

Educating Family Business Owners: The Fundamental Intervention

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This essay lays out an approach to educating family business owners that builds on the authors' experience as consultants to complex family enterprises for over 30 years. Education is seen as an essential precondition to effective continuity and succession planning. Essentially, it provides awareness, language, direction, and hope—all key ingredients for planned generational change. We conceptualize two interrelated approaches to education: a deductive or "outside-in" approach through which concepts, models, and ideas are used to elevate the owners' understanding of their family enterprises, and an inductive or "inside-out" approach through which owners are encouraged to reflect on their direct experience—i.e., how they are actually doing things—to extract a deeper understanding of their family enterprise and their approach to it. If well-orchestrated, these two types of learning reinforce each other. New experience is followed by reflection, which generates ideas that can be tested through subsequent experience. We provide many examples of how education can facilitate planned change in family enterprises undergoing complex transitions. Education is viewed as an ongoing capacity-building process that ought to be designed strategically so as to continuously anticipate the needs of both the enterprise and the family.

Thomas Jefferson argued stridently that citizens must have a basic understanding of a nation's governance system to participate effectively in it.¹ In the living room of Monticello, his historic home, Jefferson commissioned an arch that represented democracy. The arch's prominent keystone symbolized education, demonstrating his conviction that without an educated citizenry, a democracy would fall apart.

As with the governance of nations, so it is with the microcosm of family enterprises. In the quest for survival and success, there are many things that family enterprises have little or no control over—economic conditions, competitors' actions, illness and aging, and other factors. What is within their control, however, is whether and how they engage in governance.

Will they take an active approach to oversight and managing change, or drift downstream with the currents of habit and opportunity? Like Jefferson, we argue that a choice to manage change actively must include a commitment to capacity-building through education. Education is the antidote to abdication of control.

Our experience² suggests that family business continuity is often compromised because families venture into complex transitions without understanding much about the situation they have gotten themselves into. We are constantly surprised by how much value even a few generic concepts about family enterprise can add in facilitating any transition.

¹ See for example Sanchez, R. 1973. Jefferson: The founder of the ideology of democratic education. *Journal of Education*, 155: 45–55.

² We have focused on family enterprise continuity as researchers, teachers, and consultants for over 30 years. Our firm has advised hundreds of business families from around the world, including the United States and Canada, Latin America, Europe, Asia, and the Middle East.

There are at least three essential reasons why education is so critical: First, it raises awareness of the fundamental issues and, with increased awareness comes a deeper understanding of the risks of inaction. By enhancing the informed perception of risk, education mobilizes the adrenaline necessary to break through the denial and procrastination that so frequently paralyze the leaders of business families. For example, sharing the information about the odds of continuity invariably captures the attention of clients and enhances their respect for the challenge they face. It not only "defines the mountain," but also enhances readiness for the climb. As family members realize that change is *inevitable* and that eventually decisions about the future of any family enterprise will be made by *somebody*, they can more easily come to terms with the fact that their only real option is whether they want to *manage* the process.

"Education is the antidote to abdication of control."

Second, education provides a language with which family owners can frame their reality and problem-solve collectively. Essential to every continuity plan is a nomenclature that allows key stakeholders to define the challenges they face and negotiate the potential solutions. Introducing terms and phrases such as "stewardship," "letting-go and taking charge," "continuity and succession planning," "shareholders' assembly," "independent board," "family council," "entry and exit policies," "dividend policy," or "buy-sell agreements" into the vocabulary of a family enterprise allows its leaders to confront the morass of continuity issues facing a given system and deconstruct them into manageable parts. Education can provide the essential cognitive tools that catalyze the collaborative effort of complex change: definitions, rules for engagement, priorities and timetables for discussion, and a common set of articulated models and options that organize that discussion.

Third, education also provides hope by presenting unrealized possibilities that may be within a given family's reach. The governance, leadership, management, financial, and interpersonal challenges of continuity planning can feel overwhelming to families. Education is a powerful vehicle for responding to anxiety and priming the dreams and aspirations of business families, by serving to depict both a possible destination as well as a path toward it. This is

particularly so when education has built into it the opportunity for family business owners to benchmark with other families that are farther along in their development. More important, by tapping a given family's curiosity and by fostering the acquisition of skills, education can enhance their sense of mastery and self-efficacy, which is so necessary for tackling a change process where the psychological and economic stakes could not be higher.

We depict some of the ways in which educational interventions can be used to mobilize effective action in owning families undergoing complex transitions that require not only the transfer of leadership and authority from one generation to the next, but often a reconfiguration of the ownership structure or the design of a new governance architecture that responds to the evolution of the owning family's priorities, values, and needs.

WHAT IS EDUCATION?

Education is the vehicle of learning—the process of increasing information, knowledge, and comprehension. The word "education" is rooted in the Latin "e" and "ducere," which together mean to "bring forth." Therefore, the core of education is about creating the conditions necessary to engage the potentialities *in the learner*. Education is fundamentally about investing in the family enterprise's human capital and building capacity to navigate the challenges and opportunities that lie ahead.

In analyzing educational efforts, we need to draw a distinction between "deductive" and "inductive" learning (see Table 1 for a glossary of family business terms). *Deductive learning* relates to the classic, didactic form of education, involving formal training (e.g., theories and conceptual models about family enterprise imparted through classroom education, workshops, case discussions, and readings). *Inductive learning* places the emphasis on direct experience and reflection. When discussing education, people typically think of deductive education—the one-way process of "educators" conveying content to students. But the process of education is as much about stimulating people's innate curiosity and their need to make sense of their circumstances as it is about imparting information or concepts to them.

