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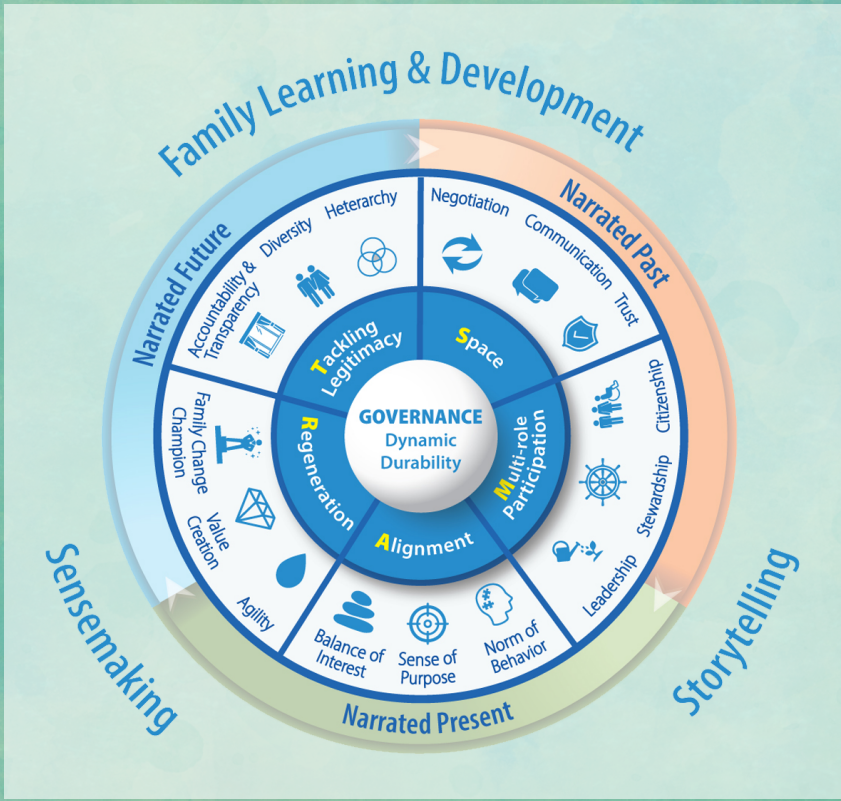
RESEARCH REPORT

THE GOVERNANCE MARATHON: DYNAMIC DURABILITY IN ENTREPRENEURIAL FAMILIES AMID DISRUPTIONS



RESEARCH COMMISSIONED BY
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EXECUTIVE SUMMARY

- **This research addresses how entrepreneurial families nurture a durable governance system in the ongoing waves of external and internal disruptions.** Entrepreneurial families live in a pattern of *disruption-in-disruptions*, which demands a critical capability to balance between continuity and change in the governance system. Moving away from the simple pursuit of *governance durability*, i.e., the ability of the governance system to last for a long time yet without improvements in functionalities, we examine the seemingly paradoxical concept of "**Dynamic Durability**", which captures enduring governance of change and adaptation in a disruptive era.

- **The fundamental premise of dynamic durability is to keep the governance system open, alive, organized, and adaptable for change**. Governance is a social practice with a technical component. The system is kept alive and open by the ongoing social practices. The technical component seeks to specify necessary organization and boundary in the governance system. The specification is often reflected in what constitutes the Guiding Principles, Structures, Policies, and Practices, forming the *Dynamic Durability Cone* in our study.

- **We create a G-SMART model of Dynamic Durability, where G denotes Governance and SMART specifies the five building blocks of Dynamic Durability, namely (i) Space, (ii) Multi-Role Participation, (iii) Alignment, (iv) Regeneration, and (v) Tackling Legitimacy.** Each building block contains its constituent elements. Based on their own idiosyncrasies, families activate and reactivate a selected array of building blocks to respond to the changing environment. This forms the *multi-focus activation* concept. A G-SMART Worksheet is developed to help families and advisors to assess their current governance model to understand where they stand at now, which elements and/or building blocks of Dynamic Durability they should strengthen, and how they can jointly optimize the social practice and the technical component. The G-SMART model also reflects the narrated past and present, and links them with the aspired future of the entrepreneurial family.

- **We identify three processes that entrepreneurial families engage in to nurture Dynamic Durability: (i) Sensemaking, (ii) Storytelling, and (iii) Family Learning & Development. Families also exhibit a varying degree of Meta-Governance, defined as a higher-order awareness to reflect on their own governance system.** All processes can activate or reactivate the building blocks in the G-SMART model. These processes are by no means exhaustive for enhancing Dynamic Durability.

- **Sensemaking keeps the governance system alive and open.** Individuals of an entrepreneurial family go through the cognitive processes of noticing, meaning-making, and acting. Various governance forums, in particular family meetings, are the platform for collective Sensemaking, where information gathered by individuals is shared and (re)interpreted for driving collective action. The ongoing disruptions challenge the concept of "planning" in the journey from meaning-making to acting. We argue that preparation trumps planning. Advisors can play the role of "*Mediators of Sensemaking*", inducing doubts and pauses in the

Sensemaking process. We introduce three Sensemaking "tools" that advisors can consider, i.e., (i) asking challenging what-ifs and what-if-not questions, (ii) building "fire drill" practices as scenario analysis, and (iii) preparing families for taboo dialogues using mini-cases.

- **Storytelling institutionalizes and/or redeploys positive and negative experiences that families had gone through in the context of their governance system journey**. Stories translate valuable experiences to opportunities for the future generations. Families use stories in governance work as entrepreneurial legacy, identity imprint, reflective tools, leadership development tools, and negotiation tools. As stories are never neutral, but rather subjective, they may be used to achieve various goals, such as to preserve hegemonic power and suppress minority or underrepresented voices. Advisors should play the role of "*Facilitators of Family Narratives*". To solicit and deploy storytelling in governance work in a more systematic way, we introduce (i) the Strazzeri-Bianchi Facilitation Model, which presents alternatives with different versions of stories, and (ii) Duke's story-based value discovery and family crest construction.

- **Family Learning & Development and governance are inseparable.** Entrepreneurial families are often presented with a wide spectrum of learning opportunities. Learning is effective when it is a stream of coordinated or governed learning initiatives, which reflect the development goals of the family and the individuals, when it reduces inertia and anxiety of learning and change, and when it cross-fertilizes individual learning in the entrepreneurial family. Advisors can play the role of "*Learning System Enhancers*". We explain how two emerging practices in the field, namely (i) Family Learning Curriculum, and (ii) the role of the Chief Learning Officer. Given the diverse and embedded nature of Family Learning & Development, we share examples from leading internal and external advisors to contextualize the work.

- **Sensemaking, Storytelling, and Family Learning & Development have overlapping elements, so do the roles of "Mediators of Sensemaking", "Facilitators of Family Narratives", and "Learning System Enhancers".** All processes involve balancing between continuity and change, facilitating change as part of the "new normal", mindful articulating of perceptions, interpretations, stories, and learnings between individuals and their family as a collective, being able to find the socio-technical fit, and keeping the governance system alive. It is of particular importance to note that advisors should not do the work which is meant to be done by the family – advisors are merely a coach and a pacemaker in a marathon, so they should not substitute the runner.

- **Potentially serving as the "invisible hand" in the governance system, Meta-Governance helps entrepreneurial families reflect on their existing governance perspectives and practices and may thus advance innovation.** We discuss ways which families and their advisors can use for enhancing Meta-Governance. These include (i) drawing overarching principles to determine how heterarchical family, business, and ownership subsystems should govern themselves, (ii) steering the governance by purpose, and adapting the framework that includes necessary auditing and feedback processes, and (iii) regulated self-regulation.

The Meta-Governance awareness shall induce families to improve and innovate their governance practices. Potential sources of governance innovation may include (i) nurturing critical reflection of the existing practices, (ii) reframing, (iii) ensuring a creative space by bringing in the exposure to other disciplines, (iv) adopting new theoretical lenses and paradigms, such as stakeholder capitalism and circular economy, and (v) embracing diversity in creativity.

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The Advisor's Toolbox

Videos accompanying this report will be available in 2022

1. FAMILY ENTERPRISE GOVERNANCE IN THE DISRUPTIVE ERA

1.1. DISRUPTION-IN-DISRUPTIONS

Disruptions and turbulences are the "new normal"[1]. Just in less than three decades, the world has experienced the cataclysmic events such as Asian Financial Crisis in 1997, SARS in 2003, Global Credit Crunch in 2008, and the recent COVID-19 pandemic. We have also witnessed mounting geopolitical tension, environmental degradation, demographic changes, and groundbreaking technologies. In addition, family events such as sudden death, divorce, unexpected "family" members from extra-marital relationships, or simply marriages and births of the new family members are all internal disruptions. All these create a pattern of disruption-in-disruptions: entrepreneurial families are situated in the current COVID-19 pandemic while under the influence of internal and external disruptions with long-term consequences. As an integral part of the responses to these disruptions, family enterprise governance systems face repeated stress tests, but not all governance systems survive. Though not pleasant, disruptions offer the potential to catalyze change in families, i.e., not only to manage the short-term crises or shocks they are facing, but also to drive deep transformations with impacts that may last for generations.

