



FOUR PART

The Rising Generation

Sustaining the Future

Family enterprise is about the future, and the future rests in the hands of the next, rising generation. Perhaps the greatest desire of a generative family is to raise an educated, creative, socially responsible, and committed generation to form the next generation of family leaders. This final section discusses how the family takes up the special task of preparing family leaders to sustain and move the business into new generations. It looks at how the family invests in and prepares members of the new, rising generation to become new family leaders and owners.

Chapter 13 explores how each individual family develops their children as responsible, creative contributors to the family enterprise. Chapter 14 talks about how the family learns and grows together, by engagement by teaching and sharing the work of the family enterprise. Chapter 15 shows how generative families build social capital through philanthropy and community engagement. Finally, the book concludes with some reflections on the implications of what we learned from generative families, and some predictions about this group in the future.





CHAPTER 13

Releasing the Potential of the Rising Generation

How to Develop Capable Successors

One quality that showed up in almost every generative family is a deep, ongoing, active engagement in developing the skills and commitment of their rising generations. They realize that these young people are their most important resource, and they will not spontaneously grow up to become good stewards. They have an important, impactful, and unique opportunity in the family enterprise, but to make good use of it requires engagement, investment, and active measures. Family elders realize that wealth can have negative impact on their offspring, and so they thoughtfully invest in many programs and practices. This chapter begins with the challenges facing wealthy young people in general, and then looks at how parents, and collective generative families, develop capable, committed stewards for their enterprise.

Every family, wealthy or not, faces the daunting challenge of raising children to become productive members of society. But following the adage “to whom much is given, much is expected,” an extraordinarily wealthy family with many shared assets faces additional challenges. Since young members of such a family expect to become responsible for a large and complex set of financial and business entities, they have to learn skills that the less fortunate never encounter. They also need to learn and accept the family’s values about work, responsible behavior, lifestyle, money, inheritance, and social responsibility.

Generative families educate and prepare the next generation to take care of their assets as well as use the freedom and opportunities they have been given to make a vital contribution. No family wants to feel that it created great wealth so that its children could be lazy, wasteful, and unproductive, spending the money as fast as possible. Generative families want to develop character in young family members, and they want to see it develop without coercion. We look here at how actively and explicitly this is done.

They view a responsible inheritor as having the following qualities:

- Working at a productive career or life task valued by others that they care about and have become skilled at





286 Borrowed from Your Grandchildren

- An informed owner (or owner-to-be) of the family assets
- A good family citizen who is committed to family values and participates in family governance

Meeting this challenge involves more than having good intentions or designing a trust with restrictive spending rules. Generative families adopt family development practices that are even more time- and energy-intensive and demanding than creating a successful business. That may be why there are so few of these families.

Financial and business success enables new paths to open for the rising generations. Elder generations take a long-term view of the future, an essential element of which is preparing their children and heirs for a good life. This has always been a concern of wealthy families, as US founding father John Adams affirmed in this letter to his wife:

I must study Politicks and War that my sons may have liberty to study Mathematicks and Philosophy. My sons ought to study Mathematicks and Philosophy, Geography, natural History, Naval Architecture, navigation, Commerce and Agriculture, in order to give their children a right to study Painting, Poetry, Musick, Architecture, Statuary, Tapestry and Porcelaine.¹

This letter highlights the fact that members of the elder generation may envision a very different future for their children than simply continuing the legacy business. They see their family success as offering wider opportunities for their children, ones that are not open to everyone.

But with infinite possibilities ahead of them, their children may find it difficult to decide what to choose. In addition to skills, they need to discover life purpose and develop their own values for living that build on the family's legacy values. Every generation of parents would like to be able to have control over the positive outcome of their wealth on their children. In reality, control is limited, and parents can only hope to influence, set an example, and talk together with their children about the future. This final section looks at how generative families develop activities to set a positive climate for their rising generation. Each time a new generation takes leadership, they demonstrate how well they have succeeded at this goal.

One of the core findings of this study is that a generative family is focused on creating opportunities for and encouraging the development of its children through active investment of family resources to develop skill and commitment. One third-generation family leader reflects:

You have to take the time to develop each member to their potential. People don't understand how important education is, and underestimate the time, the care, and the devotion that it takes to build a strong family. But for me that's where everything happens. So that's where we spent most of our time. If you look at our family business, it would be a combination of individuation combined with collectivism.

An Asian family leader explains the many facets of this "project":

The important matters are entry of a generation, what we expect heirs to do, values we wish for the parents to instill in their kids, the role of the family in matters, and the access to the foundation programs. If they want to get involved, we have summer jobs where the kids get a



Releasing the Potential of the Rising Generation 287

bird's-eye view, whether they're in high school or grade school. We have community projects; we send some of our kids to do hospital work or Habitat for Humanity. We give them a flavor of the business stuff that we think are important.

Generative families mention several reasons for developing the next generation:

- To have their successors sustain and oversee family assets to use them wisely while being stewards for the next generation
- To use family resources to develop the potential and capability of each individual
- To develop and install a cadre of successors to carry on the family legacy of profitable and productive ventures, following the family's espoused values

Families without a legacy business or substantial shared assets handle the tasks of raising productive offspring privately, within the nuclear family, preparing them to go their own way in life. The same is true for generative families—with an additional wrinkle: given their shared resources, generative families need responsible and competent family members to steward these resources in future generations. Therefore, they must teach additional skills and instill sensitivity in their successors as stewards of the family wealth or risk losing that wealth through inattention or incompetence. The financial skills they need to learn are far more complex than budgeting or balancing a checkbook. For this reason, they often provide this education as a collective family activity.

Many generative families also feel that the primary responsibility for this development belongs in each individual household. As one leader observes, “*Our different families have different perspectives on how much information people should be provided with and in terms of the attitudes toward money and spending and what kids should have or not have. And so those kinds of things are left much more to the individual families or branches.*” The extended family then builds on the foundation of values and character with shared family activities agreed to by everyone, designed to add specific skills and commitment to the family ventures

My colleague Jim Grubman and I² previously described the journey of a family new to wealth. Wealth creators usually come from modest circumstances and are new *immigrants* to the experience and use of wealth. As we saw in Chapter 4, they are self-made and remember what it took to achieve their wealth—hard work, individual initiative, personal drive, and high control.

Their children, and grandchildren, are born into an environment of family affluence. They are *natives* to family wealth; wealth is always part of their lives, and they grow up in a world of wealth that conditions their everyday reality. But they are also aware that they did not create this wealth. Lacking awareness of where it came from, they often have anxiety about what they would do if it were not there. They hear from their parents that they should be prepared to go their own way, but because they have grown up in an affluent household, what this actually means may be more theoretical than realistic.

When parents look ahead to what they want their children to learn, they tend to emphasize skills of independent action that served them well. Their children must first learn self-reliance and be able to create their lives on their own. Parental intention is admirable, but parents' knowledge of next generation needs is incomplete.



288 Borrowed from Your Grandchildren

In addition to learning how to find their way in their career and personal relationships, young family members of generative families need to learn about additional areas related to their family assets and wealth.

Because their family is linked by trusts and shared financial entities, they must learn skills to oversee and manage these assets and learn how to work together in harmony with siblings, cousins, and spouses. Inheriting wealth does not mean a person has the ability to use it wisely. Careful use of wealth must be learned. Younger members of the family need collaborative and team-oriented skills to oversee, steward, and add to the family capital. They must learn what it means to become a responsible family steward.

The Developmental Path of the Young Family Member

Inheriting Wealth: What Is Its Intended Purpose?

“It’s all about the money,” one family leader observes. While this view is held by many family elders, generative families for the most part view this notion as limited and short-sighted. Although money looms large in the life choices of a next-generation family member, continuity depends as well on developing all forms of family capital. Money alone is not a strong enough glue to compel family members to dedicate themselves to each other. They need a compelling purpose to pull themselves from their individual lives to commit to the family enterprise.

Financial rewards are not just for immediate enjoyment but are also to be sustained for future generations and used for values-based endeavors. Family members must develop a balance between current and future needs and between consumption and service.

By remaining united across generations and reinvesting profits, the family enterprise can remain large and profitable. Wealth is not a goal in itself. Its value lies in what it allows individuals and the family to do and in how it is used. This is something that the family must determine together. At some point, often at the initiative of the emerging generation, the family begins to ask each other what all this family wealth is to be used for.

This young successor in a hundred-year-old South Asian family with 450 family members observes:

The first eighty years were basically surviving and building up wealth; we reached the point where we’re doing very well—more cash flow, higher dividends. With more wealth, there could be a change in behavior with the way the younger generation deals with it, so we have to be very conscious about how this wealth is deployed and how we manage to keep our values in the midst of all of this seeming success.

With the growing family infrastructure of shared activities and practices, a young person growing up in a wealthy household can’t help but wonder about the family wealth. Young people in such families wonder about:

- What they can expect in their lives
- The rules for using and benefiting from the family resources



Releasing the Potential of the Rising Generation 289

- What the family enterprise contains and how it works
- Roles they might look forward to in the business and family
- What they have to do to attain them

The family can constructively engage this curiosity and offer answers so that its young heirs can move forward with their lives and make thoughtful and relevant decisions.

Family wealth, as noted in Chapter 2, also includes human, relationship, social, and spiritual “capital.” These forms of capital can endure longer than the original financial wealth. In addition, developing other forms of capital adds meaning and shared purpose to the family.

One of the most important practices for a generative family to develop and affirm values and purposes for its various family ventures and its wealth. The family struggles with the question “What is our financial wealth for?” in a way that engages the members of the rising generation. The presence of shared values and mission is necessary so that the family, with new members entering regularly by birth and marriage, agrees with or modifies what it is doing together.

With so many family members, the expectation of living a life of ease may no longer be realistic. But the children should not be the last to learn this. Aside from a very few (but highly visible) members of the global leisure class, fourth- or fifth-generation family heirs can look forward to a nice “lifestyle supplement” to their income, enabling them, for example, to work for a lower salary in a rewarding career but not enough not to work at all:

Family wealth enabled me to live comfortably and put my kids through college. My kids definitely see it in the same way. My son owns his own business. I have given him a lot of support, but he knows it comes from our family business. The family definitely sees that. And that is our success. Not only that, but the family stories are continuing.

Young children growing up in a wealthy environment cannot be expected to understand these limits; the family has to help them overcome unrealistic underestimates or overestimates of family financial wealth. These children may not respond well to an ultimatum. They need warning and active guidance from their parents to prepare them for their future role as stewards of family wealth.

Families have different ways of distributing wealth. Each approach deeply influences the mindset, motivation, and development of the rising generation. Traditional cultures, spanning regions such as southern Europe, the Middle East, and South America, offer an allowance or regular distribution to each family member, usually allocated by age. Only a handful of the legacy families in this study operated this way, and they all reported finding this approach counterproductive. When income is not connected to ownership or family engagement, its presence gives the message that there is nothing the rising generation needs to do to qualify for it. It makes family organization more difficult. The majority of generative families pass inheritance to individual households, even if it is owned by a trust; each household or family branch allocates inheritance in its own way. One legacy family can therefore have several approaches to inheritance.



290 Borrowed from Your Grandchildren

G1 wealth creators usually create a complex set of financial structures—trusts, holding companies, and a foundation—which form the reality for each successive generation. As one sociological researcher observes:

In generational aging and transition, a family must create a transcendent, controlling version of itself in the organization of its property to achieve a coherence of organization that can preserve the mystique of its name and ensure its continuing exercise of patrician functions in its social environment. This coherence does not come as much from commitments made by its members to their common lineage, as from the application of law and the work of fiduciaries whose primary responsibility is to protect the founder's legacy from divisive family quarrels.³

These arrangements can be seen on a continuum of tighter to looser control. On one end are purpose trusts that use resources only in clearly defined ways. In the middle are pools that can be accessed, with rules and limits and often a nonfamily trustee. Then there are inheritances that are more loosely controlled but with voting control of the asset assigned to a single family leader. And finally, there is no control, where the family owners are free to decide together how to use their wealth. Each family must teach and come to terms with the degrees of freedom handed over to the new generation.

Between the heir and the family wealth, then, lie trusts and financial entities, as well as family advisors, all of which inheritors must understand, accept, navigate, and eventually oversee. Learning about this legal structure, young people can feel devalued or distrusted if, for example, they are offered a beneficiary role with limited power or influence. The successful family must provide the training to make this relationship harmonious and satisfying and may also look for ways to allow more flexibility. Each young family member must understand these options and learn how to relate to them in a mutually beneficial manner that may not be immediately clear. By understanding, negotiating, and engaging, these young family members may discover areas of flexibility not initially apparent. To avoid acrimony and conflict, the family must develop caring relationships and commitment to work together so that the family wealth serves the family goals.⁴

Parenting and Developing Character in the Wealthy Household

The primary responsibility of parents is to raise productive adults. If the family is also an economic unit, the family usually prepares its children to fulfill their responsibilities in the family ventures. Generative families report that this task is made more difficult when the family has substantial wealth. Wealth can be seductive; it deeply affects the reality of how children grow up and how they learn that the wealth is not just something to make them special and comfortable. The family has to teach values about children's responsibility to be stewards of the wealth, ensuring it will be wisely used.

An added challenge is that wealthy children grow up with a sense of specialness that sometimes translates into feeling that wealth makes them better than other people. This is called *entitlement*; its opposite, a sense of service and responsibility to sustain the wealth and add to it, is called *stewardship*. The goal of the privileged



Releasing the Potential of the Rising Generation 291

household is to help its children move from entitlement to stewardship. This section explores two facets of this endeavor: first, the active role of parents before their children begin university, and second, the journey of the young adult to develop a personal identity. The first one is the prime time for active family engagement, teaching, and learning; this time is followed by a period of gradually letting go as young adults find their way through higher education and into their first work experiences.

Parents set examples about values and teach responsibility even when they are not conscious they are doing so. “Messages” are passed in family conversations about what is and is not important about wealth and in life. For example, one young woman proudly showed her father her first paycheck, earned from working in a service project. Her father’s response was, “Why are you working? You don’t have to work.” The effect of this message was that she always felt vaguely guilty about working because she was taking money away from people who needed it.

Most generative families report that they are successful in sending the message to many, if not most, of their rising generations that they must develop a work ethic, and an ability to take care of themselves if the “golden goose” stops producing:

We are focusing on what the family members want to do. We’re encouraging the family members, by saying clearly, “Look, you’re getting a check from the business and if you don’t want to be in the business, it’s fine. But go do something. Learn what you want to and pursue it.” That way they learn the skills of how to survive because we don’t know, you know, what happens if the wealth supply runs out.

Young people develop values from their parents’ indirect messages and examples. They may learn that a person’s worth is measured by how much money they have or that people who have money do or do not do certain things. These messages can be conscious or unconscious.

Money has many meanings for a young person. Children are especially curious about where money comes from, as it is very abstract and almost magical. They have to learn that some people do not have nice houses and schools. Their experience may be that when you want money, you just stop at an ATM and get some. Parents may use money as a reward or give children gifts when leave for work or a vacation on their own, leaving their children to learn that money can be a barely adequate substitute for love and engagement.

Values about wealth, the families in this study report, arise from engagement and example within the family, rather than policies and rules. Here is an account by a South American family of how one parent influenced his children:

I raised my children to be leaders and live by the family values. We started working with the children when they were very young. We went with them to sports activities, and every single day of my life, I talked to every single child. Every night, we’d have a little chat. Two very important things came out. One was the ability to communicate. We have excellent communication skills among ourselves. Communication didn’t start when they started in the business. It started when they were four or five at the breakfast table or basketball court. We try to have dinner together every night. Every Sunday, we would go to church. I think that strengthened family values. My wife is great. She’s the chief emotional officer. When you give people security and enough love to



292 Borrowed from Your Grandchildren

go around and respect them, they are secure. When people are anxious or nervous or worried, they are that way because they're not given enough love.

Those values were transmitted to the children. My wife and I insisted on excellence in education. I guess if we had had a child that didn't want to study, we would have had to force them. But we really tried to mold them to do well in school. They went to the best schools here, but every summer we sent them to the US for summer programs. Since my grandfather never had an opportunity to have a good education, he used to tell me, "I told your father that I'm not going to give him that inheritance from me. The only thing I'm going to leave him and your uncles and aunts is an education. That's the only inheritance that no one can take away from you." That was a very nice message.

He helped his children see that despite living in a highly affluent community, they would not have everything other kids had. While they were richer than most of their peer families, his children were taught to be thoughtful about their spending.

Young children learn about work by doing chores and helping around the house. If there is a family business or family office, they may experience work by helping there. This may also be the first time they get paid. By visiting the family business and seeing how work is done, they directly view the source of the family legacy and imagine their own possible future. Similarly, if a family engages together in community service work, children learn about other cultures and the challenges of a world where some have and others do not. This is a difficult moral lesson.

"We know what a drug money can be as it stopped children from becoming the best they could be. I didn't want that for our children," says a matriarch of one branch of a large multigeneration family. *"I was very conscious that I wanted my children to make it on their own."* This desire, in turn, led her and her husband to work actively with their own family branch, developing a strong family organization to introduce a contrasting culture of excellence for their children.

Sharing family values and discussion about money and wealth is a critical task for a wealthy family. One South American family heir reports how the family established a "counterculture" that challenged the prevailing materialism seen in their peers, a difficult lesson for them to learn:

I noticed a lot of children are given polo lessons, yachts, sports cars very early. We have stayed away from that. The first car they got was a Volvo. No yachts, no polo. It's about work and helping your neighbor, loving your family. When our friends at school would get something like a fancy new bike, my mother would say, "Well, that's not necessary. You can have a simple bicycle. It will do the same thing." They never tried to match up to the advantages of other people. So if somebody had a car, we had a bicycle. Or if somebody had Nike, we had Converse. In that sense, money was not important. It was never discussed until we were older. We learned to be moderate with money, have control over it. Don't overextend yourself.

I remember I had a savings box made out of paper-mâché. Every day, they gave us seventy-five cents or a dollar to buy a coke or candy. I never bought the coke or candy. I saved the money and put it in my savings box every day for I don't know how many years. I saved almost \$2,000 like that. Then I bought stocks. I was about fourteen or fifteen, and I said to my dad, "Why don't you buy some stocks for me?" So he bought me some stock that



Releasing the Potential of the Rising Generation 293

I still have. I also collected auto stickers and sold them at school. With that money, I bought a croquet game with my neighbors, and we formed a croquet league.

One challenge of long-standing family wealth is a by-product of its success. Over generations, the family establishes a public image of values and service to the community as well as a vibrant and successful business. The outside view is of prosperity and service. The next-generation family members benefit from this perception by experiencing respect and community status but also sometimes envy and jealousy.

Young family members may need help to respond to this public perception:

In terms of values, I keep stressing why we want to stay together. Very few people in my family have anybody to relate to with this wealth other than ourselves. We're not the Rockefellers. We all live with the fact that people assume that we have private jets and live this grand life, which we don't. But we're much better off than most of our friends, so we're very fortunate. Nobody wants to complain about having money or the issues that come with it, so there is a big void of how you discuss this or who you discuss it with. By getting together, we earn a comfort zone that we can talk about it. We need to rely on each other that way. Share experiences, thoughts. How do we deal with that as it goes to our kids? We all are guinea pigs.

While the “family” is wealthy, individual members may have no control over or access to that wealth. The outside community may regard them as rich, but as individuals they feel constrained and of limited means. This may make them uncertain and uncomfortable. How do they react when someone asks for a loan or expects them to always pick up the check at dinner? Several heirs mentioned the importance of not having their family wealth known to their peers; one family member changed his name when he entered college so that he would not be associated with his parents' generous endowments.

Families all over the world share one quality in relation to wealth: they don't talk about it or do so with great difficulty. Many generative families experienced the distrust and incapacity that came from keeping it secret from their children and to learn (often after a struggle) how to talk with their children about money, wealth, and inheritance. Rarely does a family do this from the start. A second- or third-generation leader, nonfamily leader, or advisor can guide the family to this conversation. One family in this study had difficulty with its first attempt at a family discussion. But the family tried again and was more successful.

