

THE
FAMILY BUSINESS
CONSULTING GROUP

fbcg

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The Impact of Family Enterprises

A majority of the world's wealth is created by family-owned businesses

Roughly 90% of American businesses are family-owned or controlled¹

Family businesses account for half of the nation's employment and half of the GNP¹

It's estimated the total economic impact of family businesses to global GDP is over 70%²

Family businesses have outperformed non-family-owned companies in every country and sector since 2006³

81% of the world's largest family businesses practice philanthropy

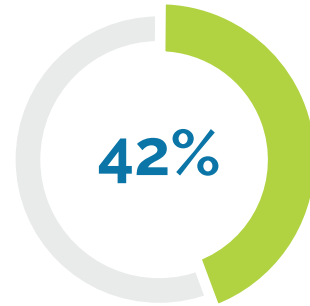
- 61% support causes in local community
- 56% oversee and engage in their philanthropic projects
- 47% have family foundations⁴



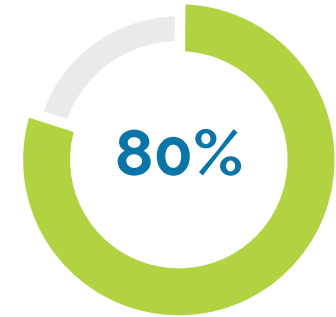
Challenges Facing Family Businesses



do not have a formal succession plan.¹



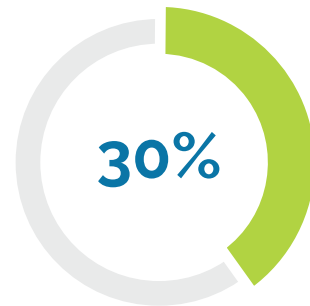
do not have family alignment on company direction.¹



report having internal disagreements; just 13% have an established conflict resolution system.¹



of transitions fail because of breakdown of communication and trust within family.²



continue to the 2nd generation; 10-15 %
continue to the 3rd generation; 3-5%
continue to the 4th generation.³



largest generational wealth transfer ever over next 25 years.⁴

Our Core Belief

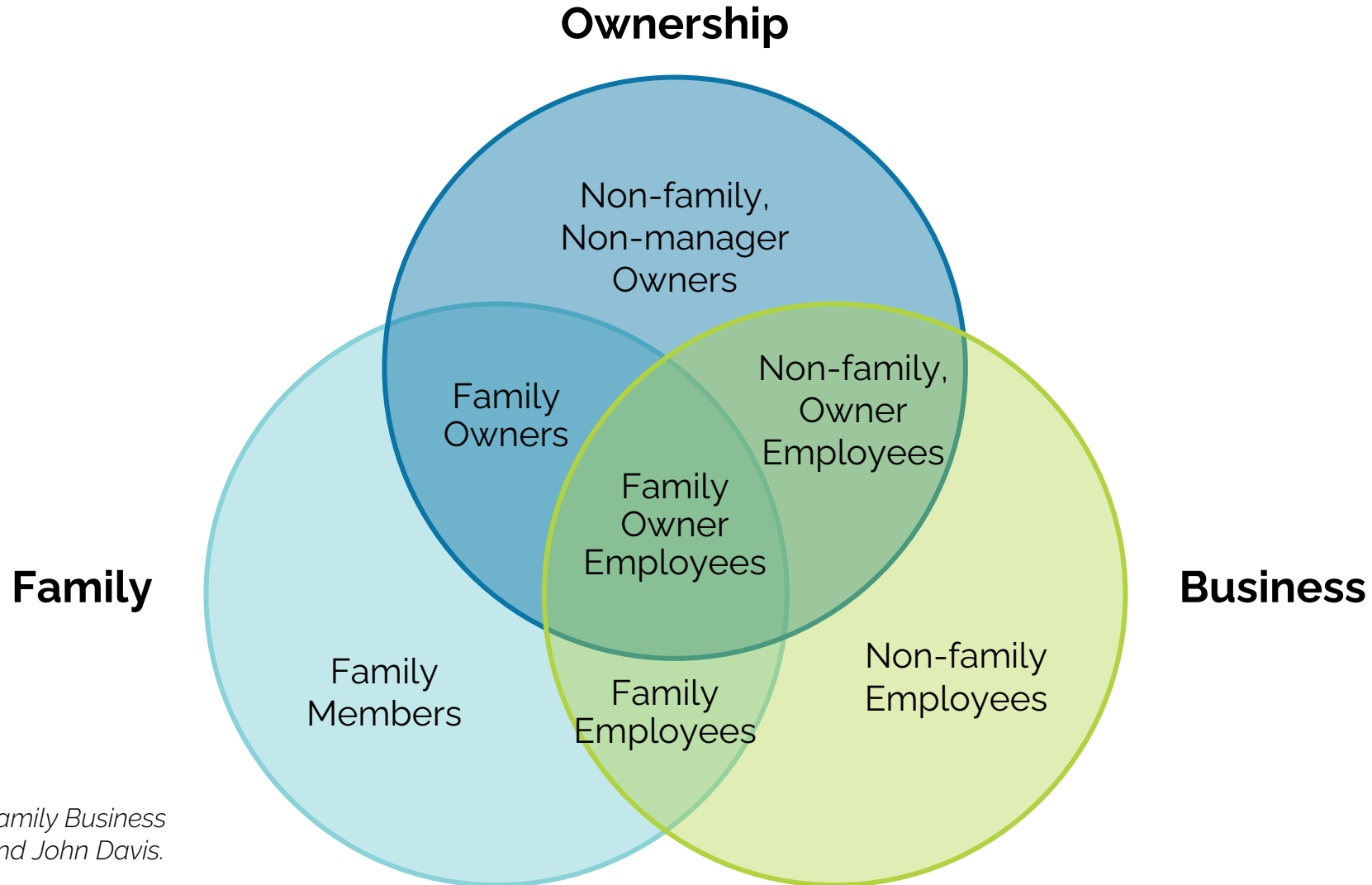
We believe that multi-generational family enterprises are precious and vitally important to the economies and social fabric of the world and deserve the best care and counsel.

We work to manage the predictable and natural tensions between a family and their business through a unified vision for the future, and providing structures, processes, strategies and policies for effective ownership, management, and governance.



Family Business Systems are Complex

There are many overlapping roles and responsibilities connected to the family business.



"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Research shows that the key to long-term family enterprise success is by optimizing both family cohesion and profitable business growth.

That's where we come in...





Our Firm

FBCG was founded in 1994 by Craig Aronoff, Ph.D. and John L. Ward, Ph.D. to create a community of practitioners passionate about the needs of family firms.

To this day, we only work with family-owned businesses.

Like many of the families we serve, our intention is to thrive across generations by attracting outstanding professionals and helping them grow. We continuously reinvest in our organization, research and intellectual capital.

We neither pay nor accept referral fees for consulting.

Our relationships with families are independent and based on a trust that is earned, not financial incentives.



Passionate About Family Business

One Goal: To protect the integrity of the family and the enterprise for future generations.



Our Firm

- Pioneer, most experienced, global family business consulting firm
- Advising enterprising families since 1994
- 3,000+ families served in over 70 countries



Our People

- Consultants located across North America, traveling globally to families
- Majority grew up in a family business, served in management of a family business or taught family business at university level
- Rigorous vetting process of new experienced consultants



Our Thought Leadership

- 45+ family business books and 1000+ articles written by our team
- 80+ educational presentations each year
- 10,000+ subscribers to the firm's Family Business Advisor monthly newsletter

This is all we do, all day, every day



Our Team

Best-in-Class with Unique Skill Sets

“Your consultants are a perfect blend between a unicorn and a chameleon.”

WEALTH MANAGER



ACADEMIC EXPERTISE

Masters in Business Administration
Legal
Accounting/CPA
Finance and Wealth Management
Psychiatry/Psychology/Counseling
Organizational Behavior
Industrial Design



REAL WORLD EXPERTISE

Succession Planning
Governance
Leadership Development
Strategic Planning
Process & Structure Implementation
Analytical & Critical Thinking
Family Dynamics



INTERPERSONAL EXPERTISE

Problem Solving
Honesty/Integrity
Collaboration/Teamwork
Facilitation
Conflict Resolution
Compassion/Empathy
Adaptability/Flexibility

Our Approach

We co-create solutions with the family enterprise system. There is no template for this work. Our collaboration throughout the process yields more engagement from the family and better, sustainable, long-term outcomes.

