



NEWSLETTER

Aspen Family Business Group

spring 2000

The Aspen Family Business Group—David Bork, Leslie Dashew, Dennis T. Jaffe, Ph.D., Sam H. Lane, Ph.D., Joe Paul—serves as a resource to help families create an environment in which members are open and willing to learn and grow, for 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. The goal is for the family to develop harmonious, healthy, constructive interpersonal relationships and to maximize the success of their family-owned enterprise.

The Gathering by Sam H. Lane, Ph.D.

This year marks the tenth anniversary of “The Gathering,” an event where we bring together families in business from across the United States and other countries to participate in an experience that goes beyond what we can provide in our individual consulting practices. A long time ago we recognized the need to create many diverse opportunities for families to reflect, grow, and change.



In particular, we realize sometimes families need an extended period of time to address topics and have conversations in a variety of settings and contexts. Sometimes a day or even a weekend is simply not enough time to allow the thought and emotional formulation process to work their way.

All five members of The Aspen Family Business Group are at The Gathering and serve as consultants/coaches/facilitators/whatever to the whole group. This format gives participant families an exposure to a broad

range of personalities and approaches to the issues and challenges they face.

A long time ago we recognized the need to create many diverse opportunities for families to reflect, grow, and change.

Additionally, we have seen the benefit for families to have some time to be themselves in an attractive physical environment, to reconnect, have dialog and generally celebrate the family. We emphasize the importance of families having fun together as a way of bonding and creating positive experiences to build trust and goodwill.

All of these elements have been carefully woven into the design of the Gathering with a mix of different types of experiences from the beginning to the conclusion of the three days. We provide presentations to stimulate people’s thinking and the opportunity to discuss specific topics in small groups.

Probably one of the most valuable aspects of the experience is each family’s opportunity to “rub shoulders” with other families and get to hear each other’s stories. Individuals usually meet

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looking ahead

June 8, 2000

Family Office Exchange and
AFBG Training for Family Office
Professionals using the Wealth
Management Inventory
Dallas, TX

August 3-6, 2000

Aspen Family Business Gathering
Exclusively for Families in Business
Snowmass at Aspen, CO

October 25-28, 2000

Family Firm Institute
Annual Conference
Washington, D.C.

February 16-18, 2001

Alumni Gathering
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The Gathering

continued

people in other families who share an affinity in either his or her role in the family or their circumstances. This opportunity to share thoughts and feelings with someone who “has walked in my shoes” is reinforcing and valuable. By extension, some families see themselves and their issues mirrored in other families thus reducing the fear “we are the only ones facing these problems.” Years later a previous participant will ask about what happened to such-and-such family member they met earlier at the Gathering.

We hold the event in Aspen each year to take advantage of the natural beauty and all of the available outdoor activities. This also allows us to have fun at a western bar-b-que (complete

with a one-man, country music band) one night and partake in a wonderful cocktail reception another night at David and Susan’s home overlooking the Mt. Sopris Valley.

Each year the participant group takes on a personality of its own and forms a cohesiveness without much urging on our part. We invoke the “Safe Harbor Principle” that asks whatever information is shared not go beyond the group.

This creates an open environment that facilitates individuals sharing their thoughts and feelings and using each other as a sounding board. We feel this is one of the most important aspects of the experience.

It is particularly interesting and stimulating when we get a large number of members of a family participating from outside the United States,

such as we have had from Mexico, Columbia, and India. Almost everyone is surprised how the issues, problems and challenges faced by families in business cut across cultural lines, but are always cast within a different set of cultural givens.

We invoke the “Safe Harbor Principle” that asks whatever information is shared not go beyond the group.

This cross-cultural learning is both enlightening and reinforcing to our overall philosophy and approach of working with families in business.

In our work through the years, we find families are in different places in their readiness to begin to address some of the hard issues they face. Some families are in the “thinking about it” stage, others are in the “getting ready, we know we need to do something” stage, and others have begun work and have made substantial progress. For each of these groups, The Gathering serves an important purpose by helping them proceed further in their journey down the path to change and growth. We know that moving through the sequence of steps from thinking about it to action is a readiness process with no shortcuts. Our role is to nurture this process and do whatever seems to be helpful and constructive to keep it moving. We consider it a mark of the success of our effort that almost one-half to two-thirds of Gathering participants engage in some kind of follow-up work. This is rewarding to us because it underscores The Gathering is achieving its purpose of being a catalyst for positive growth and change within a family.