If the family does not allow the children to talk about money and wealth, the children's feelings and struggle will have no outlet, and they may make self-defeating life choices. Several family members talked about feeling a vague sense of guilt about having money. “*I didn't earn it,*” said one family member, “*so I didn't feel it was really mine.*” While family wealth provides many benefits, members of wealthy families are always aware of the double-edged nature of inherited wealth. Young people need guidance to deal with these mixed feelings, and this guidance is best delivered in personal discussions.

Generative families learn to meet regularly to talk about money and wealth; this stands in strong contrast to most families, even affluent ones, that do not talk about this. Parents recall conversations about the future. They try to take a light touch,



294 Borrowed from Your Grandchildren

making it possible for the next generation to become involved, but also establishing clear values and expectations for members of the next generation.

Explaining the meaning and use of family wealth is difficult. It demands a high level of engagement and give and take. Here is a creative example from a European family patriarch. He holds regular meetings with his two sons, who work with him in the business:

It's still small enough to do that on an informal basis, but we realize that in the future that's going to have to be more formal. Me and my sons (the third to fourth generation) have over the last ten years formalized meetings about transition. Twice a year, we sit together for twenty-four hours. We call this the "how are you meeting." We exchange views of what kind of things we are going to work on for the next generation in a formal way. It's like a business family meeting. We do it here in my house.

The basic question is: how are things going in general, what are the top preoccupations in your head? What can make the other parties happier? We look at what do you like and what you don't like, what went wrong, or what can I do to make you happier? I make mistakes, and you make mistakes, and you are going to do that every week, and you have to accept the way you are. You cannot change that, but it's good that you know that so you will try to avoid these negative things.

What causes parents and children to start talking? It could be a crisis, a sudden or untimely death, or a financial windfall or loss. Or it can be a question voiced by a young family member. The parent can either open up or shut down the conversation.

It is difficult for parents and their offspring to talk freely and candidly. One reason is that young people feel that their parents are looking for specific responses and have a hidden purpose in what they are asking. So in order to have family conversation and to convey that they are open to hearing what their children think, parents have to ask more questions than state their opinions. Parents have to make it clear they want to hear the answer and not interrupt. If they get a one-word answer, they gently probe by asking further questions. This is called "having an attitude of inquiry rather than advocacy." While parents do, in fact, have an agenda and opinions, waiting to learn from the young people what they think and feel first is a path to a successful family conversation.

Instilling values is rarely a formal process. Rather, through their own actions, parents set an example. However, several legacy families also initiate conversations with their children specifically about the meaning of family wealth. There seems to be no set age for doing this. Most families adopt a graduated method of conversation—sharing information and teaching skills at different ages as appropriate. "We've talked about where happiness comes from, having a good solid family, good solid friends, good food, a happy life at school. Things that are very tangible that you can call on all the time," says an inheritor who is now chair of her family's council.

Most families who have been successful over multiple generations develop an ethic of thoughtful spending, setting limits on how much the family spends in an external environment that enshrines consumption. It takes the concerted effort of



Releasing the Potential of the Rising Generation 295

a parent to instill this sensitivity. This sixth-generation family, with a long history in several countries, embodies the following values:

Our values are focused on trying to live in a frugal way, trying not to abuse family wealth, and respect other people. We're distributing relatively modest amounts at a relatively young age. I've heard of other families where at age eighteen, they come into a trust fund where they're rolling in millions of dollars. It's important for us not to do that because that way, you're causing major issues for future generations.

Desired Values for Successors

Surprisingly, my research team and I found that the values legacy families desire for their children are remarkably similar in every part of the world:

- **Generosity:** Young people should give back to the community.
- **Respect:** Young people should value people of all wealth backgrounds.
- **Work Ethic and Skills:** Young people should have the capability to earn their own money and to find work they care about and at which they can succeed.
- **Self-esteem:** Young people must learn to find value in themselves independent of their wealth.
- **Financial literacy:** Young people should learn how to handle money.
- **Responsibility for Wealth:** Young people should not be spoiled by affluence and should understand that wealth is a tool, not an end in itself.
- **Frugality:** Young people should exercise prudence in their spending.
- **Pride:** Young people should appreciate the opportunity wealth offers.

The efforts described here are largely aimed at creating a family climate for these values to emerge. The founding generation's values are influential, as a third-generation family leader of a European family states:

The dividends are not something we've actually earned. Prior generations put together this company and did a lot of hard work, so we need to be responsible and wise with the money that we are given, not live extravagantly. We give a lot philanthropically and live modestly, like my grandfather and grandmother, who created the company. They chose to live in the same one-story brick house they've lived in for fifty years rather than deciding to upgrade to some kind of extravagant mansion. They were happy and content and satisfied with what they had and spent their money in other ways, whether it would be taking family and friends on trips to places or cultural things. There is an overriding mentality to not take for granted what you have and use it for education and long-term value.

Grandparents (elders) can be powerful teachers and models. Their venerated history and their special relationship with their grandchildren allow them to share their special family legacy:

We get together each summer for two weeks without the parents; it's our opportunity as grandparents to give back to the next generation some of our values, pass along some of our traditions,



296 Borrowed from Your Grandchildren

and nurture that history and those traditions. Every five years, our family has an important ceremony. We dress up. It starts at age five when the child is five years old; we plant a tree for them at our country house. At age ten, they get the treasure chest, filled with all of the history of the family and the DVDs and all the artifacts.

The Three-Box Tool for Teaching Money Values

Values education begins early at home. One tool mentioned by several families is the “three boxes.” When a child is first given an allowance, he or she is asked to allocate the money into three boxes: one for spending, one for saving, and one for giving to others. This distinction is difficult for a young child to understand at first, but once learned, the principle will have lasting impact on his or her life.

Here is one parent’s account of adopting this activity and its impact:

Our kids have been raised in a household that embodied “to whom much is given much is expected” [and] has been modeled. We began when they were probably four years old. They got an allowance and had a spend jar, a saving jar, and a giving jar. They had to cut it in thirds and put it in each of those jars. Then through school activities, church, and other things, they began giving their giving jar money at a very early age. Over the years, whenever we have made a significant contribution, we ask the family to come together. They have attended numerous philanthropic events and functions. We have a governance agreement that you can’t come to the company until you work two years outside of the company. When he finished college, my son went to work for Teach For America and supported inner-city kids in very difficult circumstances.

Here is another account:

A lot of people wonder, “Well, my kid’s only ten now. There’s no need to teach him anything until he’s eighteen, right?” But I think the real answer goes right back to when they’re age four or five. We latched onto the three piggy bank idea. We give the kids an allowance each week, but they have to remember to ask for it, which is a little twist that not many people do. They actually have some responsibility to ask for it and remember so that it’s not like a dividend check that just shows up every year. We give them three coins, and they’ve got three piggy banks. One’s got “spending” written on it, one’s got “saving” written on it, [and] one’s got “charity” written on it. Each week, they put a coin in each one. That leads to great learning opportunities and teaching moments. So if there’s a bushfire on TV or something and the kids think that that’s bad that somebody’s house got burned down, then we say, “Let’s use some of the money in your charity piggy bank and put it toward people that they’re going to help.” They go to their piggy bank and see they’ve got \$10 in there. Then there’s a decision on how much to give. “If you give it all to this one, you don’t have any more for others.” They can start to think about all these different issues when they’re really young, and it comes naturally to them.

They learn the value of money. Some of my kids’ friends don’t know whether a car costs \$1,000 or \$1 million. But in their spending piggy bank, if they’ve got a certain amount of money in there, then when you’re in a shop, and the kids are always saying, “I want this Lego” or “I want that toy,” the discussion can come back to, “Well, how much do you have in your spending piggy bank?” “Oh, I’ve got \$10.” Well, then, that \$50 Lego box doesn’t look so good then, does it, if you have to buy it?

My kids spontaneously decided to set up a store on the curb, selling anything they can get their hands on, whether it’s rocks from the garden or flowers or palm fronds or paper planes or whatever they can do. They set up a sign and say it’s for charity and stop people in the street.



Releasing the Potential of the Rising Generation 297

They've made a surprising amount of money. They enjoy doing it, putting the time in. And then we have a great discussion about, "Okay, how will we spend it?" With some charities, you can say, "Well, you can buy a sheep for one family or you could buy 20 chickens or you can buy fruit trees." Then you have a discussion about what will last longer, what's most beneficial, all these things. It all leads to great discussion, and I'm hoping it becomes embedded in the kids from a really early age.

Developing Identity as a Child of Wealth

Even with parental support and engagement, a young person growing up in a wealthy household must develop a positive identity independent of the family.⁵ While there are many examples of materialistic, entitled, "spoiled," even self-destructive and lost young people, the accounts by families in this study indicate that an engaged, values-based investment in the next generation by the family elders is a strong antidote to this tendency. Such an investment begins in the household and then expands to the extended family "community" of cousins growing up in the shadow of the family enterprise. The extended family reinforces the message by offering membership in a wonderful community that shares a business and commitment to positive social values. Membership has rewards but contains responsibility. To prepare to join the extended family enterprise as a steward, the young person first embarks on a journey to develop a personal sense of purpose and capability that in turn enables a positive role in the family enterprise.

The trappings of wealth are omnipresent for young people. This reinforces a sense that they are "special" in undefined ways, affecting expectations, questions, choices, and concerns about their future. This upbringing potentially provides inheritors an unusual amount of freedom to define themselves. But this same freedom and privilege also complicates making good choices and feeling good about their fortune in a world where people with inherited wealth may feel devalued by others with less who resent them. The way a young inheritor integrates the presence of money and wealth into his or her work, personal relationships, and life choices creates "wealth identity."⁶

Knowing their life is subsidized, how do these young people motivate themselves among so many possibilities and choose what to do with their lives? Living in the outsize shadows of their parents, they wonder what they can do that will be significant and important. The opportunities of wealth can be lost if spent on meaningless, self-defeating, or destructive pursuits. Wealth can be a source of confusion if inheritors are not sure what it means to them, what they want to do with it, or how it fits into their lives. They find themselves doing a little of this, a little of that, and not having enough motivation to stick with anything.

Money alone is not the issue. It is also the status and recognition that comes with wealth, potentially leading to feelings of power and entitlement but also feelings of entrapment and isolation. Having and inheriting money has a marked impact on young people's core identity—on the beliefs and values that map how they view themselves as well as how others see them. Inheritors can experience guilt or feel that they do not deserve these gifts, complicating their ability to move forward with



298 Borrowed from Your Grandchildren

a positive relationship to their wealth. After learning from their parents, they have to work on their own to develop their own personal identity. Identity development does not emerge fully from parents' teaching. However, the experience of being part of an extended family community can aid their journey immeasurably.

Wealthy heirs nowadays grow up in a bubble, a "gilded ghetto"⁷ where they mostly meet others like themselves. Being protected, they do not experience diversity or have much opportunity to manage their own affairs. They do not go out or even play on their own. "Helicopter" parents watch and program their every activity, leaving little space for self-discovery.

With all of their wealth, their life experience is thus limited. Entering college may be one of the first times they are on their own, sharing space and getting to places on time without reminders. They may meet and learn from people different than them and may expand their horizons or remain secluded within a tight circle of other heirs. They need to be prepared and encouraged to take the first path—that of expanding their horizons.

This developmental journey can be described as a triangle, with contributions from both the parents and the young person. (See Figure 13.1.)

A young person begins by learning from parental example and teaching. There can also be contribution via extended family activities. But the young person must then go on a personal journey—college, travel, relationships, work—to develop a sense of personal identity, capabilities, self-confidence, and a personal mission. As this journey unfolds, the young person then returns to the family, entering the family assembly and other family activities, in a variety of ways. This inside/outside/return model needs support from the elder generation.

Several family practices help young people in generative families navigate this path. First, the elders let go and allow young adults to find their way. Young people are encouraged to set out on their own, with appropriate support for things like

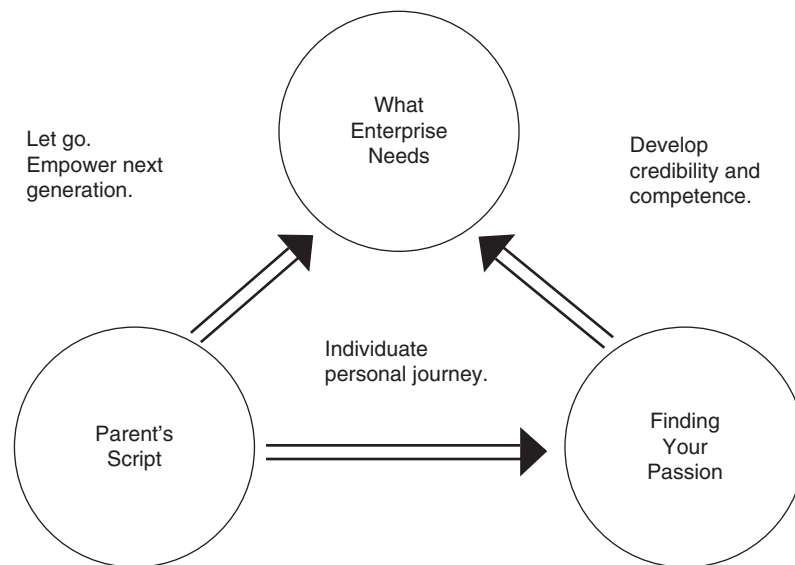


Figure 13.1 Developmental journey of heirs.





Releasing the Potential of the Rising Generation 299

education or travel, but not so much that they don't have to do some things for themselves. Particularly important is getting their first job outside the family, which is not given to them, and at which they have to perform on their own. Parental expectations should be made explicit, and parents should try as much as they can not to give mixed messages that show disapproval of the young people's choices. This can be tough for parents who feel strongly about certain directions.

Young people want their families to be interested and supportive of what they do; they want their families to limit criticism and control over their choices. As their kids move toward maturity, parents can be appreciative but should exercise less direct control. They should resist their desire to use money to control choices and behavior. Young people develop best when they feel that while there are resources behind them, they are also expected to be on their own, even self-supporting. The family should have a clear agreement about what can be expected from the family and what the young people are expected to do in return. The presence of trusts and money is a problem if the rules for what is theirs and what is not are unclear.

Many young people report difficult experiences that propel them to learn and grow. If they don't struggle, they cannot learn. So parents who are rescuers, or who support their children in avoiding the consequences of difficulties, prevent learning. When a crisis or difficulty leads the young person to struggle, a common developmental sequence of identity development emerges that follows the lines of the "hero's journey"⁸—a person sets out to find something, encounters setbacks and difficulties, and overcomes them with some help from outside, all to end up with the prize that includes a sense of achievement, personal identity and life purpose. Identity development can be viewed as a personal journey of difficult lessons and obstacles overcome, leading to public achievement and recognition as the young person returns home.

Young people who grow up with wealth inhabit a cocoon of safety, protection, plenty, and attention that has been called a state of "innocence"⁹—where they feel special and omnipotent, as if nothing can happen to them. Then, maybe on their initial journey outside the family something happens—a personal failure, a difficult relationship, or a challenge—that signals they can't rely on their parents or their money but have to fix it on their own. They are hurt and troubled, and this sets them to learn, reflect on, and come to terms with what they want to do with their lives. They may have to overcome bad judgment or habits. Doing so, they develop on their own some confidence, self-acceptance, and sense of purpose.

For parents, anxiety and desire for the best for their children can lead to rescuing them from any nascent difficulty, setting up a cycle of codependency where the child knows parents will always be there to take care of them. Parents who find their young adult children in trouble or hurting have to be able to apply positive tough love—emotional support along with the message that they have to solve their problems without unlimited parental resources. This lesson must first be learned by the parent.

Parental engagement is tricky at this stage. A parent should find a way to be in regular contact, as a sounding board for some (not all) experiences but taking care to be supportive and ask questions rather than preach or tell the young person what to do. Support does not have to mean solving a problem or intervening. Using one's



300 Borrowed from Your Grandchildren

means to smooth a path to college or a job is almost always counterproductive. For a parent used to having direct impact and taking action, this stage of support can be difficult to learn. Such a parent is not used to such an indirect role.

Young people who emerge from their own journey develop a sense of self strong enough to be ready to become involved in family ventures. They return home with their own success at doing something well and a set of skills they are ready to offer to the family.

Learning About Business and Work

Families usually expect and require family members to work. But the definition of work was flexible. As one family leader says, “*We have a requirement for work, but we don’t have a requirement for a salary, so if someone chooses their life work to be a volunteer coordinator for some charity, we consider that work.*”

Another family developed what they call “the passion project,” in which each young family member was invited to develop a business or project, funded by the family, doing something he or she was passionate about. The goal was for the young person to demonstrate persistence, capability and commitment and to have his or her work recognized in some way by the relevant community. These projects were not necessarily remunerative; the family supported arts or social service projects if the receiver demonstrated its worth to the community.

Education about the family business happens informally and is important in developing expectations and focusing on career goals. This member of a Middle Eastern family with widely dispersed relatives recalls:

I was dragged to meetings since I was five or six. If there was a meeting on the weekend or I was on holiday, I would just get dragged along. So that was one way. Second, there were always business guests at home. There were always family members staying at home, nephews or uncles or people visiting for business. We lived with my grandfather, so there was always conversation between my father and my grandfather or my father and his brothers that were visiting. You couldn’t help but hear although you didn’t always understand it until later on. You heard and were involved passively.

Wealth opens up special opportunities for the rising generation to pursue rewarding career directions not open to less fortunate families. Noticing the musical talent shown by a young family member, a family elder—without the young woman’s knowledge—asked the trust to invest in a rare instrument that was being auctioned. It was a good investment in a valuable antique and also a way to support a special talent. The young family member has gone on to teach and play all over the world. Other families report that they invest in the human capital of family members when they show special motivation or ability.

Skills for the Rising Generation

Substantial family wealth, generative families report, is a great challenge as well as opportunity for members of the next generation. While they pursue their own path in life, the many possible forms of shared family “capital” present family members



Releasing the Potential of the Rising Generation 301

with some inviting opportunities. In addition to the legacy businesses and investments, there is the possibility of founding new ones. Inheritors can look beyond personal benefit in their gift from prior generations. There are also service opportunities arising from family philanthropy. But to be useful, each successor has to develop professional skills and a personal commitment to become a steward (even when also pursuing their own life path).

What skills and capabilities are needed in the rising generation of a legacy family? Since the family enterprise looms large in the family psyche, young people's active focus on preparing for leadership takes three major forms:

- **Business:** In the second and third generation, family successors emerge who can work in the business (whether as executives or on the board of directors). By the third generation, the family has often either sold the legacy business or transitioned to a role where it oversees the business as owners with nonfamily leaders to guide the company. With a family office or extensive investments, the role of board member, trustee, or steward of assets demands different kinds of family leadership.
- **Family:** By the third generation, with many households comprising the extended family, successive generations must take active roles sustaining family connection and promoting cooperative relations and shared family activities to align, inspire, and educate the extended family. The family must develop collaborative, relationship skills to do this.
- **Community:** Family resources lead to many opportunities to serve the wider community, by partly supporting service careers and by initiating philanthropic and social entrepreneurship ventures.

Each of these endeavors is complex and demanding, and the generative family has a limited talent pool. The family must take steps to reap the most from each person by educating, guiding, inspiring, and inviting the most talented of the next generation into leadership.

Members of G3 or G4 growing up in separate households widely dispersed geographically may not know each other personally or feel connected to the family legacy or business unless they are actively engaged. In order to function as a unit, the generative family must renew its shared identity as a family enterprise in each new generation, aligning their many households.

As we have seen, generative families do not include *all* blood family descendants. Households and family branches may drop out of the shared entity while at the same time young people and new spouses enter. Each individual member, and the family as a whole, must develop a positive identity and reason for working as partners in the future. Family efforts are directed at using family resources to motivate and focus growing numbers of family members. "Generativity" means that the next generation does not rest on past success but commits to do more. For example, the next generation may take the business in new directions, perhaps starting new ventures that express the family's values in areas like social investment and entrepreneurship.

At some time, every member of the new generation must make a choice—to commit to the future of the whole family or to exit and go his or her own way. Generative



302 Borrowed from Your Grandchildren

families provide the opportunity to say “no” to the extended family. In every generation, some may take this opportunity to go their own way. By the third generation, the family may contain many smaller shareholders; some will be happy to sell their shares and use their capital in their own way. To ensure a robust future, the family must *recruit* them to join, and the family must do this by giving these young people a good reason to commit to be together as a partnership.

