



NEWSLETTER

Aspen Family Business Group

The Aspen Family Business Group: David Bork · Leslie Dashew · Dennis T. Jaffe · Sam H. Lane · Joe Paul · serves as a resource to help families create an environment in which members are open and willing to learn and grow. It is in such a setting that families are able to envision and achieve the positive possibilities of their business as well as maximize enjoyment of their family life. Our goal is for the family to develop harmonious, healthy, constructive interpersonal relationships and to maximize the success of their family-owned enterprise.

What's It All About?

spring 2004

Three family business owners were sitting at the same table at a university forum for family businesses. The presenter asked each of them to write down an answer to the question, "What is the real reason your family created your corporation?". The first said, "My family started the corporation to support a privileged live-style we all wanted to sustain". The second said, "We created our corporation so that our family could 'give back' to the community". The third said, "We formed our corporation to heal a broken family".

The interesting thing to consider about these very different answers is that all three of these owners were relatives in the same family business. They had been working together for decades with very different notions of why they were actually in business together. Until the question was asked, they didn't realize that they had such different perceptions.

Problems over purpose, or what is truly *centric* to a business, are common in family businesses. Sometimes the ideas are totally different, like the family above; other times, they are just blurred and hard to grasp. In other cases, they may be clear and consistent among the stakeholders but dangerously out of date with the market environment. In still other cases, there may be an overt or public idea of what is centric, along with a hidden or unspoken actual purpose.

This tendency for there to be drift, or divergence, in the family's sense of purpose has caused our group to help our clients think about what is "centric" to their company. In the case above, the first person thought they were in a *lifestyle-centric* company. The second was in a *patronage-centric* business, and the third was in a *family relations-centric* business. It is no wonder that these relatives were looking for help from the university to settle their conflicts over long term strategic planning. What is actually centric to each individual might lead to very different strategic plans for their business.

Since this is such an important issue, we have devoted this installment of our newsletter to helping you think about what is *centric* to your family business. You will find four examples of businesses whose "real" purpose is something entirely different than a standard business school definition of business purpose as "maximization of return on shareholder value".

As you read the following examples, consider these questions:

- *What is really centric to your family business?*
- *Is your belief about what is centric shared by all of the stakeholders?*

looking ahead

The Gathering

Bork, Dashew, Jaffe, Lane and Paul
Snowmass, August 5th-8th
(see page 3)
www.aspenfamilybusiness.com

8th Annual Family Company Management Conference

Alacaklioglu & Paul
April 24-27, Dubai, UAE
www.iirme.com/fcm/index.cfm/Link=13/goSection=12

Instituto de la Empresa Familiar

Bork, May 23-24, Toledo, Spain
www.iefamiliar.com/documentos/index.asp

Saudi Family Business Forum

Alacaklioglu, Al Munajjed, Bork & Paul
May 24-25, Jeddah, Saudi Arabia
www.meed.com/nav?page=meed.conflist.conference&resource=759999

IIR Annual Family Office Conference

Jaffe, Chicago, June 14th
<http://www.iirusa.com/familyofficemanagement/index.cfm>

FFI "Launching Pad"
Jaffe, Guadalajara, June 30th
www.ffi.org

I Am of the Land

by Sam H. Lane, Ph.D.



This phrase is used sometimes as a personal characterization by members of family enterprises whose major assets are large farms or ranches. To other people, it may not mean much, but to these people it is an

archetype and says volumes. It speaks to almost a mystical merging of soul and sense of place. It can be a powerful

It speaks to almost a mystical merging of soul and sense of place. It can be a powerful organizing icon and can strongly influence large, complex family enterprises as well as individual behaviour.

organizing icon and can strongly influence large, complex family enterprises as well as individual behavior.

These enterprises possess different dynamics and challenges from others and merit better understanding. These challenges are both emotional and business related. Most have been around a long time, with extensive family histories. There are a lot of stories. A family farm or ranch succeeding until the fifth or sixth generation may be more common than a family business.

There also typically are a large number of stakeholders involved, with diverse interests and experiences. Some may still live in the general vicinity, but most likely many live in diverse geographic locations. This creates a greater sense of separation and is a challenge to communication.

