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*Family Governance:
A Heart, Mind + Soul Affair.*

BUILDING A CULTURE OF FAMILY SUSTAINABILITY

By Ginni Galicinao

What is family governance? Why is it important?
And, how do you do it?

Let's face it, the words "family" and "governance" sound strange together—somehow mismatched or an oxymoron. Families are not countries that need to govern themselves, right? I mean, who decided to combine these words anyway? **Who decided governance and constitutions are words that should precede the word family?**

On the other hand, if we look at what it means to govern, governing is about creating structures to address the many systems that make up the whole, in a caring and thoughtful manner. In defense of those forerunners in our industry who first began using the phrases "family governance" and "family constitution," I suspect that it was never their intention for advisors to present families with a template and essentially encourage them to simply fill in the blanks.

For those of us who have had the gift of guiding a family through a governance process we recognize how liberating and empowering this process can be for the family, executives within the family business and their boards of directors.

For families who are owners and part of a family enterprise, the challenge of managing all of the shared assets is incredibly complex. Decision-making becomes even more confusing as additional systems come into play. A once nuclear family

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has now grown to multiple generations and expanded into diverse branches whose goals often differ from those of the family of origin. Next, we throw in the executives of family business, family enterprise, or family offices whose goals may also differ from the family.

The ability for a family to grow and flourish together, as well as learn how to “be” and make decisions together can become impossible and potentially damaging to the family and its businesses if time to work through this process isn't prioritized.

A family's charter is a living document—a gift—an instrument of life-long learning. It is not a one-and-done deal.

It is about building a culture of family sustainability. Once created, the family must commit to dancing with it. Trying it on regularly and revising it over the years. Just as the family and its businesses evolve, so too should the family charter.

The primary purpose of family governance is to always support a flourishing and thriving family—from its financial capital to its human, spiritual, intellectual and social capitals.

Family governance is a heart, mind and soul process. It takes courage. It is about the evolution of a family and its enterprises. It's kind of like “muddling” with guidance. I realize the thought of family-muddling can freak some people out, especially lawyers, financial folks and especially the CEOs. However, as one of my favorite mentors, Jay Hughes, would say, “Our work with families requires us to ‘hurry slowly’ and to ‘go slow quickly.’” Families need time to remember, ponder, wrestle over family dynamics, and struggle through conflicts. Although based in love, this work can be fiery and scary; yet, through this process, evolution takes place. It requires taking families out of their comfort zone; and helping them find the courage to stand up for what they desire and need.

Family Culture

The family governance process begins with an exploration of the family's culture. It involves working with a family to make its family culture explicit and no longer implicit.

A family's culture is made up of its stories, history, traditions, family dynamics, communication styles and

conflicts. It also includes the family's values and virtues, as well as its vices—both known and unknown.

Joining a family on the journey of learning about their family culture helps them create new stories about the future and reframe old stories of the past. Families tend to re-enact family stories and behaviors over and over again. If a family is open to experimentation, growth can happen when they are willing to try on new modes of behavior and action.

It takes great care, humility, wisdom and skill to be able to guide families through this process of exploration and evolution. It may lead to co-designing a decision-making system for the family, while still allowing individual members to maintain their autonomy. It could also enable family members find the “courage” to hold each other accountable. If done thoughtfully, structures such as the creation of a family charter can help.

Agreements/Family Charters

The creation of family agreements and family charters are essentially structures and are only created either:

- 1) after spending time doing a deeper dive into the family's culture, or;
- 2) as an integrated process of family culture and governance.

A family's charter is guided by and reflective of who the family is and hopes to become. It often includes a statement of the family's values, vision and mission. It may even include a wealth mission statement which clarifies the purpose and intention behind the family's wealth. Through this process, families begin identifying and creating agreements that ensure the growth of the family and all of its tangible and non-tangible assets. Such agreements spell out how they will communicate together and how they will resolve conflict. It may include agreements on shared-use, to how the family presents itself and the business on social media, and many other family-specific agreements.

When there are family businesses and family boards involved, agreements could include governance structures that provide board members, trust officers and executive staff guidance on how decisions will be made. The family charter may also clarify the roles of family members vs. owners vs. management, including all the overlapping circles in between.

The family governance process is multi-fold. It involves deep, heartfelt care for the family, thoughtful exploration and clarification of the issues, and creation of strategies for ensuring the sustainability and growth of the family's assets—always keeping the soul and spirit of the family at the forefront.