Great families see their rising generation as future leaders as they train and furnish them with personal and professional skills. It is no easy task to develop these leadership capabilities in several next-generation family leaders. A person with all these qualities might sound like a superhero! This looks like the wish list for a corporate leadership development program—and that’s precisely what it is. All the efforts discovered in this study, from individual family learning to shared educational and development programs, are aimed at this level of development of leaders whose role is that of family “steward.” These outsize expectations for the next generation can be inspiring but also overwhelming. The key is to create programs that offer the right amount of challenge.

Developing a Positive Work Ethic

One aspect of raising new generations that almost every generative family agrees on is that they want them to develop a positive work ethic. Even if they work in social service roles, they want them to be passionate about something that makes a difference and become good at it. They find ways to encourage this.

Here is an account by a third-generation father about developing work values:

My older sister was born in a small apartment. I was born in a nice house. Then my younger sister spent her formative years in a much nicer house. All of us saw an incredible work ethic from my dad and uncle. A big challenge for me is how does my kid know how hard I’m working?

I knew clearly that my dad busted his ass. He was gone from six in the morning until ten at night six days a week. Sunday he’d sleep in until seven or eight. He made it to my games. One of the benefits of working in the family office is that I can take my kid to school every day. I don’t miss a game. How does my kid see that work ethic? That’s one of the struggles my dad never had. He just did it. My generation hopefully will struggle with that and hopefully have good answers, so the next generation is more comfortable with their wealth. Not that we’re uncomfortable, but I think we’re just learning how to do it. My dad couldn’t teach me how to be born into wealth.

Family members have to rely on each other, to teach them the values that need to go with it. The reason my generation struggles with it is because we saw it, we lived it, [and] now it’s ours. I’ve got to figure out how to make sure that my kids have a strong work ethic or understand the value of money. I went from a six-figure marketing job to teaching high school for 28,000 bucks yet still living the lifestyle of a six-figure marketing guy in Manhattan. That’s not a reality for most people. How do you bridge that gap and let a kid understand? It’s important that we educate our kids and rely on each other. That’s where the family comes in. I see as my responsibility for my niece who might not be getting that idea. I have to step in somehow because I think their mother is doing a poor job of it.



Releasing the Potential of the Rising Generation 303

Several parents noted that they were especially active when their children transitioned from university to their first work experience. With the cushion of family wealth, young people looking forward to inheriting or working in the family business may have lower motivation to struggle and learn from adversity in their early work efforts. Indeed, adversity may be a new experience:

Their parents help them through those critical stages—the end of school and through university in their first years post-university. I think their critical stage is that first post-university job. They'd better start somewhere although it's not easy or pleasant. Both our daughters had first jobs at interesting companies but with terrible bosses. They learned really good lessons about life in the real world. They didn't stay very long with those jobs, but when you're starting out, you've got to get your hands dirty and start at the bottom. But some family members think, "I don't need to do it. I can sort of skip" that first phase out of university. But I just don't think you can. I didn't. I started working in a public works project as a young graduate engineer. The transition from university where it's still partying and fun to the real world where you often start with a pretty crummy job. They're going to start with a pretty basic job that's not going to pay them very well.

One second-generation elder sums up his generation's work with the following vision for the next generation:

I wish the next generation can see what we are and where we've come from merely as a background to who they will become. There is no sense of entitlement to either position or income. I hope they see it as part of their roots, something they're pleased about. And we'll give a little bit of time and intellectual bandwidth so they can be effective shareholders and owners. I don't want to look beyond that generation. Who knows what might happen; I'm not particularly dynastic. It was up to my generation to do the rational things when we crystallized the wealth. And in due course, it will be the opportunity for the next generation.

I want them to be able to function as a unit that enables them to avoid defaulting to "let's stop doing this because we don't know each other and can't work together, but let's make an informed decision about where we're going now as a family group." I do think that there's value in that just because it's nice to know where you come from as an individual and as a family. There's a sense of identity and connection that gives people a good foundation to live their lives with knowledge about where it's come from. I always say we're not special. We just got lucky. If you're lucky then what measures your success is how you capitalize on luck. In other words, be the best you can, then don't sit around. The disease of the inheritor, we all know, is the propensity to undershoot their potential because the inherited capital allows them to do that. Most humans are pretty lazy. I hope that would only be the minority of cases in this family, that they'll just get on and enjoy life and live life to the full. We don't need to go ten generations. We just need to do a good job each generation and see what happens.

Educational Programs

How do members of the rising generation actually learn and develop skills they will need to serve the family? Because of the size of the family and its special needs as a business family, the larger and longer-lived families in this study frequently develop



304 Borrowed from Your Grandchildren

custom-built educational skill development programs. These programs go beyond information sharing to developing the *capability* to take on leadership in the many facets of the family enterprise. They teach the specific skills to become a productive steward of the family enterprise: leadership, relationship, financial, and business skills. These are not skills they are likely to gain in higher education, or if they do, the special nature of the family enterprise makes it useful to supplement their education.

Family education programs focus on interpersonal skills like communication and can be similar to experiential corporate training but with the trainees being family members. Like executives, young people learn to work more effectively as a team, overcome (sibling) rivalry, and avoid bringing in conflict from the family:

Over the decade, we have done age-appropriate work across a myriad of subjects, including self-development, leadership, understanding self, and basic entrepreneurial practices. We reviewed every acquisition we've conducted over that decade. We review our financials twice a year formally with them. They've gone through our tax return in detail, and they have been to events that launch a new product, new rotation, grand opening, expansion of a site. When they were fourteen years old, we started talking about if they wanted to have a car, they had to make \$5,000 on their own by say lifeguarding or cutting grass.

We also designed a summer experience for teenagers where you spend time in all the finance, IT, HR strategic planning, human resources, and small business initiatives. Some of them returned to their company and worked in areas that were particularly exciting to them. They entered college with an unusually deep appreciation for the complexities and opportunities it would take to be in the business world. I would call those very rich windows. You had a young person in an adult environment, listening and seeing the inner workings of a four-business-unit enterprise.

The family above appointed a family member full time as family relationship manager to oversee the development of the human capital of now hundreds of family members:

Parents need to make sure they're talking about the vision and values around the dinner table. That's key. Once they get older and they become inquisitive, we have a whole set of things we do with the family. We start at age twelve and categorize them from age twelve to twenty. We want some of the twenty-year-olds to be the mentors to some of the twelve-year-olds. We do functions with that age group two to three times a year. We call it "cousin-palooza." Education doesn't revolve around what we do; it revolves around who we are. You get these kids together and introduce them to each other and like, "Hey, I know you; you sit next to me in science class. I didn't know we were related."

Education programs are frequently geared for age cohorts. Younger children and teenagers attend gamified activities, like going on a scavenger hunt or creating a family tree. One family used the word "generage" to refer to family members who were of similar ages regardless of their generation. They designed programs for each generage.

Another family created a financial skills seminar, initially offered to family members over twenty-one. The first topic was about how to pay taxes. The second year the topic was budgeting. Younger family members expressed interest, so they lowered



Releasing the Potential of the Rising Generation 305

the eligible age to eighteen. Even more family members attended. Finally, for the third year on the topic of investing, they lowered the age to fifteen and had their largest attendance. This family has a tradition of family engagement, but they have been struck by the interest of their younger members. They have begun to add to their pool of “future family leaders.”

Desired Capabilities in the Rising Generation

Generative families have already created a thriving business and extensive wealth. Their expectations for their children are similarly broad. They want their children to be prepared to pursue their own calling or contribute to the family enterprise and to society. From the accounts of family in this study, my research team and I generated a set of desired capabilities (“Cs”) that these families’ education and development programs aim for:

- **Character:** ethical sensitivity
- **Competence/capability:** financial and governance/ownership skills
- **Commitment/caring:** stewardship; productivity as part of the family; a good partner
- **Connections/community:** trust in and personal commitment to each other
- **Collaboration/compromise:** ability to work together with give and take
- **Communication/transparency:** shared information and understanding of family enterprise.
- **Changeability/resilience:** ability to adapt and change
- **Curiosity/creativity:** ability to seek out and discover novel possibilities

To ensure its future, generative families need to develop their successors in each new generation as capable stewards who are committed to the family’s purpose and values, and are ready, willing, and able to take this on. Since the family enterprise is complex and demanding, every rising generation member must develop a positive personal identity and life purpose, and also find ways to serve the whole family enterprise. While in every family, some will not reach this goal, the family wants to create a climate where many if not most do. Parents in each household share this commitment and the collective family creates supplemental programs and activities to further these aims.

Parents in generative families must learn how to practice high involvement in these activities while exerting progressively less control. The next chapter will look further into how the generative family invites their rising generations to learn about the family enterprise and participate in what it does.

Taking Action in Your Own Family Enterprise

Developing a Personal Development Plan

As young family members complete college and graduate school and prepare for their careers, it is helpful to develop a plan for personal and career development. Many books and resources can help with this. One way to focus your growth is to



306 Borrowed from Your Grandchildren

create and manage a **Personal Development Plan**. To take personal responsibility for your future, it should have the following elements:

- Assess Your Skills and Capabilities
 - What do you want/need to learn?
 - How will you learn it?
 - What preparation and experiences do you need to develop your capability?
 - How will you assess yourself in these areas?
- Move out of the “Bubble” of Family Privilege
 - Leave home and discover the wider world through work, travel, and education
 - Support yourself
 - Take risks and try to learn about overcoming adversity
- Find a Mentor, Guide, or Coach
 - Elder who has been there and can support and guide you
 - Who are the best mentors? Where do you find them?
- Develop Credibility
 - What is most important in your message to the family?
 - What is the difference between interest, capability and credibility?
 - How do others know that what you can do, how you can add value?
 - How do you develop your credibility in the family and the family business?
 - *What is your plan for learning and developing your role?*
 - *What do I have to learn in order to be ready for this role?*

Wealth Messages

We earlier offered tools for having a family conversation about money and wealth. This conversation can take place one-to-one between each set of parents and each child, not as a single event but as an ongoing process. When a young person is choosing college or looking at a first job, family conversations can be helpful. When they are away at college, regular family phone calls or visit can offer a young person support while still allowing privacy for them to manage their own lives. Family agreements about support and help can be part of these talks.

What Is the Family “Deal”?

A key question for every young family member, and one that often is left unstated, is “What can I expect from the family in terms of resources, support and aid just because I was born into this family?” This support may also be conditional on taking up certain responsibilities, having certain values, or behaving in a certain way. As a whole family, or in individual conversations, each young family member, should be able to learn what he or she can expect, and what the conditions are.

In this conversation there must be some exchange. Often young people grow up with certain expectations about fairness and what they were told. The family has to make the reality clear but also be willing to listen to the situation from the young person’s perspective.



Releasing the Potential of the Rising Generation 307

Often this can be done with a cross-generational family meeting, rather than individual ones, so that it can be clear how the expectations are similar or different for each person.

Assessing Basic Money and Wealth Management Skills¹⁰

Family education programs often teach young people core money management skills. These skills are important to all young people, but because these young people are expected to become stewards of family wealth, the family teaches these skills to the family together. These skills include how to:

- Feel comfortable with wealth.
- Talk about wealth in personal relationships.
- Manage personal wealth.
- Work with advisors.
- Save.
- Keep track of money.
- Get paid what you are worth.
- Spend wisely.
- Live on a budget.
- Invest.
- Handle credit.
- Use money to change the world.

Each young family member can respond to this list by checking the skills they have learned and those they want further help to learn. This can be done together as a family, and the results used to develop family education programs and offer coaching to individuals.

Notes

1. John Adams to Abigail Adams, May 12, 1780, in *Adams Family Correspondence*, eds. L. H. Butterfield and Marc Friedlaender, vol. 3 (Cambridge, MA: Belknap Press of Harvard University Press, 1973), 342.
2. Dennis T. Jaffe and James A. Grubman, “Acquirers’ and Inheritors’ Dilemma: Finding Life Purpose and Building Personal Identity in the Presence of Wealth,” *Journal of Wealth Management* 10, no. 2 (2007), 20–44. This model was amplified and described in greater detail in Grubman’s book *Strangers in Paradise: How Families Adapt to Wealth Across Generations* (Northfield, MA: FamilyWealth Consulting, 2013).
3. George E. Marcus with Peter Dobkin Hall, *Lives in Trust: The Fortunes of Dynastic Families in Late Twentieth-Century America* (Boulder, CO: Westview Press, 1992), 55.
4. Hartley Goldstone, James E. Hughes, Jr., and Keith Whitaker’s book, *Family Trusts: A Guide for Beneficiaries, Trustees, Trust Protectors, and Trust Creators* (Hoboken, NJ: John Wiley & Sons, 2015), explains the opportunity to expand this relationship.
5. The observation that it is difficult to grow up in a wealthy household and to develop a positive identity is an insight that comes from a group of researchers including John L. Levy, Joanie Bronfman, Joline Godfrey, Lee Hausner, James A. Grubman, David Bork, and Madeline Levine, who have each written extensively on this topic.



308 Borrowed from Your Grandchildren

6. Stephen Goldbart, Dennis T. Jaffe, and Joan DiFuria, "Money, Meaning, and Identity: Coming to Terms with Being Wealthy," in *Psychology and Consumer Culture: The Struggle for a Good Life in a Materialistic World*, eds. Ted Kasser and Allen D. Kanner (Washington, DC: American Psychological Association, 2004), 189–210.
7. Jessie H. O'Neill, *The Golden Ghetto: The Psychology of Affluence* (Milwaukee, WI: Affluenza Project, 1997).
8. This concept, developed by mythologist Joseph Campbell, suggests that over the course of a life, a young person often follows a common developmental journey told in different ways across cultures. The hero's journey is a quest. The young person sets out into the world, faces a deep challenge and danger, finds allies, overcomes the challenge, and returns home as a hero. See Joseph Campbell, *The Hero with a Thousand Faces* (Princeton, NJ: Bollingen Foundation, 1949).
9. This term was coined by George Kinder in *The Seven Stages of Money Maturity: Understanding the Spirit and Value of Money in Your Life* (New York: Dell, 1999) to denote those who enjoy wealth but have no idea where it comes from or how to manage it.
10. Adapted from Joline Godfrey's book *Raising Financially Fit Kids*, rev. ed. (New York: Random House) and from conversations with James A. Grubman.



CHAPTER 14

Family as a Cross-Generational Learning Community

Consider a young third-generation family member from a wealthy and successful family. She grew up barely knowing her cousins who lived in different cities. She is proud of the business that bears her mother's maiden name, but neither her cousins nor the family business are a day-to-day reality for her. Her parents and siblings are her anchors, but she has never seriously considered any specific role in the family enterprise. Not that she isn't interested—it's just not on her radar.

When she is about to start high school, the extended family holds the first of what becomes an annual family retreat. She spends fun time with her cousins and discovers how much she has in common with them. Upon learning the history of the family's legacy business and the role of the new family office, she has the notion that perhaps she might study business and eventually have a role in sales and marketing. She then takes a mini-course with her cousins about budgeting, household expenses, and credit cards, topics she had never thought about, as her parents paid for everything. She loves the summer meetings and volunteers to join the committee to plan next year's meeting. This is how a third-generation family initiates the opportunity for the next generation to become a legacy family.

By learning with her extended family, she became aware of new opportunities and found a possible path for participation in her generative family. The previous chapter presented the personal development of identity and values in family members as they grow to adulthood. This chapter continues by looking at the special ways that generative families use their collective resources to bring family members together to learn and grow. While family assemblies and gatherings are fun, and enable people to get to know each other, such gatherings are also the source for a variety of educational and learning activities.

The extended family tribe prides itself in creating events like this for family members to learn together, as they invest in developing the capabilities and commitment of their rising generation. We will look here at what they do, and how they do it.

Development and education for the rising generation is a dual responsibility of the individual household and the extended family. First comes informal learning within the individual household, as reported in the previous chapter. Due to the scale and complexity of the needs and responsibilities of the large family enterprise,



310 Borrowed from Your Grandchildren

more guidance is needed. Hence, by the third generation, the extended family takes up the task of creating shared efforts, coordinated by a self-initiating group of family members who form an education committee or task force, usually growing out of (or sometimes into) the family council.

While members can be appointed to this committee, no one can impose commitment. Most families encourage a few family members to volunteer and step up. The education committee usually contains members of more than one generation. Its primary tasks are creating curriculum, employing resources, finding venues, and getting family members to attend. Families make use of outside advisors and frequently call upon family office executives to help. Some families pay a family member to act as the coordinator of their educational programs. They often take place as part of the family assembly, presented in Chapter 9.

Extended Family Activities

Extended family activities include the following elements, which are described more fully below:

- Cross-generational community meetings
- Business/financial briefings
- Mentoring and career development
- Junior boards

Cross-Generational Community Meetings

Relationship building and education begins when the extended family meets together to define itself as a shared community of interest. By the third generation, the generative family contains branches, households, and dispersed family members who do not know each other well. From a group of related kin, the family must generate an active desire to be together and must develop a common identity concerning who the family is collectively and what it is doing together. Otherwise, forces of separation will overcome the family's shared legacy as a financial entity.

Building extended family relationships often begins with summer gatherings for young people and teenagers:

Because they live all over the place, we have a gathering every summer for the teenagers. This last summer was our third year, so we had a whole family reunion. The summer before that, my daughter and her husband, who are in the fourth generation, hosted the teen reunion at our family cabin. We had fifteen teenagers show up. I was the cook, stayed all the way. Even living all over the place, they're instantly friends.

How can these simple gatherings become so consequential that they foster development of a generative family? Members of the rising generation meet and get to know each other. They discover how much their shared legacy draws them together. They then consider whether they want to work together and perhaps get excited about future possibilities that build upon their legacy. Out of their growing sense of



Family as a Cross-Generational Learning Community 311

connection and community, they initiate leadership and engage the older generation in their ideas for the future.

At the turn of the twentieth century, wealthy US families often developed family summer encampments, wilderness spaces for the whole family to gather. Many legacy families today maintain this tradition. As a family moves away from having the legacy business as its center, it often invests in a setting that physically houses the extended family. While it can be a resort, the tradition of a shared family “place” with artifacts and spaces holding special memories for young people helps develop an identity beyond their particular nuclear family. It is often a place passed down by the founders, a grand old family home dripping with tradition.

Next-generation programs don’t originate spontaneously. They originate when a family member emerges to become the initiator or driver. This person can emerge from any generation. This person can be:

- A family elder, perhaps a grandparent, who champions an active program for the next generation
- A parent who sees common challenges in other branches of the family
- One or more young family members who want to know each other better and look to the family to develop meetings that include their generation

The fourth generation of a European family (with approval of the third-generation elders), led by the head of their family foundation, began to hold such meetings for several days every two years. Like other such families, this family had about forty people in the fourth generation—ranging in age from forty down to ten and residing in a half dozen countries. The family shares a heritage, a family office with a nonfamily CEO, extensive investments, and a very public and extensive philanthropy program. The goal of the members of the fourth generation, says one family member, was to “*establish their own identity and debate their own issues.*” Some of them don’t know each other well. By the second year, they formed several committees—family governance, philanthropy, and education—to develop themselves as the next generation of leaders in the family. A common vision emerged to anchor their commitment to sustain family unity for another generation.

Extended family gatherings often include more than two generations. Today, with life expectancy rising, the family may contain three or even four adult generations. The passing of leadership, responsibility, and governance is not from one generation to another but across two or more generations. It may involve different generations sharing leadership in a complex power and responsibility arrangement. It is not a single event but an evolving process.

One major feature of these intergenerational activities is sharing and telling family stories. Older family members are invited to talk about their experiences, and family members use drawing, writing, video, and social media to record these stories. By sharing the legacy, young people develop as a community, and they are able to build upon the legacy as they reenvision the future.

An extended family gathering enables the members of the rising generation to decide whether they want to be partners and, if they do, what form their involvement



312 Borrowed from Your Grandchildren

will take. It is a fundamental building block of the one-hundred-year family, as this family describes:

Every two years, our generation [G3] would all come together. Fourth-generation children would get to know each other. We looked at who is considered a family member, all the way to family values. There was a good turnout, so it must have tapped into a real need.

