Realism About the Dream

Ken Kaye's review[*] of *Succeeding Generations: Realizing the Dream of Families in Business*. By Ivan Lansberg. Harvard University Press, 1999 (352 pages, $35.00)

What do a single-owner business, a sibling partnership, and a multi-shareholder "cousin consortium" have in common? They all are led by people who must have a guiding Dream—in the case of multiple owners, a *shared* vision of where they want to go.

Yet they are fundamentally different systems of guidance. As successful firms evolve over several generations, they require radically new communication routines, more formality and documentation, and face different issues in the process of preparing and selecting new leaders.

In his new book, Ivan Lansberg discusses working with families' "Shared Dreams" in distinctly different ways, depending on which of the three forms of business ownership characterizes them in the present generation and which form they will take in the next. Lansberg believes that the unprecedented wealth created by entrepreneurs in the last half century has their grandchildren forming sibling partnerships and cousin consortia in unprecedented numbers. Less and less is it a matter of filling the single controlling owner's shoes with another controlling owner. Families and their advisors need to develop new structures and processes, as well as preparing family members to fill them.

Furthermore, it isn't just about structure:

> Family enterprises are highly personal systems that evoke the same depth of feeling in the participants that most people reserve for their children and their marriages. Too often, elaborate strategic and succession plans go unrealized because these deeper psychological factors have not been taken into consideration. (p. 4)

Lansberg defines healthy family business as "having fun making money together." Combined with his assumption that ownership is the most useful frame of reference for understanding a family business, "making money together" must come to include appropriate involvement in ownership and governance, not just a lifetime job. And the most important factor in the successful sharing of ownership is the Shared Dream.

> "The key to understanding where true power lies ... is ownership."
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> "Succession is a journey ... determined by the family's Shared Dream."
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> "Continuity ... depends on instilling a sense of ownership in every generation."

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Those are three of the book’s seven principal points. The others:

> “Shared leadership can work—under the right conditions.”
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> “A leadership transition offers an ideal opportunity to reformulate the company’s direction and renew its energies.”
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> “Succession is driven by a biological clock.”
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> “Efforts to tightly control ownership and decision making in a family company contain the seeds of their own destruction.”

Lansberg expands elegantly on all seven points and supports them with examples throughout the flow of chapters.

Although this book doesn’t aim at the mass market, Lansberg and his acknowledged co-writer/editor, Howard Muson, are craftsmen of lucidity. I think the book will find a variety of readers:

- *Owners* of large, mature businesses: Few entrepreneurs will study the whole book, but the final section on governance is concise and invaluable.
- *Researchers* are not the book’s main audience, since it’s not about theories and data. However, the book does pose questions and make assertions that need to be tested. Some of its unanswered questions would make excellent dissertation topics.
- *Educators*: Colleges and graduate schools may be this book’s largest market~~,~~. It is meaty enough for an advanced course, yet accessible to any undergraduate.
- *Consultants*: A must. The only limitation for most consultants will be that this book is about firms of substantial size, age, and equity. Although the seven points listed above apply to smaller, newer, less wealthy businesses as well, it would be a mistake to apply the details of Lansberg’s discussion across the board.

The chapters on individual and family development are good reading, but they’re mainly stories whose function is to trigger our thoughts about our own families or clients. Chapter 10 is a more important chapter, offering a systematic approach to the selection of a successor. It argues that we have to assess *future business needs* rather than *present family politics*. The chapter contains practical suggestions for choosing successors—if and when you’ve established that your clients do have a feasible Shared Dream.

The chapter on “letting go” offers helpful ways to reframe what the reigning head is going through during transition. “You’re not being deposed, you’re delegating your vision to your children; it’s not that you are superfluous, it’s that you have built a good management team,” and so forth.

Finally, the two chapters on governance structures and processes could easily stand alone as a short treatise on the older, extended-family-owned firm. These chapters are worth the price of the whole book, even for those who have already internalized the conceptual frame discussed heretofore. Here Lansberg is prescriptive:

> Governance structures in family companies must be designed to safeguard the long-term interests of family shareholders by ensuring the growth and continuity of the enterprise and promoting the family's harmony and welfare. This definition implies that both the business and the family are in need of governance. It also suggests a broad role for the board of directors in a family company. (p. 281)

The developmental stages of a successful firm dictate its needs for governing structures. Sibling partnerships need real boards of directors, at least by the time the siblings' adult children begin to show any interest in the firm (earlier, the larger or more complex the business is). Fortunately, families are most open to the idea of adding a real board of directors when the controlling owner phase ends, something that may happen only after several generations of transition from single to single owner.