How We Can Help:

- Facilitate difficult conversations around conflict, tensions and family dynamics
- Provide a safe, neutral space where all voices can be heard
- Improve communication constructively and strengthen relationships
- Guide development of the right structures, processes and policies at the right time
- Develop strategic planning around growth, risk, profitability and liquidity
- Clarify the who, when and how of decision-making

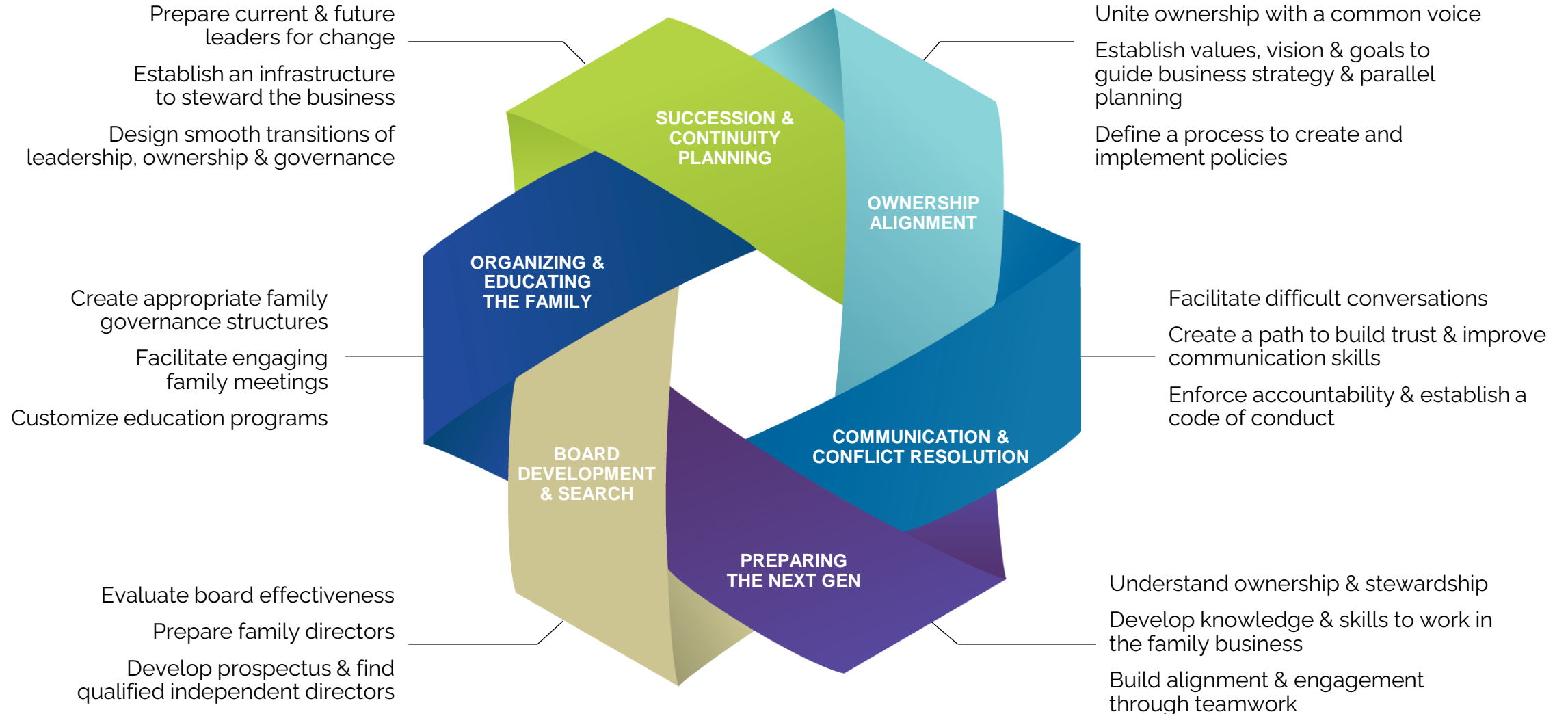


Our Solutions

We appreciate that every family has unique needs and comes to us at different life stages and family business cycles. Therefore, our solutions are intentionally flexible, fully integrated and comprehensively interwoven.



Our Solutions



Our Proven Process

We approach each new engagement without preconceived notions so we can accurately assess the situation and identify unique challenges – as well as unique solutions to manage them.

Fit Assessment

Conduct confidential conversations with family members to determine needs, understand the family system and match the consultant with the right expertise and chemistry to the family.

1

Readiness

Consultant conducts deep-dive interviews with family members and key stakeholders, reviews critical documents, analyzes data and makes conclusions.

2

Planning

Consultant facilitates family meeting to share findings, outline goals and recommended actions. Prioritize and brainstorm next steps with family.

3

Implementation

Family and consultant co-create fair, inclusive plans, structures and processes for moving forward. Facilitate learning, communication and accountability.

5

Collaboration

Define roles & responsibilities. Build agreement, commitment and trust. Arrive at consensus with family members.

4

Sustainment

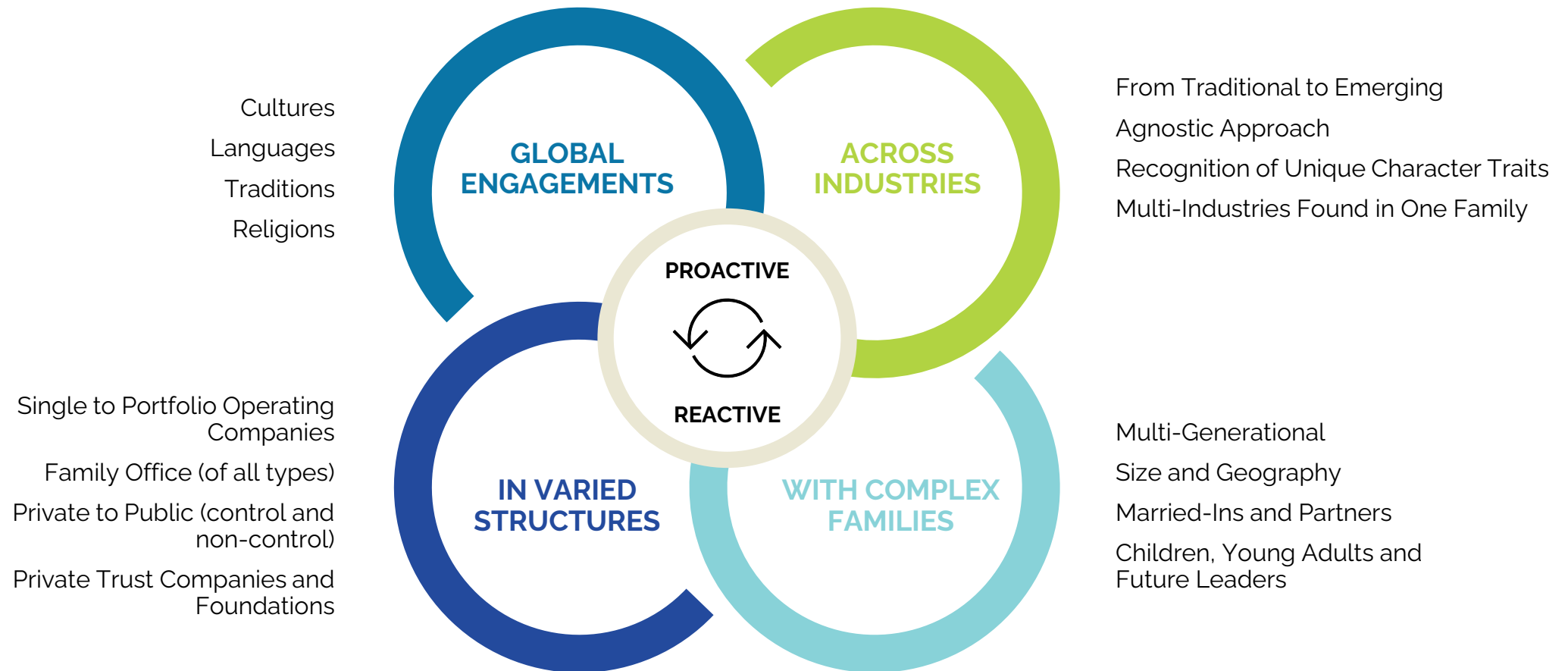
Evolve policies, strategic planning, structures and governance systems. Align the family and the business for long-term continuity.

