NARVA & COMPANY
ADVISORS TO FAMILY ENTERPRISE

Heritage and Tradition in Family Business:

How Family Controlled Enterprises Connect the Experience of their Past to the Promise of their Future

Richard Narva, Founder and Principal Advisor

> I don't know if a company can have a soul, but I like to think it can. And if it can, then I'd like our soul to be an old soul—and everything that implies. I'd like to talk about things like values and soul. These things aren't transient. These are things you build forever (Sherrill, 2000).
>
> William Clay Ford, III, Chairman
> Ford Motor Company

Introduction--The Myth

In her incisive portrait of William Clay Ford, III, the fourth generation of the Ford family to head their eponymous industrial behemoth, Martha Sherrill captures a Kodak moment between Mr. Ford and the immediate past CEO of the company, Alex Trotman. Mr. Trotman, a non-family manager who apparently believed that founding families had no business leading global industrial companies their forbears founded, did not share the Ford family's view that a qualified family member was worthy to be his successor. After noting that William Clay Ford was the clear choice of the 13 members of the fourth generation of Fords to head the company, Ms. Sherrill writes:

> But Trotman wasn't thrilled [about William Clay Ford's becoming Chairman]. As his days waned, he tried to name his own successor, and failed. Finally, in October 1998, when it was announced that the leadership position at Ford would be shared by two men—[CEO Jacques] Nasser and Ford—Trotman, according to reports of the meeting, snarled his congratulations across the board room. 'So, Prince William,' he said, 'now you have your monarchy' (p. 116).

Few myths about family business are so powerful as the idea that successorship to the top job at a family firm is a sinecure inherited by divine right. Perhaps this myth is rooted in our nation's deeply held view that the winner's crown ought to belong to Horatio Alger or Bill Gates, someone who earned it by dint of hard work, either physical or intellectual. But whatever the source of this commonplace view, few casual observers of family business would challenge the notion that successors have it easy, while the rest of us have to work for what we attain. "In the antiseptic ethos of the industrial era, stigma surrounds[s] family business, as if the involvement of family was somehow unbusinesslike" (Petzinger, 1999).

Values driven families who control business enterprises build on their family's core values and relationship strengths to nurture future generations of leaders. These family-controlled businesses are "built to last."

The thesis of this paper is that Alex Trotman got it wrong - very wrong - in the same way that former President of the New York Times Company, Lance Primis, got it wrong when he challenged the Ochs/Sulzberger family's control of The New York Times Company (Tifft and Jones, 1999); in the same way that people who do not really understand extended families misunderstand how the enterprises such families control actually operate. The published record indicates that both Trotman and Primis thought that scions of business-owning families are simply fortunate folk, with little other than lineage to recommend them for leadership of an enterprise. They seem to have forgotten that a real distinction can be drawn between *business-owning families*, i.e., businesses where stockholders share a common name, but not necessarily any cohesive family behavior or values (Dreux and Goodman, 1997), and enduring *family-controlled enterprises*, whether publicly traded or privately held, which succeed because they are "Built to Last." (Collins and Porras, 1997) Trotman and Primis failed to understand three basic realities: (1) Some family-controlled business enterprises are indeed values-driven endeavors; (2) the core values upon which strategic and tactical decisions in such companies are founded are often rooted in the history and experience of the founding family; and (3) there are successors such as William Clay Ford, III, and Arthur Ochs Sulzburger, Jr., whose lives and business leadership can both be illuminated by these values. Thus, to the Fords of Ford and the Ochs/Sulzbergers of the *New York Times*, the company is more than a financial balance sheet. It is a heritage: "Something other than property passed down from a preceding generation" (Random House Websters 1997).

Values-driven companies controlled by families relying on their core values and their relationship skills can and often do compete successfully all over the world.

The particular focus of this paper is not to argue against the myth that values-driven companies controlled by families cannot compete successfully in markets from local to global. Indeed, in the view of Thomas Petzinger, "Family business has become a model for <u>all</u> business…[because] business today, more than at anytime in a century or longer, is built on relationships – the very stuff of which families too are made" (p.218). Rather, the purpose here is to move beyond the myths and widely held public misunderstandings about and stigmatization of “family business” to describe some of the most effective ways in which the heritage of values-driven families and the enterprises they control are transmitted across generations (Davidow and Narva, 2000).