This year’s Gathering is scheduled for August 3 through 6, and we encourage you to consider how this type of experience may help you and yours achieve your goals and dreams. ♦

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the gathering

The Aspen Family Business Gathering

August 3–6, 2000

PROGRAM OVERVIEW

Register early as space is limited

Thursday—August 3

- 5:00–7:00 p.m. Keynote Presentation—General Session
7:00–9:00 p.m. Working Dinner: Roles of Family Members in the Family Business
Workshops Overview and Selection

Friday—August 4

- Morning: Plenary Presentation and Workshops—Selected from initial offering
Afternoon: Recreation and opportunities for informal family business conversations.
6:30 p.m. “Family Business, Family Fun”
Western Barbecue

Saturday—August 5

- Morning: Plenary Presentation and Workshops—Selected from initial offering
Afternoon: Recreation and opportunities for informal family business conversations.
6:30 p.m. “A Room With A View”—Light Buffet & Sunset Over the Elk Mountains

Sunday—August 6

- Morning: Discussion Group/Workshops
12:00 p.m. Adjourn

For further details, call 1.800.835.5883; Registration form on back

Preparing the Next Generation

by Leslie Dashew

ADDING VALUE TO THE NEXT GENERATION

One of the greatest concerns in families who own businesses and families of wealth is how to assure that their assets will add value to their children's lives--not hurt them. One of the particular challenges in parenting is how to give our children the right opportunities. Too often, we equate giving with gifts, setting things up for our kids, or making opportunities for them. However, these kinds of gifts may, in fact, be taking away opportunities for their growth, not adding to them.



When children don't learn to use

their own muscles (to talk, walk, or work) these muscles atrophy in the same way other "muscles" atrophy when children don't learn to use them on their own. For example, if children don't gain the motivation to do for themselves, they have little practice in developing their own competence (and thus their self-esteem), and then they lack a sense of responsibility for themselves or others. So preparing our offspring includes giving them the opportunity to do as much as they can for themselves, with coaching along the way. For many families with whom we work, there is a desire to perpetuate a family legacy.

Sometimes this legacy includes an asset such as a family business that has been in the family for a long time, or a ranch or a farm that ancestors cultivated, or a philosophy which has

defined the family for several generations. So the question arises, "How do we perpetuate our legacy and our assets in future generations?" The following are a few considerations in so doing.

For many families with whom we work, there is a desire to perpetuate a family legacy.

COMPONENTS OF EDUCATION

Preparing the younger generation includes three areas of learning: The family's spiritual legacy, the asset legacy and stewardship skills.

The spiritual legacy includes the values which characterize the family and which many in the family believe contribute to the well-being of the family and success in the business. This philosophy is often manifested in stories which the family hears over and over again (the oral history of the family) during one's growing up years. Often the stories describe how hard work and perseverance (two common values) helped an ancestor overcome the odds to lay the foundation for the family fortune. Faith is another common feature of these stories. Documenting and sharing the family values and history is an important component of the education of the next generation.

The spiritual history describes how the family has lived, and the asset legacy describes what the family has built. This may include family business(es), financial assets outside of a business, real estate holdings, artwork, homes, boats, etc. As children are growing up, gradually it is important for them to learn about just what the family has and the responsibilities for managing the legacy.

Which brings us to the third aspect of education: stewardship skills. This category includes how one develops the

Alliances with Deloitte & Touche and Family Office Exchange

We have always felt that the essence of quality work includes cultivation of quality partners. Over the years we have worked with many special partners, who have added many services and dimensions to our work. We are pleased to announce two very special alliances have been formalized.

We have been working for nearly three years in a strategic alliance with Deloitte & Touche. They have licensed our Aspen Family Business Inventory, and we have worked with them to include the inventory, and a special family oriented assessment process to their services. As part of our work, we have helped to train their partners from several offices in the U.S., and we work with them to provide the best service to their family business clients. In our work with them, we have seen

how professional advisors can develop their consulting skills and ability to work with the whole family system, to create deeper, more lasting and effective support for their clients.