In the context of family enterprise, outside-in (deductive) learning means, for instance, business owners hearing a lecture or reading about an idea such as the "three-circle" model of family enterprise,

TABLE 1
Glossary of Family Business Terms

Cousins Consortium:	A family enterprise where the stock is owned by a group of cousins. Typically, although not always, these are the grandchildren or the later generation descendants of the founding entrepreneur. Often a few cousins hold governance and/or management roles, while the rest participate as shareholders through a yearly Assembly.
Dream Work:	The process through which the owners of the enterprise articulate and align their aspirations for themselves, their family, and their enterprise. It is an essential precursor to governance design and continuity planning in family enterprises (see Lansberg, 1999).
Employment Policy:	A policy that specifies the conditions under which members of the owning family can work in the family enterprise, as well as the reasons why their direct involvement with the business is desirable (or not). Typically, these policies include such requirements as a college education or a graduate degree in a relevant field, two or more years of external work experience, and market criteria for defining the jobs and compensation of family members if and when they join the business (see Lansberg, 1999).
Family Assembly:	A forum that typically includes all family shareholders, their adult children, and often (although not always) their spouses. The Family Assembly facilitates education and structured discussion of all the family's shared interests and activities including the family itself, its evolving developmental and financial needs, as well as its economics, its business assets, and its philanthropy. Not to be confused with a Shareholder's Assembly , which is solely for stock owners and which focuses exclusively on ownership matters such as growth, risk, debt, liquidity and time horizon for returns on equity invested. Many large Consortiums have both Family and Shareholder Assemblies. In systems with smaller shareholder groups, the two can be combined as long as the agendas for each are kept separate.
Family Council:	A working group serving at the discretion of the family as a whole to manage activities that provide continuity in family values, identity, education, and socialization; also to give guidance to the family owners and directors regarding the family's needs and interests in policies of the enterprise. The council serves as an executive committee of the Family Assembly between meetings and oversees and coordinates the work of the committees (see Lansberg, 1999).
Family Constitution:	A document that summarizes the family's mission, its fundamental values, the functions and responsibilities of each governance body (e.g., Board, Family Council, Family Office) and each policy (e.g., employment, conflict of interest, dividend, retirement) that the family owners have adopted to regulate their relationships with each other, their business, their philanthropy, and their collectively owned assets.
Family Foundation:	A philanthropic entity (with nonprofit legal status e.g., 501C3 in the U.S.) that serves both governance and grant-making functions. On the governance front, works with broader family to articulate shared philanthropic values, priorities, and goals. Also coordinates, administers, and oversees grant making reflective of family's priorities and has fiduciary responsibilities for the management of a philanthropic endowment fund—typically managed by the Family Office. Family foundations have their own boards that are responsible for legal and tax compliance.
Family Office:	An investment and administrative center that supports the family governance structure. Manages liquid assets not invested in operating companies and often serves to provide financial independence to shareholders. Also oversees the family's estate and tax planning, coordinates insurance needs, as well as banking, accounting, and bookkeeping functions. Some family offices also provide "concierge" services for shareholders and their families. Family offices are typically staffed by professionals and are paid for by dividends from operating businesses and/or investment portfolios. (Many have independent legal status, e.g., LLC and have their own boards.)
Independent Board:	Board with at least three independent directors who are neither members of the owning family nor managers in the business (see Ward, 1987).
Multifamily Office:	Family office that serves the investment and family governance needs of several independent families.
Shareholder's Assembly:	Solely for stock owners and focuses exclusively on ownership matters such as growth, risk, debt, liquidity and time horizon for returns on equity invested. Many large Consortiums have both Family and a Shareholder assemblies. In systems with smaller shareholder groups, the two assemblies can be combined, as long as the agendas for each are kept separate.
Sibling Partnership:	A family enterprise in which the stock of the company is owned more or less equally among a group of siblings. Typically, although not always, comprised of the sons and/or daughters of the founding entrepreneur. Depending on the company, the siblings may hold governance and/or management roles.
The Three-Circle Model:	A conceptual framework that depicts family enterprises as composed of three interrelated subsystems: the ownership, the family, and the business. The model has been elaborated to include a developmental perspective to the evolution of each subsystem through predictable stages (see Gersick et al. 1997).

and then applying the concept to understand their experience and organize themselves (Gersick et al., 1997; Lansberg, 1999). Deductive education also takes place when family business owners learn as much as possible about a particular governance structure, such as an independent board or a family council, and then move to implement the concept in their systems. In contrast, those who

take an inductive approach may say, "Let's set up a family council and learn to use it as we go," or may create an internship program and then aggregate the learning from all the next-generation members into a development agenda for future leadership.

If well-orchestrated, these two types of learning reinforce each other. New experience is followed by

reflection, which generates ideas that can be tested through subsequent experience. Thus, deductive learning without experience and exploration can be demotivating and disconnected from the experience of felt needs. Similarly, inductive learning without a foundation of concepts and ample opportunity to relate individual experience to theories and models won't necessarily lead to enhanced capacity. Inductive learning depends squarely on having the space to reflect and generalize. Without that capacity, experience is just experience—it is not learning.

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The challenge to family enterprises and their advisors is to design the right mix of educational formats to exploit both deductive and inductive learning modes. Inductive and deductive learning form part of a mutually reinforcing cycle that can start either with a direct experience on which we reflect to extract a conceptual idea (or a “hypothesis”) or, with a conceptual idea (or “hypothesis”), which we test to derive an experience (or a “result”).