Family councils are needed as the firm makes a transition to the multi-owner "cousin consortium." I see the council as the "guardians of the flame," i.e., the family's core values and Dreams. Lansberg is clear about the distinct function of such councils as distinguished from those of the board:

> It is to visualize the future, to continually anticipate how the family will evolve, what its needs will be, and to what extent the business will be able to fulfill those needs. The council is a forum for lifelong learning, in which young potential successors develop enthusiasm for the business and learn the values of professionalism and stewardship that will be essential to fulfilling the Shared Dream. The council attempts to forge a consensus on the best leadership system for the future, help the family to adjust to the political changes brought about by the leadership transition, and may even help the board of directors develop ideal profiles for the type of leaders it wants in key positions such as chairman and CEO. (p. 282)

When the number of adult family members grows much larger than nine, Lansberg suggests the council be an elected, representative group. Then a third, all-inclusive body will be needed, which he calls a "shareholder assembly." The constitution and functions of this group are less clearly described, possibly because it's much less well-explored territory than the other two structures. Lansberg tells us what the assembly is not—not just an annual shareholder's meeting, and not limited to family shareholders—but it wasn't clear to this reader exactly what the assembly is and does. It is probably a good rule of thumb that whatever Ivan Lansberg cannot yet clearly articulate about the governance of family firms is not yet understood by anyone.

Reality Is Messier

Lansberg's conceptual perspective is family systems theory, which is really more metaphor than theory. *All* living systems are defined by shared history and shared goals. All organic systems differentiate into more complex structures in the service of their goals. All create information. All resist entropy until their complexity makes them too vulnerable to external pressures, then they fall victim to more agile, opportunistic, less complex structures. Although it is useful to translate these universals into the terms of family business, they still remain merely a set of generalizations.

The danger is that we will become convinced that these concepts tell us what we need to know. For example, does the following really hold up empirically? "If the succession process is to be planned effectively, the family must come together around a clear and engaging definition of the future scenario toward which they intend to move the system." (p. 93) That itself is a Dream. It is axiomatic about social systems, but is it really the case that succession never occurs without a Shared Dream? No. The reality is that succession is often driven by family dynamics rather than by strategic business considerations, even in some of the wealthiest, proudest, most blue-ribbon-advised families. We consultants need the skill (or art) to maneuver people toward something less than ideal, but not disastrous, when they fall short of a "clear and engaging definition of the future scenario." Which they nearly always do. The best of families consist of overlapping individual Dreams whose Dreamers tolerate their contradictory goals and sidestep their incompatibilities by continual compromise.

Something that Lansberg says about individuals in families could also be said of psychologists who try to reduce families to rubrics. He points out, "An individual constantly mediates between the requirements of his or her Dream and the opportunities and constraints presented by life itself." (p. 92) We practitioners also constantly keep our eyes on the ideal and our hands and feet in the mud of real people's lives.

Suppose that you are working with a family and helping them to articulate their Dream. They understand that this is merely their current flight plan, to be safely amended as necessary. But how can we be confident their Dream is realistically attainable? When should they adopt one governance model or select one leader rather than another? The Dream answer is that these decisions should be made on the basis of future business needs. The reality is that the most vocal members will choose, based on less far-sighted considerations. The best a consultant can do is give them a sound rationale with which to justify the best move which, at this time, they are capable of agreeing to make.

> For a workable Shared Dream to emerge, the individual Dreams of family members must overlap substantially; otherwise, there may not be enough common ground on

> which to build a satisfactory future scenario. The Shared Dream is not the sum total of the individual Dreams of family members. Rather, it encompasses only the portion of each individual's Dream that he or she is willing to invest in a common cause such as the continuity of a family enterprise. (p. 79)

Those are hardly objective measures. "Substantially" and "satisfactory" are relative and subjective. In reality, even when family members have a Dream, it's probably not well enough informed. Thus it is the consultant's role to assess the feasibility of that Dream. Personally, I find it the most important and least popular part of my role.

How can we tell whether a particular family's Dream will be the key to success or to their entrapment in a business they should have sold? You won't find answers like that in this book or in any other, not at this stage of our knowledge. Lansberg describes a process of testing the Dream, describes how some people behave during that process, and the kinds of questions that are helpful to ask.

Succeeding Generations and its author mark the leading edge of our field's knowledge and practice. He is prescriptive where he can be, but the truth is that there is no magic bullet for assessment or intervention.

Readers from all the disciplines that serve family firms will be enlightened in specific areas. For me, the sections on development were familiar material, well expressed. The chapters I lapped up were the ones on governance. Colleagues in management or in law might have the opposite experience, admiring the exposition on governance but drinking most deeply from the discussion of family and individual development.

One thing missing from the book, for this reader, was any discussion of why all this matters. That is something our whole field seems to take for granted. Is the point of working with wealthy families to help them keep their wealth or get richer? I hope not. I like to think our work matters because what distinguishes our species from all others is that we pass culture on to our descendants. Unlike the normal mode of biological transmission through genes, we pass on all kinds of assets, and not only to those who inherit our genes. The structures that a family creates for the preservation of its wealth-generating engine are also repositories of its intellectual and human capital: the knowledge, motivation, and tools with which parents endow their children to keep on learning. Our shared Dream, like our clients', is about the human legacy.

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