While many governance systems break down for good reasons, we know less on how and why some other endure across generations. When families and their advisors put much effort in bringing together generations to build their governance systems, they want to make sure that their effort pays off. Much of the governance advice that families were offered was, however, given during times of relative external stability. The recent pandemic abruptly ended this relative external stability.

Two theorists, David Seidl and Richard Whittington, raised an interesting question related to the evolving organizational practices in the pandemic[2]: How can we explain why some organizational practices have changed fast and radically, while other practices have stayed relatively stable? Applying this question to the governance context, we are interested to know why governance systems appear to have disparate "fate"[3]. Hence, the fundamental questions are:

- *Why are some governance systems successfully built to last, whilst some are fragile and cannot withstand the internal and external disruptions?*
- *Which parts or elements of governance system contribute to its durability?*
- *How can advisors help families nurture a durable governance system?*

With these questions in mind, we reached out to the wisdom of over 50 leading family business practitioners worldwide, who generously shared their experiences in how to sustain a governance system over generations (see Appendix I for our research methodology). We conducted two focus groups in December 2020 and January 2021, and 25 in-depth interviews in September 2021. We also collected written feedback on the definitions of "governance durability" and on how advisors could increase it in their client families. Even though the COVID-19 pandemic was at the background of all discussions, long memories of other internal and external disruptions that families experienced offered the more holistic background.

1.2. GOVERNANCE AND DURABILITY: A DEEPER LOOK

Despite no general agreement over one unified definition of "governance", we decide to anchor this study in the following definition. *Family enterprise governance* is a social system with a set of interlocking principles, structures, policies, and practices for entrepreneurial families to make collective decisions, with the goal to preserve and grow shared capital. *Shared capital* may take the form of financial assets (such as the business and the family wealth), relational capital (such as interpersonal trust, family unity and harmony, and reputation in the community), human capital (such as engagement of the rising generation, and knowledge and leadership of different family members), or structural capital (such as the governance system itself).

We see family enterprise governance as a socio-technical system[4]. First, governance is a *social practice*. Thanks to the daily interactions and ongoing exchanges between members and forums in the system, the governance system reinforces itself. The practice is however not static but evolves with the internal and external changes. Second, governance has a *technical component*, which seeks to specify and maintain necessary but minimal rules in the governance system[5]. The specification is often reflected in what constitutes the Guiding Principles, Structures, Policies, and Practices. Third, the social practice and the technical component should be jointly optimized to achieve the system's goal of the preservation and growth of the shared capital. There are many means to achieve this optimization, and hence the attainment of socio-technical optimization is *equifinal*. The socio-technical notion of the family enterprise governance system has the potential to advance our understanding of governance durability.

The word “durability” originates from Late Latin *durabilitatem*, going back to *durus* (meaning hard), the suffixed variant form of *deru-* which means “be firm, solid, steadfast”.[6] “Governance durability” literally refers to the quality of the governance system of “being able to last for a long time without breaking or getting weaker”[7]. It implies that the governance system can weather damages caused by ongoing disruptions of different natures while, at the same time, achieving the overarching goal of the governance system – helping families to make collective decisions.

It should be noted that durability of various family enterprise subsystems (i.e., the family, the business, and the ownership group), institutions (e.g., board of directors and family council), and people (governors, family members, and other stakeholders) are interlinked but are distinct from the durability of the governance system itself. For instance, family is one of the longest-surviving institutions in human history, but it does not directly translate into durability of the entire family enterprise governance system. Or a healthy family governor can steer a governance system for a long time, but it does not mean that the governance system is durable.

1.3. A CLUSTER OF TERMS FOR GOVERNANCE DURABILITY

There are overlaps between the term “durability” and other concepts such as “resilience”, “sustainability”, “robustness”, and “endurance”. These terms are mentioned in our dialogues with different advisors. For example, James Grubman illustrates the relationship between durability and resilience as follows:

> “I do not think in terms of ‘governance durability’ but of governance *resilience*. Simply being durable over long periods of time does not mean things are going well or that the family enterprise is prospering. I think what you mean is the quality of resilience which allows enterprises, families, and their governance systems to weather the stresses of disruptions and other challenges. It is resilience which contributes to healthy durability – durability alone can be just rigidity and control.”

Below we offer some definitions of terms related to durability to stress the difference between them and the governance durability:

- ***Resilience***: bouncing back or recovering from disruptions relatively quickly and with less impact. Resilience applied in the context of governance system indicates adaptations of the system over time. Therefore, resilience can also spark profound system development, creating a new baseline for system functioning.
- ***Sustainability***: originally referring to the quality of being defensible and continuing at the same activity level. Over the years, sustainability has gradually grown to embrace a growth orientation and increasingly also the awareness of various stakeholders. By positively responding to disruptions, governance sustainability helps the system raise the baseline.
- ***Robustness***: quality of having great strength and health. The strength and health of the governance system can help weather the impacts of disruptions. Even robustness literally carries a more positive

meaning, we tend to see that it does not imply an improvement of the baseline for system functioning.

- ***Endurance***: ability to bear sufferings caused by disruptions and to persist despite unpleasant or difficult consequences over a long period of time. In the governance context, we interpret endurance as a passive response of the governance system to the disruptions, so that the system maintains the same baseline for functioning.

One major differentiator of these terms is whether the baseline (or "norm") for system functioning remains the same upon experiencing the disruptions. Our interpretation is that the constructs of durability, robustness, and endurance may skew towards maintaining the same baseline, with the "innate" or built-in functions of the governance remaining unchanged. The governance system is just being "stress-tested" in the disruptions. The constructs of resilience and sustainability tend to welcome transformation, accompanied by growth potentials in the system functionalities.

This study is commissioned to examine factors leading to *governance durability*. Yet the wisdom from leading practitioners in the family business field encourages us to *go beyond durability and integrate resilience and sustainability of the governance system*. It is because in the new normal characterized by the disruption-in-disruptions, entrepreneurial families need to embrace deep transitions, regenerate their vision of why they should stay together as a family, rethink meanings of agility in the context of family entrepreneurship, and redesign methodologies for engaging their rising generation, their family, and their community and wider society.

In other words, durable governance requires both continuity of guiding governance principles – "the durable" – and timely change of governance policies, processes, and practices – "the dynamic" – to maximize values from the governance system across generations. Seeing the urgent need to integrate the static and the dynamic, we coin a term "**Dynamic Durability**", which we deeply investigate and thoroughly elaborate on in this report. In essence, the *durable* and the *dynamic* of "Dynamic Durability" must be in a balance, as beautifully captured by Mary Duke:

> "[sic: on governance durability] a system that can endure is flexible enough to accommodate the changes coming down the road, yet rigorous enough to have the effects we want in governance to carry forward legacy and values and continue a family's trajectory. If it is too flexible, it falls apart. But if it is not flexible, it breaks apart. You have to find that even balance."

This report is organized as follows.

- Chapter 2 discusses in greater depth the concept of Dynamic Durability. We discuss what "the durable" and "the dynamic" are in a governance system, and explain the five building blocks of Dynamic Durability, namely (i) Space, (ii) Multi-Role Participation, (iii) Alignment, (iv) Regeneration, and (v) Tackling Legitimacy, acronymic to G-SMART, where G stands for "governance". We also apply the metaphor of running a governance marathon to families which pursue Dynamic Durability.

- Chapters 3-5 examine three processes that help nurture Dynamic Durability, i.e., (i) Sensemaking, (ii) Storytelling, and (iii) Family Learning & Development. In these chapters, we explore each of the processes in detail, including what they mean and how they contribute to the Dynamic Durability. We also offer several practical tools that can advance these processes.
- Chapter 6 discusses how Meta-Governance helps entrepreneurial families reflect on their existing governance practices and how it may contribute to governance innovation.
- Chapter 7 offers the key takeaways from this research, and integrates the wisdom of all who kindly offered to share it with us.

2. BUILDING BLOCKS OF DYNAMIC DURABILITY

"Flexibility in operation, but conceptually durable."
- Patricia Angus

2.1. DYNAMIC DURABILITY AS THE GOVERNANCE MARATHON

The pursuit of dynamic durability by entrepreneurial families is in many ways like running a marathon. The distance of roughly 42.195 kilometers may be a daunting task to many, but professional marathon runners are well-trained to do so. Runners are often backed by a multi-disciplinary team including coaches, psychologists, nutritionists, physiotherapists, and pacemakers. Runners build up their fundamental qualities of stamina and perseverance over time, but different runners may use different methods to master them. Performance is usually a function of practice with feedback and the intention to strive for incremental improvements. Runners and their coaches set ahead a game plan, considering the race map, weather forecast, and other aspects. Yet runners must instantly adjust their strategies during the marathon and take into account changing external and internal conditions. For example, runners must decide on spot how they should pace themselves with other runners in the race and at which checkpoints they should replenish their supply. Receiving awareness training coupled with modern sports technologies, some runners can even rely on their hard-to-detect bodily feedback to make strategic adjustments. At the end of the marathon, the coaches can help the runners consolidate what they learnt from the race and channel the learnings back to the routine training program. And then the cycle repeats itself. Passion, feedback, learning, and achievements motivate the runners to continue despite repeated setbacks in their sports career.

