature of these foundational social institutions. For six years I have traveled and met global families, many of whom became part of this study.

In many ways, my work today, after fifty years, was formed by my youthful passions. After graduating college in the late sixties, I was a founder of a project for runaway youth. We called it *Number Nine*, after a Beatles song. We helped runaway young "street people" call their parents and set up an intergenerational conversation, in a

safe and neutral place, to talk about their differences. These conversations were my first experience of how values and behavior could be so deeply contentious and hurtful in a family. I also learned that parents had to allow their children to grow in their own way but also find some common ground with the values of their elders.

Later on, my career took me into the corporate world, where I worked with the effects of deep change in corporate cultures. This field of study looked at how each business developed its own culture, usually stemming from the values and vision of the founders. As businesses grew, the culture came under strain, and the businesses had to adapt but also retain important features of the founding culture. Many of these businesses were family businesses, though at the time that fact was not really known to me.

In the early 1980s, several groups—containing organization consultants, family therapists, lawyers, accountants, financial advisors, and family business leaders—began a seminal joint conversation. Talking across professional boundaries was unusual, and it led each profession to begin to view their work differently, through the eyes of others. Across the disciplinary boundaries, these groups found a common interest in family businesses. We realized that their nature, presence, and influence were largely ignored in professional business literature and practice. Right under our noses was a deeply important field of study that we had ignored. I attended some of these meetings, and two formerly disconnected strands of my life coming together. I saw that the nature and relationships of the family were at the root of family business and that the resolution of family issues was necessary for businesses to succeed over generations.

To undertake this study, I assembled a team of talented researchers and advisors, each of whom contributed time and ideas as well as conducted interviews and gathered the data. Their biographies are included in the appendix. To launch the study, we had the support of two global family enterprise organizations: Family Office Exchange and Family Business Network. They enabled us to develop our research model and contact families that thrived over multiple generations. After publishing our first working paper, we were fortunate to gain the support of Bank of America's Merrill Center for Family Wealth, which sponsored the working papers we produced each year.

The Research Perspective

The perspective that led to this project is somewhat different than the perspective of other family business research. It stems from practices called *action research*, research based not on discovering causal connections between family and business but upon asking how to help families in business be more successful and avoid difficulty. This research is not just for other researchers but offered to the families and their advisors to help them do a better job. The project is premised on several basic assumptions as follows.

Study the best, not the average or most troubled.

Management psychologist Abraham Maslow, one of my mentors, noted that you would never learn very much about healthy people if you only studied those with mental illness. Similarly, there is a limited amount one can learn from studying

family businesses that have failed, collapsing amid conflict and poor business practices. That doesn't necessarily help to see how to create a climate for success. If you avoid failure, you don't necessarily achieve success. There's more to it.

You don't have to look too far to find an article about how to destroy a family business. Using business relationships to redress past family wrongs or to serve endless family financial needs can undermine even the strongest business. Natural forces of business maturing and innovation take down many more. It is much harder to sustain thriving family enterprises across generations. How can a family increase its chances of long-term success?

The field of management has benefited greatly from studies of the most successful businesses. There are many books by business leaders; these books are inspiring but also a little suspect as they share only one side of their story and do so in retrospect. Personal success stories are a staple of business and family business literature. They are inspiring, but a more dispassionate view is also needed.

A number of research and theory-based books have also tried to distill the wisdom of long-term business success: Thomas J. Peters and Robert H. Waterman, Jr.'s 1982 breakthrough book, *In Search of Excellence*,¹ James C. Collins and Jerry I. Porras's *Built to Last*,² a decade later; and many follow-up works. These volumes are my guides to a form of research that is called "appreciative" because it looks at what is good about business and how it can be enhanced.

Appreciative inquiry, an approach designed by David L. Cooperrider and Diana Whitney,³ has led to some of the most useful and practical research on the nature of successful companies. In this approach, a researcher or consultant begins with what the business or entity is doing that works well and expands upon that, rather than fixing problems. Families find this perspective both attractive and useful. This is the view taken by this entire project.

The research can be labeled "narrative sociology." By presenting their stories and experience without evaluating, I uncovered the collective experience of long-term global generative family enterprises, those family business and financial operations that succeed over multiple generations. Throughout the course of the book, I present what these families actually do. This is nonjudgmental and nonevaluative. But since I am studying the families that are most successful, I cannot escape some aspects of value judgment. By focusing on long-lived families, I necessarily call upon reflections about what elements of their experience teach families how to survive for the long term and help them anticipate and even avoid disaster.

Family is the foundational unit of study, and businesses are vehicles to support family goals and values.

It is to be expected that business researchers look at business as their basic unit of study. The rise and fall of a business is their focus, including the role of a family as owners and operators. But what if the family sells the business and moves on to other pursuits? Is this the end? In this research, I view the family as the basic unit of study and how businesses and other assets create resources for the family on its journey. Taking this view, I look at the people and the journey across generations, as family members pursue different opportunities and paths and are still able to remain together as aligned partners. With this perspective, it becomes clear that

their goals are more than just running an effective business and that these wider goals are essential to understanding these families.