While "family businesses" are "easily the commonest kind of corporate structure on the planet, and…show no signs of disappearing," (*The Economist*, 2000) there is widespread disagreement about what constitutes a family business (Handler, 1992). While responding to the definitional debate is beyond the scope of this article, one cardinal point must be made. Most of the debate among academicians is written on business structure generally and more particularly on the overlap of management, ownership, and governance with something called "family." Little of what scholarly literature there is on the subject of family business focuses on the family. Yet "whether the company is Wal-Mart, Gucci, Cargill, Hyundai or most of Germany's *mittelstand* and Latin America's *grupos*, a family firm is different in important ways from a firm in which a family plays no significant part" (p.63). Most commentators focus on family dysfunction as it is enacted on the stage of the family firm. There are but few examples of writing about enterprises controlled by families that endure, and indeed thrive, up to 200 years and longer. (www.henokiens.com). Articles focusing on the power of the family system and how it buttresses not only the ownership control group, but also the enterprise itself are uncommon. The primary aim of this article, therefore, is to identify several concrete ways in which the heritage of a family can be communicated from elders to younger generations in a family and from the family that controls an enterprise to the governance bodies and management teams of those enterprises, all for the purpose of enhancing the long-term competitive durability and performance of such enterprises.

> The concrete ways family-controlled enterprises communicate their heritage from one generation to another and use this heritage to competitive advantage are poorly understood and often ignored by the general and business media, who could and should do more to tell the stories of family business success.

Before turning to the substance of this article, I feel compelled to comment upon the dysfunctional role the business media plays with regard to understanding family business, focusing as it does almost entirely on perpetuating myth and commonplace misunderstanding. Exceptions to this rule, such as Thomas Petzinger, formerly of *The Wall Street Journal*, are few and far between. Much like the vastly overwrought television commentary on the recent presidential election in Florida, the media prefers to limit its coverage of family firms to what may be termed “family business train wrecks.” Whether the oft-cited CBS “Sixty Minutes” piece on the self-immolation of the Bingham family newspaper business in Kentucky that aired several years ago, or its fictional counterpart – the Ewing family of Texas--or the foibles of the rich, famous, and litigious owners of businesses like those controlled by the Koch family, most periodicals and virtually all electronic media do not "cover" family business. They caricature it.

It is very difficult for owners and managers of family-controlled enterprises to find any validation for their work in the media. NASDAQ growth companies get lionized as regularly as successful decades-old family-controlled enterprises get ignored. Plummeting share prices of new technology companies are excused by reference to the legendary recovery powers of their technologically savvy founders, while families who have steered their enterprises through numerous business cycles over decades are deemed worthy of coverage only by society columnists. Given the enormous importance of family business as an engine of economic growth and preservation of community values, one can, therefore, only condemn this shortsightedness of the media generally and the business media in particular.

Vehicles for the Transmission of Family Values

> Families who tell and share stories are more likely to carry on their family's heritage and traditions successfully.

"Stories Make A Family" (Stone, 1988) Of the many modes of communicating heritage within families, none is more important that the oldest way, storytelling. Tradition has been defined as "the passing down of elements of a culture from generation to generation, especially by oral tradition" (Random House Webster's, 1997). In a brief, elegiac article in the *New York Times Magazine*, Elizabeth Stone wrote, "The particular spirit of a family is newly imagined every generation, with old family stories disappearing or coming to mean something different, and new ones being coined" (Stone 1991, p.30). First and foremost, families who control enterprises must remember to tell the stories. However elegant their business strategies, however functional their organizational development may become, however talented their management corps may be, it is, as Elizabeth Stone said, stories that make a family. Without gatherings of the clan and family dinners, there are no venues for telling the stories. Without the stories, children's identities form without the building blocks of memory, "the elements of culture," handed down from generation to generation. However, when family members remember to tell the stories and revel in the pleasure of doing so, the process of transmitting the core values rooted in family history to the next generation of future owners/directors/managers of the family-controlled enterprise begins. Without this beginning, other, more formal vessels to transmit these values can lose their watertight integrity.