We always use nice places, the mountains or beach. Four or five of the thirteen members of the third generation were driving it. We had a very high attendance. We talked about transition to third-generation membership of the board, what we should do as a family office business, and how we should look after investments.

Control of the family had not yet passed from one generation to the next. The second generation controlled the estate, still the major shareholder in the holding company. The initiative came from our generation agitating upward rather than the second generation saying we're ready to pass it on.

Our generation was more entrepreneurial, more direct in what we wanted. I advocated we should have internal investment management skills around this pool of assets. It took fifteen years to complete that transition. We debated the structure of the holding company board, should there be a representative from each of the four family branches and should there be a family and a nonfamily deputy chairman. Gradually, all these governance arrangements evolved. We thought carefully about who should replace whom, when. That 2G to 3G transition took a decade.

Several families mentioned how nicely grandparents fit into this role. One family has what it calls the “grandparents project,” where grandparents teach and mentor their grandchildren. The grandparents retired from the business but now want to share their experience and spend time with their grandchildren, sharing what they know as mentors and learning from their grandchildren about things like technology:

The grandparents' camp came out of a meeting with an Indian family who had businesses. They were private businesses, and they had businesses in different parts of the world. How do you get them to work together? We make sure that they have to share the same kitchen. We send the cousin generation away together. Because they're the ones that are going to be working together. And unless they get to know each other when they're young, they're never going to be able to work together.

Regular family meetings help family members get to know each other and consider what they can do for the family. The family meetings and the availability of family resources, like the family office, lead to specific action plans. For example, one fifth-generation family offers young people three pathways for engagement:

- Plant tours and business events
- Participation in the family council or a committee
- Application to become shareholder observers of the family's independent board

By the third generation, when trusts and other entities hold formal power and authority, the members of the elder generation have limited authority to dictate to



Family as a Cross-Generational Learning Community 313

the next generation. They have to adopt a more invitational, collaborative attitude in getting their children engaged:

But it's the fifth generation trying to drag the sixth generation in, and there isn't the same authority that comes from those older generation folks saying "thou shalt gather." When you have all these cousins spread out, they're like, "yeah, I like you, but I get on a plane and go home; I got kids in school and all that. But when the grandfather was right there, when you have the senior guys and they were the big business leaders, this was very powerful. We don't have that anymore. And that was a lost opportunity from my father's generation.

Traditional societies hold rituals to mark major milestones, where an individual faces the community and is welcomed into a new role or status. The formal entry into family governance is one such transition that has great importance for the generative family and the individual. Several families developed formal rituals to mark this passage, as seen in the remarks of this family:

We offer an invitation to younger family members when they turn eighteen to be a part of these annual meetings. We've done some really good work around tradition and initiation and including younger family members, inviting them in a ceremony. It happens at the annual meeting for any new fourth generations. If you're born into the family, when you turn eighteen, you're invited to be a part of the business side. We hold a ceremony to introduce you, pairing the younger family member with a mentor from the older generation in a different family branch. We've had mixed success with that mentor program, but I think the idea is really good and helping build relationships between generations and branches. That mentor introduces the incoming fourth-generation family member to the family (enterprise), and that fourth-generation member receives a ring that all of us have gotten at age eighteen. It's like a puzzle ring, and it represents the six branches of the family all living together. That's a wonderful symbol.

My great uncle would always tell the story about the pioneers moving West and how they would throw their hats across the creek if they were traveling in their covered wagons. By throwing their hats across the creek, it's showing your dedication and commitment to cross that creek because a hat back in the old West was a big deal and you didn't want to lose your hat. You get a ring and you get a cowboy hat, and we find a little stream and make sure you have to cross. There was a lot of symbolism and connection, and this initiation ceremony has been really valuable to younger ones. It's kind of a big deal to be invited in and to have all the family there to welcome you. The family office does an orientation to give you information on investments and business before you show up. It's a lot of support around what am I getting into, and this welcomes the family as well.

Shared service activities offer an avenue for young people who have grown up with wealth, and may feel uneasy or conflicted about it, to focus on giving back to the community, helping build a further rationale for working together in a new generation:

Going through this process creates family glue, which helps everything hang together in the future. Everybody has a hand in the creation, which means they bought into it more. This is another reason why it's got more likelihood to survive, as opposed to something created by one or two people. If others aren't involved in it, it doesn't have the same level of traction



314 Borrowed from Your Grandchildren

with the broader family. Also, the broader family doesn't have any perspective to comment on or even identify the hidden issues throughout the whole plan. That was a function of our distance apart and [lack of] communication, which was difficult. Even though it sounds like we've done everything right, there's a lot of challenges to get it really right. The key is to have everyone involved.

Learning about the business can be active and experiential, especially for younger family members. One farm and food retailer has a unique way to promote its young members of the fourth generation as “family ambassadors”:

We set up a store visit policy where we provide them with business cards as the fourth-generation family member. We have a process where they visit a store as an ambassador for the family. We actually give them a little compensation for doing that. They can choose to do it if they want, as one way they can be involved. The company has stockholders. They have a travel fund, so they're encouraged to attend a food show or a family business conference. At the food shows from the time they were little, they could be in the booth meeting people, walking the show with Grandpa or with Dad or Mom and seeing what the business is like.

Family learning might include educational travel. For example, one family conducted what they called the Asia Project, a cross-generational family group traveling for several months learning about social investment. Their learning has since had an impact on the expansion of the business and also the development of their philanthropic mission, less centered on their own home community. During these expeditions, family members react to the deep emotional experiences of human need and social projects and think together about what projects to adopt for their own family.

The members of the rising generation become more than dutiful preservers of tradition. Generative families recognize that they have to focus on adaptation and change, rather than the status quo. Here is an account of a G3 family leader about teaching G4 the need to focus on the future:

When working for the family, one of the things I've always tried to convey to them is you have to think of the office and process almost like an architect. You want to figure out what your end result should look like and work backwards to figure out how to build it. An architect is drawing a beautiful building, but you never start with “Hey, let's look at our wiring and plumbing and cement.”

After the fourth generation, there are more dispersed families having less connection even to their family branch. An important developmental activity in these families is getting together as a generational group. By doing this separately from their elders, they can comfortably develop their connection to each other. They often discover that due to their legacy, they have many shared values and things in common. They also find they like each other.

Getting together as a generational community offers an opportunity to make requests to the elder generation. As millennials, they have a particular way of seeing the world. Upon learning the family legacy and values, they have questions, concerns, or requests. Several families report that after a meeting of the younger



Family as a Cross-Generational Learning Community 315

generation, the members of the younger generation become comfortable sharing their concerns with their elders. By sharing them as a group, rather than individually, they do not risk one person being singled out as having a “problem”; instead, as a unified generational group, they gain credibility that they should be seriously listened to.

As family social and educational activities diverge from those of business oversight and governance, the family can comfortably become more inclusive. Families discuss how, for example, to more fully include married-in spouses. One family evolved toward more inclusiveness as it developed an explicit, formal governance process:

For our cousins’ camp, a decision was made that there would be no business meetings. We all grew up with our parents, the five branches. We would get together with our grandparents on Thanksgiving and Easter. After the meal, my grandfather would grab all of his kids and take them in another room and close the door, leaving their spouses outside and the kids outside. There was never a participative type of thing for the rest of the family. The third generation said, “We don’t like that approach of separating spouses. Spouses need to be included.” We have made that change, but we also want to make sure that everything that we do as a family is not strictly business. We want to make sure we still have social time. Since we have a two-day family assembly that is mostly meetings, we have another time that is strictly social, on the ranch. We want to share what the ranch does environmentally and taking care, stewardship and all the stuff we are doing. We don’t want to have formal meetings at that time. We get everybody together, just for the fun of being around each other and enjoy it.

Business/Financial Briefings

Traditionally, family enterprise leaders and trustees are reluctant to share much information with family beneficiaries and the rising generation. The elders have a tradition of “taking care” of the younger generation and do not feel they need to be informed. This paternalistic model is common in many places around the world. But the family members interviewed for this study found this tradition did not properly allow for the development and engagement of the next generation. If young people were not informed, how could they learn the legacy and prepare themselves not just for possible employment in the business or other family activities but also for acting as owners/stewards in overseeing the assets or contributing, often without compensation, to shared family activities? The generative families in this study *all* hold some variant of an annual business meeting, where family members of all ages are invited to attend and learn from the business and financial leaders.

These annual events can be traditional one- or two-hour presentations of business figures and charts, but many families have found ways to make them far more elaborate and interactive. One family with a large business “*produced a very detailed annual report, not unlike that of a public company, which we circulate to all family shareholders. The CEO and CFO present to all shareholders semiannually. We have quite a detailed regional meeting. On the structured capital side, we distribute most of the profits as dividends, but if people want to reinvest, there’s a dividend reinvestment plan.*”



316 Borrowed from Your Grandchildren

Meetings include visits to businesses, the family office, or a foundation as well as conversations with key employees. These visits are increasingly interactive and feature more than information. As one family member says, these activities include “touring the company farms, plant tours, business center tours, and the museum so that there’s a good bit of hands-on activity to create interaction with what’s actually going on in the company.”

Family business education is not simply “delivered” by the elders to the younger generation. It combines leadership from the elders and active engagement from the younger generation:

Having a family that’s committed to family education is essential. There needs to be a driver within the family pushing it. In the early days we held workshops on understanding personality types, communication skills, and financial things. Utilizing an outside source to provide some programming makes a huge difference because if you’re trying to develop these things on a one-off basis, it’s incredibly time-consuming. Years ago, we developed a longer-term curriculum of what we cared about having our kids learn. Then we looked at the components and identified the things we thought made sense for the kids to learn together in a common space or place. We then identified the things that we felt were better taught and learnt within the branches of the family.

Part of the education is learning about activities and roles that do not exist for a nonbusiness family. The briefings clarify the differences between working in the business and being an owner. An *owner* has certain rights, with others delegated to members of the board of directors. An *employee* works in the business and receives a salary but does not necessarily have a say in oversight or business policy. A family member can be an employee, an owner, or both. This can be very confusing, especially for young people initially exposed to the concept. Briefings define the roles of an owner, manager, board member, trustee, and family council member. For example, one family had a training program for prospective trustees for the family trusts. They had dozens of such trusts, and each one needed successor trustees. The family wanted to appoint family members, but to do so, these younger family members needed to learn how to act as trustees.

Another G4 family created an extensive business leadership class to orient new adults and married-in family members to the complex family enterprises:

It’s a seven-week summer class held once a week where folks from our company come in and talk about their area of responsibility, what they do, and what they have in their history. They come to learn about the business. We hope that prepares them for college, so they’ll know what they want to do. Once you graduate from that class, you can spend a week in the business shadowing people, doing a little deeper dive at what you heard and a better understanding. We call this Production Group Experience, and they work with people in the business and get exposure. Some employees work with them in the company. We say to them: “Tell them about who you are and your education. Tell them the challenges and only what you’re doing in the department. Get them prepared for life a little bit.” That’s another way we expose the kids before they get here.

Many families offer sessions where family owners, and some owners-to-be, ask questions and share ideas. Families also have longer sessions, where young family members (and sometimes people who have recently married in) learn about the



Family as a Cross-Generational Learning Community 317

family and its various ventures. In larger enterprises, these seminars may last several days. The level of transparency is generally high, as families realize that new generations will not feel connected unless they are informed. They usually ask that those attending understand that what is shared is confidential, not disclosed outside the family. They view the next generation as their future owners and leaders, and educate them accordingly.

The interactive nature of the family meetings, where information is shared and family members air concerns or differences, also helps the family develop mechanisms to resolve conflict even in financial matters. As they get to know each other more deeply and share values and experiences, they develop a level of caring and trust that allows them to broach and even resolve differences that arise:

Ten years ago, our annual family meeting was fraught with conflict and stress, which was a real burden. We began to implement a process for dealing with conflicted relationships or disgruntled family members; we call it our task force process. That is where we would get a question which in the past would have caused an argument or a challenge. Instead of allowing that to be our pattern, we spent time answering that question. If it wasn't a ten-minute response, we would actually get into a lot of the history and understanding the person's concern or complaint and the policies or procedures that exist today that support whatever we were looking at. For example, one of the questions we got was why the dividend policy is the way that it is, which everybody knows is really the "how come I don't get more money" question. Instead of shutting them down, we spent a year answering that question of why we give dividends, how do we determine what that number is, can the company sustain its growth with this current policy, can the family sustain its growth with the current policy. It took us six years to get through all of the major questions and to demonstrate that we were willing to take people's concerns seriously and address them rather than allow those concerns to blow up into family conflict. We use that process today for implementing any kind of change. It's one of those really big moves that we made in our family. Through that task force process, we built working relationships. From those working relationships, friendships developed.

Family education may not only be about business. Other families have seminars on topics like natural resources or sustainability. When several members were moved by a new novel, one family invited the novelist to spend a day with them. These special learning activities are possible because of the commitment of the family to use its resources for shared learning.

These programs represent a significant investment of time, energy, and money. Families report that they receive continual feedback about their value from young participants and their parents. Their goal is education not just to work in the business but also to take responsible leadership roles in governance, for example, as board, family council, or family committee members:

Now that our family is bigger, more people are engaged in educating and developing skills that make them a viable board member. Our board changed because our business has changed. The board oversees investments that are more complicated, and there is more to know and a lot more business experience needed than back in the old days when it was just a board with family members who just were there because they were family members.



318 Borrowed from Your Grandchildren

The next-generation program has its highest value because it is building a cohort of people who are getting educated about what we do, how the family council is structured, and family history. They're getting educated about why we're awesome and why we need to continue to be who we are, embracing the values and emotion around being connected to a family like ours. The next-gen program is inspiring the next generation of family members to pick up the flag and keep marching forward.

As households diverge, the family ponders how to promote attendance and participation in shared family events, with so many competing elements in family members' lives. This fifth-generation family leader observes:

Several things encourage people to come. Their children are now making relationships with their cousins, and this program is built around the zero to thirteen-year-olds, and they beg their parents to go. Sometimes we hear back that the parents don't really want to go, but the kids are very anxious to engage with their cousins. Not only are they getting their parents to come who might be on the edge; they're also creating this relationship with each other so that by the time they get into the boardroom or the family council or wherever they're going to plug in, they have relationships and know each other.

The families report growing attendance as the events become more regular. Over the years, more and more family members elect to come. Many families pay expenses and travel, and some even reimburse for missing work or babysitters. The concept is that if this is an event that serves the family, people who are supporting themselves should be compensated for their time and expenses. If there are one hundred family members, this can be costly, and the family has to decide what the benefit is for the family. Many decide that it is what they want to do.

The Family Academy

One US family entering its second century has developed family activities that exemplify the complexity of building a connected, capable, and committed emerging generation:

We have a very extensive internship for high school and college kids. We have a mentoring program. At age sixteen, they attend the meetings, and they're given a family mentor (other than their parents) to sit at the annual meetings with them and meet with a couple of times throughout the year to answer any questions they may have. We started the annual Family Academy to educate kids four to fifteen years old. The family council works with the company to set up the agenda for the annual meetings; we get reports from our manufacturing and real estate divisions. Through the education committee and the coordinator of the family council, we have a cycle of topics for years to come.

We're a global company. We own land overseas and a shipping branch. We hear reports about what's going on and have activities that involve fun things with the company employees and the board who attend the annual meeting. Somebody in our family does videos to introduce the family to family members and things that they do. There's a lot of high interaction as we've gotten to know each other better; it's been really interesting to see the branch divisions dissolve. At first, we didn't even know who each other was, so one of the activities to get to know family was a placemat of the family tree. We would go around and try to figure out where everybody was. The young kids made



Family as a Cross-Generational Learning Community 319

a 120-foot-long family tree, and everybody stood on their square. We take our annual picture on it, and every five years, they update it. Everybody could see where everyone was. When we first started big annual meetings, we had 110 people attending. When we started, people would come in and sit in their own little nuclear family group. Now, it's completely broken up.

We were hearing from people, saying they didn't know how to read a financial report. The CFO and I put together a session on "How to Read a Financial Report." We have a cycle of topics, and it came up to be a finance year. We asked, how do you teach business finance to a five-year-old? Every year, the kids produce something. First year, it was refrigerator magnets. They've done birdhouses, book bags, using their imagination. The oldest members take on the role of CEO, CFO, COO because everybody has to be an officer. They take on these roles and do production teams cross age because we have from five to fourteen years old. At the big dinner, they sell what they produce, and the next day, they count their money. We've opened a bank account for them. They borrow from the company for their supplies, and they have to repay. They figure out their retained earnings and then take a percentage and donate it to charity. They make a financial report to the adults. They learn about all sorts of things. It's always great fun to see how the kids account for the foreign money. The first year, they just wanted to disregard it, and I said, "No, you can't just count that as a dollar. It's not a dollar. You've got to look up the foreign exchange. What's that? Let us show you." So they now know about foreign currency exchange.

Mentoring and Career Development

Mentoring is the pairing of a young family member with a more senior person who guides them to develop skills, a trusted non-judgmental person they can confidentially open up to about their misunderstandings and anxieties. The mentor can be another family member, an independent board member, a nonfamily executive, or a community member who is a friend of the family. Mentoring can be offered with the goal of working in the family business, but some families also offer mentors to those early in their careers who are considering several options, as this young leader of her family council reports:

Our G4 are now reaching the age where they're ready for summer jobs and summer internships, as juniors or seniors in high school starting college. We created mentorship programs and summer job opportunities. We've made it a point to create opportunities for G4 to work in the business or to be exposed to the business at age fifteen. We've also been focusing on ways that we can educate our G4s about the business, what they're a part of, and what they've been born into, along with talking with them about wealth and stewardship and being good human beings. We're trying to improve ways to pass on our values.

Mentoring and career development serve a dual purpose: they help prepare for one's career of choice, and they also develop qualified family members for part-time governance roles. These programs offer an added benefit: being part of these efforts develops bonds of connection to each other and what the family is doing. They also offer visible opportunities for the members of the rising generation to add to the family, social, and business mission and demonstrate their leadership abilities to the rest of the family. Some elders report spotting family talent to recruit from the quality of their engagement and dedication to family education and meetings.



320 Borrowed from Your Grandchildren

Mentoring can be informal or formal. It may begin informally within a single household:

Once a month, we get together with my three children just to touch base and see whether the different activities of businesses are growing. Then twice a year, we have a full gathering, typically about one day, one day and a half in some place. We are quite spread around, and we get together, including all members of the family and the spouses and children.

Mentoring is a special opportunity that a family can provide for even high-school-age family members to prepare them for the challenge of career selection and preparation:

We try to meet and connect with each one of those kids in their twenties. We have a team called the Family Sustainability Team. Our goal is just to get to know them, find out what they're doing in high school, what their goals are in life, what they want to do when they grow up, and where they want to go to school. And at the same time teaching what options might be there in the business. We try to connect with them before they start to get too far along in their college career or in the business world because we were having people apply for our business. I had guys and gals coming to me, and one of them has a degree in landscaping and the other one's got a degree in music and history, and I'm saying, "They're not the skills we can use." We were the employer of last resort, if they couldn't find anything else anywhere else. We want to stop that from happening. If they're interested in the business, let's make sure that they get the right education before they get here.

Young family members may feel the opposite of entitled. They may be concerned about whether they measure up and may need support from others to make effective career and life choices. This support can come from inside or outside the family. This family member sought support from a network of peers about developing confidence when starting work in the family enterprise: "I think it is more; can I really do it? Of course, working here it is quite a big thing. It gives me a lot of sleepless nights. It is about getting at peace with the whole thing. Yes, it works, it is possible, and I know it is a big thing. Even with this, even if you want to do it, it is quite a challenge."

When asked whether his (or her) father had confidence in them, this family member replied:

Yes, but still I have a lot of friends, and I think it's helpful to be part of a family business network because you always think you are the only person in the world who has such a crazy family, and there are quite a few more who are even crazier. We say a lot of times that if someone would retire or my dad retires and he would look for a successor in the free market, you would not be chosen. Because of that gap, you get the feeling "I can do it because I have the skills and I am prepared."

Career development does not come with an employment guarantee. Just being kin in a family enterprise is not sufficient qualification to work in a professional capacity. But with some training, a young family member may find a role in family



Family as a Cross-Generational Learning Community 321

governance or service. Their ventures demand a high level of capability, even as a volunteer. Since the needed skills are somewhat unique to a family enterprise, they are not easily learned in formal education.