Applied in the family enterprise context, governance is a long-term and recurring game. Many entrepreneurial families may resist the idea of implementing the tacit governance, failing to see that they have been governed by a set of implicit rules and systems. With necessary facilitation and guidance, families can reflect, codify, and adjust these implicit rules and systems, preparing themselves for the governance marathon. Many entrepreneurial families choose to embark on this journey with their trusted advisors, usually drawing from the expertise of a multi-disciplinary team of lawyers, accountants, management consultants, psychologists, and other professionals.

There are various building blocks of Dynamic Durability, and families may use different methods to nurture them. Governance effectiveness is largely a matter of practice with feedback and reflection. Families may create a governance blueprint based on the vision, missions, and values, but they should be aware of the importance of staying agile and flexible to internal and external disruptions. Entrepreneurial families may gradually grow the subtle awareness of how they govern themselves. To trump this long-term game, advisors regularly review the governance system with their client families, to reinforce learnings and bring innovation back to the system. Dynamic Durability is nurtured through the cycle of making real decisions together as a family with timely and quality feedback, often provided by the external party. Passion sustains the governance work in the long run, as Christian Stewart comments:

> "To have a durable governance system, you need families who are deeply passionate and someone in the family who is deeply committed. From the best example I have seen, you need family members who are, in a sense, perfectionists and that they want things to be done at a level that is embodied."

2.2. TOWARDS THE PARADOX OF DYNAMIC DURABILITY

Entrepreneurial families often find themselves in the middle of paradoxes, or dynamic tensions, in the governance system. In this disruptive era, some fundamental values and beliefs can be constantly challenged, driving families to reinterpret or even reconstruct meanings and their existence. While paradoxical tensions inherent in entrepreneurial families may inhibit innovative behavior and change, paradoxical thinking of family business leaders – their ability to embrace contradictory but interrelated ideas and make sense of these contradictions for necessary decisions and actions – can result in innovative behavior[8]. Below we summarize some paradoxes common to entrepreneurial families:

- Continuity (following tradition and routine) versus Change
- Collective decision versus Individual action
- Centralization versus Decentralization
- Inward-looking versus Openness to external world
- Risk-avoidance versus Risk taking
- Professionalization versus Emotion

The fundamental paradox of continuity versus change is of a particular relevance to our study. On the one hand, a governance system needs continuity to educate stakeholders what rules to follow. On the other hand, it needs to maintain flexibility and agility to manage the unexpected and to survive in a long-term. Some level of continuity is critical to maintain stability of the system. Yet rigid systems with no freedom will collapse when chaos goes beyond their regulatory limits; systems with an optimal amount of freedom can grow stronger as they learn from the disruptive experience[9]. Bilal Zein explains how change in the governance system was perceived by some families in the pandemic:

> "There has been no major change in governance. The pandemic has put the governance to test and some of the families had to modify and improve (or document in the case of natural governance) the systems in place. What has changed is putting to the test-tuning and possibly readapting to challenges that we never thought of before. At the same time, families had the chance to sit together and to review what they really want as a family. The governance and documentation have been reviewed to be either twisted or possibly changed completely to adapt to the new changes and needs of the families."

To simplify, governance can be seen as mechanisms for problem-solving, but the problems families face and need to solve evolve over time. Generational transitions often heighten the contrasting but fully natural differences between generations. Daphne McGuffin describes the relationship between durability (as one of the success criteria of entrepreneurial families) and change, with the inclusion of the conflict that always accompanies change, using "The Change Equation" (see Figure 2.1):

> "Success equals change. Change equals conflict. If you want success, you must embrace change, and you cannot embrace change without some measure of conflict. That is the equation going from left to right. If you go from right to left, if you can embrace positive conflict, you can better navigate that change, which will lead to greater success. I am thinking if you take that word 'success' and put in 'durability', durability means you are going to have to change and that is going to come with some conflict. But if you can manage that conflict, you will create the right change, and you will get your durability."

Figure 2.1. McGuffin's "The Change Equation"

2.3. THE DURABLE OR THE DYNAMIC?

We see the importance of change in developing a durable governance system. Yet confusion often arise as we discuss what ought to be changed. Patricia Angus describes:

> "I think of governance as something that should be timeless, ought to be timeless. What ought to be timeless about it is the structure to it. What changes over time are the people who operate in it. What is often hard for people to understand is that the structural elements are intangible, based on philosophical concepts that have been developed since time immemorial, and that we can continue to hone the structure. But we ought to start from scratch on creating the structure to it."

What Patricia Angus referred to as a "structure" was the organizing principles of a governance system, and not the structures such as board of directors and family council. In a separate conversation, Denise Kenyon-Rouvinez describes:

> "The long-lasting blocks are values, vision, and the structures themselves, i.e., business board, owners' board, family council, and family constitution. What is inside them needs to be agile and adaptable, i.e., committees, policies, tasks, and focus."

Converging with our observations, Patricia Angus and Denise Kenyon-Rouvinez propound that the guiding principles should endure over time, while policies and practices should stay fluid. In other words, different levels of the governance system shall exhibit a different level of durability, reflecting closely the Family Governance Pyramid by Patricia Angus[10] and its three-level architecture (i.e., Principles, Policies, and Practices), where the most durable rests on top. Given the salience of "structures", we propose to add them as a distinctive level to the abovementioned pyramid, and place them in between Guiding Principles and Policies. This way a four-level **Dynamic Durability Cone** is formed (see Figure 2.2).

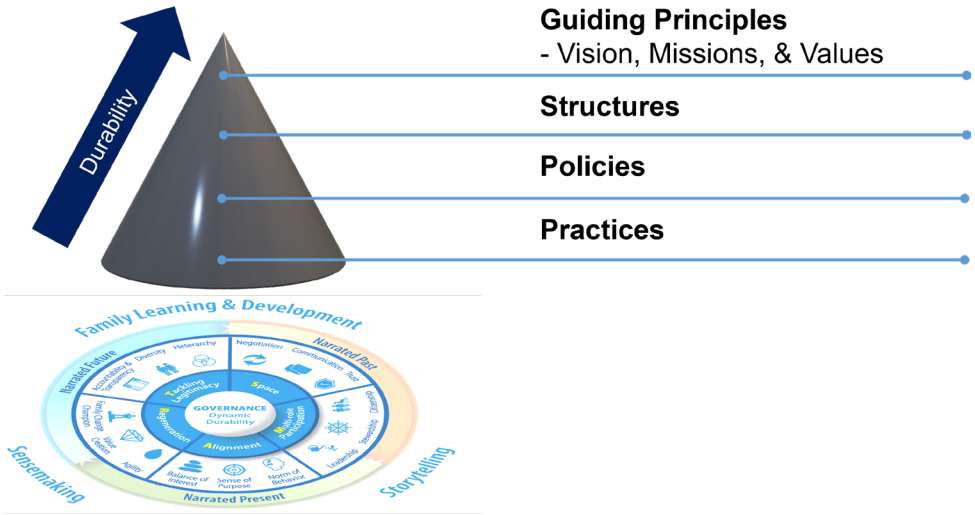


Figure 2.2. Dynamic Durability Cone

A note to be made is that we purposefully use a cone, instead of a pyramid, to accommodate our **Dynamic Durability Model** to be described in the next section. The intention was, however, not to override the wisdom captured in the Family Governance Pyramid, but to explore how "structures" – a key technical component of a governance system – fare in durability. Further, it should be noted that most of the overarching labels can be further divided. For instance, *core* values can be differentiated from the *supplementary* values in terms of their levels of durability. We describe each level of the Dynamic Durability Cone below.

- **Guiding Principles** should be long-lasting as they usually involve the fundamental question of why the family and the business exist. Denise Kenyon-Rouvinez notes:

  > "The governance principles can last a generation or more. It is important to say principles because some governance building blocks will not change and some others will definitely need to change. The lasting building blocks are vision, goals, and values. Even they might change, but they generally last a lot longer than the others building blocks."

  Reflecting and being part of the Guiding Principles, **Vision, Missions, and Values** are mostly robust, but these can be compromised in extreme circumstances. A specific case is when the incoming leader must renew the vision, missions, and values to stamp a generational transition. Values can be further classified as core values and supplementary values, with the former being more durable. John Broons remarks:

  > "I think the basis for all family structures comes down to the values of the family. But if they are articulated by each member in the family, then that creates the family culture. If people are like-minded and they are comfortable together, they will be able to build something strong and long lasting. But as time changes, values will also change possibly."

- **Structures** can be classified into *anchoring* structures and *supporting* structures. Once set up, the anchoring structures, such as board of directors and family council, should be quite robust. Yet people in charge and the composition of these structures should remain fluid. Supporting structures should remain adaptable and serve the functions needed by the family enterprise system. Jane Beddall elaborates on flexibility of structures:

  > "One of the things that is not always appreciated by families is the beauty of having a structure of governance that allows flexibility within it. When you have a structure and a recognition that that is there to help you, then you have the flexibility within that to disagree, to make decisions in a sound fashion, even though you do not all have the same perspective."