Outside-In Education

The key elements of deductive learning include determining sources of new ideas, understanding the best way to learn from these sources, and, equally important, connecting them to the particular circumstances of a given family enterprise. Well-established options for importing ideas in this way include:

- Books and reading materials
- Formal education through established institutions (e.g., executive programs at institutions such as Kellogg, Harvard, IMD, INSEAD, LBS)
- Conferences in which business owners and their families are exposed to experts on particular topics (e.g., Family Business Network, Family Firm Institute, Campden, Loedstar, the Canadian Association of Family Enterprises, The Young Presidents Organization, and Family Business Australia—to mention a few)
- E-learning: Family websites, electronic newsletters (like the on-line or blended-learning courses offered by the Business Families Foundation and the Family Firm Institute's GEN program)

- Executive Development networks in which business owners are exposed to a myriad of speakers and professional advisors (e.g., Conference Board, Young Presidents Organization, Family Office Exchange, Council on Foundations)
- Customized in-house workshops (using external and internal resources)

In our consulting work, we have found it extremely useful to recommend that the leaders of clients' families attend a comprehensive executive program on family enterprise governance. Once they are exposed to some of the fundamental conceptual frameworks about governance and understand the challenges and opportunities associated with continuity, the potential impact of our advisory relationship is greatly enhanced.

Some large families establish an in-house “Academy” and develop a customized curriculum for their family members, taking into account the developmental stages of different subgroups of the family, as well as their current and future roles. (See Table 2 for a sample list of topics frequently associated with such a curriculum.)

An Academy is typically coordinated through an education committee that reports to a Family Council. The education committee's fundamental job is to think strategically, anticipate the evolving needs of the family owners, and oversee the delivery of appropriate content. The education committee can also engage executives and board members (including independent directors) in periodic workshops to help the owners understand the issues facing the company and, most important, to help clarify how each role can add value to the family enterprise. Moreover, education offers a wonderful opportunity to bridge the divide between owners and managers, enhancing trust and lowering the agency costs that plague these relationships. It is the oil that lubricates the machinery of governance that, if thoughtfully applied, can become an important competitive advantage for family companies.

In our consulting work, we often conduct educational workshops on particular topics before clients engage in specific governance tasks. For example, as part of developing a family employment policy for a Cousin Consortium client, we conducted a workshop on the topic in order for everyone (parents, offspring, and executives) to understand the fundamental issues and get a broader exposure to what other families have done to regulate the entry of family members into management roles.

TABLE 2
Sample Content Module Description

Introduction to family enterprise:	This module is intended for audiences that have not had much exposure to some of the fundamental concepts of family enterprise, such as the three-circle model (of family, business, and ownership); the evolution of family and ownership across generations, and basic introduction to governance.
Introduction to complex governance:	A general introduction to the fundamental governance issues any informed shareholder of a family enterprise needs to understand. Module addresses a wide array of topics, such as the fundamental difference between governance and management; answers the questions "Why do owners deserve a dividend in the first place? What are commonly used governance structures? What are best governance practices used in the world's most successful family enterprises? What policies do their shareholders adopt?"
What do owners want?	Module focuses on how business families go about the complicated process of articulating their vision for the future. How to align the various interests of a large and diverse group of shareholders in a coherent direction that can provide a context for strategy and future governance design.
What are our values?	How do business families articulate their fundamental values and use them to guide the culture of the businesses they own? Module examines values as an integral element in complex governance and provides a step-by-step guide on how to build a values-driven culture of the family enterprise.
What do boards do?	An effective, well-designed board of directors is the single most useful tool family companies have to ensure continuity. What makes an effective board? What is the optimal size and composition? What are the essential roles? What are the responsibilities of the chairman? What ought to be the structure of the board committees? What is the relationship between the chairman and the CEO? What responsibilities does the board have "upwardly" toward the family shareholders and "downwardly" toward the management? What are the essential qualities of independent directors? How does a board deal with the owning family's values and integrate them into the strategic decision making? How does the holding board relate to the boards of operating companies? Module addresses these topics and many others relating to the performance of boards of directors.
Succession planning:	The term "succession" is used repeatedly in the field of family enterprise and has begun to lose its meaning. Module describes in detail the specific steps necessary for an effective succession plan with the purpose of offering participants a detailed overview of the process, including developing a strategic plan; defining the leadership needs of the enterprise and the family; defining a leadership profile; developing an assessment and selection process; making the choice and announcing it to the key stakeholders.
Letting-go:	This module is designed to sensitize senior leaders to the challenges associated with turning over control of the enterprise to a new generation. Examines the fundamental question, "If planning for succession is such an obviously important leadership responsibility, why is it so uncommon for leaders to plan their exit?"
Establishing your credibility as an aspiring leader:	Module examines the particular challenges that aspiring family enterprise leaders face. The basic thesis is that aspiring leaders must develop both business as well as family skills to be successful. We focus on the particular ways that family business leaders are tested and how they go about responding effectively to the challenges they face; how they earn the trust of managers and shareholders.
Employment policies:	Many business families adopt employment policies to regulate the entry and exit of family members from the enterprise; however, many families fail to implement these policies effectively. Module examines the conditions under which employment policies work effectively. How to best develop employment policies; how to educate shareholders about the need to have them; how to distinguish better and worse policies; how to monitor the ongoing implementation of a policy; how to recruit the involvement of trusted nonfamily managers to oversee and support a policy.
To work in the family business: How to decide?	Module is designed to assist next-generation members to think about the choice of working for the family business: What information to gather; how to properly interpret the entry requirements; how to think about your career; how to think about the timing.
Understanding inherited wealth:	Module examines challenges and opportunities associated with inheriting significant wealth: how wealth affects individual and family motivation; how members of business families embrace a sense of stewardship over the legacy that is passed on from one generation to the next; how to raise wealthy children that can lead meaningful productive lives that are also self-determined.