By knowing each other across families and spending time together, family members learn about the skills and interests of older family members in other households and become comfortable informally seeking them out. So, in addition to parents and siblings, a wider network of cousins, uncles, aunts, and elders can be called upon. This is what is called “relationship capital.” One family in this study mentioned that there was hardly a college where a family member could not be found who knew someone who attended; this network might be of some help in learning about schools.

Some families utilize nonfamily board members as mentors to family members in the business. Another family member, running the family office in a large sixth-generation family, mentioned how young family members often came to talk with him informally. One family leader reported that he spends 60 percent of his time mentoring, meeting each week for an hour with each of a dozen family members working at various roles in the business.

Mentoring and career development take place both inside individual households and within the extended family. Some parents take the initiative to speak with their children about careers and help them develop a career plan. This is important in legacy families as each young person needs to consider the important question of how he or she will participate in the family enterprise, whether as an employee or in governance. Elders are able to help their children look at the issues of entering or not entering the family business as compared to other opportunities, like working in the family foundation or serving on governance committees. Other families accomplish this by creating a whole family program. If the households in the family see this as a common challenge, they can justify using family resources; if not, they can do it within their household.

Career development can become the focus of family meetings, with the opportunity for the younger generation to learn from the older one:

One time, we gave the next generation the planning of an agenda, and they ended up creating a process where different people from G4 told stories about our careers. G5 was on one side of the room, G4 was on the other side of the room, and there was an interesting dialogue back and forth about the things that are helpful at certain stages of careers. There has been an informal approach. It is hard, particularly with people at that stage of their careers, to be involved in all of this family governance work. Almost all of G5 now have active careers.

The generative family actively prepares the next generation for roles on the board, in family governance (such as on the family council), or with the family foundation. In first- and second-generation families, the board may include all or most family members. However, as the business and family grow and the board begins to include independent nonfamily professionals, family board members themselves require a higher level of professional skills in financial oversight, strategic planning, and business development. The family has to develop such skills for future board



322 Borrowed from Your Grandchildren

members rather than just have the larger shareholders wait their turn to serve. Board membership becomes a responsibility, not a right, of family owners.

As more people participate in governance, members of the next generation have to learn to make decisions together. Many families do not want to have a formal vote for policies but instead want to build consensus. This is difficult to achieve; working consensus requires a real commitment to compromise and listen to others. One fourth-generation family leader notes how difficult this is for the emerging fifth generation:

Leaders are emerging, but everyone's afraid to give anyone power because we saw what happened with our parents, and we don't want that to happen to us. It might be with the best intentions, but if one person takes it the wrong way or it's misinterpreted, you might lose that person's trust forever. And you've lost credibility because things don't really work in the family. Things have to be unanimous to work, which is very time-consuming. If you're not looking for consensus, you're going to fail; fifty-one percent isn't going to cut it. We had an opportunity a while back to install our water on the ranch. Not the water rights, but pump water, and sell it for various drilling activities, which could have been a huge income source. But because it was viewed as something different, there's risk associated with it, and it's not going to happen. How do you overcome that? There's absolutely no easy answer. If there was, there wouldn't be books and books on this stuff.

Another family is more specific about how to prepare next-generation leaders. By documenting the competencies needed for various family governance roles, the family targets its education programs to develop those skills. As an investment, the education program is accountable for results just as its business is:

We've outlined the expectations of each role in our family. We have expectations for our family assembly that give us a baseline for how we need to move that fifth generation up in order for them to be good functioning family members. We've also articulated expectations for our family council role. We have twelve people in our family council who meet quarterly, and we see them as leaders of our business and the most active family members we have. In our governance model, we have standing committees, four people in charge of each standing committee. We've created expectations for all of these, and we're working with a curriculum developer to build an education program.

There's a lot of different ways a person gets developed. We provide a curriculum. We have coaching and mentoring available. We have assessments that one can take advantage of to see their baseline capabilities. We have a development education committee that helps individuals put together development plans based on where they want to go. We have also an evaluation process to be able to measure whether or not an individual was successful in achieving those expectations and what additional support they need to meet those expectations. It's been very deliberate in developing our family, and it's something the family agrees is vitally important for us to continue to be good stewards and to grow to be the stewards we need to be over time. This is now an ongoing process because as the business achieves its goal, it's going to have another goal, and that's going to be the moving target for us to keep moving ourselves.



A Roadmap for Family Development

Figure 14.1 is adopted from a family with over one hundred family owners, including many who work in one of the various family businesses. It outlines a developmental sequence of activities that are offered to family members as they grow up and begin to exhibit interest and capability. The goal is to invite them to consider whether they might have the desire and capability to take a role in the family ventures and, if they do, to plan their development accordingly.

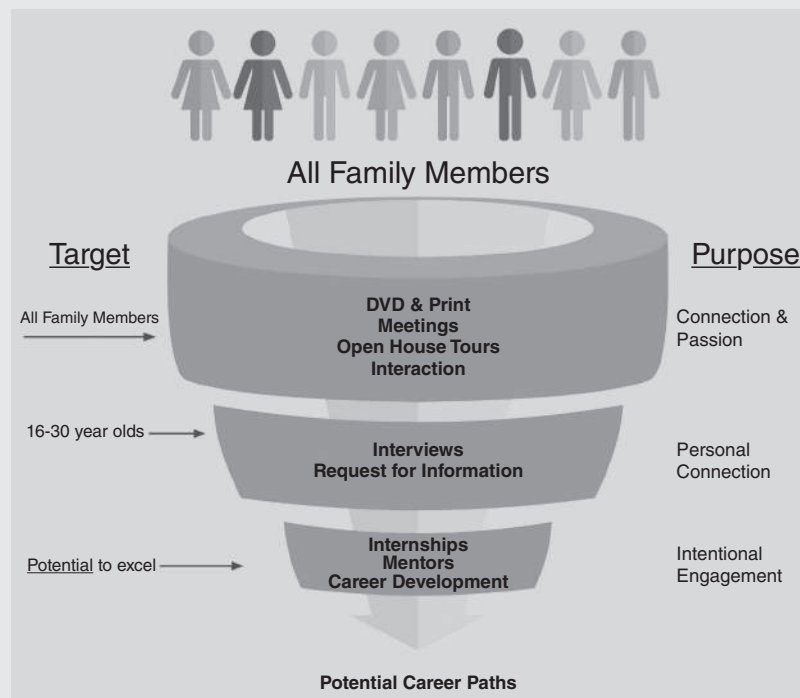


Figure 14.1 A roadmap for family development.

Junior Boards

It is critical to prepare young family members to serve on various family boards that oversee and develop their various ventures. Board membership, while open to owners, is reserved for the most capable people, including nonfamily independent directors. In order to serve on a board, family members must learn the role and prepare for it. One way they can do that is by observing the board in action.

Several families have created a program to give young family members an initial experience with governance, where they learn what is needed and decide if they see this in their future. This “junior board” takes several forms. Some families select young people who seem interested and capable and then offer them a role as an





324 Borrowed from Your Grandchildren

observer at board meetings. Other families open this group to volunteers, feeling that this is a way to discover a talent pool that has some interest in serving the family. This is not just for those who want to work in the business. Some family members will be needed to be part of governance—engaging in oversight by being on a board or family council. These roles attract some family members in graduate school, working at other jobs, or at home raising young children. The junior board may observe the board meeting or have its own meeting that includes briefings and discussions with key members of the family business. One family had a quarterly seminar on “the business future” open to those who were willing to prepare by reading reports and reference material.

Junior boards represent an entry point for becoming engaged in family leadership. Some legacy families have several businesses and entities with separate boards. One family with a large foundation and family office invited family members to observe from the time when they were fourteen. The family leader notes, “*We don’t have a family farm or factory that people can visit. So this is what we do, and before they enter college, we want them to know what we do.*”

A generative family may offer membership on one of these boards to younger members who express interest and capability. The effect of such engagement is to move from information sharing and education to putting what is learned to visible use. By participating in these efforts, a young family member cannot only learn but can also demonstrate what he or she has learned. By taking on a project—for example, overseeing a philanthropic investment or helping a small company owned by the family—they develop a track record within the family. From these candidates, the family can select next-generation members for membership on various boards and committees.

The Rising Generation Is Called to Service to the Family

The goal of family education programs is to develop an empowered, inspired, capable, and ethical generation of stewards prepared and dedicated to continuing the family enterprise. This takes more than maintaining the status quo and sustaining family wealth. The members of the new generation are expected to add to the legacy, grow the many forms of family capital, and make their own mark in the world.

Every young person in any family has the opportunity to go forth and make his or her own way in life. “Find your passion,” parents instruct their children. “Prepare and develop skills to do something that will support and engage you.” This is no less true for members of generative families. While the shared activities and business and service activities of the generative family have much to offer, successors can always go off on their own, and many do. Yet legacy families have an added potentiality. The rising generation also has opportunities to serve the family. This final section describes the “call” of these special opportunities within the family, which figure strongly in the life choices and developmental paths of young people growing up in generative families.

Generative families frame a family or community service invitation to attract those who are ready, willing, and able to get involved. Keeping family ventures strong and vital demands an increasing level of skill in each generation. Each generation



Family as a Cross-Generational Learning Community 325

prepares a new generation to do more than just maintain the legacy. Each generation wants successors who innovate as the business environment and family both changes. The role of educational programs is not just to prepare the members of the next generation but also to frame the message that calls them to take creative roles within the family and its multiple ventures.

Elders can only create a *climate* consisting of inviting opportunities for the rising generation. In response, each member of the rising generation makes a *choice* to become part of it. Young millennials today have been educated and raised in a cyber-world where they are globally connected. Growing up with wealth, they develop values about doing something significant. If they join the family enterprise, they usually don't do it just to honor the past and fulfill an obligation (though this may weigh heavily on them). They often join to do something they cannot do elsewhere. They want to set their own stamp on the family enterprise, even as they honor and respect legacy values and practices. They can always choose to go their own way and separate from the family. Joining is a commitment to give up some of their freedom in return for becoming part of a shared legacy and future success.

Family education and development efforts do not compel the new generation to serve the family. But by creating an offer, a "call" for them to serve, the family can make it attractive for these young people to engage. A generative family can offer two unique "calls" to the rising generation:

- The call to serve the family and family enterprise
- The call to serve the community and the world

The ultimate success for a generative family occurs when a critical mass of its rising generation answers each call to step up and become family leaders.

The "offer" is that by virtue of their membership in the legacy family, members of the rising generation can do something extraordinary. The development and education process shows what has been done, how these young people can contribute, what might be done in the future, and the demands of the role. Each individual must make an active choice to respond to the call, and each does that in different ways. But the individual cannot make that choice if the family has not created the resources, structure, and opportunities for him or her to be part of something great. This final section looks at how the rising generation can answer the call of the opportunity. Only if the new generation steps up can the family succeed for yet another generation.

Choosing to Join the Family Enterprise

Members of the rising generation must prepare for roles in service to the family. The larger challenge for the family is to develop young people's capability and desire—the "will" and "skill"—to take on various family and family enterprise leadership roles. All of these challenges fall to the emerging young family members.

A single family successor, within the rising generation, is expected in many parts of the world. But this expectation is changing as more families take a broader view of their family leadership needs. Generative families look at the capability of the



326 Borrowed from Your Grandchildren

shared generation as a collective resource; several family members emerge in different leadership roles, for example, in the business, in the family, and in the family's philanthropic efforts. The many members of the next generation want to understand how to develop leadership capability and how they will be recognized.

Globally, the traditional expectation of ascension by the eldest son is being replaced with an expectation that each member of the new generation will make his or her own choice about candidacy. Leaders are selected from this self-defining group. One elder remarks:

I don't want my kids to feel an obligation to work here. They certainly need to feel the responsibility that ownership brings, and that responsibility is there whether they cash out or own everything. There's a responsibility that comes with life that they need to learn. The degree to which they are involved I do not want to try to dictate nor even premeditate. All I want is the flexibility for them to pursue what turns them on and to live the best life they can.

The resounding view is that no young family member should feel coerced into partnership. As one family puts it, there should be a “free choice” to choose one's role in relation to family assets or even to leave the partnership. This is made more complicated by the formation of trusts that can tie them together for a generation or two. But by the third or fourth generation—in all of the generative families in this study—there is a mechanism to “free” dissident family members. This *exit policy* is a resolution for potential conflict that can otherwise tie up a family and make it difficult for the family to function as a coherent business. Knowing they can always leave, sometimes family members can then agree to remain and see what they can achieve together.

Most families expect their adult children to go off and “seek their fortune.” In a legacy family, the fortune is already there, posing both a challenge and an opportunity. The research my team and I conducted made us aware that the members of the rising generation of a legacy family must decide how actively and directly they want to be engaged with the family and its enterprises. Family education offers a grounding for making informed choices.

This is not a single choice but a reality that always lies before them as they become responsible and productive adults. We see them making life choices in relation to the family, as they answer the following questions for themselves:

- How do I responsibly draw on the family wealth?
- How will I be involved and engaged with the family and its enterprises?
- Will I initiate or get involved in family-supported philanthropic and community ventures?
- Will I take on a leadership role in some aspect of the family enterprise?

To consider whether to “join” the family enterprise or how much to be involved in governance, each young family member has to first spend some time outside the family. Young people going off on their own and working outside the family is one of the most common early developmental steps the families in this study mention.



Family as a Cross-Generational Learning Community 327

Absent a crisis, most families discourage family members from entering the business too soon:

I think the ones that are successful have done it by moving outside as they transition into adulthood, through college and all that, in particular when it comes to business. To be outside the family, live on your own, do your own thing, find your own friends, move out of town. One of the most important things that all of my nieces and nephews have done, and I hope what my daughter does, is that she gets a paycheck for a few years from somebody else to prepare her for what the real world is like.

Only a few family members can be employed by various family ventures, and the family wants to make sure that it selects the most capable, those with the best “fit,” and those who are prepared to serve. As a generative family grows over the years, there is room in the business for only a few family members. Most third- and later-generation successors draw upon the advantages of education and social contacts to develop independent careers. These careers are often aided by supplementary income from the family, income that allows them to work below market rates on something they care about:

One family member formed his own music label and now runs that. Another started his own nonprofit, and another was in the early stages of forming a larger nonprofit. So many people have been able to take that philanthropic ball and run with it because they have the flexibility for the plans and perspective to do what they wanted to do and pursue that passion.

Lessons learned at home and on their personal journey help develop personal capability and life direction. But the legacy family offers uncountable opportunities. With so many possibilities, the members of the rising generation need guidance to discover and channel them:

Our biggest “idea bin” is trying to find an opportunity for future generations. It’s more of an intellectual than a physical opportunity. We have a dozen fifth-generation family members between sixteen and twenty-six, and their parents (of which I’m one as I have an eleven-year-old) feel this tremendous need to look at developing opportunities for them. We’re not trying to pick their job or buy a business they like. We’re trying to let them know that “you have an important tool in life that allows you to make a better life for yourself.” The family business provides some resources the fourth generation put in a package that younger kids in G5 see as a meaningful opportunity.

In return for being offered special opportunities, each young person is asked implicitly to develop credibility and demonstrate capability within the family. Family membership adds pressure to making life and career choices; it never makes these choices easier. Here is one account from a G5 entering business leadership along with his generational peers:

When I started working, I was thrown in the deep end. To enter our family business, you have to have some store of experience, build a business, etc. Your responsibility grows as you show



328 Borrowed from Your Grandchildren

your capability. I worked outside for a few years at a private equity fund. Then I came back into the family business. When I came back, I could see that few of our larger, global businesses had someone involved from the younger generation. So I told my uncle who's driving those businesses, "I'd like to get involved." I came on board as the next-generation guy.

I've been in those businesses now for fifteen years, and my uncle is still there; he's seventy-something now. I've proven myself, built my credibility. At the last executive committee meeting, I told them, "Listen, the last few meetings he'd been absent, and I'd effectively chaired them." So for one specific business, "I've already done this, and maybe it's time that you let me do this and you can add or comment afterwards if I've missed anything." He actually said, "Okay," and the next meeting he stepped back and said, "You drive it." It's not easy; these guys don't like to let go. You have to push them a little. If they're comfortable, they'll step back. It's not easy; they still meddle around once in a while. But the CEO of that business passed away. The new CEO got the message that I'm the guy who's driving it, so he calls me now. The transition happened over fifteen years. It didn't happen overnight.

Service to the Family and Enterprise

Being born into a business family offers the opportunity to work in one of the legacy businesses or with other family ventures, such as a family office or foundation. Career choices in any family are heavily influenced by the positive example of parents and relatives. If a parent is an actor, politician, craftsman, teacher, lawyer, or farmer, one absorbs values and learns informally about these professions. Also, the benefits of having a network of people in that industry or profession enable an heir to enlist personal contacts for a possible job or career. Admission to the best schools, consideration for the best internships, and the ability to meet the "right people" are all advantages to being part of a generative family.

In a family business, the opportunity is concrete and real. Family development and education have taught the rising generation about what is and have suggested what can be. The nature of the choice evolves as the family develops. The families in this study that still own their legacy operating business encourage the members of the next generation to work there, though these young people are not guaranteed that they will be promoted to leadership positions.

Each generative family is continually remaking itself, forming new business and social ventures and renewing or selling its legacy business. The members of the rising generation have to become change leaders and be creative about the future.

Some generative families have nonfamily CEOs and instead offer opportunities to members of the rising generation to:

- Serve on the company or family office board of directors
- Serve on governance committees and task forces
- Start new ventures
- Serve as volunteers, employees, or board members of family social ventures

The invitation to the members of the rising generations is conditional on the specific young person being professionally qualified and having the skills to be competitive in an often large, complex, and specialized business. Almost every family in



Family as a Cross-Generational Learning Community 329

this study has formal, or at least clear but informal, rules for employment. The families dictate standards about qualification, background, and preparation for entering the family enterprise. As the number of family members in each generation grows, competition for positions becomes greater and the demands higher.

The families in this study reveal four pathways by which the members of the next generation become employed in the family enterprise:

- **They were asked to join by the business leaders.** The young prospects had visible success outside the business, and the family actively recruited them.
- **They could ask to join.** They had to apply and be accepted by family and non-family leaders. They often joined at a low level with the expectation that they would be promoted as they demonstrated capability.
- **They “fell in,”** joining the business for convenience and then finding it comfortable and just remaining there.
- **They were “pulled in.”** It was expected, and they simply joined. Very few families in this study report this pathway.

The first two pathways are by far the most common, as the business, by the third generation, has become so large and complex that only those who can perform can find a place.

Entry may not be an all-or-nothing, one-time choice; it is an evolving conversation in the family. Working in the business is an opportunity whose end point is not necessarily business leadership. But it does carry responsibility:

I told my nephew, “Everything I’m teaching you will make you extremely marketable whether you stay with us or go elsewhere. There is going to come a time at some point in the future, where I’m going to come to you and say, ‘time to sign in blood.’ But until I do, you are free to come and go as you please, stay if you want to stay.” Whether he stays in the business or not, he can be the person that carries on, that guy in the village. He doesn’t have to work in the village to come back to the four meetings a year and know the village history. So I haven’t asked him for a commitment to be chief of the village yet.

Working in the business or family governance is not necessarily decided at an early career stage. Several families with well-developed family councils that oversee many households and complex family enterprises recruit leaders when they are older. A number of women who became family leaders mention that they first raised their own children, then slowly became involved in family leadership. They now are at a time in life where they can be “of service” to the family, and the family values their expertise. This family leader was called to service after a career in nonprofit management and after raising her family:

It’s a full-time job. I work every day, but the family members approached me and were encouraging me to consider [the job of family council chair]. I worked as a legislative assistant for five years, and so I had this interesting mix of political background and a nonprofit background. My view of the family is you’d never want me to run the business, but I think the family is like a nonprofit organization. It’s really more of a nonprofit entity. Once I started mulling over my



330 Borrowed from Your Grandchildren

own qualifications and having some cousins say, “Well, you’d be good at this, and you’re well liked, and you’ve had leadership roles, and you’re social,” I kind of went down the list and had that conversation with my family. It was good timing for me in my life. I was just about to be an empty nester. So that’s how I ended up here.