We are beginning a relationship with Family Office Exchange, where we have collaborated on a new version of the Aspen Family Wealth Inventory, which they will offer to their clients on an exclusive basis. Through FOX, we will offer training and support to family offices, trusts and investment managers who want to broaden their skill base and increase their capacity to work with the personal side of service to their clients. Our first program will be offered through FOX in Dallas, on June 8, 2000. The program will help advisors use the inventory in their work with clients.

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Knowledge Succession: The real transfer of power

by Joe Paul

I have often heard founders of family businesses say, "I am worried that my successors will try to change the company before they really understand it."



This tells us that there is knowledge in the head of the founder that they don't know how to get into the head of their successor. Their concern also tells us that there is more to succession than dealing only with stocks, management, and taxes. When planning for succession it is important to consider three other issues that are often neglected. They are the succession of authority, relationships and knowledge.

The succession of authority is about transferring the responsibility for final decisions. In family businesses, true authority is often kept in the older generation even after stocks and overt management responsibilities are passed on.

Mismanagement of the succession of authority can create the unique leadership complications that are common to family businesses.

The succession of relationships is about the formal and informal grouping of people to think about things, reach decisions and make things happen. This relational aspect of succession involves many questions. A couple of examples are, "Will the existing advisors' relationships with each other and with the outgoing leader survive the succession process?" And, "Will a group of siblings function adequately in a brand new set of relationships (as defined by their parents' estate plan) that suddenly turns them into business partners?"

And the third neglected aspect of succession concerns knowledge. It is about passing on the ideas that really make things work, the ideas that

define the identity of the company, and the ideas that explain why and when you do what you do. A brief reflection will quickly reveal that the transfer of knowledge cannot really be separated from consideration of relationships and authority. But in this very brief discussion I want to draw your attention to the succession and continuation of knowledge in your business because it may be what really decides the fate of your succession process.

In family businesses, true authority is often kept in the older generation even after stocks and overt management responsibilities are passed on.

Ultimately, it is someone's ideas that give a company its competitive advantage. Much of the basic knowledge about your company's processes, products or services is available to anyone in your industry. This basic industry knowledge gives you no real competitive advantage in mature markets. Competitive advantage comes from proprietary knowledge and definitive knowledge. Proprietary knowledge such as specialized software, or patents can be purchased. It creates real advantages, but they are often temporary because if they work for you, others will eventually replicate or purchase this knowledge. Your most durable advantages come from what I refer to as your capacity to create and sustain definitive knowledge.

It is the part of what you know that is hard to buy, sell or copy. It is what sets you apart. Definitive knowledge comes from factors like your unique insights into the needs of the customer, the culture you know how to create in your business, or the details of your products, processes or services. Whether it is explicit (knowledge you are able to write down and learn by reading) or tacit (hard to write down

One of the most productive things a leader can do to increase the flow of knowledge is to help increase the trust between people.

and based on experience and intuitions), it is definitive knowledge that gives your company its competitive edge. (One way to think about the difference between tacit and explicit knowledge in a company is to imagine that you could somehow make everyone in your company absolutely conform to their job descriptions. If that really happened most companies would come to a grinding halt in the first day. Explicit knowledge is what they need to know as described in their job description, tacit knowledge is everything else.)

Now when you begin to look at your company in terms of managing the succession of knowledge, you need to think about three basic questions: "What is the knowledge that makes a difference?" "Where is the knowledge that makes a difference?" And, "How well does it flow to where it needs to go?"

The answers to the first two questions can be found in three pools of knowledge:

1. The brains of your individual employees.
2. The subsystems (groups of people, and institutionalized structures and processes) of the family business. These subsystems would include family members who work in the company, teams of non-family managers, the Board of Directors, divisions, branches, departments, etc. (When thinking about these pools of knowledge don't overlook informal sets of relationships that don't show up on any organizational chart! People sometimes need to get together to accom

(continued on page 7)

Knowledge Succession

continued

plish tasks in unofficial ways that the leader knows little about.)

3. The surrounding environment. This very large pool of knowledge would include customers, suppliers, competitors, related industries, seemingly unrelated industries, trade groups, etc.