The great advantage of university-based education is the tremendous range of topics, the exposure to excellent academic resources, and the introduction to a peer group of fellow participants from a variety of backgrounds. The advantage of in-house education is, of course, customization. "We want them not just to learn about marketing," an older generation member said to us, "but to learn marketing the way we do it here."

Segmenting the key constituencies—for instance, the family members at different stages in their development, the in-laws, those who aspire to have

careers in the enterprise, and those who have external careers but wish to participate in governance roles—is a critical first step toward designing an effective educational curriculum.

Inside-Out Education

In contrast to outside-in education, this form of learning is inductive, using real-life experiences as the vehicle for furthering understanding and mastery. An inductive approach provides learners both experience and the space to reflect on that

experience, in order to extract generalizable, testable ideas. Similar to the experiential learning approaches conceptualized by Dewey (1938) and Kolb (1984), the process goes from experience to reflection to learning. Some family enterprises may adopt an employment policy (see glossary in Table 1) or experiment with a family council to see how they can apply these ideas in their system. However, if done without simultaneously strengthening the owner's capacity for reflection and deliberate course correction along the way, the experience won't necessarily lead to learning. Again, inductive learning depends squarely on having the ability, the language, the methodology, and the space to extract learning from experience.

Family business owners (and entrepreneurs more generally) are often caught in the frantic momentum of their lives. The act of pausing to inquire, "*what did we learn from that experience?*" requires a level of contemplative discipline that does not come naturally to individuals immersed in entrepreneurial familial cultures, which place a much higher premium on "action" than on "reflection." Moreover, when the process of inquiry takes place in the context of a business family, individuals must learn to communicate their perspectives from a given experience across roles, generational, and branch boundaries to arrive at an understanding that is truly shared. To us, reflective capacity means the ability of a family to gain shared insight from a stream of common experience that enhances *both* their ability to collaborate effectively with each other *and* their efficacy as owners of an enterprise.

One of the families we know harnessed an inductive learning approach as part of an important experiment. Their enterprise was far too large and complex to involve the next generation (who were predominantly in their early twenties) in its governance without extensive preparation. As a first foray into interdependent decision making they decided to set up a Next-Generation Committee to oversee a set of lakeside legacy properties the family owned and cared about deeply. The fundamental idea was to give later-generation members a chance to work on the governance of the lake properties before tackling similar challenges in the business. The Next-Generation Committee was given the responsibility to suggest a governance process to (1) select a method to choose representatives with certain skill sets who would make decisions on behalf of the family regarding the properties, (2) work with the lawyers to redesign the ownership structure of the properties in light of inheritance taxes, (3) develop

a budget for the properties and track expenses, (4) select appropriate insurance coverage, (5) oversee the maintenance and household staff, and (6) establish norms to regulate the family's usage of the lake properties during summer vacations and holidays. Although, at first, the experiment felt like a sideshow to the more significant governance and strategic issues facing the larger enterprise, over time it evolved into a very useful training ground for acquiring fundamental collaborative governance skills. Almost 15 years later, some next-generation members who cut their teeth on the lake properties "experiment" and are now serving as directors in the board of the holding company flash back to the many useful lessons on governance and family collaboration they learned through the experience.³

What makes this an example of inductive education is the care the family took to learn from the experience, not just succeed at it. Critical to the learning was the adoption of a ritual—borrowed from total quality circle methodology—that the family referred to as "plus-deltas." At the end of every lake properties committee meeting, every member would write down three things they liked about the meeting and the way the committee was working (the "pluses") and three things they would like to change (the "deltas") to improve their performance. Then individuals would discuss their items, paying particular attention to any changes the group needed to make to function more effectively. The "plus-delta" ritual became a regular feature of the committee meetings and forced precisely the kind of reflection that inductive learning requires to be useful.

The chairman of a European company faced with an organizational dilemma adopted another innovative example of inductive education—what he referred to as "the Development Lab." Eager to groom the next generation as a first step in the succession-planning process, the chairman wanted to expose the three very competent cousins working in the company to the kind of strategic issues and choices that it needed to address in the near future (including a complex recalibration of the business portfolio through acquisitions and divestiture). The cousins, however, were working two levels below

³ A similar educational concept has also been successfully used by many families in the context of philanthropy and investment. Whereby a "next-generation philanthropic fund" in the foundation, or "junior investment fund" at the family office, is established to give younger members an opportunity to experience the joys and responsibilities of collective giving or investing before they enter more senior governance roles where the stakes increase significantly.

the CEO and were not yet sufficiently senior to be formally invited to the executive committee or to the board of the holding company. To complicate matters further, the holding company is publicly traded and subject to regulations that further limited the cousins' access to formal governance roles. The chairman hit upon the idea of establishing an "extramural" committee outside the formal hierarchy of the business, which would include the three cousins, the CEO, and an independent director, and himself. Care was taken to formalize a stern confidentiality agreement, and explicit norms were set to ensure that the cousins would refrain from using or communicating any information they gained about the business that their respective bosses did not yet have. The Development Lab has been running for 4 years and has served as the vehicle through which the cousins in management have learned about how fundamental strategic choices facing a complex enterprise are made. The chairman brings real-time issues that he and his executive committee are currently facing, and asks the cousins (all of whom have MBAs from prominent institutions—the deductive component of their education) for their opinions and perspectives. The Lab has also given the chairman and the CEO a wonderful opportunity to see the cousins in action. For the chairman, the CEO, and the independent directors, the Lab has offered an extremely useful vehicle to mentor and coach the next generation of leaders: It allows them to explicitly discuss how the family's vision and values are brought to bear on strategic deliberations—something that is much harder to do in the context of the executive committee and the board. Integral to this effort has been the habit of protecting time at the end of every meeting to reflect on how the "Development Lab" is working as a group. They discuss what's going well and what needs to be improved. Is the group moving forward on its developmental agenda? Are the cousins gaining deeper insight into the dilemmas and challenges associated with the stewardship of a complex family enterprise? Since the committee was established, all three cousins have been promoted and are now reporting directly to the CEO.