Getting elected was a pretty grueling process. It wasn’t just a phone call saying, “We think you’re a great candidate; we’d like you to be family president.” I had to do interviews; I had to take tests. It was pretty incredible. I’m kind of surprised I’m here actually. It’s daunting at times because you want to be able to communicate. It’s so important to communicate with the family, but it’s a lot of people, personalities, and different groups.

Preparing to be a family leader is different from being a business leader; it demands personal skills and capability, what is known as emotional intelligence or EQ. Because of the personal relationships and history, working for the family enterprise entails having the ability to communicate and positively engage divergent views of family owners. Such skills are less critical when the business one enters is not owned by one’s family. Family leaders must learn traditional business skills as well as “EQ” skills to deal with family relationships.

Successful families all report that the bar for entry—the set of qualifications—becomes higher every generation, as the business becomes larger and more complex or as the family moves from being an operator of a business to a financial or family office model. If they wish to enter the family business, the members of the emerging generation learn that they have to become qualified professionals. Just showing up will not do.

A few families report a difficult transition when the family removes unqualified or underperforming family managers. The shift from a model where the business is available to anyone in the family to one where the family executive has to be qualified and accountable is painful for some families, causing conflict between family branches. One family member reports a deep conflict over the firing of a family leader and his replacement with a nonfamily CEO. Because the family leader was a valued family member and owner of a major share of the business, it took the active intervention of the next generation to help the family overcome the angry and hurt feelings.

The other shift is that while employment and business leadership is open to only a select few, many nonemployment leadership roles are open to family owners: to serve on the board, in family governance, or in philanthropy. By the third generation, young family members look to serve the family in all of these governance roles, rather than primarily as employees. Some of these roles are voluntary and unpaid while others have some compensation. Like employment roles, these positions require qualification and a level of skill.

One family decided not to have family members working in the business. The rising generation is expected to become involved in governance, common in families beyond the third generation:

We don’t allow the family to hold management positions in the company. So the majority of the seats are family seats in the board of the corporation, the family council, and the family foundation board, which are today occupied by members of G4 and a small minority by G3.



Family as a Cross-Generational Learning Community 331

Management is professional, with no family employees. We do offer family members internship opportunities and fixed-term job opportunities in the company. So we have an opportunity but also a challenge in the sense that it's not like we're always bumping into each other at the office and always together on business trips.

Some families create a special role for family leaders working in the business. One fifth-generation US business that owns several companies, with twenty-four family members working in the business, has an extensive support network and career development process for family employees. They can advance, but the corporate culture makes it clear that nonfamily executives do not step aside for less-qualified family members. This family has an annual retreat for family employees and their spouses; the retreat focuses on bonding and also talking about the stress of combining family and business. There is a specific process for discipline, feedback, advancement, and difficulties for family members, all of which are designed so that family issues and conflicts do not get transferred into the business. “*The business is not designed to serve the family,*” the family “human capital” manager notes.

By the third generation, legacy families create a clear boundary and separation between the business and the family. Each has its own culture, policies, and practices. While the business and the family are interconnected, membership in one does not necessarily bring membership in the other:

We've done a very good job at driving home that family is family and business is business. One of my cousins asked to join the business. “Yay, it's my cousin.” I'd like to help him, but when I sat down with my uncle and we discussed it, it really didn't make sense to either of us. He was completely unqualified and had no genuine interest or education. It's one thing if you have no education in what we do. We can teach you. But if you're not genuinely interested, we're not going to entertain that.

We say you will work twice as hard as anybody else, take twice as much crap from the co-workers as anybody else, and get half of your worth on the open market. If you're still interested, we'll talk. We really discourage family members so they can prove themselves.

This chapter and others have described the breadth and depth of the shared family activities through which a generative family approaches the growth and development of its most important resource—the human capital of the rising generation—through family learning initiatives:

- Bringing family members together across generations to decide who they are as a family and what they want to do together
- Sharing information and teaching about the legacy and the family enterprise
- Creating education programs for the rising generation to learn and grow together
- Crafting skill and career development and mentoring programs for individuals

Together, these activities are a unique feature of a generative family. In addition to informal family gatherings and relationships, a long-term family enterprise must work actively to engage, develop, and incorporate members of each successive



332 Borrowed from Your Grandchildren

generation into the various family ventures. If not, the default is that they do not remain a legacy family much longer.

Employment in the business is not something generative family members can count on. Rather, the call is for people who are prepared, who have developed competency, who accept and live the values of the family, and who are deeply committed to serve the family for the long term in its education, social and service activities, governance, and family development roles.

Taking Action in Your Own Family Enterprise

Defining Paths and Activities to Learn about the Family Enterprise

The generative family, as we have seen, offers many paths to learn about the family enterprise in a direct and hands-on way. These opportunities are relevant at different times in your growth and development.

Here are some of the family activities that can be designed for rising generation family members as they grow up. It is important that they be clearly defined, with requirements and responsibilities clearly expressed. They should be arranged as opportunities that can be accessed at different times of life, progressing toward deeper involvement:

- **Visits to Family Enterprises:** Visits to see and feel what they family does, with meetings and talk with key employees, leaders and advisors.
- **Internship:** An opportunity to work at one of the family ventures while pursuing one's education. It can be a summer job or part-time project during high school or college, or a longer and more formal learning experience. This is both an opportunity to determine if you want to work in the family enterprise and what that would entail, and a way to be aware so that you can pursue a role in governance.
- **Apprenticeship:** An intensive full-time introductory role, in which a family member works with the intention of learning a professional or skilled role, that offers a foundation for further development. The family enterprise often can provide such an opportunity for a young person, before he or she has to decide to pursue a career or role in one part of the family enterprise.
- **Mentoring:** A resource person, sometimes a leader from a family venture or an advisor, who offers a sounding board, advice, and support about a career and how to prepare and begin it. Sometimes this is a way of learning about and preparing for opportunities within the family enterprise, and sometimes in other places. The mentor is not assessing or evaluating performance but offering confidential support.



CHAPTER 15

Family Philanthropy

Balancing Roots and Wings

*Cowritten with Isabelle Lescent-Giles, PhD,
and Jamie Traeger-Muney, PhD*

Probably the core challenge for a long-term family enterprise is sustaining active, competent, resilient commitment to shared family ventures into and beyond the fourth generation. After leaving operational business leadership or selling the legacy business, members of each new generation have to find a reason for staying together. What creative purpose can be meaningful enough for them to take the trouble to attend meetings, align visions, and work together? Making more money is not much of a motivator; their concerns shift toward what can be done with the wealth their family has amassed, how the wealth can do more than just enrich their lives, how it can make a meaningful difference in the world.

This is enacted through the family's social mission, its commitment to wider community benefit. Family wealth allows them to undertake significant social transformation. By sharing concerns about social issues like access to sanitation, health care, education and work, and the future of our physical environment, young people are able to move beyond consumption and even guilt over having such wealth to become part of important social change efforts. While this has always been part of the responsibilities of wealth (*noblesse oblige*), the twenty-first century offers challenges that engage even the most apolitical families.

Family philanthropy and social commitment are central to every one of the global generative families in this study. It offers a pathway for meaning and engagement for young family members who may not identify with financial or business activities. As fewer people are needed for sustain the wealth, the family may find that giving back is a path that sustains family connection and identity and serves as a reason for staying together in an otherwise dispersing extended family.

Generative families flourish by developing both roots and wings: they are firmly grounded by their values and their history while simultaneously remaining open to change and innovation in a way that allows them to soar. Through a mix of business and philanthropic activities, generations create social impact and build reputations for good citizenship. They embrace civic responsibilities and make public statements





334 Borrowed from Your Grandchildren

around the family's core values and purpose through how they share their wealth and energy as benefactors. Values drive the family's social impact and also sustain generative families for new generations.

Service to the Community

Young people are not only tied to the family by the wealth they expect to inherit and the things they own. Rather, they decide to dedicate time and energy to serve the family because of the opportunity to apply their own personal values and aspirations to the collective actions of a great family. By the third generation, a generative family has come to focus much of its energy beyond creating wealth. The family has done wealth building quite well. Now "What is our wealth for?" takes on a new urgency. The family recognizes that it offers emerging generations opportunities to participate in family philanthropy and initiate new efforts that have both business and social value (e.g., social entrepreneurship). From the three boxes of the children's piggy bank, family members can now participate in adult giving that makes a difference in the community and the world.

Many young people today are dedicated to social innovation, sustainability, and service to the community. Of course, these values are often shared by previous generations, but the way these values are acted on differs in each generation. One generation gives to service programs in their local community; the next generation wants to help global refugees. Members of the rising generation become part of the family enterprise with the expectation that the family will listen to their ideas and commit to actions for social goals. They want to see the family wealth used responsibly to make a difference, and they have specific ideas for how to do that. To sustain these commitments, the family develops a process for making decisions and taking action. When it comes to social and community service, the members of the next generation expect to have an active voice.

Young people are attracted to shared family philanthropy for several reasons:

- The family has resources and a network for making a difference, and family members can have more impact together than separately.
- The family is respected and visible, and family members can do service that is valued by their community, showing that they are not just "trust fund kids."
- Because of the family's wealth, family members are able to take on roles in nonprofits or jobs that do wonderful things but do not pay well.
- Members of the rising generation have personal bonds with others in their generation, and they like working together. They build generational community by doing something valuable, special, and concrete.

Expanding interest on *social capital* engages and inspires the living generation, as the family shifts from business operation to a more passive asset management:

I saw in [the rising generation] that there wasn't anything to really rally around. Initially, we started to engage family members at the family meeting in a discussion about philanthropy and shared plans. We asked, "What do you do, and why does that excite you, and what organizations



Family Philanthropy 335

do you find?” That morphed into people wanting to do collective philanthropy. At that meeting, we came up with parameters of how to do coordinated giving through our philanthropy division and appointed a chief philanthropy officer, a CPO, who’s going to be a part-time employee with accountability and specific guidelines in place.

Families like this one have found that by turning their focus to philanthropy and their social mission, they support the responsible stewardship of the family wealth in other areas.

Generative families practice philanthropy because they view giving back as a critical element of raising members of a healthy next generation with strong roots and the ability to find their wings, adding value in both the family business and as global citizens looking to make a positive contribution in the world. As previous chapters showed, young people wrestle with the responsibility of wealth and the meaning and responsibility attached to their good fortune. They look to the family to help them find positive options to use their wealth and dedicate their lives.

A family leader who heads the family office echoes many of the families in this study by expressing the naturalness of this attitude:

Earlier generations made a lot of money, and they gave back a lot of money. So this has been a family value that has endured—we’ve always had a foundation; we’ve always contributed to the community. At all of our annual meetings, we reinforce this within our family by having a community service project.

Neuroscientists and positive psychologists highlight the benefits of gratitude for individuals and families, linking gratitude to well-being, optimism, and better health. Brain research shows that the practice of gratitude leads to greater empathy and altruism as well as tangible benefits in terms of health and happiness. The researcher concludes, “giving is better than receiving.”¹ Families that practice gratitude and giving are more likely to nurture healthy businesses and happy families that last across generations.

Generative families remind us of the importance of small daily acts of charity. One family puts it in these terms: giving a new suit or work clothes anonymously to a young man from a poor background going for an interview is far from trivial as it may ensure the future of the whole family and be a decisive step out of poverty. Most of the families in this study remain grounded and embedded in their local community and are aware of the danger of looking at philanthropy through the sole lens of numbers. They remind us that individual impact may come from local knowledge and good timing and that returns cannot be directly measured by the size of the gift.

The Moral Imperative of Philanthropy

Many generative families believe they have a moral and social responsibility to use a portion of their wealth toward doing good. One interviewee remarks, “*The philanthropic spirit is the key component of the whole thing to make sure that we never forget where we came from and that giving back is a key thing in the puzzle, and that’s not only an opportunity to a certain degree—it’s a family obligation.*” Many families express this sentiment more



336 Borrowed from Your Grandchildren

strongly by discussing the imperative of giving in their family. One leader of an Asian conglomerate notes, “*It’s part of our DNA, part of our work.*” Another interviewee explains, “*It was basically taught to all of us that, to whom much is given, much is required, so it’s expected to spend a certain percentage of your dividends helping the community, helping the world, doing some things, some small things to make the world a little bit of a better place.*” Or as a member of another family simply says, “*It’s done because it is the right thing to do.*”

This is especially important to generative families that don’t want their children to grow up entitled, living an unproductive life of excessive luxury. As older generations pass down the family values, they encourage members of the next generation to see philanthropy as a way to put their values into action and find a sense of purpose bigger than their own desires. One interviewee expresses this in the following way, “*One of the greatest antidotes to selfishness is philanthropy. If you’re thinking what you can do for somebody else, you’re not focused on what you’re going to get.*” This family gives each member a copy of the founder’s ethical will, outlining his philosophy and telling his descendants that if they want to be happy, they should think about what they can do for someone else, but if they want to be miserable, then they should focus on what they believe is owed to them.

For some, establishing a family charitable foundation allows the next generation to honor, capture, and put in practice values taught to them by earlier generations. “*It was a legacy we wanted to create for Mom and Dad, for all they’ve done for us and all they’ve done for the business and all they’ve done for the community,*” says one interviewee. Working together, this family chose a mission derived from the values of their parents and grandparents: “*We wanted to continue the spirit of what Mom and Dad started, a philanthropic spirit amongst our multiple generations, that allowed us to make a difference in these few areas.*” As generative families grow, philanthropic giving provides concrete opportunities to engage the next generation around social impact. Research shows that children with philanthropic parents are more likely to be philanthropic, demonstrating that this attitude does indeed get passed down from one generation to the next.²

Several US families in this study explain that philanthropy also allows them to maintain a unified family after the business has been sold or is no longer run by the family. Non-US family business leaders express the wish and, for some, the non-negotiable expectation that their children will join and ultimately run one of the family businesses or the overall enterprise. In these families, where the next generation is expected to run the business or the family office, philanthropy can be a tool to develop stewardship and leadership skills without as much scrutiny and with more holistic performance reviews than in the business. As an educational opportunity, philanthropy provides a real forum in which members of the rising generation are able to learn and to practice through putting their values into action, fiduciary responsibility, and leadership skills.

Family philanthropy helps forge deeper connections and reinforce affinity within the family. When family members work together, values are passed on and reinforce families of affinity who stay together because they feel a strong sense of alignment and purpose. Giving provides opportunities to work together across generations and branches. The identity and meaning of family are about more



than just creating wealth. It expresses values of giving and social responsibility to build a larger family identity beyond business. This gives family members greater opportunities to be involved with the family's endeavors as well as to get to know one another as the family grows exponentially. One interviewee observes, "*The foundation that my dad's parents established was a real bridge, not to my dad and his sister and brother but to my dad's niece and nephew from two families.*"

Old Versus New Philanthropy: A More Strategic and Collaborative Approach

When one thinks of family foundations, the names of Carnegie, Rockefeller, and Ford and, more recently, Hewlett, Packard, Gates, and Buffett come to mind. US domination of the philanthropy narrative is partly due to a favorable legal and political environment, with policies that have long promoted private philanthropy through tax breaks. Another reason for this prominence is the early professionalization of US foundations, which embraced business-savvy communication and marketing long before their non-US counterparts. Few non-US foundations make headlines, although that has begun to change. The group of global generative families in this study all share a deep philanthropic commitment.

Young philanthropists of the twenty-first century share traits with philanthropists of the early industrial age around scale, age, location, and degree of involvement. Most differences are in degree rather than in nature. Early nineteenth- and twentieth-century philanthropists were noted for creating powerful foundations to cement their legacy. About 120 years ago, Andrew Carnegie announced that he was giving away the bulk of his fortune and challenged other rich men to do the same, arguing it was their duty to do so. The Giving Pledge, founded in 2010, echoes Carnegie's example.

The impression that earlier philanthropists gave only in their old age whereas new philanthropists start giving early on needs a more nuanced understanding, as Ron Chernow points out in a 1988 biography of Bill Gates. Gates is now known at least as much for his philanthropy as for his founding of Microsoft. Yet back in 1998, Chernow reports that Gates said he'd "wait another 10 to 12 years to give away his fortune, because he [was] still consumed with business."³ Chernow notes that, by contrast, when Rockefeller was in his forties, he helped create what is now Spelman College; in his fifties, he founded the University of Chicago; and in his sixties, he built what is now Rockefeller University. "I think that there's one kind of warning or perhaps inspiration for Gates," Chernow says. "Rockefeller was a devout Baptist who tithed from the time he was a teen-ager. He was not someone who postponed philanthropy until his later years."⁴

Place-based versus global giving is an area of difference between previous and current generations. Families give to the communities where the business was founded through a sense of gratitude mixed with self-interest. They want to and are able to make their home communities better. They also want to thank the people who helped the family to thrive and establish its wealth.

New philanthropists, like the companies they found, are born into a far more global world with the problems of the greater world impacting them in ways like



338 Borrowed from Your Grandchildren

never before. They no longer live in a single community, and family members have spent time in many places. This is a major difference among generative families of this generation. In many cases, they turn to national and global causes as family wealth grows and business activities extend nationally and internationally. Today's new philanthropists, such as the finance and tech titans Warren Buffett and Bill Gates, are shaped by shrinking borders in a digital world and the familiarity with "born global businesses" (i.e., businesses that start trading across borders from the very beginning). These family foundations contrast with earlier generations in that they are attracted to global problems from the very beginning. Once it began, the Gates Foundation, for example, quickly focused on global "sticky" problems that governments had been unable to solve, such as health, education, and women's empowerment, both in developed and less-developed societies.

Today's mega-philanthropists hold specific, immediate, and detailed visions for their gifts and social impact. Older US foundations have long been professionalized. While older generations recruited staff with a background in professional donor engagement, marketing, and project management, the new generation of leaders includes social entrepreneurs and impact investors.

Another difference between first-generation mega-philanthropists and the generative families in this study concerns legacy and sustainability. Current philanthropists sometimes eschew creating perpetual foundations and allow donors to spend not just the earnings but also the capital of the foundation and don't mind their dissolution at the next generation. This allows them to focus their gifts for deeper and immediate impact without hindrance. Huge grants can change the face of a city, a community's energy use, the type of food we eat and how it is grown, or the morbidity level of a disease. However, the families in this study use philanthropy to further their legacy and want their foundations to be perpetual and sustainable. The families in this study also tend to have a more tightly controlled purse, with a shift away from recurring unconditional gifts. They want the ability to assess how their money is spent and to reaffirm control over grantees; as a result, there are more investments where families put up the seed money, but it's then up to the organization to sustain itself via internal revenue. New funding then goes to new initiatives on the condition of positive results from the earlier funding. The fourth and final difference between old and new philanthropy is in the more collaborative approach that this generation of philanthropists is embracing.

Engaging the Next Generation Around Shared Purpose with Moral, Reputational, and Educational Goals

By the third generation, the entrepreneurial energy and the social commitment of new generations of the family shifts from the legacy company and investments to the creation of projects that extend the family values into the community. This is personal—it offers a meaningful life path for young people and a way for the family to share its wealth with the community it emerged from. As family members disperse to live in different places, they can remember and revisit their roots by developing new ventures with a triple bottom line—people, planet, and profit—or social enterprises as defined by law on a country-to-country basis. This is especially true as the family leaves direct involvement in or even sells its legacy business. The family's



Family Philanthropy 339

philanthropy is driven by a strong sense of purpose articulated around “who we are” and “why we are in business.”

Passing core family values to the next generation through philanthropy is a recurring goal of generative families and a gauge of success:

I think success comes from passing on some formative values that [the younger generation has] grown up with, not necessarily tied to this family tradition but the value piece in terms of contributing to society in some meaningful way—being a good family person, being a good citizen. It doesn't matter what form that takes, but there's balance of family values; if you pass those on to your kids, that will help them out in life.

If it gets them through school with a desire to learn, get joy in life and helping others, or just being productive members of society, that's success. It doesn't have to be premier business. As long as they are doing what they enjoy and drawing on the values we think have helped people and pass it on to their children, I think that's a good thing.