6



Our Proven Process

We also partner with family business programs, trade associations, trusted advisors and other organizations to educate families and empower them to make smart business decisions.



Client Profiles By Size

Last Generation with Ownership	Number of Owners Avg. (Range)	Average Revenues
7 th Generation	88 (2 – 380)	\$14.04 Billion
6 th Generation	73 (9 – 170)	\$2.47 Billion
5 th Generation	29 (4 – 200)	\$2.19 Billion
4 th Generation	14 (2 – 60)	\$380.6 Million
3 rd Generation	12 (2 – 200)	\$1.07 Billion
2 nd Generation	5 (1 – 40)	\$307.3 Million
1 st Generation	2 (1 – 12)	\$36.2 Million

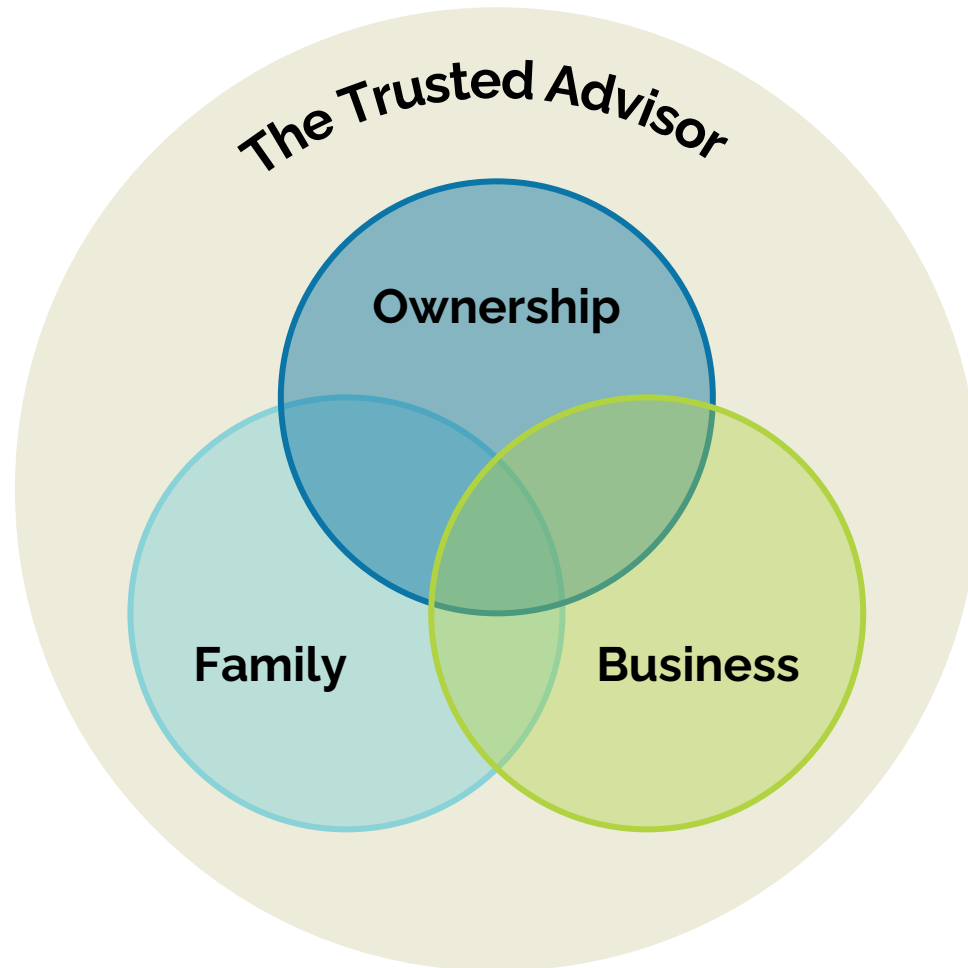


Working Together With Other Trusted Advisors



Trusted Advisor Collaboration

We work closely with the family enterprise system of advisors – multi-disciplinary teaming.



"Most business advisors build blast shields. You guys disarm live time bombs!' remarked a friend of our firm, who just so happens to be a lawyer."

DREW MENDOZA, FBCG FOUNDING PARTNER

Solving Trusted Advisor Challenges

Paralysis - when families aren't aligned, they get stuck and can't act on your professional recommendations.

Exceeds Skillset - handling conflict and emotional situations require specialized expertise.

Time Demand - complex family dynamics requires extra time that takes away from serving your other clients.

Independence - it is difficult to be a referee or maintain impartiality when hired by one family member.