- **Policies** are representing protocols and joint expectations of relevant stakeholders, which should be reviewed on a regular basis. It is because families will have to update existing policies to meet shifting expectations and create new ones to cater for evolving contingencies. Taking board of directors as an example, Denise Kenyon-Rouvinez describes the agility required in the board policies:

> "How does a board work? What committees do we have? What do we focus on? Answers to these questions need to be agile and adaptable, especially now. It is very important for families to understand that it is not because they have set up a board, that this board is going to have the same people for 25 years, and that we are going to have the same committees for all that time."

- **Practices** should be fluid as they are being exercised on a day-to-day basis. Families get input from relevant stakeholders on the decisions made, experiencing the actual outcomes. Collecting feedback internally and from their advisors, families get the chance to reflect on the underlying policies and structures. Claudia Binz Astrachan comments:

> "A good practice is to regularly revisit one's governance system, and the individual instruments, such as an employment policy or code of conduct. You want to make sure that people are involved in this process, and have a voice, and that the governance structures in place represent the reality of the family, as well as the environment."

In brief, Guiding Principles are more durable. Following these Principles, entrepreneurial families shape their Structures, Policies, and Practices. Because of the idiosyncrasies of each entrepreneurial family, Guiding Principles, core or supporting Values, Policies, and Practices are different from one family to another. Therefore, "contents" of each level should be based on the needs of every entrepreneurial family, who owns the discussion what contents they see as relevant and important.

2.4. G-SMART: BUILDING BLOCKS OF DYNAMIC DURABILITY

The building blocks of Dynamic Durability that emerge during our deep discussions with the leading family business advisors are (i) **Space**, (ii) **Multi-Role Participation**, (iii) **Alignment**, (iv) **Regeneration**, and (v) **Tackling Legitimacy**, which form the G-SMART model of Dynamic Durability (Figure 2.3). Interpretation of these building blocks, according to our research insights, requires a good understanding of the narrated *past* of the system and how the narrated past relates to the narrated *present* and *future*.

We also found that families and their advisors make use of (i) **Sensemaking**, (ii) **Storytelling**, and (iii) **Family Learning & Development** as three processes of nurturing Dynamic Durability. The critical reflexivity of families on their governance system, or their **Meta-Governance** awareness, also enhances Dynamic durability. Below we explain each building block and its constituent elements, and discuss the three processes and Meta-Governance in the subsequent chapters.

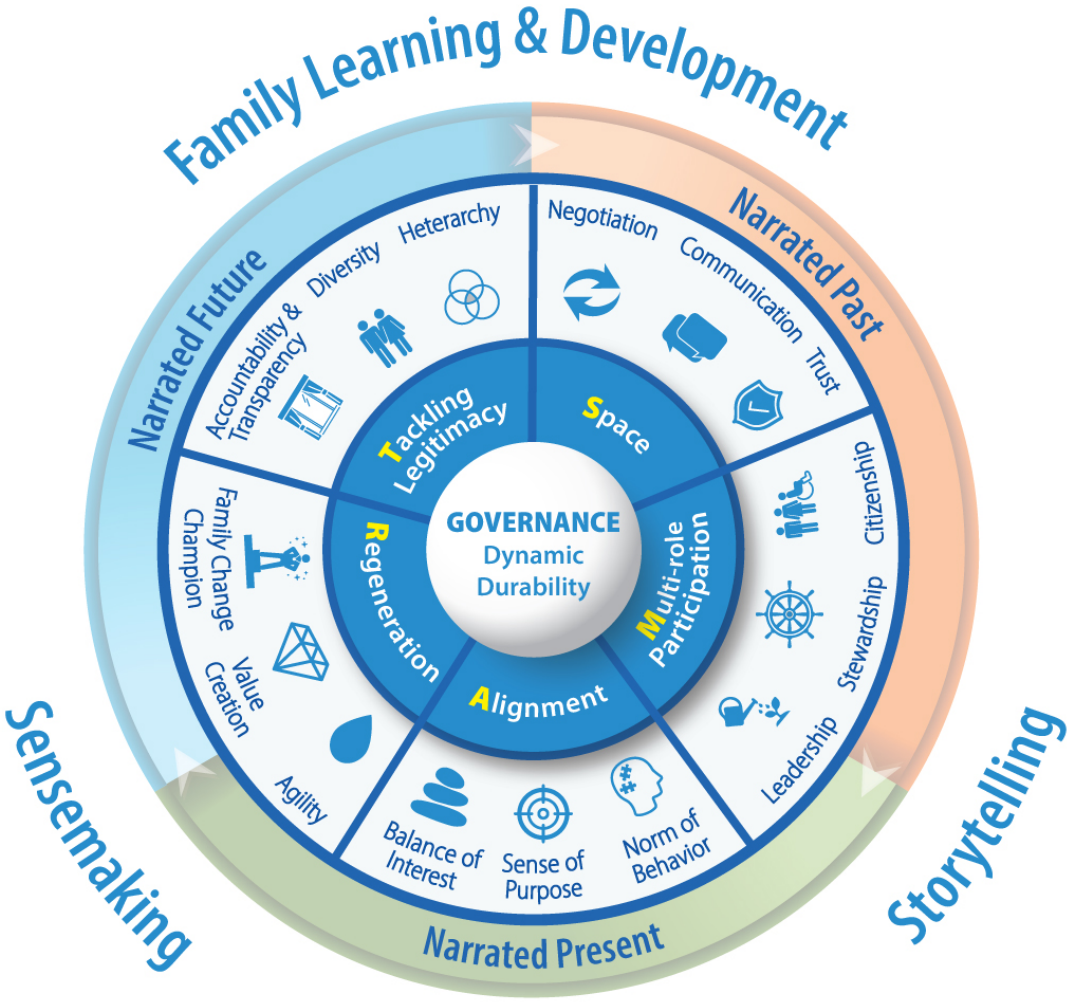


Figure 2.3. The G-SMART Model of Dynamic Durability

THE G-SMART MODEL OF DYNAMIC DURABILITY

Building Block #1. Space *(G-**S**MART)*

"Space" is one of the most cited building blocks of Dynamic Durability. The abstract concept of space can be broken down into the *psychological space* where members can freely raise their hands and share their thoughts without concerns of repercussion, and a *forum or platform* where stakeholders can exchange and collaborate. Families make use of the space to collectively make sense of new information, share stories, and learn how to respond to the changing landscape. When families continue to use the space, especially for making difficult decisions, the space grows in strength and capabilities of managing emergent issues. While families may have different strategies and practices to create, sustain, and grow their own governance spaces, there are some common elements of (i) Negotiation, (ii) Communication, and (iii) Trust.

#1.1 Negotiation

James Grubman differentiates negotiation from simple communication, seeing it as a higher-order skill that families should acquire to maintain the governance space:

> "We often lump negotiation skills under communication, but they are different. When family members listen to each other, are curious, learn, and then problem-solve together, this is just not communication but useful collaboration and negotiation. They listen to each other using their communication skills, but the higher order issue is, they listen well and then they know what to do with what they hear and solve problems based on what they have heard."

#1.2 Communication

The disruptions families face catalyze communication through the governance space. Several key attributes of communication are discussed. We enumerate a selection below and turn your attention to the fact that this list is non-exhaustive.

- ***Generational dialogue***: "The pandemic provides more opportunities for families to sit down and talk about family governance, what the passion of the next generation is, and what they really want to do. It also allows the patriarch or matriarch to rethink their priorities. With disruption, it accelerates a lot of discussions." (Peter Lee)

- ***Family-oriented communication***: "It is kind of a blessing in disguise to some families to be able to talk more on the family side, rather than the business." (Yirhan Sim)

- ***Discipline***: "Governance allows the family to have some sort of routine and better discipline. By discussing points and reviewing important themes regularly, the family is able to have a good assessment of the current situation and ultimately make good decisions for its future." (Pietro Schonmann)

#1.3 Trust

Trust is a fundamental element of a safe space, and can be developed from experiencing and learning negotiation. As James Grubman advocates:

> "Not only do people learn about themselves and participate in negotiating better, but they also build trust with other people around the table. There, they can engage in active discussion without feeling like the relationship is going to be damaged. Over time this leads to a cohesive group that trusts each other and has a consistent process, effective problem solving, and effective decision making."

Building Block #2. Multi-Role Participation *(G-SMART)*

Multi-Role Participation is the second building block of Dynamic Durability. Participation is, however, not arbitrary nor compulsory; it is defined by various roles family members play in the governance system. Family members expect to see role clarity as they observe how roles are played out, tweaked, and transitioned over time. Rising-generation members as "Citizens" of the governance system observe how the incumbents play their roles as "Leaders" and "Stewards" in both usual and disruptive times. Additionally, stories, which are told, contribute to perpetuating and strengthening of the roles. For example, members in different roles tend to make sense of the changing internal and external environment when they participate in family meetings and listen to what is said there. Such immersion in the system facilitates their learning and prepares them for their future roles. Important to note is that family members usually have multiple roles at the same time – for example, they may be (i) Leader, (ii) Steward, and (iii) Citizen, in addition to the classic roles of different governing bodies, such as boards of directors, family councils, family offices, or family foundations.