Philanthropy is a powerful way to engage the next generation around social impact. Through the family foundation, wealth creators can educate, transmit values, and generate a sense of purpose in their children and grandchildren. In twenty-first century America, many creators of new wealth worry about the impact of wealth on their children and the weight of inheriting parents' expectations of what the family business should look like. Many tech billionaires have publicly stated that they want their children to inherit their entrepreneurial spirit, rather than the business they themselves created.

It is too early to know if they will walk the talk. But the children of many wealthy US givers are being groomed not to serve the business that created the family wealth but to run family foundations. For example, Warren Buffett decided not to leave large fortunes to his children, beyond a paid-for education and a home. Nonetheless, his three children run large foundations. The eldest two, Susan and Howard, run the family foundation, established in the name of their mother, and have their own foundations. And youngest son Peter, an award-winning musician, co-presides over the NoVo Foundation with his wife. Similarly, the children of 1980s tech billionaires are more likely to be part of the family philanthropies than to turn their parents' companies into family businesses.

Family foundations help the next generation embrace service to the family and its philanthropic mission. One interviewee states, “A barrier for young people is they don't see themselves bringing much to the philanthropic effort when in fact it's the opposite—they have incredible skills that just need to be called out and named, and sometimes they don't see it themselves.” The following philanthropic family is committed to training its rising generation not only as a way to pass down its values from one generation to the next but also because the older generation recognizes how much new generations have to offer:

The next gen in our family, these twenty-somethings, have a different level of exposure to diversity, a different comfort and acceptance, growing up in more diverse societies. Our program itself has really illuminated and exposed them to those opportunities much earlier than I ever was. The way that young people can speak to this work, speak to justice principles and equity principles, I have found inspiring.



340 Borrowed from Your Grandchildren

They have a different lived experience. They see technology in different ways to leverage social change. They come at it in a way that is inspiring and will continue to push us to change and evolve the way we do our own work. They're brave to do the work on themselves. They're much more willing to turn the mirror inwards, and this work requires that. I think older generations may have not had or maybe there's a little bit more discomfort in some cases or some families to do that, but the younger gens are saying if you want to do social justice, if you want to really practice authentic racial equity and embed that, we've got to unpack our own implicit bias, we have to understand the history that we weren't taught in school.

It speaks to the need for strategies in philanthropy, social change, or systems change work to be adaptive versus linear. This is the way we bring in new voices and engage others in our family in this journey. We have to be open to adapting, to new ideas, to diverse viewpoints we haven't had before. That adaptability, that iterative nature of this work and of the way we engage with each other, has to come together, has to be holistic.

Giving Circles and the Search for Individual Identity Through Philanthropy

Young people growing up in a family with great wealth often experience ambivalent feelings, including confusion, guilt, and even shame about having so much when others have so little.⁵ In the 1970s, in addition to experiencing these negative feelings of guilt and confusion, scions of wealthy families also struggled with how vastly different their values were, compared to those of their parents. In college, they began to reflect on social change and the need for social justice and transformation. When their peers found out about their wealth, they were put on the spot or even accused of contributing to injustice and other social problems. Similarly, today's young people are often caught between parental values and their personal values and those of their peers.

In the seventies, several groups of young heirs began to organize groups of people who wanted to work out their relationship to their family wealth and how they could contribute in a positive way to social change. On the West Coast of the United States, one such group organized the Vanguard Public Foundation. The East Coast soon followed with the Haymarket Foundation. A third group, the Threshold Foundation, was formed in Colorado in response to a letter inviting fifty young people who had "both personal wealth and a commitment to decreasing ecological destruction and human suffering."⁶ These young people formed a public foundation and a supportive community around the value proposition that "everything is alive, everything is inter-related, and all life is sacred."⁷ This foundation is both a place where people can talk about their values and goals for their personal wealth and a progressive grantmaking foundation to which they can contribute.

Threshold today continues to recruit members to its network and offers grants to many global organizations. The model of personal gatherings and exchange in a confidential and private environment as well as shared giving has been adopted by newer groups such as NEXUS, which works to bridge communities of wealth and social entrepreneurship. Currently, NEXUS has chapters in more than forty countries and has more than fifteen different task forces focusing on various areas of change-making.



Family Philanthropy 341

These groups differ from family foundations in two ways. First, they work outside of the family fold, in groups of like-minded and age-related cohorts. Second, they offer a platform to share the dilemmas and challenges of growing up in a wealthy family as well as peer support to think positively and work out emotional ambivalence toward inheritance and personal worth.

Such groups have helped young people develop their own voices and forge a positive relationship with the family wealth they will inherit. The personal support, learning, and sense of community often empower members of the rising generation to return to their family, discuss social issues, and propose new ways and directions for the family philanthropy.

A related but slightly different network is the Global Philanthropists Circle (GPC).⁸ GPC has roots going back to these pioneering networks and is similarly driven by the rising generations in large family businesses. GPC has gathered members from more than one hundred global families across thirty-three countries, all of whom give at least one million dollars per year. GPC reaches beyond family members through aiming to bring philanthropists, as well as leaders in business, civil society, and government, together at regular events. Cooperation, they believe, exponentially increases impact.

GPC's mission, like that of NEXUS, is to brainstorm, educate, share best practices, and forge partnerships around social transformation and social justice. It connects members with similar values, missions, and goals, encouraging them to form interest groups and develop joint programs. It also encourages sharing and learning. Families host group site visits to show what they are doing, share lessons learned, and receive feedback. A recent trip was hosted by a French family that has been working for more than thirty years in China; the trip showed participants their work firsthand and provided an opportunity for them all to discuss their own efforts while bonding with one another.

GPC's efforts often involve both impact investing and philanthropy, providing younger members the opportunity to view these things holistically, along a continuum, rather than as discrete activities. GPC members recognize that social change requires a mix of profit-making and nonprofit projects. What is important is to develop self-sustaining projects that multiply their efforts. Family foundations seed these projects with gifts, loans, and investments.

Meetings of GPC also offer young, college-age inheritors opportunities to develop a positive and complex identity as both family and individual donors. Jenna Liang, who is a senior advisor of the group, notes that in many of the group's conversations, next-generation family members remark that they can't talk about money in their family, even in terms of giving. These inheritors are trying to revision themselves from being privileged young people to agentic change-makers. GPC helps them explore personal goals, find ways to give their own money and personal time beyond the family, and make a difference as individuals. Liang says:

The program for fourteen- to seventeen-year-olds is about the journey, understanding the history of systems, unpacking how systems don't work for everybody in our society. And so why is that? Where does that come from? And looking at race and racism in our country, historically, thinking about what it means to be in places or in positions of power and privilege, which young



342 Borrowed from Your Grandchildren

people, I mean in our family, they've had real challenge around coming to terms with this notion of being privileged. And privilege in our definition doesn't mean necessarily financial wealth, although certainly there is some level of privilege, but we don't have an inheritance that has continued for generations from the founder of this wealth and from the founder of the philanthropy. There were a series of trusts that were dispersed, but they stopped really at the fourth generation. So fifth generation, sixth generation, depending on how your family has navigated all of those finances, many of us don't have that level of inheritance or privilege. But there is privilege just by being white and by being a grant maker.

So what does that mean for young people to have those positions of power and privilege? And they don't love that. They don't love being known in that way. There's a lot of work on unpacking that and reconciling that and finding how they can leverage their privilege for impact and social good that's inclusive of all kinds of diverse perspectives.

These future leaders then return to the family fold and feel empowered to share their learning journey with older generations and to apply their personal values within the business, the family office, or the foundation.

Philanthropy as a Shared Family Activity

It is inspiring to discover what is most important to family members and come to consensus about how to strategically create the changes the family hopes to achieve. This provides family members with buy-in and makes it more likely that they are willing to invest both their time as well as their resources. In one of the families in this study, the annual giving is divided among the five branches. Even though each branch is free to make its own grant decisions, the family meets, and each branch discusses where it is giving and why. This allows family members to get to know what the other members value and where they are giving. Family members can get excited about where other members are giving, and they pool their resources to support that family branch's choice.

The increased influence of the rising generation and of women making philanthropic decisions is resulting in new thinking about how best to move the needle on the biggest social issues, instead of just simply writing checks or giving grants.⁹ Giving time, not just money, is an important family connection for many of the generative families in this study. This not only serves as a way that families can live and pass down their values but also provides an opportunity for using philanthropy to create greater family closeness and connection, as these two families note:

Family 1: Working together as a family during Desert Storm, we pulled our money together to buy gifts for soldiers. Younger kids drew pictures and wrote letters. The whole family participated together.

Family 2: When we have a meeting, we do something in the area that's a volunteer thing like go paint a shelter or do something that's not just handing somebody a check but actually making family members go, and they love it. It's wonderful.... That has been a huge value.

These quotes express the experience of giving of time as well as money; such experiences bond the family together, creating lifelong memories.



Family Philanthropy 343

Some families go on service vacations together, offering help in community projects around the world. One family recalls a trip to China with two generations, some of whom were as young as preteens. They saw the social challenges facing China in the early stages of its developmental journey. The trip became a touchstone learning for the family, helping them define a global focus for their philanthropy. One family member says, “*We try to get the family members involved in service projects in the community. We’re helping somebody, and then you’re also building relationships with other family members by working side by side.*”

Working together as a family to do good, particularly in one’s community, becomes a powerful win-win, benefiting not only those to whom the service is directed but also the family as a whole, by deepening family relationships and the joy of making a positive difference in the world. For the families in this study that worked together, combining both financial giving with giving of their time, the impact of their philanthropy and their connections within the family increased exponentially. This is particularly impactful for members of the rising generation, giving them a sense of agency in their ability to effect positive change in the world and the ability to positively contribute to their family as well.

Generative families engage in philanthropy to have a positive impact in the world, build family relationships, and educate the next generation. All three of these motivations are admirable but can compete with one another for priority and focus. It is quite a challenge for the main purpose of a family foundation to serve *both* the mission and as a vehicle for family connection and education; ultimately, one purpose has to be primary and thus inform how the foundation is run. It is important for family members to be clear about the foundation’s strategic mission and its primary purpose in order to effect sustainability across generations.

The chair of another family foundation expresses a similar level of responsibility that her family embraces through its philanthropy:

The fifth and the sixth generations are bringing another level of due diligence on ourselves and the work we have to do internally. And it’s not a lot of families or a lot of foundations who can say, “Well, we did the racial equity training, check. And we did this. We looked at social justice and all the different principles, and we’ve done some DEI [diversity, equity, and inclusion] work, and we feel good about ourselves, so we’re good.” And that is not why we’re doing this. So to get clear on the why is essential. Because the “why” is in service of our mission. The “why” is to build more just and sustainable communities in the United States. This is a public trust. I am not in a power privilege position that’s just my luxury to give away money. This is a public trust that I mustered to the highest level. And I think our board and our family that are engaged in those ways take that very, very seriously that this is about service of advancing justice and equity and in our mission through different strategies.

The next generation is adding a new layer to philanthropic governance, with regard to goals, practices, and diversity. As a recent article in the *Wall Street Journal* explains:

A clash of generations is taking place, as younger cohorts—mostly millennials and Generation Xers—are joining and changing their family’s foundations. These younger board members bring with them new ideas about the way the foundations should be run. Many want to add



344 Borrowed from Your Grandchildren

more transparency and use new technology. They're interested in socially responsible investing and are often taking a more hands-on approach with their grantees than their elders have.¹⁰

As family enterprises grow, they realize governance is critical to create sustainability with high levels of engagement and participation. Philanthropy is no exception. When families first begin a foundation, they seem to initially focus on one of two questions: what are we going to give to, or how do we want to invest our assets? While these are both critically important areas, one foundation director¹¹ suggests that one question, often ignored, needs to be attended to first:

People rarely start with the governance, with the participation. Who's going to be involved? How are they going to be involved? What do we want to see in people who come to this table, whether it's by way of experiences, eligibility, or whatever? What do we expect of people who come to this table in terms of their commitment, their time, and how are we going to manage that participation? How do we make sure that governance is attended to?

Interestingly, my work tells me that if governance is attended to, the other two things tend to go well. If you're doing a good job of who's at the table, why they're at their table, and what they're expected to do, they're going to make good grantmaking choices, they're going to make sensible choices about their investments. Their investments are going to speak to what they're trying to accomplish programmatically, and their grantmaking choices are going to speak to that difference, their values, and their history as a family.

My experience with donors is that many of them are just so charmed by the notion of doing this work with their family, but they never actually tell their family why they're so charmed. So you may have people at the table out of a sense of responsibility or duty or respect for Mom and Dad. But you've never sat down with them and said this is why you're here.

A seventh-generation family enterprise, with over four hundred family members, used its foundation as an opportunity to increase family participation:

We have a lot of interest in participating [in the family company], but we only have so many places where people can participate. And clearly the board of directors is less and less attainable by family members because you really have to have some business qualifications to be there. There was a family member who wrote a proposal to actually create a family program within our foundation by creating four different focus areas that the family agreed on of where the funding would go. But then on each of those areas, there would be a board of family members volunteering.

They'd get their expenses paid to come to meetings, but their time was volunteered and each of the funded advisory committees have about ten people that meet three times a year. They have a bigger board of directors that oversees the funding choices.

This proposal shifted the number of family members who could be in leadership positions within the family enterprise from ten to seventy people; they meet, stay connected, and get together every year:

We've created this entity that's allowed a big family like ours to implement a value that's been very much a part of our family fabric and to engage a whole bunch of people that otherwise would just be coming to meetings and wouldn't have much of a role.



Family Philanthropy 345

Good governance requires knowledge and skills. One interviewee explains that increasing family connectivity through philanthropy backfired because of the time needed to come to a consensus:

We've asked the next generation if they're interested in participating, but I think they're more reluctant to participate in it even though we've had things like this for a while where we would get like \$500 to donate to the interest of your choice, but if you work with your sibling you would get \$1,000 and if you work with your second cousin you get \$1,500 each. It's a way we tried to get them to work collaboratively together. That turned out to be a lot of work, so it didn't actually work as best as it could have. It's hard to get people to engage across those things maybe because they feel they're not qualified or the issues are so big and daunting even though it can have a great impact on society and benefits.

Because there is already so much negotiation and joint fiscal responsibility, when there are differences around giving, some families don't want to have to negotiate more with relatives. They decide instead to divvy up their philanthropic resources and make individual giving choices:

My uncle said, "I don't believe in more work for us. This is going to be a pain in the ass. I don't want to spend more time in doing anything like this." My parents said, "we are already very committed with our own charities. I'm not sure if this is worth doing something together." And the whole thing was killed. But unfortunately, my family was not able to see either the positive social family benefits that could be drawn from working together nor the business benefits that could be drawn from having a smart philanthropic policy within the business.

Like developing a thriving business, creating a successful family foundation is no simple task. It requires leadership, strategic planning, and cooperation. One family member reports feeling that many people don't realize just how time-consuming it is to establish the infrastructure to do effective multigenerational giving:

Philanthropy is by no means this magic bullet to get family members involved, whether it's just philanthropy and values or even to train them for responsibilities for later on, being on business boards and so on. There are so many other pieces that have to be properly in place for that to succeed. I just feel like it's too often put out there as, "You just do this; get them on the philanthropy board and give them some money to give away." There's a lot more that has to go into it before you even give that a shot. I think that's a bit of a misperception out there, that philanthropy is that way, the key way to get people involved. It certainly can be if it's done right, except it's more difficult than anyone realizes to do it right.

Without good governance structure and a willingness to understand the time limitations that members of the rising generation face, these goals can fail. One interviewee says,

We expanded our philanthropy to include the next generation. We're starting to try to have people take on some of the responsibility. What we find is that they express a lot of interest and they think they want to take on the responsibility, but then when they get back to their real lives, it doesn't tend to happen.



346 Borrowed from Your Grandchildren

Or as a member of another family reflects:

Because there's a huge age range, it's difficult for some of the younger children to do it. So older members of the third generation, they're in for the adventures. Even though they think it's great work, getting the time together to meet is really hard because everyone is in school or they have a new job, they're employed, and they can't get the time off to come and meet.

Because everyone is busy in our modern age, families that are able to successfully bring in the rising generation need to recognize the constraints of young members, starting their own families and career, to develop strategies for making participation more accessible. Some of these work-arounds include having virtual meetings and covering child care when in-person meetings are required.

The Cynthia and George Mitchell Foundation: A Three-Generation Family Foundation Driven by the Founder's Imprint and Values

An example of how a family foundation has roots in the family values and teaches them to succeeding generations is the Cynthia and George Mitchell Foundation, a mission-driven, third-generation family foundation that seeks innovative, sustainable solutions for human and environmental problems in Texas, where the family originated.

"His story was quintessentially American," a family statement said after George P. Mitchell's passing in 2013. He "was raised as a child of meager means who, throughout his life, believed in giving back to the community that made his success possible and lending a hand to the less fortunate struggling to reach their potential . . . He will be fondly remembered for flying in the face of convention—focusing on 'what could be,' with boundless determination—many times fighting through waves of skepticism and opposition to achieve his vision."¹²

George Mitchell had a long history of supporting the economic revitalization of his hometown of Galveston and had a keen interest in science and sustainability. As their fortunes grew in the energy business, Mitchell and his wife, Cynthia, shared a vision with their family that the majority of the wealth they had created should be dedicated to making the world a more hospitable and sustainable place, signing the Giving Pledge in 2011. Since its incorporation in 1978, the Cynthia and George Mitchell Foundation has distributed or pledged more than \$400 million in grants.

Currently, the board of directors of the foundation is made up of twelve members, including two generations of Mitchell family members.¹³ The new generation preserves the values and interests George Mitchell espoused during his lifetime through the family foundation and offers grants in the fields of clean energy, land conservation, sustainability education, shale sustainability, and water.¹⁴

Katherine Lorenz, George and Cynthia's granddaughter and former deputy director of the Institute for Philanthropy, was elected president of the family foundation in 2011. She reflects on the foundation's history and purpose:

My grandparents started the foundation. Only toward the later years of my grandparents' life did it start to become more of a true family foundation. My aunt was leading the foundation at that point and hired consultants who led us through a year-long strategic planning process where all family members over twenty-five, second- and third-generation direct descendants, were



involved: ten children and twenty-seven grandchildren. That has been the most amazing aspect of the philanthropy we do together. It started when we voted on the issues we wanted to focus on first.

We then spent two different retreats with expert speakers on everything including: What are the issues? Opportunities? Challenges? Needs? What are other philanthropists doing? In that process, it went from having fifteen disparate voices on how we should address clean energy to a clear direction, based on the fact that we were learning and when you learn together then you're coming from the same perspective of how to move forward.

It was an amazing learning opportunity for all of us who weren't involved in clean energy issues, which most of us weren't. We might know something or be a little bit passionate, but we learned a lot together. It also then raised the game in terms of ways we can make an impact and think about moving forward in grantmaking in a way that we're all informed and able to make the decisions together. So we continued to learn together, and that has become one of the hallmarks of our foundation. We do that at least once a year.

Sustainability was important to my grandfather, so we had a learning experience on sustainability where we looked at what my grandfather felt about sustainability, what he cared about. We had videos of him, we talked to him, but we also said what does that mean for us going forward? How do we want to focus the foundation? It was a lot about learning about them and their values. We also held a workshop in Galveston where we looked at where we have the most impact based on what my grandmother really cared about. The social issues. Then we talked about how we put their values into practice.

Those experiences are really amazing, especially for some of the younger people who didn't know my grandparents. It's a way to connect to what drove them and what they cared about and then putting those into practice in the world today. I think those are so powerful because it's connecting to the legacy, why we're even doing this, why they set up this foundation. It's helping us share values.

Many of the family don't live in Texas anymore, but we are all still very committed to doing the work there. Families run into the issue of differing passions, interests, and geographies. It's hard to keep families working together and excited about a geography that they're not connected to anymore. I think that will hit us one generation down, but even though many of the second-generation don't live in Texas, there's still a very clear sense of place and wanting to work there.

One other thing we've done that I highly recommend is we have a lot of documentation and videos and written information from my grandparents. We have an audio recording from both of my grandparents in 1993 about what they wanted with the foundation. My grandfather lived until 2013, so over 20 years we recorded videos that touched on what they wanted with the foundation, and they have come into play in helping guide the future.