This long duration and history produces a strong sense of permanence. Generations may have come and gone and many events may have occurred but “the land” still prevails. It hasn’t changed and is an important reference

point for people who experience life’s vicissitudes.

For most a strong emotional attachment exists to the family farm or ranch. People have important childhood memories of good times there and associate it fondly with grandparents. Unlike large family businesses that require professional managers as they get larger, these enterprises can often be managed by family. The family is more directly involved. It feels more *real* to these people than a business or portfolio might.

Family members may feel a stronger sense of psychological ownership than with a business. Each person may have a strong personal investment in what happens. This is a challenge to the need for collaboration which is required to be successful.

The family values guiding these enterprises many times have a history of male dominance and patriarchy. This management style is passed down from one generation to the next and may become a benevolent dictatorship which says, ‘I will take care of you but I expect loyalty in return.’ This can be challenging in succession where the younger generation expects more gender neutrality and wider latitude of participation than has historically been appropriate.

Business wise, farms and ranches are commodity businesses and must deal with all the associated challenges. Wide swings occur in markets and prices. Many may be dependent upon subsidies and special tax considerations to be viable that could be changed with the stroke of a congressman’s pen.

The majority of the value in a farm or ranch is usually tied up in the land. Liquidity may be a challenge, especially when it comes to estate taxes. Sometimes the earning power has fallen behind its forever increasing need for

capital expenditures. Available alternatives for increasing cash flow are limited.

Ranching families in the southwest in particular may become conflicted over “what business we’re in”. Many began in the late 1800s as cattle ranches and discovered oil on their land. Raising cattle and being a rancher have a strong guiding influence on the families’ values and orientation. Some who struggle with this question attempt to diversify and re-deploy their assets into other areas. They encounter the

Family farms and ranches are one of the heart stones of our economy, culture and the American way of life.

difficulties of becoming sufficiently knowledgeable and skillful to make wise decisions in unfamiliar business areas.

Family farms and ranches are one of the heart stones of our economy, culture and the American way of life. They are tremendously important and special to families who own them. Their special dynamics and challenges need to be better understood and addressed to insure their continued viability and success

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The Heritage Connection

by Leslie Dashew

One of America's great families, the Rockefellers, can look back for over 100 years and ponder a remarkable heritage that connects them. They have the legacy of an ancestor who founded one of the largest oil empires, established programs of medical education and many other philanthropic endeavors. Another ancestor founded the historic park of Williamsburg; and the family bought and dedicated land to national parks and public trusts (such as Kykuit).



families, there can be a great deal of pain associated with that legacy. Part of that inheritance may be a tendency towards codependence and the need to control one's environment. Thus, understanding and healing a part of a legacy can be important to a family.

In any event, awareness of the heritage and conscious consideration of what it means today for the family is essential to optimizing this connecting force. In one family, the founder was bigger than life. He had created an empire in the distribution of beverages. He was known widely in his region as a generous philanthropist, a man who was committed to his employees and a man of great wealth. His family and associates held him in great reverence and tried to carry on some of his traditions and honor his legacy. But there was also a dark side to his legacy, some personal behaviors which were hurtful to many members of the family. There is often a fear that if the dark side of a hero is exposed, his good deeds will be overshadowed. However in this family, as for most, over-idealizing the founder made everyone else feel inadequate. As the family discussed the various aspects of his legacy, they were able to let go of some of the pain and strive to continue

There is often a fear that if the dark side of a hero is exposed, his good deeds will be overshadowed.

the healthy aspects of his life.

Awareness is an important step, but capturing the legacy for current and future generations is also important.

Thus documenting the values, traditions, activities and contributions of ancestors is essential. This can be done by writing the history and capturing the people in photos and video (or digitally). The next step is sharing the legacy.

There appears to be a direct correlation between knowledge of the heritage

...one of the 10 qualities of families who stay positively together is traditions. Another is shared values.

and its ability to connect family members. The Iroquois Indians were greatly aware of this. They recorded their heritage on a "condolence stick" which noted the names of each of the 50 tribe leaders. It also recorded with a pictogram the stories of their past. At the passing of each leader, a peg by his name was taken out and the stories retold. In Jewish tradition, the story of the exodus from Egypt is retold every

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year on Passover to remind successive generations of that history.