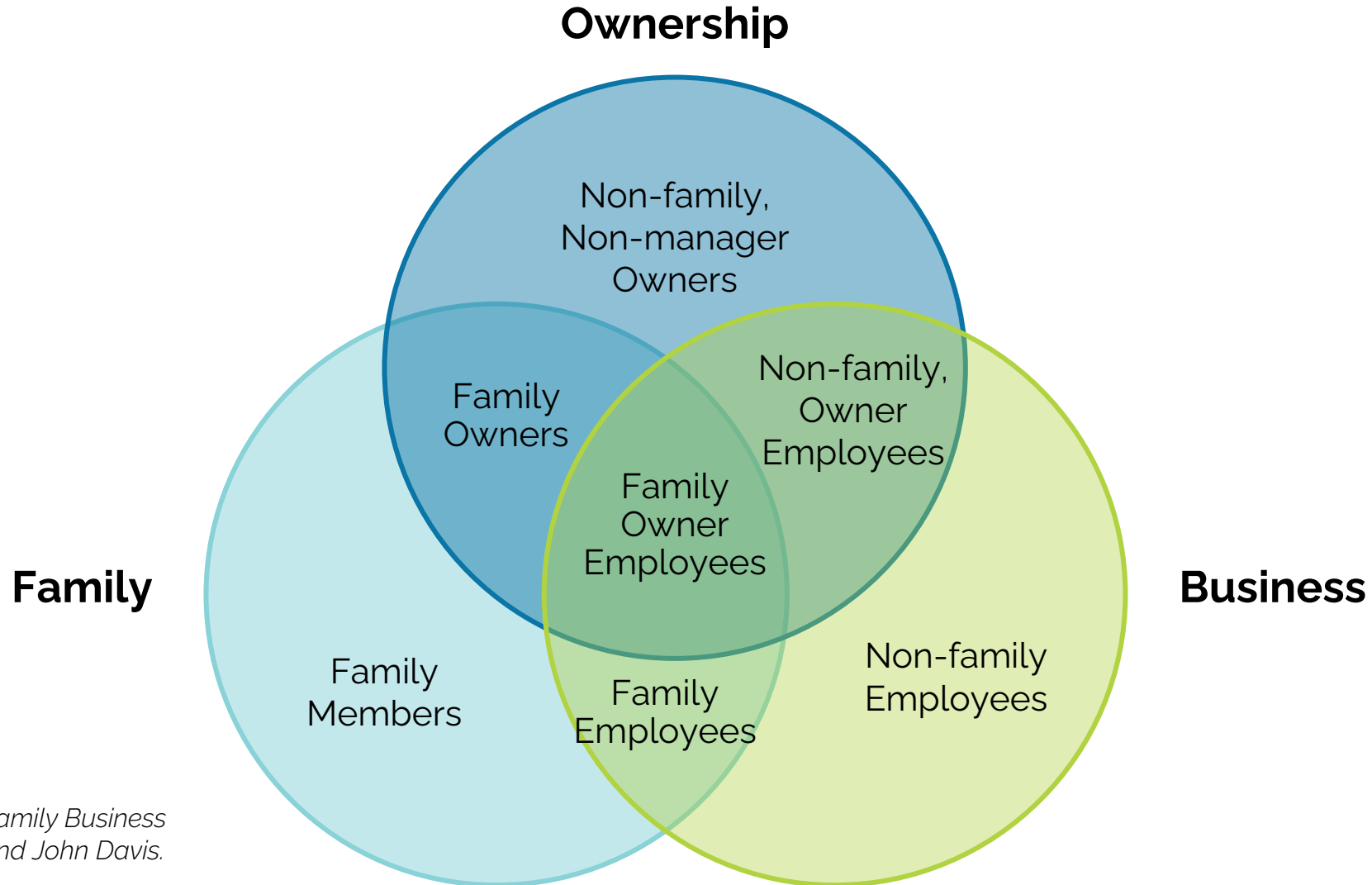


A Holistic Approach to Family Enterprise Dynamics and Integral Wealth Management

March 21, 2024

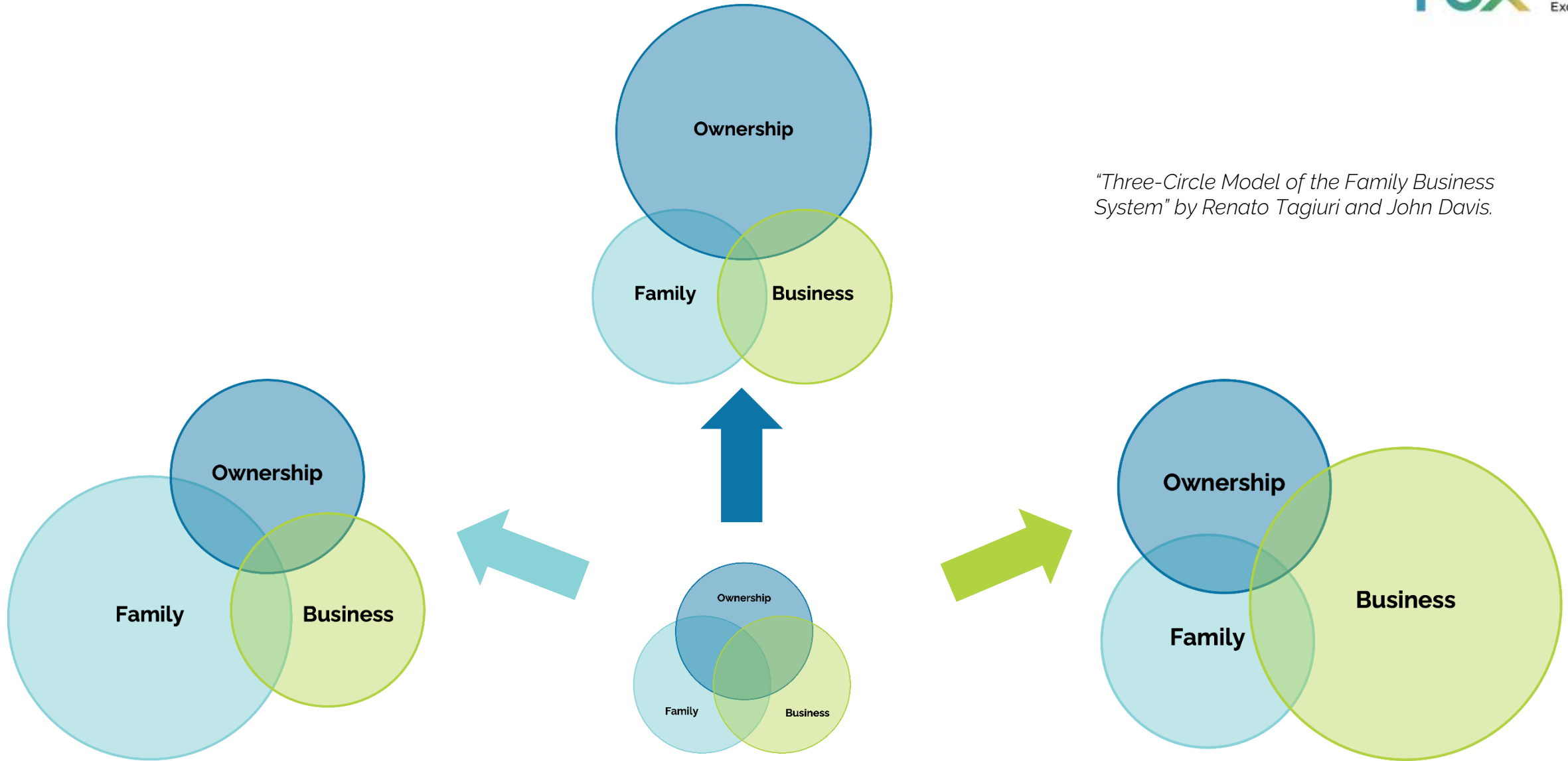
Family Business Systems are Complex

There are many overlapping roles and responsibilities connected to the family business



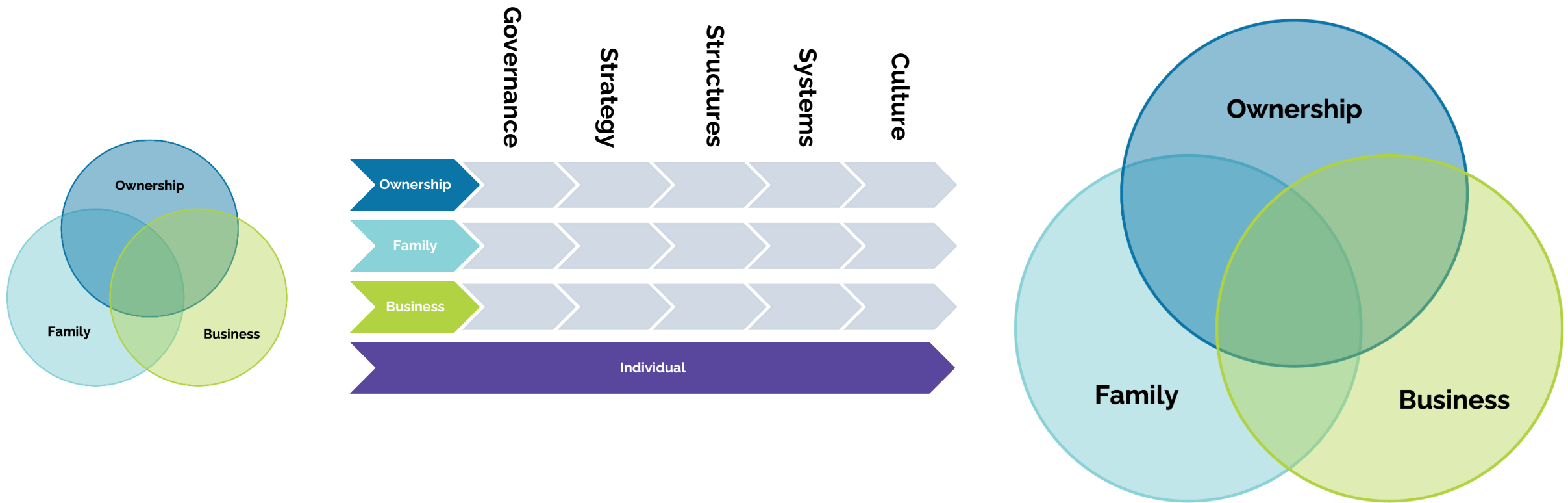
"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Unbalanced



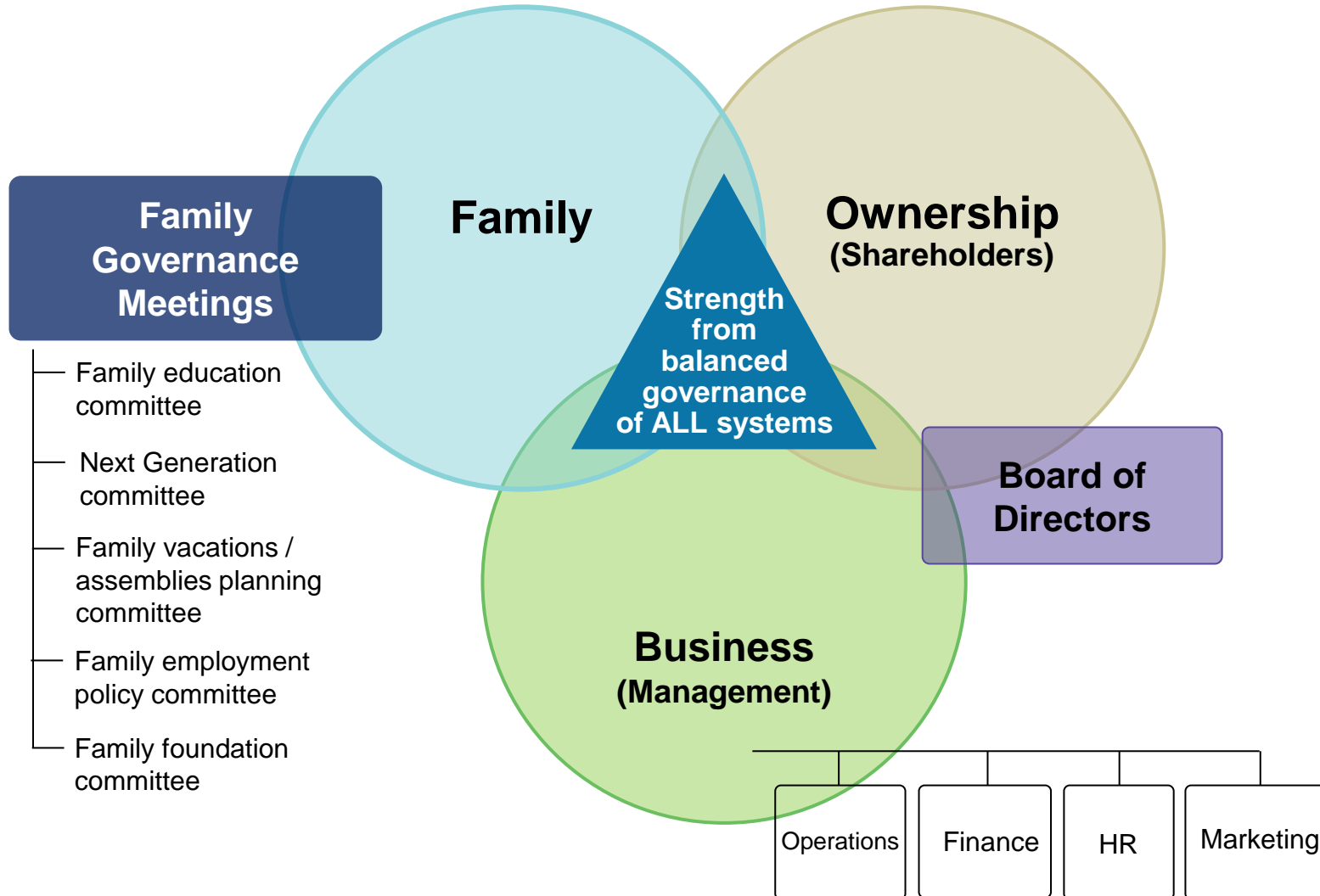
"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Balanced

