

Story Two:

Succession and Connecting Children to the Family Vision

This is the second part of an initial 2-part Thought Leadership Series from Inverness Counsel authored by Joline Godfrey, an innovator in financial education for children and families, and author of *"Raising Financially Fit Kids"*.

Stories and names used are fictional, but based on experiences adapted for illustration purposes.

The family meeting was wrapping up when the cousins (ages 4–14) arrived to report on their afternoon of financial education. The younger children were eager to describe a budget they'd created for a bug family with bad spending habits; the older children were ready to share cash flow plans they wanted to apply to their allowances. The parents and advisors were excited to see the children building financial skills and values.

As Sam watched the children make their presentations, he reflected on the issues he and his siblings had been discussing in the family meeting. They were about to break ground on an ambitious international development process that would take at least two decades to come to fruition. The children would be young adults at that point, while some of their aunts and uncles would be ready to retire from active involvement in the family enterprise.

While bringing in professional management was part of the succession plan, questions had been raised about how to involve the next generation in the big vision of the family without making the children feel that they were either required or entitled to join the family business. The family was clear that, within the context of policies requiring preparation and selection, each child should be free to choose. No one had to join the business, nor should anyone be given a job just because they were family.

Watching the children present their reports, Sam realized the education process was working: the children were acquiring basic financial skills that would serve them well as they became more independent and gained access to significant resources. But he wanted to go further. Why not weave the development project the family was about to launch into the children's education process?

Later, Sam challenged his key financial advisor and the head of the education team: "I want the cousins to grow up with the project in an organic way," he said, "feeling a sense of ownership. I want to use the project as a learning vehicle, but I don't want the children to feel either burdened by or entitled to it. How can we do that?" Excited by Sam's vision, the advisor and the education expert promised a plan that would feel like an adventure to the kids while exposing them to the possibilities of the project their parents had initiated.

After several months of research and consultation with the parents, advisors, and development project managers, the education expert returned to Sam and his advisors with a three-part plan:

- Continuation of financial skill building, using the project as a primary learning vehicle;
- Engagement with a family foundation connected to the development project; and
- Exposure to the commercial development itself.

PROGRAMS



CACAO GROVES

The cacao beans that grow on the hillsides will be experienced through new books, games, animated shorts and field trips.

The cacao groves will afford ample opportunities to illustrate the connections between natural and economic systems that coexist.



BEEES & HONEY

Collaborating with John Smith, we'll explore entrepreneurship, environmental issues, the role of science in achieving sustainable outcomes. We

will use the hives and honey production to focus on economics and local sourcing of ingredients as we create stories of family, nature and adventure for the children.



SUGAR CANE

The farm is an active player in the evolution of the region-from a pre-industrial economy to a modern, diversified economy that includes tourism, differentiated food crops, and minerals.

The sugar cane pressing machine will take the children on an economic journey across time. As they grow older we will launch entrepreneurial competitions to further the innovations coming out of the farm.



EGGS INC

The egg operation is a live action demonstration of the intersection of local production techniques,

entrepreneurial planning, sustainable practices, and environmental education.



WATER AND THE WATERSHED

Water is the lifeblood of natural and economic systems, and is becoming increasingly challenging to manage in developing and