> Good intentions and a desire to transmit a family's values are not sufficient. The truth is in the telling. The richness is in the details.

Oral Histories

Some families go so far as structuring their storytelling and reminiscing in a very formal manner by creating an oral family history. Their recorded audio (or video) observations may breathe life into the older generation's shortcomings as storytellers, and infuse the listening generation's memory with powerful recollections. In addition to recording stories for posterity, such oral histories can serve to build a record of a family's formal and informal conversations about its traditions. There are even consultants experienced in creating oral histories of extended families, who can help families preserve their legacies. (Epstein and Mendelsohn 1978) In summary, for all families, but in particular for families who control enterprises, what is talked about is what matters.

Ethical wills create a voice from and a record of the older generation, which preserves the core values and ethics of the family who control the business.

Ethical Wills

In the Jewish community for nearly a millennium, some families have written documents known as ethical wills to transmit their core values from generation to generation. An insightful guide to ethical wills, with selections from both modern and ancient times, including ethical wills of several modern family businesses, can be found in *So That Your Values Live On ~ Ethical Wills & How To Prepare Them*, edited and annotated by Riemer and Stampfer (1991). In the family business context, such documents can serve as statements by the present generation of family business owners (as well as successive generations) which capture, *inter alia*, the heritage of values, goals, and priorities that have influenced their decision making in the express hope that future generations of the family who control the business enterprise will abide by the family's legacy and vision. Such documents provide a more personal commentary and elaboration by a particular owner of a family-controlled enterprise than the corporate statement of core values. And they may provide the additional power of being written with the clear intent of expressing highly personal views of a family's heritage with the express purpose of influencing future generations. While there is a splendid example from a non-business family of ethical wills in four consecutive generations in the volume by Reimer and Stampfer (p.217), set forth below is one brief example written by Samuel Lipsitz, a New England businessman, in the early 1950's that is of particular relevance to family-controlled enterprises.

> Dear Children:
>
> Somewhere among these papers is a will made out by a lawyer. Its purpose is to *dispose* of any *material* [emphasis on original] things which I may possess at the time of my departure from this world to the unknown adventure beyond.

> I hope its terms will cause no ill will among you. It seemed sensible when I made it. After all, it refers only to material things which we enjoy only temporarily.
>
> I am more concerned with having you inherit something that is vastly more important…
>
> There must be a purpose in the creation of man. Because I believe that…I hope you will live right.
> Being together daily in business has its disadvantages as far as a father wanting to be noble in the eyes of his children. The aggravations and the heavy pressure in our business cause friction and annoyance with one another. Maybe we said things at such times that in calm retrospective we are sorry for. I was as guilty of these things as anyone. I hope such things will not stand out in your memory of me.
>
> So don't mourn for me. I have enjoyed my life. Carry on from here using the many blessings which you have [and I didn't have at your age] with wisdom and consecration to your family and mankind.
>
> You can serve your family best by serving mankind also.
>
> Remember me affectionately as your father (p.125-6).

While Mr. Lipsitz's full ethical will also contains specific admonitions and ethical imperatives unrelated to the family business, it is the document as a whole, its tone and its intent, that is most important. He does not rank order among his urgings, remembrance for himself, his spouse, his business practices--good and bad--community, or religion. Rather, his ethical will is a document that bespeaks the whole person, a person whose business life was an expression of his core values. One might surmise that like Fel-Pro, Inc. (discussed below), the policies and structure of the enterprise he controlled may have also been expressions of the core values he carried forward from his own father. Surely there is at least some materially better likelihood that this surmise is true because of the existence and force of this ethical will.