The answer to the third question about the flow of knowledge will be found in what goes on between these pools of knowledge. Consider the knowledge your best customer has about your company that stimulates them to make referrals to you. That intangible asset that is so valuable to you is about both what they know, and how smoothly that knowledge flows to others. An important thing to remember is that the flow of knowledge is directly related to the level of trust between the people. Low trust relationships are expensive and not very productive (Remember the part about the succession of relationships?). One of the most productive things a leader can do to increase the flow of knowledge is to help increase the trust between people.

Can you identify the definitive knowledge about customers, suppliers, products, services or processes that distinguishes your company in the market place? Would your key managers give the same answers as you do? Would your successor? Don't be surprised if the answers are not on the tip of your tongue. Sometimes this kind of knowledge falls into the category of things "you don't know that you know" (tacit knowledge). It can be so much a part of who you are that you have never put it into words. But I can almost guarantee that it will make a difference when you can.

I invite you to do an informal "knowledge inventory." Use the following questions to identify part of the definitive knowledge that makes your company unique. It is certainly not an exhaustive list but it is bound to open up productive conversations. First write down your own answers.

Then ask your managers, advisors, employees and family members to independently answer the questions. And, perhaps most importantly, ask those who will be or may be your successors to answer them.

1. What knowledge do we have about trends in the marketplace that give our company its competitive advantage?
2. What do we know about people that gives us an edge?
3. What do we know about our own operations that sets us apart from our competitors?
4. What do we know about leadership that attracts smart people to our company?
5. What do we know about strategic alliances that our competitors do not seem to know?

See how your answers compare to those of your managers, advisors, or even line staff for that matter. Do not be surprised if the answers differ. Encourage people to talk about the similarities and differences that come up. These differences will often lead you to new knowledge or useful insights about your company, supplier, customer, or competition. A funny thing about intellectual assets is that sharing them in the right context often leads to having more than you started with.

What are you doing to leverage the knowledge in your company? What are you doing to acquire new ideas? Is it realistic to assume that the definitive knowledge of today will still be definitive tomorrow? The shelf life of knowledge differs from one industry to another. What do you know about the expiration date of today's best ideas? What are you doing to assure that your successor knows how to deal with these questions?

These are all questions that need to be part of your succession planning. ♦

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resources

books

The Best of the Human Side

A Collection of Articles
by Leslie Dashew \$15

Working With Family Business

by David Bork, Dennis T. Jaffe,
Sam H. Lane, Leslie Dashew, and
Quentin G. Heisler \$35

Family Business, Risky Business

by David Bork \$13

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by David Bork

Let's Celebrate the Good News for Family Business

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Consulting to the Family Business

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Family Boards:

How to Make Them Work

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Joining the Family Business

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The Challenge of Families Who Work Together

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Transferring Authority in Family Business

by Joe Paul

The Challenges of Downsizing a Family Business

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Succession Planning

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Getting Along With Family Members

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The Family Business Employment Policy

by David Bork

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Consulting: A Global Enterprise

by Dennis Jaffe and David Bork



How relevant and helpful to the challenges facing family businesses throughout the world is the work that we have developed? We recently spent nearly a month working with a family in India, and David Bork spends a majority of his professional time outside the United States, recently making his 39th trip to Istanbul to work with Turkish families. While working in India, we took time to reflect on how we have had to modify our work to accommodate different cultures.

All over the globe, families fight, struggle over succession, and try to maintain connection while controlling huge businesses such as one of David's clients with more than 45,000 employees. Most countries outside the United States do not yet have a hearty group of family business advisors ready to help resolve the conflict between family and business. So, when a thoughtful family hears about work such as ours, they make contact across the continents.

Many concerns surface when they call us. They wonder whether our ideas about family meetings, clear agreements, and working through conflict will be relevant in their country. For example, our Indian clients heard about our work through the thoughtful inquiries of a family member studying in the US; but to the rest of the family, what was being proposed seemed really strange. While family conflict is universal, working in a systematic way, face-to-face, to resolve it can seem very curious for some cultures, and, well, very "American." In many cultures, con-

licts are dealt with secretly, deals are cut behind closed doors, critical decisions stay ambiguous, politics and coalitions shift and power is wielded, all beneath the surface.