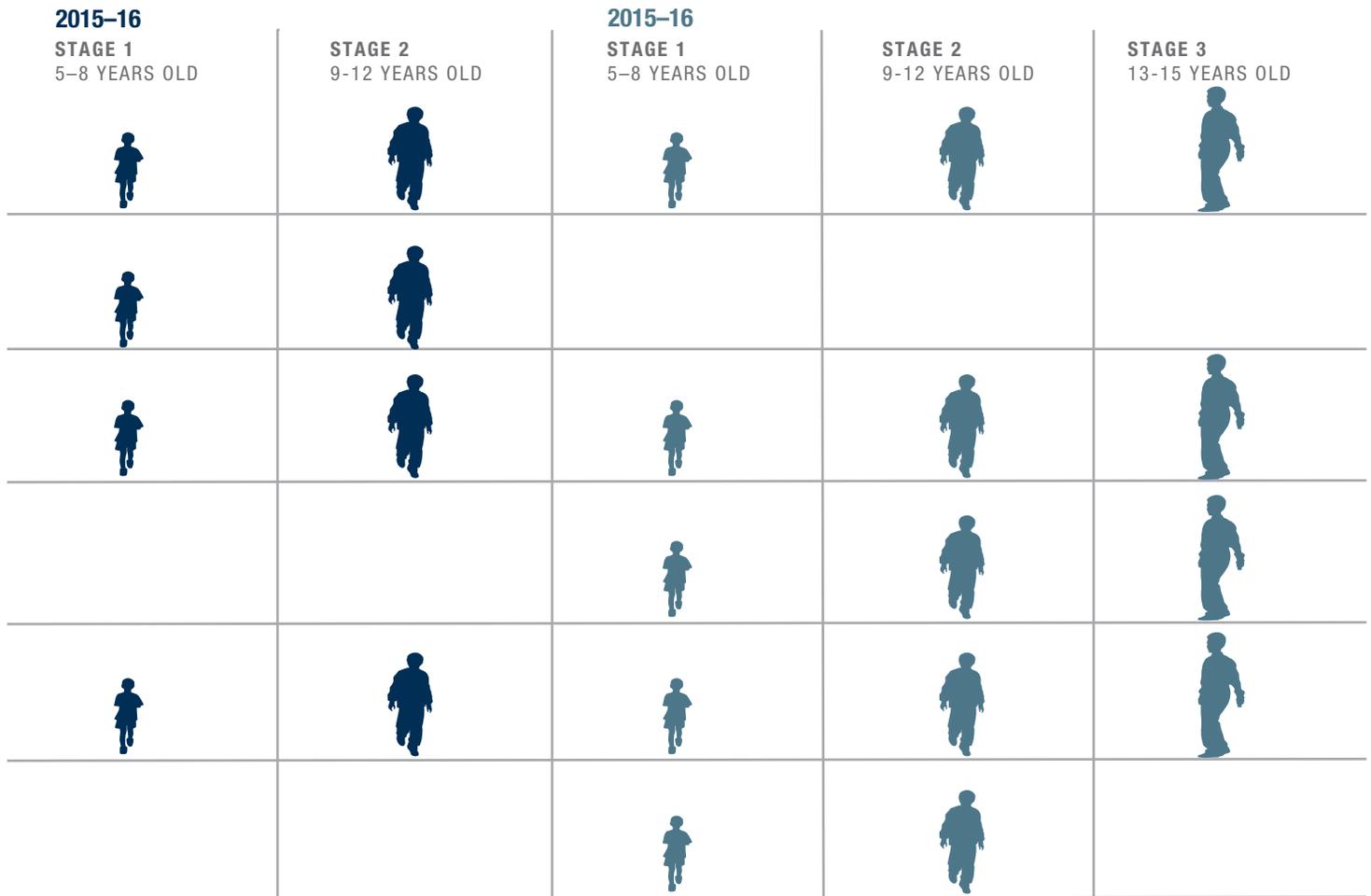
developed countries around the globe. Central to community and commercial development, this topic gives children an introduction to stewardship and stakeholder management.



MICRO-FINANCE

Micro-finance is an effective vehicle for introducing basic economics and entrepreneurship to

children. It is also a means of exploring international finance through micro-finance projects around the world.



The plan was ambitious, and while Sam was excited that his request had spawned such an imaginative response, he wondered whether he had bitten off more than his adult siblings—or their kids—were ready to chew.

At the next family meeting, he invited his advisors to present the plan, giving the rest of the family a chance to consider, ask questions, and help shape the final design:

The Education Expert: Every family has a responsibility to prepare its children for the roles and responsibilities that await them as they enter young adulthood. John Davis, a long-time family business consultant and coauthor of *Generation to Generation: Life Cycles of the Family Business*, defines the family enterprise as encompassing the family company, non-core businesses, financial assets, family assets (defined above as the True Wealth Audit), philanthropy and social enterprise, important family activities (annual meetings, traditions, etc.), and the family itself. Within the

family enterprise, each role is important. The development of a thriving family enterprise is a collaborative process, requiring the active participation of all members. Collaboration enables a family to transition smoothly from one generation to the next while sustaining the family's assets, both non-material and financial.

These roles are not filled by accident. They should receive the same attention as other aspects of family life. Children who grow up hearing about the family business at the dinner table may absorb important values and knowledge naturally. But in any family undertaking a great mission, the children are likely to feel more engagement in and enthusiasm about that mission when the adults involve them in a meaningful way.

Meg (Sam's sister): My kids are busy with sports, afterschool activities, and social obligations. It's a big deal that we're able to involve them in family meetings twice a year. I can't add more obligations to their already packed schedules!

Katherine (Sam's mother, the family matriarch): I want my grandchildren to grow up feeling proud and excited about what the family is doing—not resentful and burdened. When we were raising you kids, your dad and I didn't have a formal plan to bring you into the business. We just let you grow up and didn't hide things from you. Why isn't that enough?