Inductive education can take place through a variety of different methods, including carefully designed internships and mentoring programs, or task forces designed to work on particular governance issues facing the system (such as the need to develop a family constitution, or an employment policy). Opportunities for inductive learning can also be incorporated into a family "Academy" curriculum. As

Table 2 shows, there are many ways in which a family can come together to reflect on its experience.

Combining Deductive and Inductive Learning

Realizing that they needed help in imagining their future, a family we know orchestrated an educational effort that combined both deductive and inductive elements. First they compiled and read a set of articles, cases, and texts about the challenges and opportunities associated with both continuity and divestiture, as well as on the management of generational transitions. Then they organized a series of day-long "visioning meetings" over a 6-month period, involving all members of the family and a series of guests from other families. The meetings were essentially benchmarking opportunities in which carefully selected families, chosen specifically because they had effectively implemented different continuity (or, in some cases, *discontinuity*) scenarios for their enterprises, were invited to share their story. The first meeting was about *selling* (or, as they called it, "harvesting") the family's operating business and staying together after the sale through a family office. For this meeting they recruited two families to present—one that had sold the family company and built a top-of-the-line family office with a full-time professional staff, and another that had sold the operating business but then joined a multifamily family office that provided customized advisory, investment, and "concierge" services to each family member and to members of other unrelated families. In the second meeting, they invited a family that had sold its operating business and divided the proceeds among the relatives, but kept their family foundation as the primary institution which they would govern and manage together. For the third meeting, they invited a family completely committed to continuing the enterprise with family involvement in both governance and management roles (they referred to this as the "fully loaded" continuity option). For the fourth and final meeting, they brought in a family that, while extremely committed to continuity, had very successfully operated their business for over 70 years strictly limiting the family's involvement to governance roles and delegating management responsibilities entirely to highly skilled nonfamily professional executives.

In each case, the visitors were given a detailed outline in advance of the family's key questions. Family members were particularly curious about why the visitors opted for the scenario they did, how they investigated the advantages and drawbacks

associated with it, and the process by which they made their ultimate choice. At the end of every meeting, once the visitors departed, the family would divide itself into small discussion groups comprised of mixed generations and branches to have an in-depth conversation about what they had learned from their visitors. The visioning taskforce they had organized to lead them through the process would gather the various opinions and summarize them on the family intranet site.

Throughout the 6-month exercise, the family was blending inductive and deductive learning—framing questions based on models of family enterprise and extracting ideas from the experience of the visitors that would, in turn, inform their emergent model for the future. By the end of these meetings, family members had a much deeper understanding of possible future scenarios, and their ability to visualize alternatives and establish their own preferences was greatly enhanced. The ultimate choice proved easy to make, and was endorsed by the entire family.

Maintaining a *balance* between deductive and inductive approaches is important. We've seen many instances of families relying disproportionately on one method over the other. It's particularly easy to lean on outside-in approaches, as these are simpler to find or create. There are families eager to glean ideas from others; they attend family business workshops, hire experts to hear their ideas and recommendations, and read all the latest books and articles on family enterprise functioning. While these are all useful learning mechanisms, such families also need to focus more internally, to understand how they're doing things themselves and what makes the most sense for them in their current circumstances given their specific values, vision and goals; demographics; and the blend of strengths and weaknesses of that are particular to their group.

Sometimes valuing both deductive and inductive education runs counter to the family culture. For example, while working with a sibling-partnership, we were asked to design interventions to help the owning family clarify their aspirations and goals for the future. The founder had been a strong and charismatic entrepreneur, consistently challenging his sons and daughters to justify their opinions with research, experience, or advice from respected experts. In keeping with this culture, the siblings repeatedly fended off our suggestions of visioning exercises, brainstorming on priority setting, interviews, explorations of options, and all of the parts of "Dream work" (Lansberg, 1999; see glossary in Table 1) that we use in our consultation projects about continuity

and succession. All they wanted was information about best practices, and for us to tell them what the field had to say about planning, design, and governance. It took a lot of effort to convince them to look inside as well as outside—to spend time understanding who they were, alongside hearing what someone else felt they needed to know.

Similarly, when certain governance topics in family business become very "fashionable," it can result in over focus on these tools—such as when family constitutions (see glossary in Table 1) became *en vogue* in the EU in the nineties, and many clients wanted one as quickly as possible. Many families found lawyers and consultants who drafted boilerplate documents that were then shelved and rarely referenced (with overnight "specialties" in constitution-related services; one law firm even promoted an easy-to-fill-out family constitution template!). This was an instance of erring too far on the outside-in dimension, resulting in overlooking the inside-out process of genuine heartfelt dialog needed to forge an effective agreement that the owners will abide by in a sustainable manner—precisely because they worked through it.

Families can also err on the other side of balance: rejecting outside expertise completely in favor of focusing exclusively on their own experience. Some families come to believe wrongly that their situation is so unique, or their capabilities so cutting-edge, that they have little to learn from the experience of others. When presented with case examples of other solutions to their complex dilemmas, or with the aggregated findings from broad data analyses, they respond with dismissive explanations of the many factors that make the situations not comparable. Sometimes the leadership worries that the extended family would interpret adopting solutions generated outside as a critique of their internal capacities. In other cases, we need to use all the trust we have generated to convince a core group to attend an excellent executive education program, even suggesting that the experience might reconfirm that there are no new ideas out there, but would give the family representatives an opportunity to generously share their knowledge with a group of peers. The first time we suggested such an effort, we were truly worried it would be a failure, leading to even stronger conceptual isolation. But the opposite happened: The attendees were delighted and captivated by the group, and converted into dedicated "benchmarks."