Foreign business families are usually intrigued when they learn of our work, and they come to us because they really want to find a better way to keep their family working together. Regardless of their cultural origin, be it Latin, Asian, Middle Eastern or European, they are properly skeptical about family business technology for it is a subject very new to them. In the case of the New Delhi family, all family members in the business came to **The Aspen Family Business Gathering** to see what we were about, even bringing their most trusted family advisor to give them another perspective. At the start, they made it clear they did not think our ideas were relevant in their context, where the tradition of the **HUF** is still the prevailing practice. (The Hindu Undivided Family is a way of life and a complete body of legal precedent for managing the family money. Sons' and daughters' marriages are arranged with daughters receiving a dowry and leaving their family of origin and having no further status in that family. Further, they become subject to the absolute control of their mother-in-law, usually living in a compound of houses with their husband's extended family.) As The Gathering ended after several intense days, the family patriarch shared his view that in the course of the program, he had found that the problems facing his family, and those of the other families at The Gathering, were indeed, at root, the same. He concluded that family feelings, rivalries and difficulties are, indeed, universal.

But a universal problem may not have a universal solution. As we worked with this family we evolved several ways to enhance the transla-

tion of our work to a very different culture. First, we have created the role of the *cultural coach*. The cultural coach is a non-family member, in this case their advisor, who had a great deal of experience in the US and was a very wise observer, took this role. During our visit we met frequently with him to talk about what we were planning, and to get guidance as to how our intentions might actually work in their culture. Talking with him helped us avoid many seemingly reasonable paths that simply would not work and conveyed our fundamental respect for the family's culture. (We learned later that he is one of the most revered and respected members of his profession in all of India.)

Two factors worked in our favor. First, we worked as a team, and having a colleague to share ideas, and navigate the difference, was critical. Anyone who has visited India understands the sensory overload one experiences. Working there is more complex and we found it invaluable to have a colleague with whom to share insights and "wonderments." Second, we took enough time. While working in the US we can and do make several trips to a client, and sustain our work over time. India is 12 time zones away and we found that we needed to take enough time, have enough conversations with key people and invest adequate time to have a cursory cultural understanding if we were to develop our approach. The theme in India, and in many other parts of the world, is the clash between traditional ways; in their case the tradition of patriarchy, male succession, and the undivided family holding all wealth in common; with the forces of globalization, modernizing and shifting of the world business culture. How to reconcile shifting expectations of men and women, the appearance of divorce in a cultural where 95% of marriages are arranged, and the tendency for families



Consulting: A Global Enterprise *continued*

lies in conflict to divide their fortunes and their legacy as the only method of resolution of differences.

While we found that we could translate our work to other cultures, the challenge is that the solutions we advocate necessarily challenge the informal nature of their traditional agreements. If there are shared values and ways to do things, conflict can be worked out. But when the old ways are being questioned, there is a need for a new approach. It was clear to everyone that creating an agreement with this family to maintain family control and management of their far-flung

business interests would need a different kind of agreement than was usual.

We spent many days working together, as a family, and in pairs, and with individual conversations. By the end of our time together, we had a framework for a new kind of agreement, creating a multi-generational family trust, that would not just work for this family, but might be a model for other families in their country and indeed, any country. In a family meeting that lasted several days, it was deeply moving to see each family member be able and willing to move beyond their current understandings, which previously only led to further conflict, and to consider new ways. As we left, with much more work still to do with our client, we at least felt

that we had bridged the culture, and found a way to make our approach to family wealth become a new model for problem solving in a very different culture. We were deeply moved by our experience. ♦

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Preparing the Next Generation *continued from page 3*

capacity to be a diligent steward of his or her assets so as not to lose them or have them destroy one's life. The topics which should be addressed here include asset and financial management, teamwork and leadership skills and self-management.

The education of the next generation starts when the children are very young: five or six years of age. At that

point, children can begin to take in the family stories which begin to establish an interest and appreciation of family history. Youngsters of this age can also begin to receive an allowance and begin to learn about "budgeting" that money to spend on fun, some for savings and even tithing.

At each stage of life from that point on, the content and nature of learning varies, but the lessons should help these successors to learn about what they have physically and spiritually

and what it takes to manage one's life and assets responsibly.

In future issues of the AFBG newsletter, we will describe strategies for young people at each stage of life. ♦

Leslie Dashew

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New for the Professional Advisor

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?

The Aspen Family Business Inventory helps families who are in business together to sort out the issues of communication, succession, role work and family boundaries, effective management, and their vision of the future.

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The Aspen Family Business Group

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