#2.1 Leadership

Leadership contributes to the sustainability of a governance system. Interestingly, entrepreneurial families define their desired leadership qualities quite differently. Greg McCann sees leadership as "how we build the capacity of the family's emotional intelligence, strategic thinking, greater self-awareness, empathy, framing complex issues, and innovation." James Grubman stresses the leadership qualities of "timing, good decision making, a sense of the right pace, and openness", especially in times of change and in the generational transition. Oftentimes, leaders need to prioritize diverse organizational goals, which may be at odds with each other.[11,12] Guillermo Salazar believes leadership may strengthen the governance structures, especially in the crisis:

> "Depending on a lot of factors, you will see if there was a situation where the leadership was in a soft condition, then this crisis will lead them to redefining the leadership and that impact directly in the governance structures. Or if they already have strong leadership, the structure will get stronger."

#2.2 Stewardship

Stewardship explains why governors choose to "serve the organizational good and its mission rather than pursuing self-serving, opportunistic ends".[13] Family stewards often recognize that "they are making decisions for their children's children, and therefore consider the long-term interests not only of current owners but also future owners – and often of other stakeholders in the firm."[14] The intrinsic rewards of the governors, which often boil down to seeing the growth of socioemotional wealth in the family, steer them to act in the best interest of the family. Yet as Philip Marcovici indicates, healthy stewardship must be built on a balance between personal financial interests and bigger familial interests, and the equilibrium is not a static one:

> "In governance, what is very important is to be crystal clear that the assets of the business are to be stewarded for future generations. But to get everyone to buy into that, you need to make sure the younger generation are very clear and secure about their financial position. In other words, the more they are financially independent (perhaps through a combination of being compensated for their work on family governance bodies or otherwise and from investment assets in their beneficial ownership), the more they are sure about where their money is coming from, the more they are not relying on their parents for gifts, the more they are going to be willing to work hard as a family towards stewardship."

#2.3 Citizenship

Families tend to set a high bar for their members, but the differentiation between "doing good" and "doing no harm" as a citizen can be critical. This becomes particularly true for multi-generational families with many family members of a different level of attachment to the family and the business(es). Regardless of how families define their expectation on "doing good" and "doing no harm", early induction of new members to what is expected is important. Carmen Bianchi suggests:

> "It is your culture and your values that creates your family creed. In order for the family to go forward through the generations, they have to read that creed at every meeting and articulate it to everyone, especially the newcomers. Children at the age of 15 are initiated into the family council by reading out loud at the beginning of the family council meeting, the creed to all members of the family council."

Building Block #3. Alignment *(G-SM**A**RT)*

Alignment is the third building block of Dynamic Durability. It is a multi-faceted concept in the governance system. *Multi-level* alignment refers to a natural flow between Guiding Principles, Structures, Policies, and Practices. *Multi-actor* alignment seeks an equilibrium between stakeholders in the system, and oftentimes it involves balancing between individual benefits and the collective interests. The system's capability to re-align over time is critical: families sense moving parts in different levels and identifying shifting interests between "I" and "We"; making use of existing and new stories to align and realign the differences; and embarking on a family learning journey to deepen the alignment. (i) Balance of Interest, (ii) Sense of Purpose, and (iii) Norms of Behavior are three clear attributes of alignment at different levels. Joseph Strazzeri proposes that alignment is developed through *3Ts, i.e., time, trial, and trouble*, noting that the non-changeable legal documents or a family constitution set in the stone can hardly serve as a tool for alignment. He argues:

> "Most families seek a problem. They find a problem. They seek counsel and build tools for rules, those non-changeable documents. Then when they run into conflict, they read the tools for rules that say how to fight. In anticipating conflict, they get it. Helping families build and nurture durable governance systems is a combination of making sure that these documents are not tools for rules, but tools for alignment."

#3.1 Balance of Interest

Maintaining a balance of interests between individual stakeholders and the groups they belong to is conducive to Dynamic Durability. As Ken McCracken advises, managing the emotions, especially in the system that rebalances itself, can be challenging:

> "Durable means being able to adapt to changes in the internal environment of a family business and in the external environment and continue a functional balance of interests across the system. If any self-interest dominates, the others will be diminished until those whose interests are being ignored cannot tolerate this any longer. Being able to focus on maintaining a balance of interests like this while so much change is happening takes a lot of effort to remain calm and not respond in panic. Families need to think their way through the problem and keep emotions in check – easier said than done."

#3.2 Sense of Purpose

Having a strong sense of purpose explains why some families stay together to manage the business and other shared assets. The purpose is, however, not always static. The concern for the planet Earth is an example of a notable shift in the global purpose. The rising generation puts greater weight on how their entrepreneurial families should be part of the global equation, as noted by Julien Lescs. In the Dynamic Durability Cone, the sense of purpose predefines why families should have a particular Structure, Policy, or Practice. Ken McCracken states:

> "Clarify the purpose so everyone is clear. What are the overall economic and other objectives that the family business uses to measure overall success? These are going to be tested and trade-offs may be necessary, but these are easier to understand and rationalize when everyone has a clear set of objectives to guide decision making."

#3.3 Norms of Behavior

Families should be aligned not only on goals and intentions but also on the expectations of the actual behavior. Ken McCracken brings up a few important questions:

> "What are the norms of behavior in a particular family business that influence decisions? Which are used to judge outcomes? Is it normal to keep paying suppliers and retain staff while reducing dividends? Or is protecting the family's jobs and ownership returns more important?"

Building Block #4 Regeneration *(G-SMA**R**T)*

The fourth building block of Dynamic Durability is regeneration, i.e., the capability to build new Practices, Policies, Structures, and Principles in the governance system, or even to revamp the entire governance architecture. Dennis Jaffe explains, "the governance system keeps changing, and particularly across generations, that is always a reset." The question is whether new governors will need incremental or radical change, how the entire family positions itself on the continuity-change spectrum, and how the change is executed. More radical regeneration may involve, for example, developing a new identity. Regeneration induces re-energizing of the governance system, through its three main elements: (i) Agility, (ii) Value Creation, and (iii) Family Change Champion(s). The regeneration process can be activated by making sense of the need for regeneration, reinterpreting narratives in the past to see why the family is stuck, and actively pursuing family learning to achieve the new missions.

#4.1 Agility

Agility is defined as a set of resources and capabilities needed to shift the routine-based lenses of perceiving and responding to changes. Agility also includes abilities to alter functionalities of the governance system to prepare for disruptions. Michael Madera shares a good example of how agility can be achieved:

> "Sometimes in these pandemic times I hear the older generation saying: 'Here is how I have dealt with crises in the past, you just apply this playbook.' They often see it as a complicated problem that can be solved with a predetermined plan. People in the younger generation and I often advise them to think about it as a complex and novel situation where there is no relevant playbook. The more advantageous approach is to take samples of what is happening sooner and more frequently so you get more data, and then decide how to adapt...while continuing to be attentive to other variables and the impacts of your actions."

#4.2 Value Creation

The goal for regeneration is to create value. In the context of this research, value creation means growing shared capital of the entrepreneurial family, such as financial, relational, human, and structural capitals. Refocusing on value creation in the governance system allows the family and individual stakeholders to let go of obsolete Practices, Policies, Structures, and perhaps Principles. It also helps the family develop a portfolio view of family wealth system, and leads to resource orchestration. Kazuyoshi Takei points out the importance of maintaining effectiveness of the governance system:

> "Family members believe that they are responsible for making their family and corporate governance effective across generations and flexibly changing the structure to adapt to the changes."

#4.3 Family Change Champion(s)

Regeneration of the governance system shall never be the sole responsibility of the advisors. It is critical for the family to identify a change champion(s), who owns and drives the regeneration process. Reaching to the marathon metaphor, advisors act as coaches and are to provide necessary guidance and development to the runners, hence the family and the change champion(s). While Christian Stewart's insight below refers to a family champion's role in learning and development, the concept is omnipresent in leading change in other areas, including that of developing a durable governance system:

> "The family governance system is led by a family council, with a family champion. I think you cannot really make family learning and development successful, unless you have a strong family champion advocating for it."

Building Block #5. Tackling Legitimacy or Legitimization *(G-**S**MAR**T**)*

Legitimacy – the fifth building block of Dynamic Durability – is defined as "a generalized perception of appropriateness within the socially constructed system of norms, values, beliefs, and definitions"[15]. In the context of this research, we focus on how a governance system and its underlying Principles, Structures, Policies, and Practices are perceived to be appropriate by family members and other stakeholders. To garner legitimacy of the governance system, entrepreneurial families should tackle three issues: (i) Accountability and Transparency, (ii) Diversity with Representation and Inclusion, and (iii) Heterarchy.

Since the perception of legitimacy is constructed within the entrepreneurial family, it is oftentimes harder for them to know how they fare in legitimatizing the governance system, unless they can benchmark themselves with other entrepreneurial families. Therefore, Sensemaking, Storytelling, and Family Learning & Development that involve external resources and/or third-party benchmarks can facilitate achieving higher levels of legitimacy. Meta-Governance, on the other hand, is particularly relevant to tackle legitimacy issues, where family members can collectively reflect whether the system has the necessary accountability and transparency, whether diversity is well represented in the system, and whether heterarchical relationships reasonably cover all areas of functions in the family enterprise system.