As a result of our own learning about intervention design over the years, we now emphasize the importance of balancing deductive and inductive means of learning in our university programs and as

consultants. In designing private academies, in helping client families create next-generation development guidelines, and long-term governance problem solving, as well as when we are creating curricula for executive education programs, we always include a mix of didactic lectures (with plenty of audience participation) and breakout groups where participants share and learn from more hands-on experience. In either type of learning, much of the early challenge is creating a climate of trust where the open communication required for productive conversations and interactions can happen. Then, in keeping with the second goal discussed above, gaining a shared nomenclature for approaching governance and continuity issues levels the playing field among generations and constituents. Finally, gradually building the family's sense of self-efficacy, helping them track their progress, providing timely feedback, and reminding them on occasion of where they were and how far they've progressed, all reinforce the confidence needed for them to engage proactively and hopefully with the process of change (see Table 3 for a sample of "inductive" experiential workshops).

MANAGING CHALLENGES ALONG THE WAY

It is not controversial to conclude that education in one or more forms—finding and disseminating relevant data, governance skill building, leadership development, process and group dynamics training—can add value to the planning and advising process with family enterprises. But implementation can be complicated. Families promoting education and understanding will inevitably face several challenges and dilemmas. Below we explore some of these and offer preliminary guidance on how to approach them.

The Success Trap

That some highly successful business families tend to be quite ambivalent about education in general is a paradox. On one hand, they have tremendous intellectual curiosity and are hungry to learn; in their businesses, that keeps them constantly on the lookout for ideas and opportunities. On the other hand, they can be skeptical about both inductive and deductive learning. They are often disdainful of academic efforts. While they love it when their children secure admission to the best universities and business schools, they worry that the next generation might become "too theoretical," without enough focus on the pragmatics of running an

enterprise. This can lead to a mistrust of educational efforts, especially external ones, and an over-emphasis on internal sources of knowledge (such as learning only from the previous generation).

Ambivalence about education can also arise from the family's exaggerated sense of specialness, as discussed earlier. When a family believes that they have nothing to learn from any outside source, success may prevent them from gaining a healthy level of openness and humility, trapping them into resisting valuable outside input. Some kind of trigger may unleash the internal pressure that makes them more open to learning from broader sources (sadly, the most common triggers are a health issue or economic decline). A more gentle approach for opening the door a crack is for one or a few family members to be exposed to, and impressed by, a new resource. Attending an executive education program or a vendor-sponsored next-generation event, reading a compelling book recommended by a friend, or the strong advice of an independent director or a trusted financial professional to meet with more experienced peer families can be enough of a start. Then the "scouts" can make the case for the family to invest more in educating themselves.

Education As an Afterthought

In many enterprises, education is seen as "noncore" to operations, and thus, as a lower priority than more traditional elements of running a business. This can especially be the case for nonfamily managers when they are asked to participate in educational components—running some element of an education curriculum, mentoring rising family members in management, or meeting periodically with family members who are not in the company to keep them informed about business performance. These responsibilities, often part of a development or continuity-planning project as designed by family leaders and advisors, can be seen by the executives as distracting, unnecessary, or threatening to their control of information and, consequently, to their control of decision making. It is paramount to make knowledge sharing an integral part of people's job description, in formal and informal settings. Owners should convey to key executives that participation in education is an important part of what's expected, and that such activities should not be treated as distractions from "real work." In fact, being tapped to impart knowledge to owners through workshops and other means should be viewed as a special privilege; owners would only ask those managers they trust and

TABLE 3
Sample Experiential Module Description

Bench-marking visits with other family companies:	Using the family's network of relationships, opportunities are developed to visit with other prominent families that are developmentally ahead to discuss governance and continuity issues.
Bench-marking with seniors in other business families:	Family members faced with the challenges associated with turning over control of leadership roles meet with senior members from other families that have successfully experienced a generational transition. Addresses such questions as "How did they deal with the transfer of authority? How did they reconfigure their personal and work lives after serving in the company? How did they go about supporting the next generation?"
To work in the family business or not? How to decide?	Module brings together family members that have chosen to have careers in the management of the family company and family members who have chosen to have external careers to discuss their choices with younger members of the family who are still unsure of what path they want to take.
Personal skill-building sessions:	These modules focus on practical skills building on topics such as public speaking; creativity; decision making; interviewing skills, etc.
Visits to group companies:	Structured visits to the family company for younger members of the family to experience directly the kinds of products and services the family company provides. Family members hear from carefully selected senior executives who describe their work and careers. Also include visits to factories and manufacturing facilities.
Team-building opportunities:	Modules include experiential opportunities to enhance collaboration and communication among family shareholders and can include "outward-bound" type experiences, group problem-solving simulations, and conflict management workshops.

respect most to be part of this important activity. The managers' direct involvement with these kinds of educational initiatives offers them a wonderful opportunity to shape the owners' views of the enterprise and understand how owners and managers can collaborate effectively and, in so doing, add value to the business. It also exposes the owners to the leadership skills and knowhow of their senior managers bring.