Family Business Documents

Storytelling, oral histories, and ethical wills are each vehicles by which the wisdom of a family is communicated within that family from one generation to another. The wisdom, this heritage of values expressed in the lives of generations of a family, is the wellspring of core values for families generally, but in particular for some families who control enterprises, not only operating companies, but also investment vehicles and family foundations. While many families are simply business-owning families as defined above, other families who control businesses are as concerned with preserving and renewing their heritage in the business venue as with enhancement and protection of the tangible assets the family controls. For these families and the family-controlled enterprises, which often bear their name, a fundamental objective is to infuse these enterprises with their families' core values.

In their classic text, *Built to Last: Successful Habits of Visionary Companies*, two Stanford Business School professors, James Collins and Jerry Porras, compare and contrast 18 of America's large corporations, who dominate their industries with their largest (and less successful) competitors. In the process of a six-year-long empirical study that compared truly great companies that became industry leaders and their less successful competitors (such as Marriott with Howard Johnson, Motorola with Zenith, Hewlett-Packard with Texas Instruments), the authors concluded that the primary distinguishing characteristic of the truly great companies (which their competitors lack) is that these truly successful firms "...preserve a cherished core ideology while simultaneously stimulating progress and change in everything that is not part of their core ideology. Put another way, they distinguish their timeless core values and enduring core purpose (which should never change) from their operating practices and business strategies (which should be changing constantly in response to a changing world)" (p.17).
It is critical that successor generations of families who control business enterprises not only comprehend, believe in, and remain passionate about the legacy of prior generations, but also that they write down the legacy. Successors may well experience the necessary personal relationships to develop, nurture, and advance the legacy of a founding generation sufficiently to ensure its continuity pursuant to the founder's vision. But for successors who never had the benefit of a personal relationship with their company's founders/visionaries, continuity of the vision and the legacy of the family-controlled enterprise is best understood as a process informed by constituent documents, and other behavior expressions (discussed later in this chapter). For a family-controlled enterprise to endure as a great company, I believe that each generation of family [as well as each non-family trustee, manager, and director] must embrace and renew this vision and legacy, hopefully informed and guided by the constituent documents. Each generation of the family, and particularly the members of the family selected and qualified as senior executives and/or as trustees must embrace and renew the family legacy, hopefully informed and guided by the constituent documents, such as a statement of core values.

> Core values of a family-controlled enterprise endure, even when strategies and tactics change to meet market needs.

Statement of Core Values

A formal statement of core values, when completed and approved by the board of directors of a family-controlled enterprise, constitutes the primary source document of a family's business legacy. (This statement can be buttressed by an ethical will and/or an oral history, as described earlier.) One of the finest examples of a statement of core values I have encountered expresses the values of the founding family and the nearly 30,000 employees of Pick 'n Pay Stores, an international retailer headquartered in South Africa. Given that these core values have guided what is widely regarded as South Africa's most admired company for three decades of not only job creation, but also enduring corporate commitment to social justice during the difficult days of the Apartheid Era, these words carry particular import for families whose own values guide their enterprises through perhaps less difficult straits. "Few other companies can claim to have done as much for their people as Pick 'n Pay has. Today more than 60% of its managers and supervisors are black, because what other companies are trying to achieve in less than a decade through affirmative action, Pick 'n Pay has been practicing for almost thirty years. Long before it was either fashionable or necessary, Ackerman simply believed in promoting people on merit" (Bell, 1999).

> Pick 'n Pay holds the following "Abiding Values:"
>
> > All our actions and decisions must be tested against our abiding values.
> > Our values are our beliefs which provide the moral foundations for our existence as a business, as well as the engine which drives it forward.
> > We must continuously strive for all Pick 'n Pay people to know, understand and believe in our values.
>
> Pick 'n Pay's values are:
>
> > Being passionate about our customers and fighting for their rights.
> > Caring for, and respecting each other.
> > Fostering personal growth and opportunity.
> > Nurturing leadership and vision, and rewarding innovation.
> > Living by honesty and integrity.
> > Supporting and participating in our communities.
> > Being accountable and taking individual responsibility for our actions.
>
> Finally, Pick 'n Pay sets forth the following core principles:
>
> > Maintaining our abiding values though business practice may change.
> > Fostering respect for individuals because this is morally right and not a strategic advantage.

Acknowledging the difference between timeless principles and daily business practices.