#5.1 Accountability and Transparency

Accountability is a virtue and social mechanism, where an actor can be held accountable by or in the name of another actor. Governance forums are collectively accountable to their members, who critically scrutinize the forums' outputs and retain the competence to endorse them or not. Governors in these forums are accountable to their constituencies. In the family enterprise setup, the governors often have multiple business and family roles, and must therefore manage the paradoxes of shared responsibilities and conflicting roles.

Transparency can be divided into transparency of information, processes, and roles and responsibilities. Andrew Keyt stresses, "Transparency does not mean everyone has the same information. It means that there are clear roles and responsibilities and clear lines of information for people." Shelley Lightfoot sees transparency as the ability to work on deep issues, "Durability comes from truly addressing the issues instead of skating the surface." In her research with Isabel Botero, Claudia Binz Astrachan argues that transparency and accountability are one of the three main desiderata of entrepreneurial families for their governance system.[16]

#5.2 Diversity with Representation and Inclusion

Legitimacy of the governance system is related to the level of inclusion and integration of different voices, i.e., whether all voices are adequately represented in the system. Families must rethink the way different constituents are represented over time. For instance, a huge family may have to switch from an equal branch representation model to an at-large family representation when the former model may not best support their development. Lisa Morel comments on a common issue in the governance system:

> "I continuously walk into situations where families want to build a governance model that is durable towards the future, but believe it should be only one person or one generation or one gender present in the process. It is not going to work. So, representation within the system is important and that means not only gender and age, but also including family members that work inside and outside the business."

Joseph Astrachan stresses that having a branch representation on the board – or other governance bodies – is something that families should move away from. What is more important is making sure that the individuals serving in governance roles make a contribution, and have the necessary competences to successfully perform their role.

#5.3 Heterarchy

Heterarchy is the "connection between three or more hierarchies engaged in asymmetric, repetitive and sustained collaborations."[17] A family enterprise system is characterized by different hierarchies in the family, business, and ownership subsystems, and maintaining a balanced heterarchical relationship between these subsystems is

important. The family, business, and ownership hierarchies are also simultaneously nested in other social and cultural hierarchies. Entrepreneurial families and their advisors must be aware of the written and unspoken rules of a particular culture where the family and/or business are based. The example Jonathan Ramos shares below shows how different hierarchies interact, when a specific culture may shape a predominant heterarchical pattern:

> "How we are generally structured in the Philippines is not necessarily the same as many developed countries because our family governance here is like the overarching governance to the business. So, the family governance is the one that decides or chooses who will be the board of directors and whether it has its own merit. It is always based on who is the shareholder with a family, and the trust is highly of importance in choosing the next board of directors in the business."

2.5. MULTI-FOCUS ACTIVATION AND APPLICATION OF THE G-SMART MODEL

The G-SMART building blocks offer key factors that families and their advisors should consider in their pursuit of the governance framework characterized by Dynamic Durability. The discussion should include the following: (i) which building blocks and/or their underlying elements entrepreneurial families should incorporate and/or strengthen, (ii) which governance level (i.e., Guiding Principles, Structures, Policies, or Practices in the Dynamic Durability Cone) they should work on, and (iii) how they can nurture these building blocks. Interestingly, the feedback from the leading family business advisors is that they do not pursue all building blocks or elements for all their clients simultaneously. The practice shows that over time, families may activate multiple building blocks in the G-SMART model as a response to the changing environment. Therefore, we believe a durable governance system should include an array of necessary building blocks based on the idiosyncrasies of the entrepreneurial family. Further, we would like to offer a term for this process: **Multi-Focus Activation**. Our thinking resonates with what Asher Noor notes:

> "There are many building blocks of a durable governance system and one can pick and choose the ones that are closer to the heart of those tasked with developing such a governance system."

The Multi-Focus Activation concept is compatible with the socio-technical system of governance. The *social* practices are not static; they evolve because of exposure to stress tests coming from the ever-changing environment. By participating in ongoing social practices such as Sensemaking, Storytelling, Family Learning & Development, and Meta-Governance, families nurture different building blocks of Dynamic Durability. The system adapts its *technical* Practices, Policies, Structures, and occasionally the Guiding Principles to seek joint optimization of the social practice and the technical components.

Box 2.1. presents the five-step process that may help families and their advisors to apply the G-SMART model.

Figure 2.4 shows a G-SMART Worksheet designed to accompany these steps.

Box 2.1.

Five Steps to Apply the G-SMART Model

1. Scan the internal and external environment to identify changes, potential risks and/or disruptions.
2. Assess whether the existing G-SMART building blocks can be helpful in managing the identified changes, potential risks and/or disruptions. Should any changes be applied? Or should existing measures and architecture stay the same?
3. Discuss in relevant forum(s) which building blocks to "(re-)activate" and strengthen, whether they will play a pivotal or supporting role in the response strategy, and at which governance level should the change be implemented (i.e., whether to add/change the Guiding Principles, Structures, Policies, or Practices in the Dynamic Durability Cone).
4. Develop processes and strategies (such as Sensemaking, Storytelling, and Family Learning & Development) to nurture relevant building blocks and identify responsible forum(s) and/or champion(s).
5. Set up a review plan and evaluate outcomes. Collect feedback, and communicate and act on them with the appropriate constituencies.

CHANGES / POTENTIAL RISKS AND DISRUPTIONS

Dynamic Durability Element	**Element's Sufficiency to Respond to the Disruption(s)** *("1" Needs Change– "5" Shall Stay Robust)*	**Importance in the Response** *(Primary / Supporting)*	**Action?** *(No Action / Add / Change)*	**Cone Level** *(Principle / Structure / Policy / Practice)*	**How?** *(Sensemaking / Storytelling / Family L&D)*	**Who?** *Responsible Forum / Champion*	**Review Plan**
Building Block 1. Space							
1. Negotiation	1 2 3 4 5						
2. Communication	1 2 3 4 5						
2. Trust	1 2 3 4 5						
Building Block 2. Multi-Role Participation							
2.1. Citizenship	1 2 3 4 5						
2.2. Leadership	1 2 3 4 5						
2.3. Stewardship	1 2 3 4 5						
Building Block 3. Alignment							
3.1. Balance of Interest	1 2 3 4 5						
3.2. Sense of Purpose	1 2 3 4 5						
3.3. Norms of Behavior	1 2 3 4 5						

Building Block 4. Regeneration							
4.1. Agility	1 2 3 4 5						
4.2. Value Creation	1 2 3 4 5						
4.3. Family Change Champion(s)	1 2 3 4 5						
Building Block 5. Tackling Legitimacy							
5.1. Accountability & Transparency	1 2 3 4 5						
5.2. Diversity	1 2 3 4 5						
5.3. Heterarchy	1 2 3 4 5						

Figure 2.4. G-SMART Worksheet

2.6. DYNAMIC DURABILITY AND TEMPORALITY

There is one aspect defining Dynamic Durability that we have not addressed so far: How long should the governance system last before it can be named durable? Many of our informants define *longevity* of durable governance in generations:

> "For me, it means that the governance principles can last a generation or more." (Denise Kenyon-Rouvinez)

> "I interpreted the word durability to mean continued positive functioning against challenges in this generation and sustainability from generation to generation." (Andrew Hier)

Recognizing that governance system is built from the narrated *past* for the narrated *present* and *future*, we see a compatibility of Daphne McGuffin's "napkin tool"[18] with the G-SMART model. Below we share some of the key concepts:

- The narrated *past* can be understood by analyzing: (i) principles / values, (ii) history / relationships, and (iii) skills / strengths. Families cannot change the past, but can learn from it to move forward.
- The key elements for the narrated *future* within the durable governance system include: (i) common interest comprising goals and vision (akin to the "Alignment" in the G-SMART model); (ii) structures / policies (converging with the Dynamic Durability Cone); and (iii) facts / truths, what McGuffin elaborated as communication (akin to the "Space" in the G-SMART model).
- Shifting from the mentality of "what's in it for me" to a "we focus".

How can governance principles perpetuate across generations? In Box 2.2, we share a vignette on how the act of creating a space for the rising generation (to make their own decisions) can replicate itself across generations, which may raise the Dynamic Durability in the system.

Box 2.2.

Case Vignette: Perpetuating Governance Principles

"What the patriarch put in place was the principle that their wealth should grow big people. He set up a trust such that 50% would be distributed to his children. In his Letter of Wishes, he further allowed his children to give advice to the trustees for the remaining 50%, on how to benefit their children. With that, he passed on the decision and choice to the children: what do they want to do with the other 50%? When it came to the sons' term to plan, they set up the same thing as the father did. If you really want to facilitate participation and foster

responsible stewardship, you must give people agency, that space to make the decisions and own the results and consequences of their choice. It may start from something small, for instance, planning a family trip, a reunion meal, gradually growing into more, until they are equipped to make mature decisions on their own and for others." (Edith Ang)

"I think the key building block in this scenario is the ability for this person or the group to at least appreciate and use some of the lens from the prior generation, when they fulfil their roles, responsibilities, and duties in the governance system respectively, wherever they sit. Because if you use your personal lens, you will have blind spots, and you will never see the vision of the founder." (Cynthia Lee)

After having defined and elaborated on the building blocks of Dynamic Durability, we will discuss how Sensemaking, Storytelling, and Family Learning & Development can enhance dynamic durability in the next three chapters.