It has been really critical because we've been able to revisit what they said they wanted. We bring those videos often into our learning journey, so we say we're going to look at this issue and here's what our grandparents thought about it and here's them talking about it, and that's how we've gotten to where we are today, and now we're looking at these issues going forwards. I think that piece of bringing the history in is important to feel connected to it.

We don't always agree on what they would have wanted, but there is always a sense that we want to try and do what they would have wanted as opposed to "well, it's ours now, forget it." There's a strong feeling of it is their legacy—we are doing this how they would have wanted it.

The Mitchell family highlights the importance of family retreats to reaffirm a sense of belonging together, build “*familiness*,” and share values. Centennial families not only use family retreats to discuss business issues and wealth management but also as a way to communicate current goals and actions around social impact and invite the next generation to get involved and lead future initiatives. It is also an opportunity to identify pain points. Several of the families in this study, for example, want to introduce better measures of social impact but are struggling with the overly complex sets of metrics offered by finance



348 Borrowed from Your Grandchildren

A Foundation for Community Development

As new generations arise, families become more involved in philanthropy. Some family members are excited to work together on huge projects that are only possible because of the family's company and the wealth it created. While they remain stewards involved in ownership, their energy is taken with philanthropic and community projects, which can lead to careers for several dedicated family members. Here is an example from a South American family:

Our philanthropic foundation was started fifty years ago by my great-grandmother and her children. And today the focus and the strategy of the foundation has evolved. I recently stepped down from the board as I completed my sixth year or second three-year term. We have a maximum term limit on the foundation of six years. We recently reoriented our strategic focus to focus on programs that promote education in order to have higher labor inclusion and to promote innovation and engage citizens.

It ranges from programs that are promoting and teaching skills to people with disabilities and also hoping to change the regulatory framework to create incentives for companies to employ people with disabilities and understand that someone with disabilities has other strengths that could be used very productively. That's one example of a program that we run with the Inter-American Development Bank. Other programs focus on teacher training in order to make some better teachers with the aim of generating, improving the quality of education. Other programs are on citizen engagement that help promote transparency in the way that local governments run the city by capturing and publishing indicators that are associated with the help of cities. Around security, around quality of air and water, around quality of education, mobility, the perception of the citizens of the cities of, in which direction is the city going. Is it improving or deteriorating?

Holding the local mayor's office accountable to those results and [holding] workshops and open forums where we present the data and initiate the discussion, construct an ideal discussion with elected officials around the trends that we've identified and would leave indicators. That's a program that we started over about fifteen years ago, and we've replicated it to nine cities or ten cities in [our country] already. And in all the programs, we seek to establish alliances. We don't do any one program by ourselves. We fund, we contribute funding but also contribute capable people from our team to help structure the program, to participate in the boards, to bring in other private and public funders and local and international donors to these programs. When experiments or programs are promising, we scale by replicating them in other regions of the country, or we use those lessons and learnings to influence public policy.

What we've tried to accomplish is far-reaching. We've tried to narrow it. Before we were more dispersed, we worked in health, education, in citizenship engagement, and promoting entrepreneurial development. Today we've tried to reduce it a bit, but it's still far-reaching with ambitious goals. I consider it as one of the more recognized foundations in our country not only because it's the oldest, but it's innovative in its approach and in the programs [we] partner in.

Our CEO organizes field trips to go visit the different programs. They're open to all family members. Not everybody makes use of them, but when people do participate, they rate the experience as highly rewarding.

In a rural area, [we] help farmers and members of these rural communities organize more efficiently whether it's for productive purposes in small companies or whether it's in for social programs. The program is called "Focus." Our executive director organizes a visit with family members to go meet with the beneficiaries of this program and hear their experiences of why focus and support. The tools and resources that it provides these individuals has been life-changing for them and game-changing for them.

They went out for two days to visit these rural areas. It was so rewarding because it's an area that very few of the family members would've gone to visit on their own. Because we were able to witness firsthand the impact that the foundations in financial and human capital are having on



the lives of individuals. We award prizes to the most innovative social initiatives in different cities. They can be for-profit or nonprofit and led by social entrepreneurs or generating well-being in their community.

In the annual event, we highlight the top prize winners, so that's another experience where the family sees firsthand examples of these contestants. For example, after one of those award ceremonies, we went to visit one of the winners, a garbage truck driver. He picked up garbage in the higher-income areas of the city and realized how many books were being thrown out and how scarce books were in his community. So he started picking up these books and putting them aside, and he opened up a public library inside his living room and created a public library that his neighborhood didn't have. We went to visit his house and the library in his living room, and he got computers, and there was a thriving community of kids going there to do homework and research and study after school. That was an example of one of the winners.

A similar situation happened in the foundation board where there is a restructuring further for professionalization of the board. As a result, several members of the third generation stepped aside and opened room for members of the fourth generation. All of the instances where there's been a significant outflow of third-generation members from the board have been a result of restructuring, of workshops that we've done to improve effectiveness of our governance in different boards. Open dialogue and structured discussions with the family have resulted in these changes.

Over time, to sustain a family tribe of stewards of family wealth and resources, the family evolves by adopting an ever-widening circle of involvement. In order to encompass the size of their accumulated wealth and to use it wisely, generative families develop a complex web of involvement and activities for each new generation. Only a few families decide to do this; the others, even if they have huge family fortunes, take the path of fragmenting and dividing the wealth into smaller portions. Each household follows a different path, and the extended family wanes in significance. In every generation, many generative families go their own ways. The ones that do not are able to amass a huge fortune and use it to have huge impact. Their social mission does great good in every corner of the globe.

Taking Action in Your Own Family Enterprise

Shared Family Engagement in Service and Philanthropy

Conversations, values, and goals may seem abstract. A generative family sees social impact as a shared, personal family activity. The family should not just think of giving money to social impact and philanthropy but consider active ways that family members become engaged. There are things that the family can do together, and also impact-related activities that family members can pursue on their own and bring back and share with the family.

Here are some common ways the family does that:

Shared Service Projects: At a family assembly or family council meeting, the whole family can take some time to work in a service project and learn about it. After becoming involved, the family can contribute, and family members can decide to continue their service work on their own.



350 Borrowed from Your Grandchildren

Social Impact Travel: On family vacations, the family can make sure to visit social impact projects to learn about human needs and how communities respond to them. They might visit an energy sustainability or community development project. This is an opportunity to learn and see how the family's wealth can provide impact to the world.

Sharing Experiences: Family members may be encouraged to be part of a service program or project as a volunteer. They can bring their experience to family meetings, and even suggest that the family contribute to them. They can also volunteer and visit projects the family supports, so that the family has direct understanding of how their efforts make a difference.

Notes

1. Christina Karns, "When You're Grateful, Your Brain Becomes More Charitable," *The Conversation*, November 21, 2018, <http://theconversation.com/when-youre-grateful-your-brain-becomes-more-charitable-105606>.
2. "Women Give 2018: Transmitting Generosity to Daughters and Sons," Women's Philanthropy Institute, 2018, <https://philanthropy.iupui.edu/institutes/womens-philanthropy-institute/research/women-give18.html>.
3. Ron Chernow, quoted in Michael Fitzgerald, "A Tale of Two Titans: Gates and John D. Rockefeller," ZDNet, July 1, 1998, <https://www.zdnet.com/article/a-tale-of-two-titans-gates-and-john-d-rockefeller/>.
4. Chernow quoted in Fitzgerald.
5. In "Releasing the Potential of the Rising Generation: How Long-lasting Family Enterprises Prepare Their Successors," I talked about the challenges that members of the rising generation face in building a positive identity when coming from a family of wealth.
6. "Origin: Threshold Past and Present," Threshold Foundation, 2019, <https://www.thresholdfoundation.org/origin>.
7. Ibid.
8. The story of the Global Philanthropists Circle comes from Jenna Liang, a member of the staff. She is herself a member of a global philanthropic family with roots in China.
9. Sharna Goldseker and Michael Moody, *Generation Impact: How Next Gen Donors Are Revolutionizing Giving* (Hoboken, NJ: John Wiley & Sons, 2017).
10. Veronica Dagher, "A Generational Divide at Family Foundations," *Wall Street Journal*, October 21, 2018, <https://www.wsj.com/articles/a-generational-divide-at-family-foundations-1540174260?mg=prod/com-wsj>.
11. Philanthropic consultant Virginia Esposito.
12. Devin Thorpe, "Businessman and Philanthropist George P. Mitchell Passes Away, Unlocked Shale Gas Revolution," MySocial Good News, July 26, 2013, <https://mysocialgoodnews.com/businessman-and-philanthropist-george-p-mitchell/>.
13. "Leadership," Cynthia and George Mitchell Foundation, 2019, <https://cgmf.org/p/leadership.html>.
14. "Programs," Cynthia and George Mitchell Foundation, 2019, <https://cgmf.org/p/programs.html>.



CHAPTER 16

Reflections on the Economic and Social Future of Family Enterprise

After reading a research report, the reader frequently steps back and asks, “So what?” The stories are interesting, and the commonalities are clearly drawn, but the reader, who may not own such an advanced enterprise or who advises mostly G1 and G2 families, may wonder what really can be done with the results.

I believe this project has great import to other families who want to develop and sustain their family enterprise and that it has much to offer these families’ advisors. These stories also have something to say to nonfamily businesses, which also struggle to create alignment, serve social values, and adapt to continual change. This chapter shares some of these implications and also presents a review that any business family can undertake.

Global Context for the Future

This project began with a recognition that global family enterprise is a core social building block for civil society. In an impersonal world, the family enterprise is based on human relationships and values translated to fit the world of commerce, adding necessary humanity to the sterile landscape of the business world. Enduring family enterprises add strength, consistency, caring, and sustained productivity to the economies of every nation. Because of this, their experiences contribute to a valuable alternative model to public, nonfamily enterprises.

The research documents the many contributions of these families beyond commercial success. These families have a deep impact on the community and on their loyal and long-term employees, suppliers, and customers. Business families form the economic foundation of many nations and are critical to their development. Their family nature leads them to stand for something enduring, excellent, and positive that is widely respected. They use their resources to develop and install future leaders who can continue the legacy. Business families are values-based, and their values are often as important as profits.

Generative, multigenerational families offer a model of wealth creation that diverges from the conventional model of pursuit of self-interest, exclusive focus on short-term profit, and aggressive competition. Business families play the game of





352 Borrowed from Your Grandchildren

private enterprise well. But they grow and remain profitable within a values-based legacy that links their success to the success of others. This model has a lot to teach to public, nonfamily businesses.

When we seek out long-lived businesses, the global terrain leads mostly to family enterprises. Public companies do not seem as resilient or adaptive. Their many unique and impactful qualities contrast favorably with those of nonfamily companies. With a family at the helm, the enterprise can sustain a vision and a set of values even as the enterprise continually takes new forms and develops new generations of leadership. A values-based enterprise can encompass not just profitability but also other social goals. Because such an enterprise looks to the long-term future and has the ability to reinvest resources, it is not uncommon for the family to consider the kind of future it desires in its community and even the world and to use the enterprise to help bring about this vision.

Family Enterprise as a Safe Refuge from Global Instability and an Opportunity to Make a Difference

To succeed over multiple generations, a generative family enterprise must prepare, develop, and most of all, recruit members of the new generation to be responsible owner/stewards. The next generation can always decide not to continue or can continue without the capability to take up this role. Generative families see their next generations deciding they want to continue (though a few family members always opt out and exit the family enterprise). What attracts members of the next generations?

Family members cite the parable of the bundle of sticks: one stick can be easily broken, but when combined into a bundle, they are almost impossible to break. This is how family members see their unified family. They decide that they can do something special together that they cannot do on their own. They see the value of the family legacy and opt to continue together. They take up the challenge.

Another reason they decide to continue, despite the many challenges they face, is that the family offers a safe haven, a refuge from global instability. Family members can be trusted because they are united by blood and have a common heritage and legacy. As nations and the global economy become unstable, the family enterprise offers a place where family members can feel comfortable, accepted, and capable of making a difference. The family develops governance and sustains its unity and alignment by retaining its unity in this global climate. The legacy, skills, and capabilities of the family make up a sustainable competitive advantage for the enterprise.

Much media attention has been focused on the dysfunctional effects of wealth on young people, who are presented as excessive consumers of luxury goods and as entitled people not respecting the needs or values of others. In the interviews and observations, my research team and I saw more evidence of teaching, modeling, and passing on of values of responsibility, caring and respect for others, and contributing rather than consuming. Sustaining family wealth includes restraint in consumption as well as business growth. The ways that young family members add value, innovate, and become competent professionals in their families offer a more positive view of inherited wealth.



Reflections on the Economic and Social Future of Family Enterprise 353

Generative families, as this book has shown, are characterized as not just good businesses or smart portfolios of assets but as being strong avenues for investing in the development and preparation of the next, rising generation. From its resources, the family puts aside funding for many forms of education, mentoring, development, and shared learning. Family members form a community of learning, and with their intentions, they create an engine that can make it happen.

Key Practices for Achieving Generativity

Following is a brief review of the goals and aspirations of generative family businesses and the means by which they accomplish these goals.

1. Maintain the family business as a successful enterprise:
 - Separate family from business concerns and work effectively in each area.
 - Hire professional, nonfamily leaders. This usually happens by the third generation.
 - Set strict conditions for family members who want to work in the company.
 - Reinvest in the company instead of taking short-term profits.
 - Consider the long-term future when making decisions.
 - Encourage leaders to let go and rethink what they are doing.
 - Maintain openness to new ideas and strategies.
2. Sustain the family vision and values in the business:
 - Hire professionals who understand and support the family values.
 - Form a family council or similar group to guide the leaders and maintain family values.
 - Instill the family's values in the rising generations.
 - Consider all stakeholders: family members, employees, shareholders, customers, and the community.
 - Include the business's impact on the nation and the world when making business decisions.
3. Maintain family interest in the business:
 - Maintain transparency in the operations of the business.
 - Offer opportunity and pathways to involvement for each new generation.
 - Create family camps and junior boards of directors to engage younger members.
 - Hold annual meetings where the members learn what the business has been doing and discuss issues for the future.

Will There Be a Next Generation for Generative Families?

A family enterprise can't last forever. Though it can stem the tide of fragmentation, division, or dissolution over one or two generations, over time the extended family becomes too large to be sustained as a unified commercial entity. It then breaks up into smaller family or household units or distributes its wealth so that each individual can create his or her own future.



354 Borrowed from Your Grandchildren

Do I expect that the generative families in the study will continue for further generations? My impression is that while they have been highly successful for three or more generations, many of the families in this study are not likely to survive as unified family entities for much longer than another generation. As they grow in numbers, the pressure for different paths and the sheer number of owners leads them to break down into smaller units. Individual households will exit, and businesses will be sold. There are many opportunities for the family to consider different directions, and I think the media have made a mistake to portray businesses that sell or separate as failures. A huge portfolio of businesses that offers hundreds of family descendants a legacy of values, support for personal development, a wonderful shared history, and an opportunity to make their own contribution and forge their own path cannot be seen as a failure in any way. The generative family enterprise is a choice made by some unique and dedicated families, but this choice is not right for many others.

After generations of success, each generative family has to ask itself in each generation, “Do we want to continue?” This depends on the will of the next generation to do what it takes and the strength and quality of various ventures of the family. But the key is the will of the next generation. Is there a group that has been prepared and has chosen to be ready, willing, and able to take up the reins? After several generations, it is neither a sin nor a failure to decide that answer is no.

The legacy of these families, even if it does not survive as a unified family tribe, will be seen in the values of the inheritors of these families, and their new ventures and the roles they take in the world. Beyond their family, we will see the family, before it ends as a formal entity, developing new generations of stewards and contributors. Its impact may last beyond its lifetime.

Who Can Learn from This Research?

This research offers many insights to families in the early stages of their own businesses. The wisdom of the generative family can also be used by nonfamily businesses. While most businesses are not family-owned, it’s possible to create a “family feeling” among managers and employees. This can occur when employees feel that they are treated fairly and included in the decision-making process. Family enterprises make a habit of getting input from as many family members—and other stakeholders—as possible. This custom can also be adopted by nonfamily businesses. While they may not have family members, they can get input from just as many other stakeholders.

The generative families studied here create and sustain extremely successful ventures, still profitable and growing over many generations. They have arrived at this success not by focusing on short-term profits but by maintaining a long-term outlook coupled with concern for all of the company’s stakeholders. This stands in sharp contrast to the current emphasis on increasing profits and raising the price of a firm’s stock by whatever means possible.

I hope that the business evolution and stories of these very rare, special, and unique family enterprises have enriched our understanding of how businesses can survive and thrive over many generations.



Reflections on the Economic and Social Future of Family Enterprise 355

In conclusion, my research team and I want to thank the families that shared their experiences with us and wish them a wonderful future. They are our teachers, offering a picture of how business can be successful while also looking to the welfare of their stakeholders and the future of their communities and our planet. They help us understand how a business can take a broader view of its purpose than just financial gain. I hope that generative families can serve as a model not just for other families aspiring for longevity, but also for business in general, offering a model that challenges some of the more limited views that we see around us.

Taking Action in Your Own Family Enterprise

In addition to reporting on the research, each chapter ended with a section applying the learnings to a developing family enterprise. The activities can be used by an advisor or family member to help the family look at how the insights of that chapter apply to their own activity.

Family Self-Assessment

You can assess your own family enterprise (or if you are an advisor, the families you advise) and consider what you can do to lead your family down this path. Here are ten action steps that can be taken by any family that desires to thrive over generations as a generative, legacy family:

1. Your family has been successful in business and generated family wealth. Now you need to *decide as a family how you wish to use this wealth* for its highest and best purpose. You can choose to invest some of the wealth in the tasks described herein, thereby creating a generative family. This choice means that you will commit time, energy, and resources to this task and that you will involve the whole family.
2. *Become engaged, and ensure that this is not a task you outsource to others.* It is as simple as creating a family values statement or a financial literacy program for your children. These are important but only as part of a larger shared family project. This has to be done by you, working together with other family members to make it happen.
3. *Begin preparing the rising generation for the family's wealth through efforts in each individual household with their young children.* As a family, you can make it possible to talk about what it means to be privileged and how to use the special advantages that wealth brings to the family. Through your example, you can do things together that reinforce the family's values, such as providing service or living a modest lifestyle.
4. A major step forward is to *convene a cross-generational family meeting or meetings* to talk about the future path of the next generation. The first meeting should be well planned and last long enough for everyone to get to know one another, learn the history of the family and the family businesses, and talk about a vision for the future.¹



356 Borrowed from Your Grandchildren

5. Develop a *clear and explicit extended family values, vision, and mission statement*. This expresses what you want to achieve together as an extended family and sets out how you will do this. The values should be clear enough to guide behavior, and the vision and mission should be clear and concrete enough to guide decisions. The family may have values, a vision, and a mission for itself, as an extended family, as well as for its businesses and other ventures, such as the family foundation. But as each generation reaches adulthood, the values have to be reinterpreted and the vision and mission refined and updated.
6. *Inform and educate the rising generation, in stages as appropriate, about the history, nature, and structure of the various family enterprises*. Members of the rising generation should learn about the family trusts, businesses, philanthropic ventures, and most important, their obligations and responsibilities to the family, if they choose to participate actively.
7. *Support each individual to actively develop a life plan for personal and career development*. For a young person emerging from a wealthy family, this can be a difficult task. The family should recognize that this is not easy for some and offer support and resources when these young people are growing to adulthood to launch themselves and also to decide whether they want to become actively involved with the family in various roles.
8. *Convene the members of the rising generation and give them the opportunity to decide what they want for the future and in what way they want to be involved in the family enterprise*. They should get to know each other and make an active choice to be family partners and work together.
9. *Develop an active task force and organization to develop programs for the education and development of the next generation, with adequate family funding*. This task force or committee is usually integrated with a family council and other family governance activities.
10. *Set clear goals and criteria for the next generation, and assess annually whether they are being met*. Knowing what people think helps family members anticipate and talk about differences, rather than keeping those potential conflicts underground. It also helps you assess how you are moving toward shared goals.

Notes

1. Dennis Jaffe and Stacy Allred, *Talking It Through: A Guide to Conducting Effective Multi-generational Family Meetings About Business and Wealth* (New York: Merrill Lynch/Bank of America Corporation, 2014).