Sticking to our core values even if this appears to put us at a competitive disadvantage (Pick ‘n Pay stores, Ltd., 1999).

Recalling that Pick 'n Pay was founded during the Apartheid regime by Raymond Ackerman, a man born in South Africa seventy years ago, one must ask what is the source of these abiding values and principles. Surely it was not the political culture of South Africa--Apartheid--when he came to maturity and entered the business world. Rather, as one reads the abundant literature detailing the career of this extraordinary South African, one can only conclude that it is his family of origin, his culture and religious heritage, his marriage to Wendy Ackerman, herself human resources manager and member of the board of directors of Pick 'n Pay, which are the wellsprings of these values and principles. It is in no way surprising, therefore, to note that the constitution of the Ackerman Family Council contains a section entitled, "The Legacy," which sets forth in full the abiding values of this man, his family and his company.

The process of discussing and then writing down the family’s core values makes them more real, more powerful, and more likely to be realized.

Family Constitutions

Abundant literature exists advising families who control businesses to create governance structures for their families which parallel the structures that control their business enterprises, e.g., family assemblies or family councils as parallel counterparts to a corporation's board of directors. Often, but not as often as suggested, such family structures are useful. But when the formality of such structure is advisable, it may often be rendered much more effective by the process of creating a formal written document--herein denominated a family constitution--which as the constituent document establishing family governance serves to connect the family's core values and commitments to future family control of the enterprise to the enterprise's own core values and governance structure. Consider the following language from the preamble of the Ackerman family's constitution establishing its family council:

PREAMBLE

We, the Ackerman Family, resolve to work together to ensure the continued profitability and vitality of the Ackerman Family Interests. We, the members of the Ackerman Family, while

> recognizing each other's individuality and respecting any differences in opinion which may arise, do personally commit ourselves to work together in the interests in such a manner that will promote total harmony. We recognize that family harmony is essential for continuation and growth of the Ackerman Family Interests.
>
> We believe it is important for the family to serve the business. We recognize our Family Interests as valuable assets that have provided us with our lifestyle and the resources to enjoy many opportunities. The family business provides qualified members of the family with meaningful career opportunities and rewarding employment for family and non-family members. Our family business embodies the values that have been passed down to us through the generations and is an important part of our family's heritage, and we strive to abide by high moral standards in all that we do.
>
> We seek to continue as a family controlled business, to pass ownership of the Ackerman Family Interests to the future generations, and to provide employment for qualified family members in Family Enterprises. We recognize that given the size, complexity and competitive nature of our family business, it is necessary to involve non-family members in management. (Ackerman Family, 2000)

Tax planners often advocate placing family businesses in trust. But profound cultural changes emerge from transferring control of a business from an entrepreneur to a fiduciary. Trust instruments must therefore include clear statements of core values in order to offset such unanticipated cultural change.

Trust Instruments

While some families create--as an exercise by the entire family--a family constitution for the purpose of enshrining the heritage that will guide future generations in the family-controlled enterprise, others come to power in such enterprises having found that the founder or entrepreneur has taken on a second identity, that of creator or "settlor" of a trust which controls the enterprise. On some occasions the settlor has stated the legacy with a clarion call which echoes clearly across the years. While it must be said that virtually all trust vehicles under modern estate plans are created primarily to establish the mechanics of control by the settlor's family and/or to minimize estate taxation on such holdings, some business owners also utilize the trust instrument to set forth their personal values and endeavor thereby to provide a heritage as well as control of a pool of assets to future generations. Perhaps no trust exemplifies this reality more than the 1997 trust created by the descendents of Adolph Ochs to preserve control by his family of the *New York Times.* This trust, which came into effect after a series of transactions following upon the death of his daughter, Iphigene, in 1990, which terminated the trust originally created by Adolph Ochs, expresses not only the clear intent of the family to continue control of the New York Times through ownership of Class B stock in the company, but also the journalistic heritage commenced by Ochs and preserved and protected for more than a century by his children, grandchildren, and great grandchildren. As disclosed in the *New York Times* Company's April 24, 2000, proxy statement:

> The trustees of the 1997 trust…are directed to retain the Class B stock held in the 1997 trust and not to sell, distribute or convert such shares into Class A stock and to vote such Class B stock against any merger, sale of assets or other transaction pursuant to which control of the NEW YORK TIMES passes from the trustees unless they unanimously determine that the primary objective of the 1997 trust, which is to maintain the editorial independence and integrity of the NEW YORK TIMES and to continue it as an independent newspaper, entirely fearless, free of ulterior influence and unselfishly devoted to the public welfare, can be achieved better by the sale, distribution, or conversion of such stock or by the implementation of such transaction [Emphasis supplied] (www.nytimes.com).

While at least one trenchant commentator has observed that transferring a family business from an entrepreneurial family to a fiduciary can promote profound cultural changes adverse to continuity of the family's culture [Marcus 1991], for over a century the Ochs/Sulzburger family has preserved a family which controls an enterprise of global importance, in no small part because the controlling family's values, formalized in a trust instrument, continue to ensure the competitive vitality of the enterprise they control.

Other Expressions of Heritage

> The culture of the family is the wellspring of corporate culture in family-controlled enterprises, and choices of management succession are most successful when they are grounded in the continuity of the family's culture as well as responsive to the needs of the business.

One of the most pernicious myths burdening even the most successful family-controlled enterprises is that "succession planning" requires selection of one owner/manager from the family to replace the incumbent CEO of the family firm, and, thereby, to assume simultaneously leadership of both the enterprise and the family that controls it. This misunderstanding about "succession" in family firms is rooted in two unrealistic and often unspoken assumptions: (1) that family firm "succession" mirrors the watch change on board ship or the American presidential succession, i.e., in one magic moment all power and authority shifts from one person to another; and (2) that serving as CEO of the family firm constitutes *ipso facto* leadership of the family. Some rebuttal of this misunderstanding is required to appreciate fully how heritage and tradition in a family business enhance the promise of the future beyond the four walls of the family-controlled business enterprise.

Founders of family firms exercise a singular kind of plenary authority with five concurrent roots: They are the founders--literally the creators of the firm. They are usually the sole stockholders, exercising solely the full control of ownership. They are the board of directors, which usually does not meet, and if it does, usually has only one member. They most often are the manufacturing, merchandising, or operating genius behind the operating business' success. And they are the head or co-head of the family. This five-fold grounding of authority is never replicated in full by the next generation, and successors rarely exercise any approximation of this authority for obvious reasons: They are not founders. Except in the case of only children, they share ownership control under estate plans with siblings or co-trustees. If the board of directors exists and meets, they share governance power with other directors, often including non-family directors. They may not be expert in the arenas the founder dominated and may have to rely on non-family managers for equivalent management success. And they are either siblings or cousins, not parents to others in the system with whom they share power. Thus, the notion of "succession" as a one-for-one intergenerational substitution is a myth. There can almost never be a successor who exercises authority akin to that of the founder. While in some instances a successor may drive the business much farther than the founder, his or her greater success and consequent authority represents more of a reinvention of the firm, not a succession to the founder's authority.

What then really happens in family-controlled enterprises that endure is a process more accurately denominated "continuity planning" than succession planning, when one generation transfers power and control to the next generation (Family Business, 2000). What the family seeks and what the business needs are continuity of leadership, continued adherence to core values, combined with continuous reinvention of strategies and tactics (as noted earlier in the excerpt from <u>Built to Last</u>). When a family is focused on continuity of its legacy and its core values, the prism through which the family/control group of stockholders looks at the future fractures the unitary projection of a sole "successor" into a concurrent set of leadership roles, all of which are grounded in the heritage and values of the family. Thus, control of the family's enterprise requires owners, either in their own name or as trustees, who can act as stewards of family wealth, relying upon the guidance provided by the constituent documents of family-controlled enterprises to preserve their long-term viability. This role would include, first of all, the prudent exercise of judgment in selecting directors [or the equivalent in non-corporate governance structures] to supervise management. The directors, similarly, would be skilled in policy review and collaborative decision, and, therefore, able to choose the best executive available to serve as CEO, whether family or non-family. While one hopes that CEO's understand and internalize a family-controlled enterprise's core values, sometimes they do not. CEO's are hired by directors, and sometimes, for cause, fired as well. Thus, family control groups ultimately must select family members best suited by temperament and skill to serve as stewards or the ownership group, as directors to debate and guide the enterprise's strategies grounded on core values, and as management to implement strategies and tactics. These are three different roles requiring three different kinds of skills. Not all earnest, dedicated individuals can fulfill all three roles.