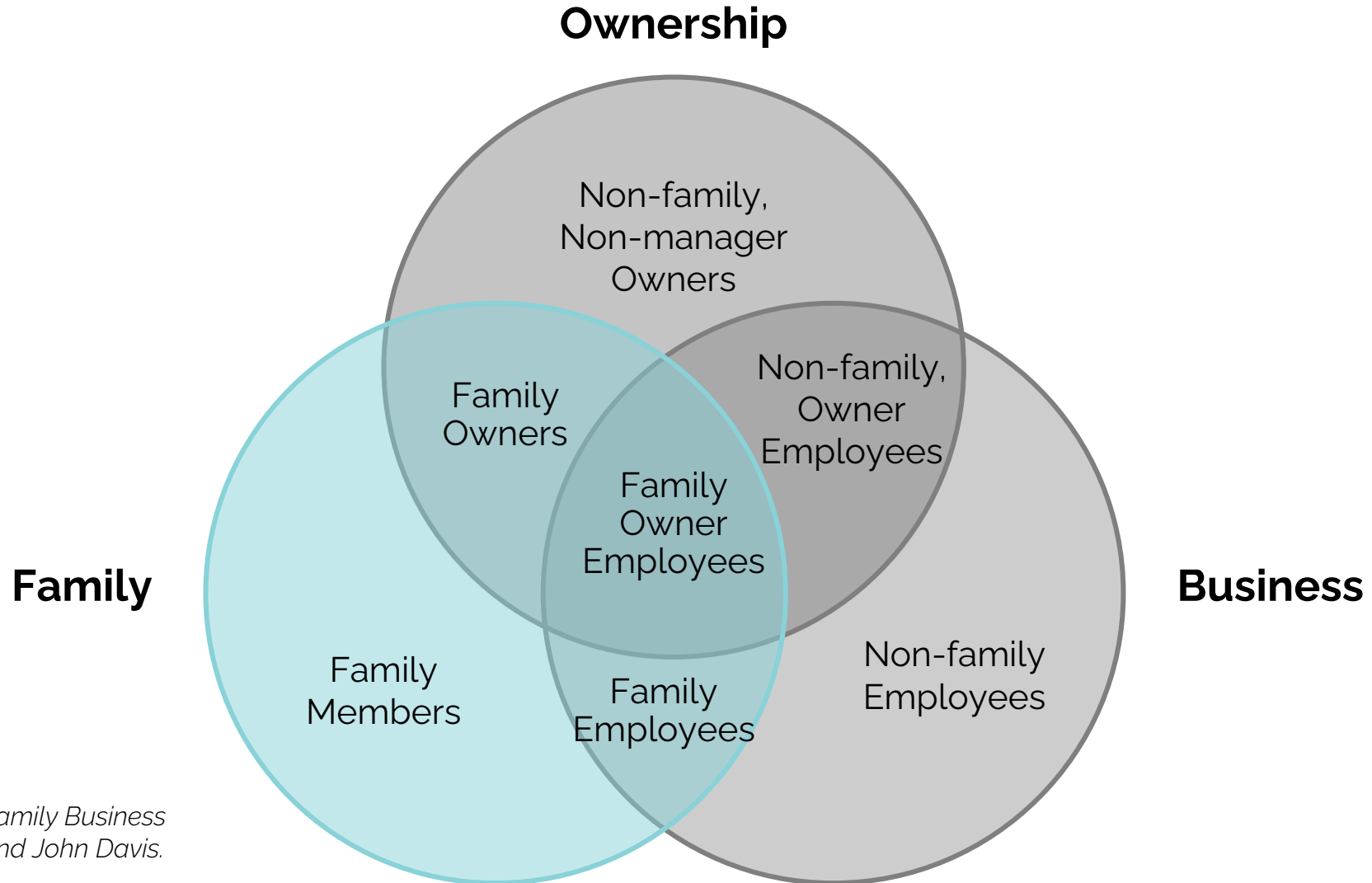


"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Balanced Systems

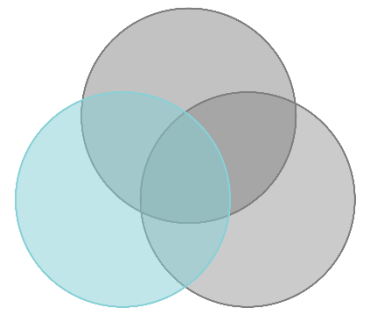


Family



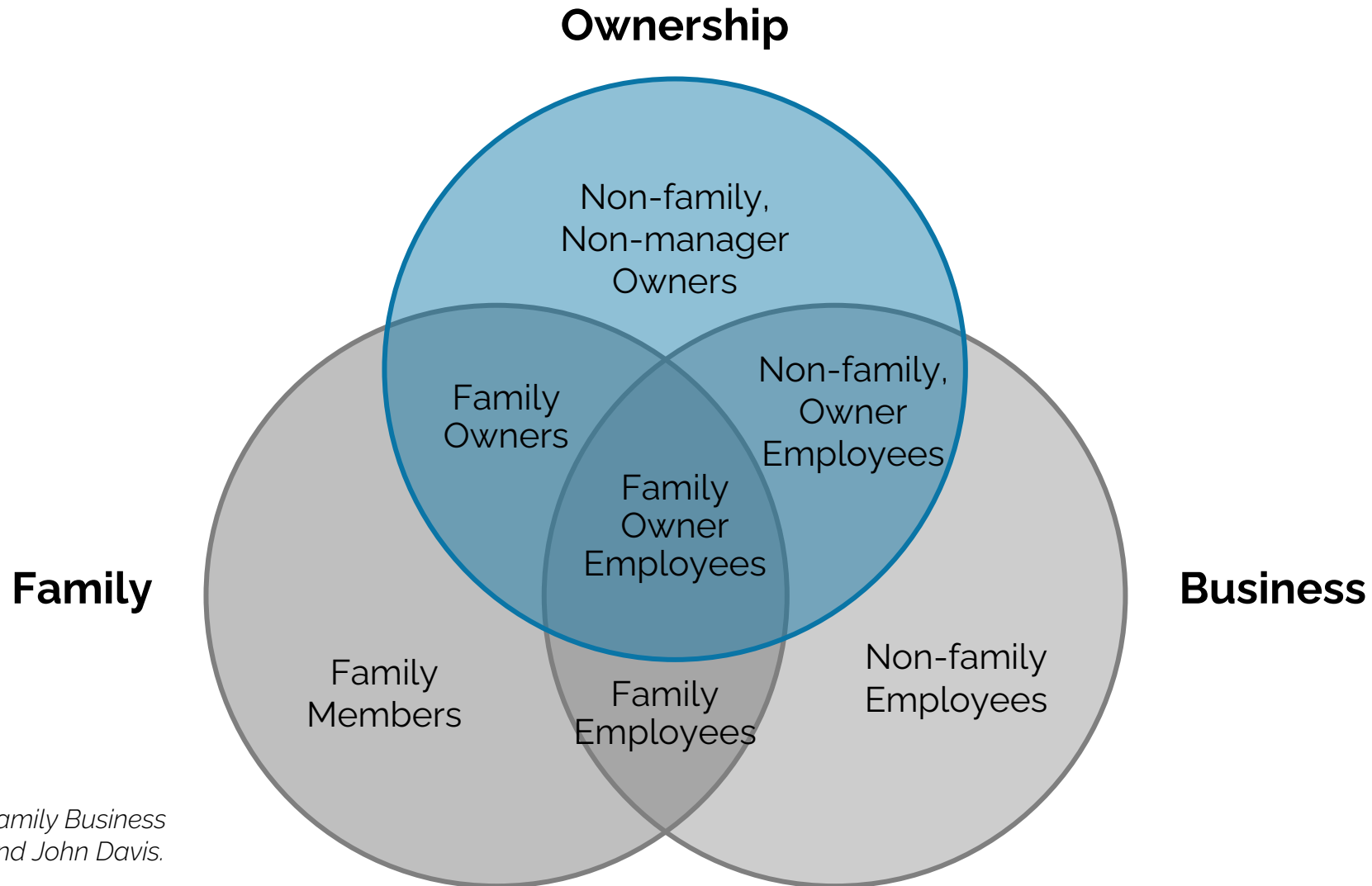
"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Family