Jake (Sam's financial advisor): What Katherine and Jack (Sam's dad) did was effective and right for those times. And the outcomes were good: Sam is doing a great job as the next-generation head of the company, and as siblings you are all pulling in the same direction. But to be fair, you have varying levels of comfort when it comes to the financial decisions you have to make from time to time. And with even greater resources and opportunities, your children's lives will be more complex—as will their world. The changes in technology, climate, geopolitics—and even the diverse talents and interests of the kids themselves—make a laissez-faire approach

to bringing your children into the family enterprise a less than optimal strategy, whether or not they will ever play an active role in management. My recommendation is to explore how to fit the family business into the children's lives, not if.

Robert (Sam's older brother): Jake, you've always given us good counsel. Are you saying that you and your colleagues won't be able to do the same for our kids?

Jake: No. I'm saying we'll continue giving good counsel as long as the kids have the necessary financial fluency to engage with us. You have created a successful but complex enterprise. If we don't prepare them, they will be totally dependent on our advice—not confident about working with us to make good choices. I know you want strong, secure kids, not a generation intimidated by the enterprise they inherit.

The Education Expert: Sam's instinct to provide a way to help his children, nieces, and nephews is a good one. And Jake's reminder that financial and legal issues will be more complex for your kids is important. But we've designed a plan geared to the developmental stages, learning styles, individual interests, and availability of your kids. Because you're starting early, your children have plenty of time to learn. I don't think we need to increase the number of times we meet with the kids, but if we do our job right, some of them may ask for more advice or choose to be more involved—through structured internships or just in conversations with you. We can start the process and then shape it to the time frame and goals specific to your family.

Preparing children to fill a range of family roles and teaching them to make informed choices down the road should be a gift, not an intrusion. If we see ourselves as a collective for the children, we will make the challenges of growing up in a family enterprise easier, not more difficult.

Meg: As long as I don't have to add more obligations to my kids' schedules, I'm in. But maybe we should call the older kids in to discuss this with them?

Sam: That's a great idea, Meg!

Katherine went to find her older grandchildren and invited them in to talk about the plan their parents were considering. The children, amazed at being included in the "grownup" meeting, were excited rather than resentful as they listened to their Uncle Sam explain the plan.

Two months later, the children were in a cooking class, making pumpkin cupcakes from produce that had come from the family's test farm. Between licking frosting and talking about that morning's tractor ride, they seemed unaware that they were in a "class" exploring the costs and challenges of getting produce to market and farming sustainably. But by the time the cupcakes had been devoured, they had learned a lot:

- They learned that their family's enterprise produces 20,000 tons of pumpkins each year, enough for 5 million pies.
- They were introduced to the idea of a "commodity" and the variable prices of that commodity over a two-year span.
- They knew some of the reasons that commodity prices vary over time, and each had a small chart to take home that would help them learn more about those variables—if they wanted to. Some would start watching climate, world demand, and other factors right away. Others would put the chart away and come upon it by accident a few years later—and remembering that day in the field and the cooking class, it would all come back!

The two-decades-long project would take the combined resources of all the family members, their advisors, and their education experts. By working closely with the next generation throughout this process, the team could make sure the children were being prepared for the extraordinary opportunities they would inherit.

What Thought Leader Families and Firms Have in Common.

While the stories above are unique, they illustrate issues that families

grapple with every day. They also demonstrate the goals and strategies that thought leader families and firms have in common:

1. Tackling hard conversations.

The taboo conversations are the most important ones to have, and avoiding them can undermine the well-being of the family. Reyna's insistence on bringing the subject of death and all its messy components to the table anticipated—and defused—the fear and anxiety her family were feeling about the impending loss of Richard.

2. Preparing beneficiaries to fill a diverse set of family roles.

Sam understood that succession could pit the children against one another if they did not grow up learning how to navigate a wide range of stakeholder roles.

3. Educating beneficiaries.

Education serves both to mitigate the unintended consequences of abundance and to prepare beneficiaries for its challenges and opportunities.

4. Taking advantage of their human resources.

The best advisors and educators understand that the priorities of thought leader families are to raise great kids, steward great legacies, and prepare the family for the future. Tapping the intellect and experience of advisors, beyond the management of financial capital, is simply an effective use of the services these families pay for.

5. Developing resilience in the family.

The world has evolved from wild science fiction tales to science nonfiction. The best preparation for the future is to develop families and teams that are proactive, resilient, and adaptive.

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