Having separated continuity of the business into three separate functions, two concurrent leadership roles remain, neither of which is addressed by the term "succession," but which are key to successful "continuity planning:" The first is family. The second is community. Leadership of the family is addressed at the end of this article. Family leadership in the community is the focus here.

Between the family and the business, the larger reality is the family. The business controlled by the family supports its livelihood. Other entities, focused on community, rather than profit, express the balance of a family's core values and offer leadership roles to family members not attracted by business management.

Family Philanthropy

As Sally Kleberg writes elsewhere in this volume, "In generations past, when the family farm was the largest single segment of the economy, agrarian values shaped, defined, and passed on the cultural values in this country, the . . . Sharing the load, everyone having a useful purpose no matter how big or small, no matter what their ethnicity or gender; frugality; a reverence for nature; neighborliness; stoicism; strong work ethics; and more characterize what farming and ranching families were and are about" (p._ in this volume). While the family farm is now on the endangered species list, it does have a more numerous contemporary sibling and successor as the locus for unifying work and values: the family-controlled enterprise. And in the predominantly urban and suburban culture of 21st century America, it is this enterprise that remains the bulwark of most communities large and small. Family-controlled companies such as Fel-Pro [described below] themselves can affect communities and issues profoundly. But families have other enterprises they control that can simultaneously think globally and act locally. Foremost among them is the family philanthropy.

Sally Kleberg paints a superb portrait of how the heritage of a family connects the experience of its past to the promise of its future in her chapter of this book when she writes about the King Ranch family and the enterprises, for-profit and charitable, they control. Leadership in the King Ranch family's philanthropy is spread across many family members and is separate from and concurrent with the management suite of the operating companies the family controls. Family philanthropy requires sensitivities and skills which may differ from those successful management requirements. Family members who may choose not to become managers or whose superb skills are not congruent with an operating company's needs (the emergency medical technician or the trombonist) can nonetheless find vehicles for their personal passion for particular issues or societal needs. However, what differentiates expression of such passions and commitments through family philanthropy is the potential scale family foundations and other family philanthropic endeavors can have. Leadership in family philanthropy can provide a legitimate vehicle for a family member disinclined or unsuited to business management to express leadership of and for the family. Family members who are superb performers in the private, for-profit sector may see the very different venue of public policy and the culture of political institutions as arenas fraught with failure. They may even welcome the contributions of others who can be successful in and on behalf of family on public policy issues and on behalf of their community. They can bask in the efforts of relatives whose philanthropic work expresses the heritage of their family, thereby both augmenting and burnishing the legacy of the family and enhancing the promise of the their community's and family's future.

Great principles are seen in the smallest details. An enterprise's human resources policies speak volumes about its core values.

Employee Benefits

Among the writings of the Rabbinic sage, Maimonides, is a table of eight levels of charity (www.torah.org). The bottom rung on the ladder consists simply of giving alms to the poor when asked. Intermediate levels of charity include giving without being asked, and giving anonymously. However, the highest level of charity, according to Maimonides, consists of providing a person with the dignity and independence of employment. Few modern companies have celebrated this value with the gusto of Fel-Pro, Inc. Not only did the company enjoy eight decades of success as a family-controlled enterprise, but…

> Few companies matched its dazzling array of benefits--vacations of up to 12 weeks. A summer day camp for employees' kids, a government bond for every newborn, $3500 a year for college

> scholarships… Fel-Pro, a manufacturer of automobile gaskets, sealants and adhesives…was on everybody's list of the best companies to work for in America… (Family Business, 2000).

until it was sold by the family that had controlled it since 1918. In an interview, Richard Morris, one of the fourth-generation members employed at Fel-Pro when it was sold, was asked, "Where did this philosophy--this commitment to employees--come from in your family? How did you become a model?" After disclaiming any intention by the family to become a model, Mr. Morris answered the interviewer as follows:

> Our feeling was that treating your employees well was good for business…We also found that if people come to work every day concerned about whether their child is flunking school, or who is taking care of their elderly parents…they can't focus on their jobs. By offering benefits…you get more productive employees and improve the company's bottom line (p.22).