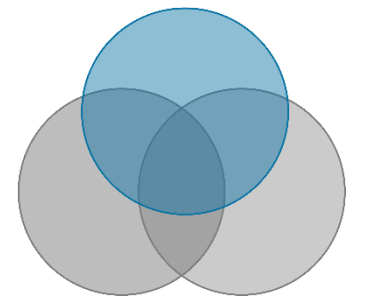
- **Governance**
- **Strategy**
- **Structure**
- **Systems**
- **Culture**

Ownership

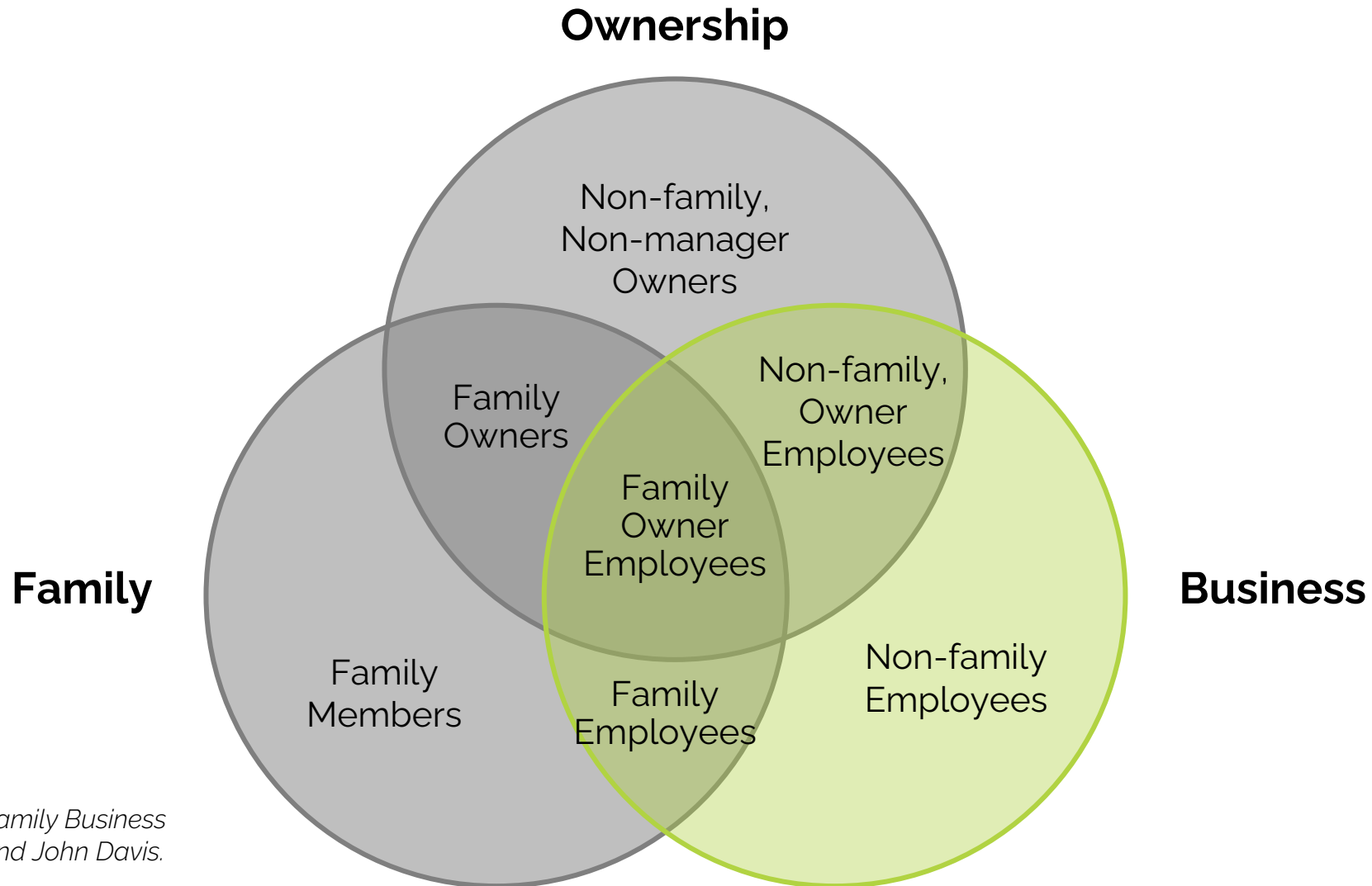


"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Ownership

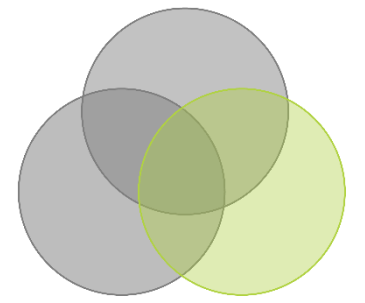


- **Governance**
- **Strategy**
- **Structure**
- **Systems**
- **Culture**



"Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

Business



- **Governance**
- **Strategy**
- **Structure**
- **Systems**
- **Culture**



Individual





What do I want to transfer to the generations to come?

Some questions

- The first step to opening a family office is to convene a family meeting to address the following strategic questions:

What family values do you want to see preserved?

How will the mission of the family office be defined?

What scope of services will be provided to family members?

What are the assets that the family wants to enhance or preserve?

Which family members are interested in serving in a leadership role?

How will the governance be organized?