As many of you have heard members of the Aspen Family Business Group share, one of the 10 qualities of families who stay positively together are traditions. Another is shared values.

Traditions and values are an important aspect of our legacy. Identifying them, enriching them and sharing them can help keep the family connected and constructive.

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her-i-tage (n)

- 1. the status, conditions, or character acquired by being born into a particular family or social class*
- 2. something such as a way of life or traditional culture that passes from one generation to the next in a social group*
- 3. property or land that is or can be passed on to an heir*

The name carries an image of buildings, wealth and philanthropy. Beyond any actual inheritance, the family inherited a legacy, a reputation, and a set of values which distinguish this family from others. Like in many other families, this heritage helps define the family and often serves to keep the family connected over generations.

In other words, heritage is that which we share, as members of a family, and with which we can identify. Perhaps no other family can claim the same connection.

Sometimes there are aspects of our heritage which we would prefer not to remember (something of shame or embarrassment), but it is still an aspect of our heritage and can have a lasting impact. Consider, for example, the legacy of addiction. For many



“Families That Pray Together...”

by Joe Paul



Some family businesses are organized by a legacy of spiritual or religious beliefs that can help them be better at doing business, regardless of the specific religion or the culture. Here are some thoughts

about why this might be true.

Under what circumstances do religious beliefs help families in business prosper?

- When oral traditions (stories, principles, creeds and laws) influence the thoughts, actions and discussions of a family in the midst of complicated relationship issues.
- When there is a tendency for the company to be seen as a tool to accomplish a larger purpose and not as an end in itself
- When profit is a requirement of doing business rather than a purpose of doing business
- When shared values guide the family members as they attempt to balance their individual personal self-interest and the interest of other stakeholders
- When an internalized sense of justice and honesty is present that influences the families' relationships with employees, customers, suppliers, and one another
- When a priority is placed on the reputation of the business reflecting the values of the family
- When there is a tradition of raising children to have a strong work ethic as adults
- When shared values create high trust among the stakeholders

Having a strong religious family

legacy does not always lead to better business or family harmony.

When does being a *religion centric* business become a liability?

- When rigid and dogmatic positions are taken without open discourse and freedom of thought
- When there is chronic conflict between individuals or family branches over which family members are “true Christians” or “real Muslims”, to the point that these issues dominate family dynamics and business decisions
- When deep divides exist in the family that are hidden or glossed over by loyalty or a sense of duty to a devout parent
- When the successor generation only pays a kind of hypocritical lip service to the religious values of their parents without clarifying their own values and ethics
- When the family values are incompatible or at odds with the ethics of their business leaders or the business activities in their company

Whether they are Hindu, Christian, Muslim, Buddhist or Jewish, many religious family businesses around the world share a common trait. This trait is *alignment*. Not only do these families tend to share the same values, they also tend to prioritize or align the values they share in similar ways because of their religious teachings. For instance, a Christian family that is deliberating over

...many religious family businesses around the world share a common trait. This trait is 'alignment'.

the challenge of putting their values regarding wealth management into words might fall back on a Biblical passage such as:

“And now abide faith, hope, charity, these

three; but the greatest of these is charity.”

Or an Islamic family in business writing a mission statement might be guided by the following Koran based business ethic regarding an owner's responsibility to customers:

“Our primary responsibility to our customer is to provide the best quality product to those who make use of our products and services. We must work to decrease our costs in order to charge a reasonable price.”

Religious families in business sometimes have a competitive advantage because the teachings, parables and discussions of their religion deal mostly with ideas about how one manages oneself in relationship to others (just stop and think about how many

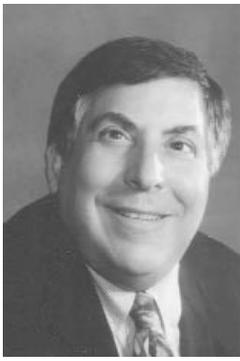
This can result in religious family businesses being governed with less conflict because they borrow from ancient traditions that are full of examples of duty and responsibility.

religious parables actually deal with relationship issues). This can result in religious family businesses being governed with less conflict because they borrow from ancient traditions that are full of examples of duty and responsible behavior. Because of this, these families often govern themselves more easily, without needing to use up a lot of time, energy and relational harmony in arguments or frustrating periods of indecision. When in crisis or at difficult decisions points, they are able to fall back on values that have been part of their community's faith for hundreds or thousands of years.