3. GOVERNANCE AS SENSEMAKING

"You can't make sense of what's happening in the world, because it doesn't make any sense right now."
- Dennis Jaffe

Dynamic Durability is anchored on the capability of the governance system to interpret changes in the environment and identify ways to react to potential risks and disruptions. Even though sensemaking keeps the governance system alive and open, there are two challenges inherent to it. First, sensemaking is primarily a function of individuals and how families – comprising individuals with different perspectives and biases – can collectively make sense of their environment is complex. Second, most families tend to be inward-looking, and tend not to integrate external disruptions in their collective sensemaking. Because oft-neglected external events are characterized by incomplete and conflicting information, they often do not make any sense, echoing what Dennis Jaffe says in the opening quote of this chapter. Having that in mind, integrating external events and disruptions in the individual and collective sensemaking is the way to enhance governance systems for client families, but most of the time these systems are created in the time of external stability, as underlined by Tsitsi Mutendi:

> "Most of the governance systems that have been put in place, the conversations that we had with these families, and the work that has been done were done outside a highly vulnerable catalyst, like a global pandemic."

3.1. SENSEMAKING: NOTICING, MEANING-MAKING, AND ACTING

Sensemaking is a social practice: individuals interact with their environment and with others, bringing order and meaning in the interaction[19]. Theoretically, sensemaking involves three interlinked cognitive processes: (i) Noticing, (ii) Meaning-Making, and (iii) Acting[20]. In the first stage of appraisal, called noticing, individuals scan whether an event is harmful or beneficial to their goals and quickly assess the positive or negative emotions the event may cause. In the second stage of appraisal, individuals examine the context, attributes of the event and the likelihood for them to cope with it, and generates more specific emotions.[21] The final stage of appraisal initiates deeper cognitive processing for meaning-making, in which individuals attempt to frame the information with existing schema, to reshape the existing schema to accommodate "irregularities", or to create new frames which can at times push the frontier of personal identity. Based on how they interpret and make meaning of the event, individuals decide to act or deliberately not to act.

Individual sensemaking and collective sensemaking in a governance system share some similarities. The process of noticing is akin to scanning for and identifying positive or negative change from information held by the individual members in the governance system. Meaning-making is analogous to how the system can contextualize the identified information and assess the remedies in the frame of the existing governance setup. Acting is like how the governance system decides the response strategies based on the assessment in the previous stage. These processes also apparently shape the fundamentals of a risk management cycle, where families identify, assess (and measure), and manage risks. Andrew Hier sees risk management as part of the sensemaking process of the governance system, contributing to governance durability:

> "One of the principles of durability is that families are constantly assessing what the risks and disruptive challenges are, trying to give some measurement to them, and prioritizing how they are going to respond to these risks. These are the key steps to risk management and the durability that comes from it is a constant cycle of identifying the risk to assessing the risk, to developing a response to the risk and to monitoring that response."

3.2. GOVERNANCE FORUMS AS THE COLLECTIVE SENSEMAKING PLATFORM

Individual sensemaking is a relatively automatic process. Yet, sensemaking in a governance system requires coordination among its individual members. In entrepreneurial families, sensemaking is distributed throughout their family, business, and ownership subsystems. But the holistic governance system can facilitate formal exchanges between underlying sensemaking platforms in these subsystems (e.g., board of directors, owner's board, and family council). For example, members with roles overlapping the subsystems – i.e., those who

naturally "dance" between different collective sensemaking platforms – may serve as the bridge to cross-fertilize the sensemaking outcomes. The leading practitioners in our study see family meetings as the key platform of collective sensemaking, seemingly serving as the "melting pot" for all sensemaking platforms. Dennis Jaffe comments:

> "Sensemaking has to do with figuring out where you stand. That is personal work. The individuals come to term with their differences in perceptions, and figure out what they are going to do. That is why they will need a lot of family meetings."

Participating in the social practice of sensemaking can (re)activate different building blocks of Dynamic Durability in the G-SMART model. Governance forums offer the ***space*** for individuals to share information they gather from different sources. Negotiating the meaning of the information is critical, because of the ***multiple roles*** different family members play. James Grubman explains:

> "When you talk about sensemaking, it is the degree to which the family understands and is willing to learn, to be open about understanding this often predicts how well they will do."

It is natural for families to base on what they experienced in the past to seek ***alignment*** before they turn on the more effortful ***regeneration*** processes of establishing new meanings and actions for the future. Sensemaking is facilitated at the governance forums (such as family meetings) by the technical components such as agendas and lists of invited people. They help to coordinate who and how members can ***legitimately participate***, and what topics are included in the meetings. Advisors help families make sense of internal and external changes at the social and technical levels, as Randel Carlock and Keng-Fun Loh share:

> "Our role is helping families understand their challenges as a family and the external environment where the business must compete. We use tools like genograms and SWOT to help them understand their current situation and opportunities at both a social and a technical level. Business families generally know what they need to do, but it is our role to consider the options they face and make the tough decisions. This is the essence of family business governance – making difficult decisions, problem-solving and making new plans to create a shared family future."

Families must make sense of not only the external environment but also the Guiding Principles, Structures, Policies, and Practices. In Box 3.1., we summarize how Mary Duke helps her client families to work on this (please note that her work is also related to Family Learning & Development, and can help raise a family's Meta-Governance awareness).

Box 3.1.

Making Sense of Guiding Principles, Structures, Policies, and Practices, with Mary Duke

- Any new structures the family creates, such as family councils, task forces, and committees, will exponentially increase the complexity and interdependencies in a family. It is an advisor's role to help members see the reality, especially the structural implications on individual behavior and family dynamics.
- Help the family see the technical system they are in. Being able to act as an "interpreter" to ensure that they understand what it is they have. Very few family members are intimately familiar with their legal documents. Mary Duke says, "I wouldn't expect them to be. But they should certainly know what their roles, responsibilities, and rights are with regard to their structures."
- Explore the human and socio-emotional skills required in individuals that the family is going to need to navigate in the system. Mary Duke believes that advisors should ask questions like: "We are appointing x and y as trustees, how equipped are they to act in that role? Do they understand the role? Do they understand that immense responsibility and their fiduciary role with the beneficiaries? What should we be doing to make sure that they are equipped to do that effectively?"
- Work on an "**Implicit Rule Exercise**" to decode the informal governance system not being written down in the unconscious or subconscious memories of the family. Very often it is impossible for the family to see its own rule structure. Having a forum where everyone comes together as equals gets the necessary discussion going.
- Mary Duke shares how she conducts this exercise: "I will often take time to go through different domains of the family's experience, asking what are the implicit rules for women in the family, for married-in members? There may even be implicit rules in how the community sees and interacts with the family. It can be eye-opening to explore how the family begins to see and acknowledge these unspoken realities more openly. Are women really encouraged to participate and lead in the family? Are married-ins included as equals like others? How does the community perceive your family? What are their assumptions about you and your business? What do they think of you as individuals? What do they think of your philanthropy?" It is vital to understand the current rule set and what work may be required to uproot it, to create space for a new set of rules that will better serve the family as it evolves. This understanding helps form the basis for the family's learning journey going forward.

3.3. FROM MEANING-MAKING TO ACTING: WHEN PREPARATION TRUMPS PLANNING

Another major distinction between individual sensemaking and collective sensemaking is a longer transition time from meaning-making to acting in the collective sensemaking. Individuals almost automatically act based on what they know. But family as a collective requires coordination amongst its members before they are ready to act as a collective. Over time, families develop "plans" to manage the transition between meaning-making and acting. Yet,

the disruptions brought by the COVID-19 pandemic are seriously challenging whether that long-used “plans” are still relevant. As Dennis Jaffe says:

> “This pandemic is ongoing, and it is not a tsunami or fire. We do not even see the end of it. How can we be planning our strategy fully?”

Our current governance practices tie “planning” to “execution” mostly, failing to see the element of “preparation” between them[22]. Planning is not about predicting the future; planning is about eventuality and preparing for uncertainty. It is more about preparing well for possible scenarios, James Grubman advocates. This should be the core planning that entrepreneurial families know how to do.

Risk management helps prepare families for potential adversities. Risk management frameworks often start with risk perception, followed by risk preparation, risk analysis, risk mapping, risk measures, risk re-mapping, and reporting[23]. Entrepreneurial families are supported by an interlinked set of risk policies, risk management committees, risk management questionnaires, consolidated reporting, and scenario analysis.

In the context of our research, we often hear that advisors help families to deal with diversification as one of the risk management strategies. Yet, most families feel prepared for the diversification of financial assets only. Very few feel prepared for the diversification understood in a broader context, i.e., diversification that encompasses human, relational, and structural capitals. Inward-looking families often fail to see this as their blind spot. Therefore, in Box 3.2. we offer a summary of how families should manage an oft-neglected risk: political risk.

Box 3.2.

Managing Political Risk, with Philip Marcovici and Iraj Ispahani [24]

As one of the long-term implications of the COVID-19 pandemic, entrepreneurial families are being forced to review their risk management protocols. Many operational risks such as supply chain disruption and talent management continue to occupy time and attention, although they are relatively easy to mitigate in the near term. Others, like political risk, are looming just over the horizon. Philip Marcovici and Iraj Ispahani explore the implications of these tectonic shifts for how families create, protect, and use their wealth in the years ahead. We summarize the “software” and “hardware” they mention for managing political risk below.