TENSION BETWEEN NEW AND OLD

In families and their enterprises, as in nations, education is the great leveler—a challenge to embedded hierarchies and the door-opener to a system of authority based on merit rather than entitlement. Championing education—easy enough in theory—presents families with a true dilemma in practice: that is, how to respond to the newly educated. In particular, families seeking to raise awareness of the need for education will likely raise something else, as well: tension between the accumulated learning already in the system—often embodied by the older generations' wisdom, culture, and practices—and new approaches and ideas. The organization needs to find a way to honor the successful practices of the past while promoting awareness of future needs. Not surprisingly, every business family takes a certain degree of pride in the particular innovations they've created around their strategy and operations. As time goes on, they naturally struggle with what to shed and what to keep. For example, we have worked with a successful founder who was vehemently opposed to the notion that one should give people goals. He believed that setting specific objectives caused

employees to focus on meeting a specific target, rather than pushing themselves to achieve all they could. "If you keep objectives ambiguous," he said, "you get more out of people." His son disagreed, in part because he had earned an MBA at MIT, where much emphasis was put on strategic goal setting and metrics ("if you can't measure it you can't manage it"). No one was prouder of the son's academic accomplishments at a top-tier graduate program than his father, but the post-graduation reentry had been rocky.

The challenge was helping each generation understand the other's viewpoint. While the father's ideas fit the first stage of the business very well, they were less suitable to a phase that involved managing many more people in a multifaceted business. In this case, over time the father allowed some compromise, and the son's input, generated as a result of his formal education, helped the enterprise make important changes in when and how it set objectives on specific strategic dimensions. But the road to acceptance and integration of his ideas was difficult.

Tension between old and new about education can be particularly strong in cultures that emphasize hierarchy, such as the Chinese, Indian, Middle Eastern, and Mediterranean Europe. For example, it has been difficult to recruit the patriarchs of such families to come to an education-focused event unless it is framed as a top-down process, and titled "The Chairman's Learning Circle" or something similar. The older generation in such enterprises is often reluctant or even unwilling to ask questions in front of others, for fear of losing face. As the most experienced members, they feel they are supposed to hold all relevant knowledge and insights already.

In such families, it takes a strategic, patient approach to instill the notion that everyone, at every stage of experience and life, can benefit from new learning. Sometimes technology-related issues can provide a context through which the older generation can learn from later ones, given younger members' capabilities in this domain (such as with virtual communications and social media). Still, some members may be reluctant to take advantage of such learning in a public way.

In these cultures, engaging the senior generation in educational processes may require more one-on-one coaching that can take place privately. Occasionally we've also succeeded in recruiting seniors to engage more proactively in education once they understand the need for modeling the kind of humility and openness to learning they expect from their children. Spouses, nonfamily executives, independent directors, and advisors can also help with this effort by encouraging senior leaders to engage personally in the learning process and emphasizing the fact that education is something many successful families engage in on a regular basis as they contemplate complex transitions. Moreover, these individuals can also help juniors see the need to be both more patient and more strategic. Flaunting the recent degree and treating traditional methods as outdated and useless is not going to get a good response from the seniors who still control the enterprise. The junior generation needs help realizing that in these efforts sometimes the attitude and the approach can be more important than substance of what needs to be changed.

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THE RISK OF EXPANDED HORIZONS

One sometimes unexpected consequence of enhanced education is that while it increases overall competence, capacity, inclusion, and accountability,

an enhanced set of skills and credentials reduces overall dependency on the family enterprise. Coursework, field experiences, benchmarking, and networking allows later-generation members to become more aware of career paths that may suit them best, including those outside the family company. It's useful for family members, especially those from more senior generations, to be prepared for this natural consequence of improved education. When faced with such a dilemma of family human capital allocation, they must remember their simultaneous obligations to promote what's best for the enterprise (capturing each generation's best talent) and what's best for individual members (fostering individual self-determination and development).

GETTING THE DOSAGE AND THE TIMING RIGHT

One additional education-related challenge for families is *dosage*, or decisions related to the timing and amount of information delivered. Calibrating the depth to go into in any given area is always a challenge: You can introduce a fascinating concept (like finance or succession) to people who may not even know they need it, but if you provide too much (or too little) detail in the early stages you can lose them easily. In an effort to demonstrate expertise, or simply because the teacher is fascinated by a topic, an educator can easily end up producing "workshop overload" characterized by too much detail, too long a session, too many PowerPoint slides, too much reading and homework. The trick in many cases to give them just enough information at the start is to help them see the value in the content, making them curious about learning more. If successful, an educator can instill the desire to keep probing, to ask thoughtful questions, or seek to gain more experience in the area. To translate a Spanish saying, you need to be careful not to give them the "potato already peeled," but at the same time provide enough of a taste to whet their appetite.

Also important is to time educational activities carefully. For example, the HR head in one Brazilian family enterprise organized a comprehensive workshop with the CFO and a local finance professor to educate a group of cousin shareholders on reading financial statements. The participants loved the event, but 6 months later they remembered very little of it, as they had no need to use their new knowledge in the interim. After thinking about it more, the family decided to hold finance workshops before shareholder meetings, so that the CFO and professor could

guide the cousins through that quarter's results in preparation for the meeting, hence the information became much more useful. The cousins were eager to make a good impression in the meetings, and the workshops helped them to make sense of the quarterly reports and ask better questions. What started with a generic workshop that felt well-intentioned but irrelevant became institutionalized and more meaningful to the family due to its direct application in an important recurring event.

LEADING AND ORGANIZING EDUCATION STRATEGICALLY

We've found that families often significantly underestimate the work of orchestrating educational activities. It is important to build the governance and administrative infrastructure necessary to manage the educational process. Typically education is one of the key Family Council responsibilities, but councils vary on how they manage this function. In smaller families, the council typically takes these responsibilities on directly, while in larger ones they are often delegated to an education subcommittee if the family recognizes the importance of this work and the additional administrative burdens it can generate. Managing the educational process effectively requires a number of very specific tasks, including:

- Assessing the ongoing interests and evolving educational needs of the family against the backdrop of the future requirements of the enterprise;
- Scouting, recruiting, and retaining educational resources (such as speakers, trainers, and executive, career, and life coaches);
- Evaluating relevant educational events and courses, as well as supervised experiences, both externally and internally (such as internships inside and outside of the family company, university and industry coursework, and vendor- or association-sponsored programs);
- Developing budgets for funding educational activities and monitoring costs;
- Establishing and implementing policies for inclusion or exclusion of family members in various educational events, ensuring an equitable distribution of access; and,
- Overseeing plans for the yearly Family Assembly meeting, which typically includes important educational segments.