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Becoming a Philanthropic Family

by Dennis T. Jaffe, Ph.D.

For 50 years, the Calandria family had always been identified by their fine wines, and their elegant winery. Now they were facing a watershed—a generous offer had come to buy their company. They had been facing

How was their family different from their business? They had heard of how other families fell apart after the sale of their businesses. What would change for them?

increased competition and the need for significant capital to expand. Now, prudence dictated that they take the offer. But what would happen to the family? Their proud tradition would be over, and what would be the effect of that? The family’s identity, self-esteem, pride and fame rested on their wines. The family was organized around them and their vineyards. Some members of the third generation were planning on joining their parents in the winery.

Any joy was tempered by fear, concern and sadness, as the family met to discuss the transition. They remembered their history, and the legacy of the family’s success. Then they pondered the future. How was their family different from their business? They had heard of how other families fell apart after the sale of their businesses. What would change for them? The third generation especially expressed dismay and disappointment at the sale.

They began to talk about what their family stood for, and what they wanted for the future. While with 16 people there were many views, a common theme emerged: “we want to preserve the land and our natural environment, and support and preserve the wine industry.” The consensus moved to

considering how the family wanted to be part of that activity, and the concept emerged of an environmental center and foundation, supporting young people’s education and learning about the land. They became excited and began to commit time and energy to organizing this effort. The family was involved together in a way that they had not experienced in some time. In addition, different family members began to find ways to participate, and to discover that they had something valuable to offer. While the new foundation would be a much smaller effort than the winery, it had the potential to make a greater difference for the community.

The transition from a business centered family to a philanthropy centered family has happened in other leading families, as we see for example

There is some evidence that as a family accumulates significant wealth, there is a natural developmental process from accumulating more and more, to exploring what impact they want their surplus wealth to have on the community.

in Leslie’s article elsewhere in this issue. While some families can’t imagine themselves to be organized in any other way than they are right now, the pressure of time, generational change, and the changing business climate dictate more change than a family may find comfortable. The family must accept the need for change, and understand that any external change will be accompanied by major internal shifts. The leadership, the focus, the energy of the family must change.

The transition from getting to giving is not an everyday event, but for many families, it has been a source of pride, energy and commitment for succeeding generations. There is some evidence that as a family accumulates significant

wealth, there is a natural developmental process from accumulating more and more, to exploring what impact they want their surplus wealth to have on the community. When a family has so much, the next generation may feel

In order to accomplish this, the family needs to agree to meet intensively, to pursue a development plan for the members of the next generation, to explore alternatives and seek resources to help them plan and decide on their new direction.

They need to develop a clear and powerful vision and an action plan for accomplishing it.

guilt or wonder where they fit in, and how they can make their mark. Many next generation family members use the resources of the family to pursue careers of public service.

The transition cannot occur by serendipity. A family making such a transition must plan for a very intensive period of re-dedication and refocusing. They will need to think about how they make decisions, what roles people have, and about how they will create a leadership team. It represents a time when some people may feel neglected or pushed aside, and others will step forward. In order to accomplish this, the family needs to agree to meet intensively, to pursue a development plan for the members of the next generation, to explore alternatives and seek resources to help them plan and decide on their new direction. They need to develop a clear and powerful vision and an action plan for accomplishing it.

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resources

books

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by Leslie Dashew \$15
 - B) **Working With Family Business**
by David Bork, Dennis T. Jaffe,
Sam H. Lane, Leslie Dashew, and
Quentin G. Heisler \$37
 - C) **Working With the Ones You Love**
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Working with Family Businesses, A Guide for Professionals (new edition)

Bork, Jaffe, Lane, Dashew & Heisler



Family Business Review, Dec 2003,
"Educational Needs of Family Businesses",
AFBG's "10 healthy family business traits"
are the focus of research in this article by
McCann, et.al.



Family Business Review, Dec 2003, Dennis
Jaffe and Joe Paul review several books on
family wealth and family business
communication.



family business assessments

As an advisor to complex wealthy families and family businesses, how often have you wished you could quickly get information about areas where family members do not see eye to eye, and find a way to bring those areas to the attention of your clients in a non-threatening way?

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