During negotiations for the sale of Fel-Pro, the family that controlled the company negotiated with the purchaser to retain the company's generous benefits as a way to retain employees. The family even agreed to fund some of these retained benefits, reportedly leaving "$50 million on the table." A family's core values can surely be communicated accurately through the various documents enumerated earlier in this article, but there may be no better example of how family-controlled enterprises connect the experience of their past to the promise of their future than the employee benefit policies of Fel-Pro, Inc.

Conclusion

Occasionally the media does capture with unintended irony the truth about family business, as in the case of two business stories on the front page of the *New York Times'* "Money & Business" section on Sunday, May 12, 1996. One story, "In Sweden, a Shy Dynasty Steps Out," described the Wallenberg family-controlled business empire of Sweden, which, since its founding in 1846, has "expanded to control some 40% of the Swedish stock market." As of the end of 1995 according to the *Times*, the family's empire had a market value of $6.4 billion. On the same page is the "Market Watch" column by Floyd Norris under the lead, "Nasdaq's Billion-Dollar Absurdity." This piece detailed the meteoric rise in the price of a penny stock, Comparator Systems Corporation. Fueled by rumors, the lepidopterous flight of this Company's shares ended predictably in a crash. Mr. Norris concluded, "Insiders sold and suckers got left holding the bag."

Two things interest me about the juxtaposition of these two articles. First is the absence of any public recognition--in the media, in business schools and law schools, or in government--of the significance of family-controlled enterprise in our economy, even as the media regularly trashes family business feuds and excuses excess in technology company management. Rarely does one encounter any treatment of the importance of family-controlled enterprise to the communities and nations of which they are citizens or to the global competitiveness of the United States or its present and emerging competitors. Quite the contrary, in America family business is viewed as either an atavistic curiosity or as an irrelevant footnote to the development of America's economic might. Family business constitutes a larger economy than all others except Japan and the overall American economy. While there is some movement in academia to create credit and non-credit teaching programs on family business and to begin research on the subject, fewer than one hundred of the twelve hundred business schools in America have any kind of family business program, and virtually all of these are less than eight years old.

Moving beyond the borders of the United States, one finds even more businesses controlled by families. In the same Sunday *New York Times* "Money and Business" section cited above, one could find out just how powerful family business is throughout Asia, particularly the ethnic Chinese family business dynasties known as the "Bamboo Network" (p.13). Professor Murray Weidenbaum asserted in a recent book that the key to business in the booming markets of the Asian economies (other than Japan) is the network of Chinese business families spread across the continent. According to Professor Weidenbaum, these families conduct their affairs in a way that is more directly related to their family structures and culture than to doctrines of management taught in American business schools. Mr. Weidenbaum estimates that "the total assets of the public companies in Asia controlled by overseas Chinese exceed $500 billion." One can only fantasize about the size of the privately owned asset pool controlled by these same families.

Family business may be the greatest secret never told, or at least never reported. As the evenly split Congress struggles to maintain bi-partisanship in the first months of the presidency of George Bush, the younger, while also endeavoring to address both America's global competitiveness and its family values, one could hope for a substantive policy debate on how the federal government should deal with family-controlled enterprise: Starting with reducing estate taxes would be helpful. But a full public discussion of how a family can focus the power of its heritage through the enterprises it controls to do well and do good at the same time is what is really needed. If it occurs, then instead of train wrecks or sycophantic elegies of the rich and famous, perhaps the media will report on the fact that a company can, in the words of William Clay Ford III, "have a soul. . . an old soul. . ." and compete globally at the same time.

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