Success takes place over time and must be viewed as an evolutionary process, a journey of resilience and reinvention.

Most research represents a “snapshot,” a view of a family or business taken at one moment in time. But evolution of a family takes place over time and across generations, with the continuing challenge of preserving the legacy wisdom and also adapting and finding new paths forward. To understand families, research must look at its evolution, how the enterprise solves successive problems and overcomes challenges at different stages of development. Family enterprise is dynamic and evolutionary. Their stories are movies, not snapshots.

I present stories about the evolution of these generative families as well as their businesses and other family enterprises. My focus is on creating a picture of the diverse ways that generative families resolve the common challenges facing a family enterprise over generations. Because of the diversity of such families, I am not able to make quantitative comparisons. Instead, I report what these families do, without judgment, and try to ascertain common patterns.

My goal is more than just telling stories, however. I also want to document the evolution and nature of a unique social institution—an extended family that is joined not just by blood but also by a legacy that leads them to be owners and stewards of often large business and financial conglomerates. While their influence can be seen in their businesses, this research goes behind the business to look at how the extended families create, sustain, and influence their businesses and role in society.

If you’ve seen one family business, you’ve seen one family business.

Much research, unfortunately, is in a hurry to generalize and make causal connections to understand family enterprise. But I believe that the diversity of global family enterprise is so great that there is no way to speak of family business in general as a single entity. We can articulate common patterns, but we can’t really get to the point where saying that one specific action “causes” success. But if we listen to enough families, we can see that if something is done by so many families that are successful, it may be a good thing to try that in an earlier-stage family as it tries to survive for one more generation.

Overview of the Book

The book is organized to present the evolution and nature of the global generative families that my research team and I studied. There are four parts:

Part One: The Wisdom of Generative Families offers an overview of the long-term history of family enterprises. I suggest that the recent challenges facing family enterprises are unique and unprecedented. I introduce the concept and nature of the generative family, the focus of this research.

Part Two: The Evolution of the Resilient Family Enterprise looks at how the family evolves as a shared enterprise over generations. I present a “movie” of how generative families evolve over four or more generations and then focus

on the business; how these families change over generations; the elements of the unique family enterprise culture that characterizes generative families; and the origin of the role of steward that emerges in families that oversee a portfolio of diverse ventures.

Part Three: Inside the Family: Family Governance to Create a Great Family focuses on an area of activity that is unique to a family enterprise: the organization, governance, and activity of the family separate from the business. It presents the key elements of family governance, including the family assembly, family council, owners' groups, and the board, and how they are all tied together in a family constitution, a master agreement that defines who the family is, what it does, and how it works.

Part Four: The Rising Generation: Sustaining the Future discusses how the family takes up the special task of preparing family leaders to sustain and move the business into new generations.

To the Reader

This research project is intended to help families who are either beginning their journey across generations or finding themselves enveloped in increasing complexity in the form of internal family disagreement and external global change. If you look ahead to the future, the experience of generative families can help you design your own path, as you pick and choose from what other families have done.

This book is also designed to help family advisors of every professional designation take a broader view of the families they serve and, in so doing, teach and advocate for their families to adapt new practices that are designed with their future in mind.

Each chapter contains stories and narratives from the families in the study. These stories and narratives explain the many ways that generative families act, grow, change, and thrive. There are many paths, but I believe the general themes about mission, values, governance, and development of the next generation are essential building blocks of multigenerational success.

My intention is for the stories in this book to be of practical use for families that desire to move into generative territory. If you are a member of such a family, this book may help you make decisions and develop practices in earlier generations to orient your family to potentially become a long-lived generative family. To do that, at the end of each chapter, I offer a section containing tools and activities that apply the learnings that were presented. It is entitled "Taking Action in Your Own Family Enterprise." Each one suggests ways to apply practices from the chapter to your own family enterprise. The activities can also be used by advisors who are helping families.

Whether you are a member of a new family business, a successor at one that has been successful for several generations, or a family advisor or employee, learning about generative families will help you look ahead to your future. I am excited to invite you to go on this journey with me and to celebrate and learn from the most valuable, successful, and impactful family enterprises.

Notes

1. Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence: Lessons from America's Best-Run Companies* (New York: HarperCollins, 1982). It is interesting to go back and reflect on the businesses featured in this book. Most of them are in fact family businesses, but this fact is not mentioned or considered important enough to document. This observation supports the notion that in the late twentieth century, the presence of family businesses and their influence was overlooked or ignored.
2. James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (New York: HarperCollins, 1994).
3. David L. Cooperrider and Diana Whitney, *Appreciative Inquiry: A Positive Revolution in Change* (San Francisco: Berrett-Koehler Publishers, 2005).