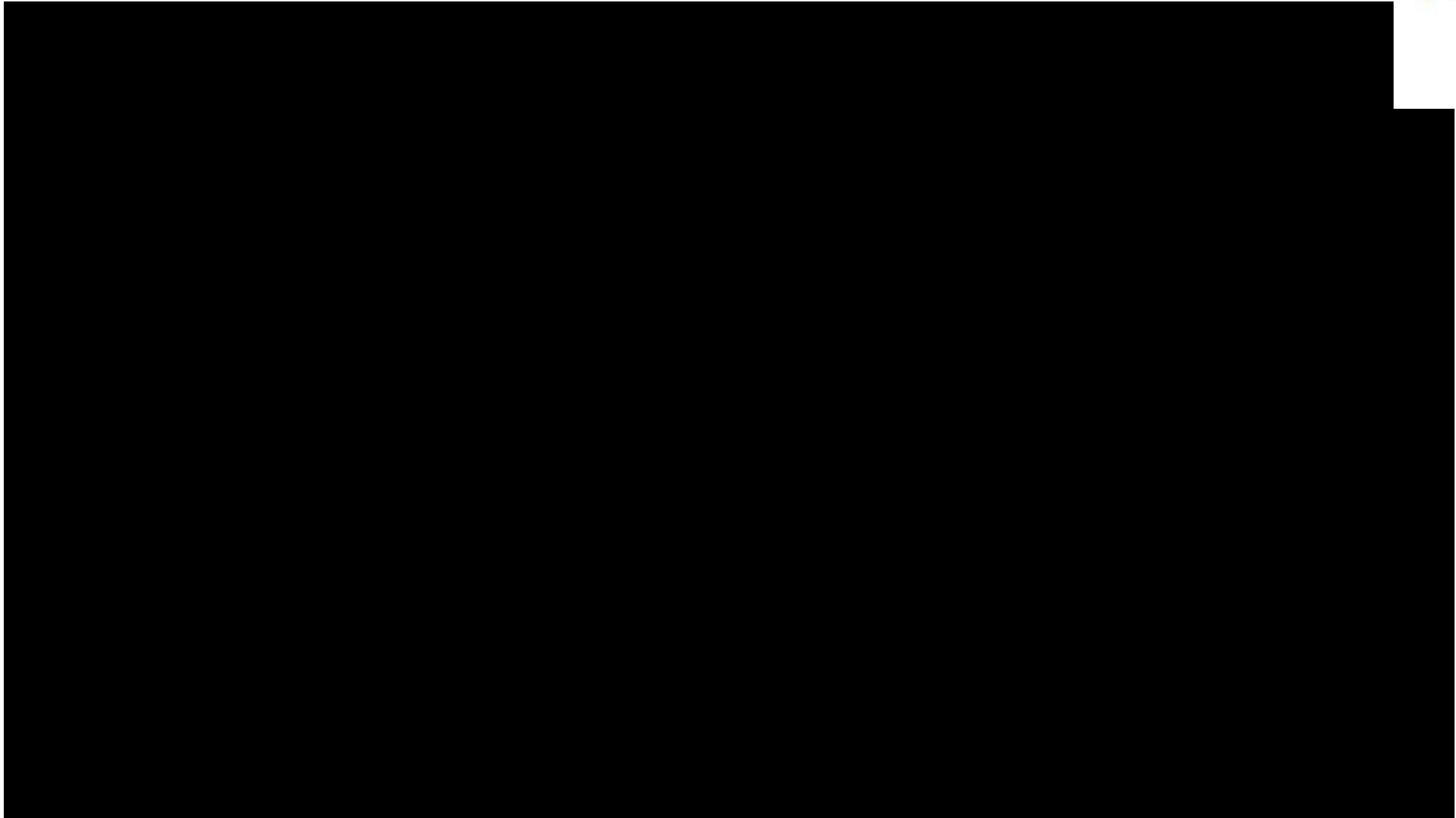
How will the office be owned, organized, managed, and overseen?

How will key functions be accomplished (in-house employees or outside advisors)?

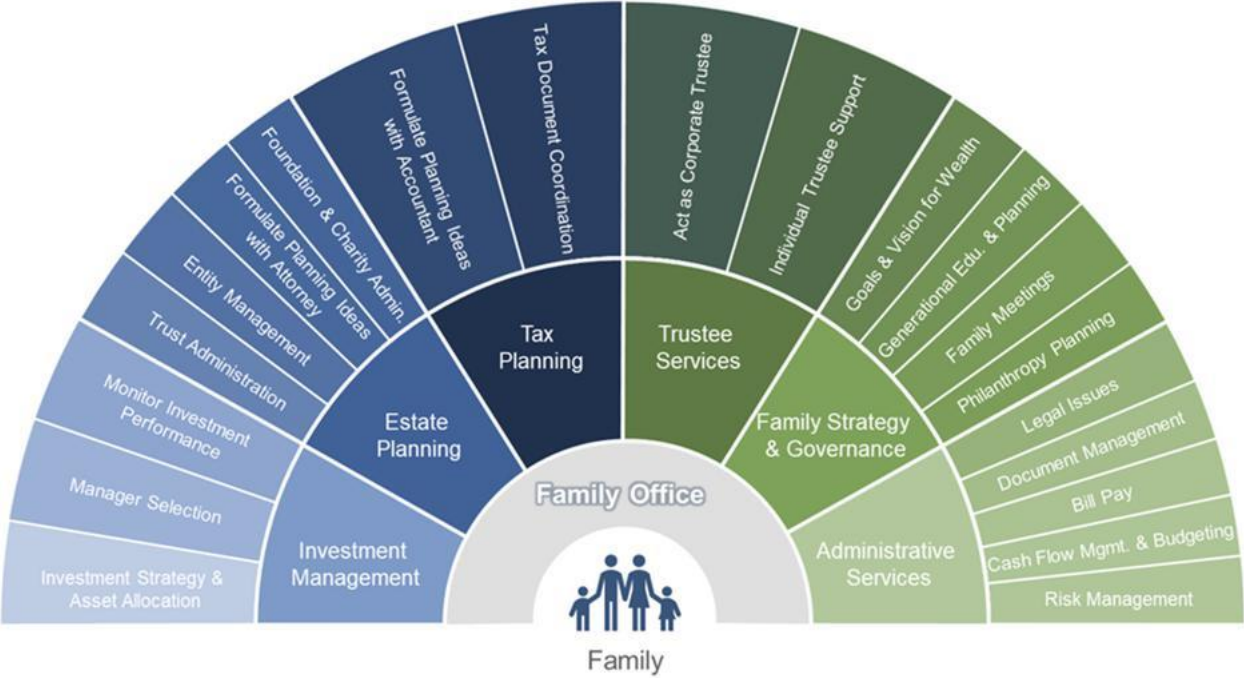
How will the family office services be paid for?



Stewardship



What is a Family Office



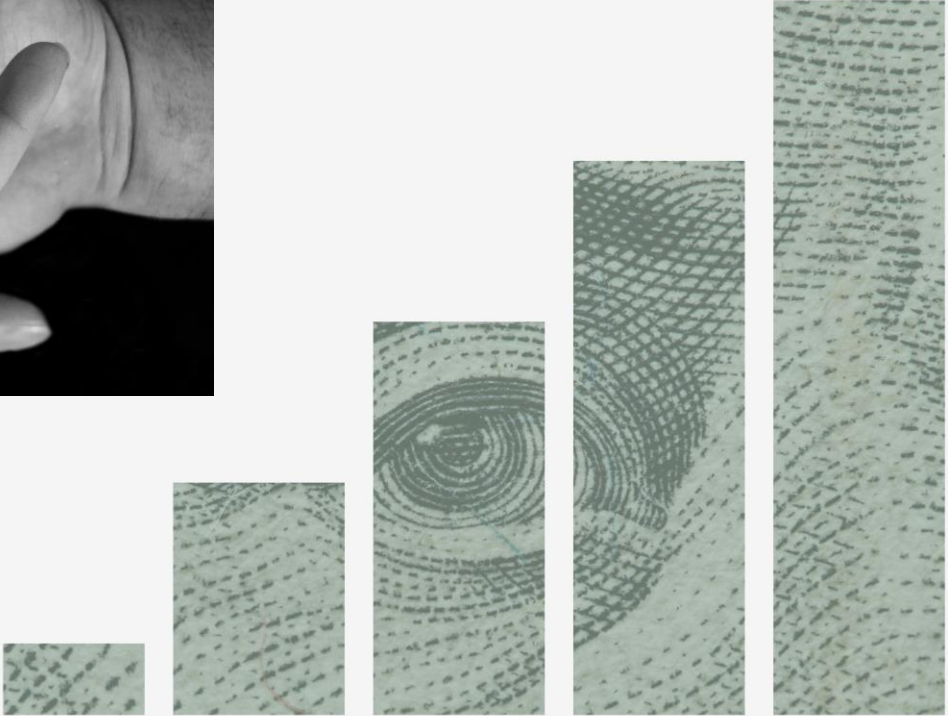
Each
Family
Office
is unique



What's the purpose of our wealth



TIME ▶



Ownership Agreement

Owners must also seek agreement on goals for the wealth that satisfy their interests and secure their commitment, yet are reasonable for management to meet. Four areas for which owners must set goals are:

1. Growth. For example, how fast do the owners want their business to grow, and how large do they want it to become? Do they aim for rapid growth or seek growth at a steadier, more controlled pace? Do they favor revenue growth or profitability growth?
2. Risk. What risks are they willing to take as an ownership group? What strategy presents the most or least risk? What level of risk will be best for the business and the family?
3. Profitability. What level of profitability do the owners desire? What level is acceptable? What is unacceptable?
4. Liquidity. The ownership group needs to give thought to liquidity, that is, how business assets can be converted to cash to fulfill the desires of individual owners who want to redeem their shares and how profits will be used. One of the owners' tasks is to develop a redemption policy, setting forth the conditions under which shares can be redeemed and the process for such redemption. Owners also establish the dividend payout ratio as a guide to the percentage of profit retained in the business and the percentage distributed to shareholders.