The education committee works in close collaboration with other entities in the family governance structure, including the board of the enterprise, the family office and, in those systems in which the shares of the enterprise are held in trusts, with the trustees. For instance, the committee may coordinate

with the board to identify the skills and experiences needed to guide the development, selection, and coaching of family members who aspire to serve as directors someday. Similarly, the education committee may work with the council and family office to establish a yearly budget for educational activities as well as to disseminate information to the whole family about upcoming workshops and other educational events. In families with significant geographic dispersal, handling the timing, location, and formats of education is particularly complex (Should these be held during vacations or work time? On weekends or weekdays? Always at the corporate headquarters location, or around the country or world where the participants live? Is video participation acceptable?).

Above all, these types of educational activities must be thought of *strategically*. Anticipating the needs of the enterprise and the family is essential for linking the educational process to the sustained roll out of a continuity-planning effort. For example, paying particular attention to when individuals in leadership positions both in management and governance are likely to retire is essential for framing the timing of the transition and prioritizing educational curricula. Working backward from those future dates and charting the developmental and training paths for potential next-generation leaders can reduce the uncertainties associated with generational change. Education is certainly not the only facet of this strategically timed "readiness," but it is an important component. Education can also drive home the point that building a viable bench of prepared next-generation candidates is critical for paving the way to the future. It is particularly important to identify the leadership skills needed for the family enterprise not as it exists today, but as it will be in the years to come. For example, if a family enterprise is evolving from a single controlling owner to a sibling partnership, educational activities that emphasize teamwork and collaborative partnership among the siblings become a priority. If the system is evolving from a tightknit sibling group to an extended family with many cousin shareholders, learning about the importance of more formal governance structures and policies required to sustain the unity and commitment of a larger group of owners becomes essential. Similarly, if it is likely that the owners will diversify into new industries, or harvest and redeploy significant assets due to competitive pressures, developing capacity in rising leaders for overseeing new business lines or wealth management

may become more important than traditional operational know-how.

A few families see general education as a primary goal and spend very large sums doing primary education on a wide range of topics, without considering the payback to governance or continuity. While grandiose designs can be appealing, most families choose to be more selective and determine the scale of educational initiatives they truly need and can afford. The critical issue is to maintain the quality of the program. All it takes is one or two suboptimal workshops for interest to drop. Thus responsibility for championing education is crucial. It is especially important for the senior leadership to model direct engagement with these activities. Junior generation members will be particularly attuned to whether the elders commit the resources to education, show up to events, and genuinely value their perspective and contributions.

NEXT STEPS

Our central thesis here is that education serves multiple functions in the natural process of transitions in family enterprises. It heightens awareness of the risks of procrastination and can soften the natural resistance to change; it legitimizes the expression of aspirations; it stimulates excitement and commitment by introducing alternative visions of the family enterprise that may be more engaging to the next generation and more strategically critical for the enterprise's future; and it enhances the possibility of responsible inclusion by elevating the capacities of the broad family to engage with the enterprise without compromising standards of merit and professionalism.

Maximizing the value of education in our service to family businesses and business families will require three categories of action:

1. *Giving education a central place in our intervention designs.* Most consultants already include capacity building, not just problem solving, in their consultation projects. We have found it useful to ask questions about education, even when families do not raise them initially as one of their priorities. In the business circle, helping families see the importance of education when they talk about shareholder agreements, or succession planning, or board development, can be eye opening for them. Similarly, when advising a family council on their agenda, raising the possibility of education as a focus may lead to a productive discussion on the family's collective role in nurturing the next generation in general.
2. *Developing new educational materials and resources.* Continuing to innovate in designing educational interventions to address the evolving needs of families in business will require close collaborations among the three primary sources that generate, disseminate, and apply knowledge in our field: researchers and educators; advisors and consultants, and the family business owners themselves. As Gersick and Feliu (2014) have suggested, the knowledge-building process is slow in a multidisciplinary field like ours, where the incentives among the three constituencies to share information and learn from one another don't always align. Still, there are important opportunities for collaboration that seem particularly fruitful.
For example, as academics and consultants, over the years we have had success developing teaching cases that help a particular client family explore a complex dilemma, which can then be used over and over in our MBA and executive programs. If thoughtfully designed, the process of developing a teaching case can be both a powerful intervention in a client family that increases their shared understanding and an educational tool of general benefit to other families and professional colleagues.
3. *Realizing that education is a two-way street: We learn as we teach.* Some of the most important educational challenges in our field center on three basic questions: "How do we refine our understanding of the fundamental concepts and skill sets owners need to effectively govern and manage their family enterprises? How can we adjust the content of our educational initiatives (including research, writing, programs, and courses) to make them more aligned with the needs of owners? And, how do we monitor and document the application of those concepts and skills in the field to continuously enhance our shared understanding of how education can best be delivered?"

Creating a curriculum, gathering the materials and sources needed, formulating our message as clearly as we can, and then listening to the responses, arguments, examples, and refinements that come back to us from our audiences are extraordinary opportunities for us to "bring forth" our own understanding and increase our capacity to provide value. Through education we can enhance the breadth and depth of our knowledge "commons." What could be more important?

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