Family Office and Family Dynamics

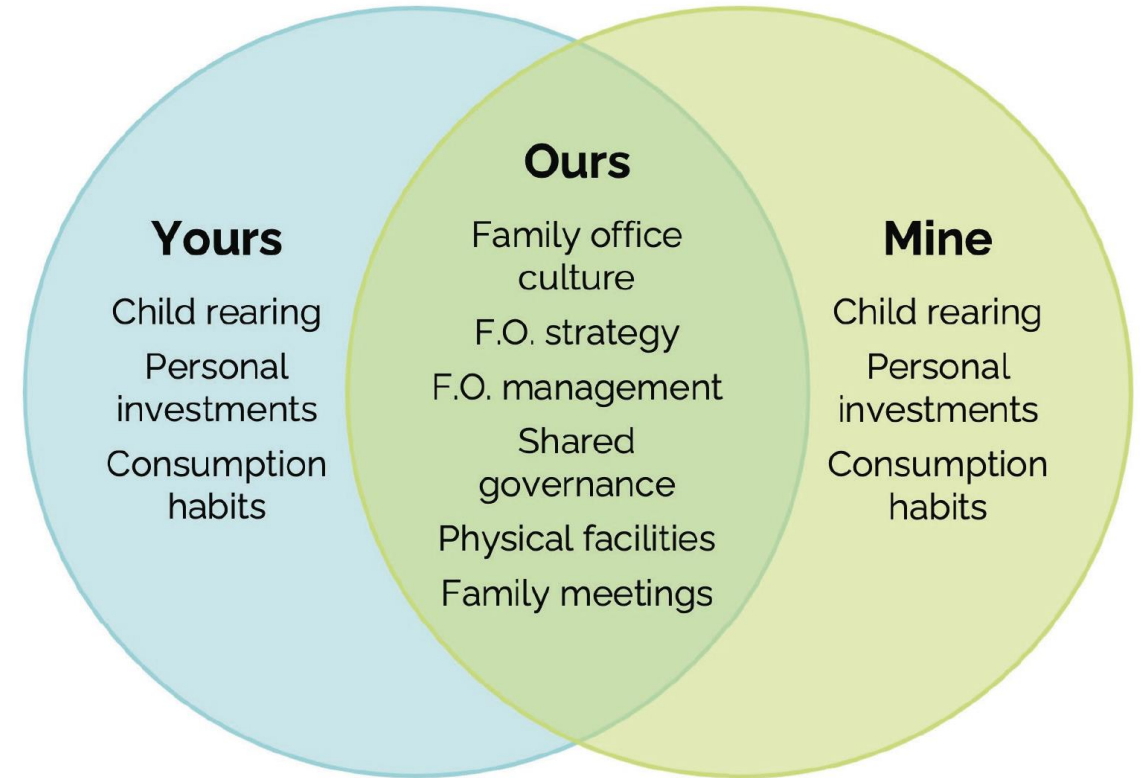
- The Impact of Disruptive Family Dynamics
- It's not difficult to appreciate the potential impact on family office culture of the various family dynamics:
- Family members and non-family managers may be distracted, tense, or resentful because some owners promote decisions that must be informed by an understanding of best practices.
- Non-family managers and family members may feel depleted by excessive demands or "out-of-bounds behavior" and have few options to manage such behavior.
- There is an atmosphere of people "walking on eggshells" because what might have been simple and easily managed family decisions become inflamed by what money represents to the parties involved.

In these and other instances in which family dynamics intrude on family office culture, the potential risks are significant:

- Difficulty retaining high-performing management and staff who may seek greener pastures where they would not have to walk on eggshells due to family conflict or tension.
- It is difficult to hire top-performing non-family managers who would expect best practices to be implemented by an appropriately informed ownership group.
- Exits by family members/owners who become disheartened by the emotional baggage carried by the family office.
- Bad examples for rising generation members who observe their seniors behaving poorly.

Consider What Is “Yours, Mine and Ours”

One simple exercise is engaging the family in a conversation about shared ownership: what is yours, what is mine, and what is ours. This discussion can help emphasize the shared nature of various financial and non-financial assets, clarify appropriate and inappropriate behavior regarding shared assets, and encourage a less self-referenced perspective.



David Lansky, Ph.D. of The Family Business Consulting Group, Inc. ®

Different types of Capital

Capital Ranking



Human Capital

The individuals' potential in an organization or community. It includes professional skills and experiences, as well as the protection of individuals' rights and well-being. Innovations can enhance human capital by fostering development, empowerment, and safety, thereby contributing to the overall success and health of the organization or community.



Financial Capital

The financial resources available to an organization. An innovation might impact financial capital by creating new revenue streams, reducing costs, or offering a significant return on investment.



Intellectual Capital

The value of an organization's collective knowledge, including things like patents, trademarks, business methodologies, and organizational knowledge. An innovation might increase intellectual capital by generating new patents, enhancing methodologies, or contributing to the overall knowledge base.

Different types of Capital

Capital Ranking



Political Capital

The level of influence and goodwill an organization enjoys with external stakeholders, such as government bodies, regulators, or influential groups. An innovation could increase political capital if it aligns the organization with popular causes, demonstrates corporate social responsibility, or fosters relationships with key stakeholders.



Reputational Capital

This is the perceived value of an organization's brand and reputation. An innovation could enhance reputation capital by achieving positive public relations, improving customer satisfaction, or enhancing the organization's brand.



Social Capital

This is the value of an organization's relationships and networks, both internally and externally. An innovation could strengthen social capital by improving relationships with partners, fostering internal collaboration, or extending the organization's network.



Capital Ranking

What's the family capital?

	Score Impact Rate the potential capital impact on a scale of 1–100 100 = maximum impact 1 = minimum impact	Rank Capital Rank the forms of capital that are most important to your organization. 1 = highest, 6 = lowest
Human Capital	/ 100	
Financial Capital	/ 100	
Intellectual Capital	/ 100	
Political Capital	/ 100	
Social Capital	/ 100	

Do we as a family have another source of capital?

Capital Impact Score

Take a moment to reflect on your rankings.

Do they reflect the opportunity to protect or create the form of capital that is most important to your family?
Do they align with your goals and values?

If not, consider not pursuing the innovation opportunity or reevaluate your rankings. Remember, this ranking is a tool to help you think critically about family capital. It's not an exact science but a way to spark conversation and consider where to focus your efforts and resources.

/ 100

Future Capital Impact = total of impact scores divided by six



Common Practices of Successful Enterprising Families

Healthy
Communication



Stakeholder
Alignment



Strong Family
Engagement



Invest in
Human Capital



Good
Governance
Structures



Healthy Communication

- Appropriate transparency (meetings, updates)
 - Nurtures trust & competence
 - Keep healthy boundaries (decision rights & privacy)
- Foster culture of tolerance of different views
 - People need to be & feel heard
 - Diversity of ideas lead to better decisions
- Invest in communication skills
 - Listening, conflict management, articulating views



Stakeholder Alignment

Vision

Collaborative process to co-create



Shared Financial Goals

Skill development to support participation



Values & Culture

Openness to diverse experience and ideas



Non-Financial Priorities

Education and fair process

Three Critical Tasks for Effective Family Business Teams

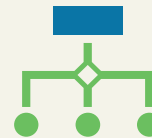
Clarify & Articulate Shared Purpose

- What is the vision
 - Need to be aligned
- What are our goals & expectations



Clearly Define Roles, Process & Expectations

- Who is doing what
 - Clarify deliverables & accountability
- Who reports to whom
 - Make hierarchies explicit



Build Communication & Oversight Structures

- How will everyone stay 'in the loop'
- Governance to bring insights & oversight





Thank You



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Endnotes

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² Roy Williams & Vic Preisser (2010). *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*. Robert Reed Publishers.

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⁴ Cerulli & Associates. "The Great Wealth Transfer." Retrieved from <https://info.cerulli.com/HNW-Transfer-of-Wealth-Cerulli.html>

Three Circle Model Source:

¹ "Three-Circle Model of the Family Business System" by Renato Tagiuri and John Davis.

The key to long-term family enterprise success Source:

¹ EY and Kennesaw State University. "In Harmony – Family Business Cohesion and Profitability." 2017.