Software	Hardware
• Living governance and ownership systems that reflect, among others, the value of diversification of assets, ownership and of where family members are located • Investment governance with geopolitical consideration • Know your structures and their loopholes	• Ownership diversification • Assets held in the hands of more than a single family member • Multiple structures, in different locations, and of different kinds • Varied use of, among others, (i) trusts with limited distribution to avoid information exchange between nations and/or creditor claims; (ii) trusts with terms excluding

3.4. ADVISORS AS MEDIATORS OF SENSEMAKING

In the disruptive environment, advisors play a vital role as ***Mediators of Sensemaking***[25].This means that they induce a sense of doubt when the family is unaware of risks or disruptions, seek clarification in the meaning-making and collective alignment, rally (but not lead) actions required to respond to the disruptions, and finally prevent the family from rushing into immature actions. That said, advisors should refrain from replacing the work done by the client families. Families should own the sensemaking processes so that they can build their own Dynamic Durability. Drawing on the marathon metaphor, the family is the metaphorical runner, and an advisor is the marathon coach who cannot substitute the athlete's role. Lisa Morel sees the metaphor in a similar way:

> "If I hire a fitness coach, that person cannot lift the weights for me. He or she can coach me on how to do it, provide guidance on how others achieve similar goals and guide me understanding my needs. But at the end, I must be willing to put in the work to achieve my own transformation. Therefore, families must be willing to put in this work as well."

James Grubman believes that advisors' availability to give feedback helps the family's learning over time by refining both sensemaking and the development of successful decision-making. As families see the results of their sensemaking and the decisions they make as a result, they gradually learn from mistakes and successes. Accurate, timely, and practical feedback is crucial when building skills. He comments that a rarely-discussed but important skill to mediate sensemaking in the governance system by consultants is assertiveness:

> "Sometimes you just have to be able to say, 'wait a minute – stop, time out.' You need a diplomatic level of assertiveness to insert yourself into the process with a family in a respectful yet direct way. I think some of that is style, and some of that is experience and learned technique."

Advisors who may not have long enough exposure to lifecycles of disruptions, i.e., experiencing a complete economic cycle of disruptions accompanying their clients – may face a challenge related to making sense of clients' changing environment. Christian Stewart comments sharply:

> "In our field, we are occupied by what the governance looks like: We should have a family council, family assembly, board of directors, and maybe an ownership council. But we fail as a field to have any framework or structure for families to look at the social context and what is going on around them."

Addressing this concern, we offer some "tools" that can be used by advisors in serving as the Mediators of Sensemaking. These tools supplement the process skills James Grubman mentions: the advisor's learning, personal development, feedback, and appropriate assertiveness skills that are major differentiators of this role of Mediators of Sensemaking.

3.4.1. The Power of Asking What-Ifs and What-If-Not Questions

A simple but very powerful tool that many leading family business practitioners use to mediate sensemaking is asking "What-Ifs" and "What-If-Not" questions to their client families, as our study showed. "What-ifs" is a challenging question that makes families think about the future and search deliberately for the cues in the present environment at the same time. This leads to applying what was embedded in the past to make an informed prediction about the future. "What-If-Not" questions function similarly but serve two additional purposes. First, it challenges the deeply seated assumptions, which are inherent to every human being and family, that something will happen because this happened often in the past. Second, it helps families to move from meaning-making to acting. It is because "What-If-Not" questions help overcome the general tendency to hesitate and resist change. In other words, What-If-Not questions force families to face the consequences of failure. Richard Grasby describes What-Ifs and What-If-Not questions as "stress tests":

> "It is all about the things that are closer to home, the what-ifs. We have been looking at the 'What if I cannot do this? What if I cannot do that? What if something happens to me? What happens if I cannot travel to that place or that person cannot be contacted or that person is in intensive care so they cannot vote at a meeting?' You'd be looking at the sort of stress testing."

3.4.2. Creating "Fire Drill" Practices

Most of the existing governance practices link planning to execution, and do not differentiate "*planning*" from "*preparation*". "Fire drill" exercises – exercises that *prepare* families for scenarios that can potentially disrupt their system – are offered below for the advisors to work on effective *preparation* of their client families. They stem from the advisory work of the first author of this report with a family business, in which decision-making was concentrated in the founder's hands who was in his mid-40s. That business faced various risks associated with the rapid growth of the business portfolio.

Let's look at the specific exercise, a scenario analysis, with a two-phase design that intends to deliver the message that chaos can evolve and spread quickly in the system. In the first phase, which was first developed in April 2019, before the global COVID-19 pandemic spread across the globe, the family members received the hypothetical scenario tailored based on the situation of the client family (see Box 3.3) and had to work together to manage the situation. After a vibrant discussion, the family was presented with a middle scenario (Box 3.4) that injected a set of new and unexpected conditions in the baseline scenario.

Box 3.3.

An Emergency of the Xin Family

It is 22 April 2019. As he returned to China after a long trip to Japan, Mr. Xin, founder and CEO of your family business, is found fainted. As it turns out, he is infected with XYZ virus, a highly contagious respiratory disease new to the world. The first-line treatment for ABC disease – a disease caused by the XYZ virus – is effective, which is a blessing to the Xin family. While Mr. Xin *remains unconscious*, the doctor expects that Mr. Xin will regain his strength in around one week. Up until this moment he must remain in the hospital, and must not be bothered with visits and work tasks. Otherwise, his recovery will take much longer.

The following notes are in Mr. Xin's agenda:

- Repayment of a loan of RMB 5m is due to a bank on 23 April.
- Potential investors' due diligence visit to your plant under construction on 23 April.
- An evening ceremony in a new recreational park, a celebration for sign-off deal in on 25 April.
- Mr. Xin's mother to be taken to a critical medical appointment on 26 April.

You, as the closest family of Mr. Xin's, are called by the doctor, instructed not to bother him, and given the above agenda. How can you work together to handle the situation and make sure the points from the agenda are fulfilled?

Box 3.4.

An Emergency of the Xin Family: Updates

As you set up and start to implement your action plan, the situation develops further and you receive the following pieces of information two days later, on 24 April 2019:

- The doctor expects it will take three more weeks before Mr. Xin would come back to a reasonable level of consciousness.
- On 25 April, a person whom you don't know shows up and says that Mr. Xin made a commitment to co-invest in a venture. The amount that was committed to this investment is RMB 2m and it was due in two weeks' time. This person shows documents signed by Mr. Xin and insist on making this deal happen.
- Mrs. Xin, the wife of Mr. Xin and a board member of the family firm, feels under a severe pressure after hospitalization of the husband, which makes her health unstable. She must withdraw from the business operations and stay in a quiet place for a few days.

How will these change your action plan?

Source: Jeremy Cheng

While neither the client family nor advisors are not fortunate tellers, putting the family through suitable "fire drill" exercises and playing out scenario analysis is an effective way to *prepare* for various future events. Keeping the exercise simple but relevant to family's situation is the key success factor as it provides a platform to discuss and test their own assumptions.

3.4.3. Preparing Families for Taboo Dialogues

Mini cases are an effective tool to *prepare* the families and take them on the journey from meaning-making to acting. Mini cases expose families to their blind spots, to risks that families never think about, and quite often touch on the taboo topics. In Box 3.5. we present a real scenario of a polygamous family in a life-threatening situation.

Box 3.5.

On Polygamy: "They are Siblings, and They Should Know Each Other"

A Chinese entrepreneur had two "households". The mistress knew about the wife and the primary household, but not the vice versa. Both the wife and the mistress had children with the Chinese entrepreneur. They were of a very similar age, and were only one to two years apart. One day, after suffering for many years from the heart disease, the entrepreneur was finally admitted to hospital for a life-threatening open-heart surgery. A wise decision or not, he called up all members of the two "households" with the intention to introduce them to each other.

The wife was very shocked to learn about the secondary household and further children of her husband from another relationship. Even though the mistress was aware of the holistic set-up, she felt highly anxious. The open-heart surgery and its immediate threat to the entrepreneur's life retarded the obvious fight, but both women felt upset during the meeting.

The surgery went well, and the entrepreneur was discharged from hospital. This was when the emotional boundaries were broken and all expected and many unexpected events came to the surface. The ticking bomb finally exploded. The two households made everything possible to get to know what assets the other side possessed, though it turned out that the entrepreneur prepared in advance: he had set up two separate trusts, one for every household.

The entrepreneur's trusted advisor, who was also appointed the trustee of the trust set up for the wife, knew that the entrepreneur tried to be fair to both parties. But the advisor could not – and was not able to – tell it to both sides of the argument.

In a subsequent client meeting with the entrepreneur, the advisor asked why he wanted to bring the two families together. "They are siblings, and they should know each other," he replied, focusing on the children from every relationship. "They are not siblings. They are half siblings!" commented the advisor. For the rest of the meeting they were breaking their heads together on how to solve the family and estate planning issues ahead.

Discussion Questions:

Q1. Do you think it was a good idea for the entrepreneur to have called the two households for the meeting together before his surgery?

Q2. Is having separate trusts sufficient for a polygamous family? Are there any other solutions for the estate planning that could prove effective in this situation?

Source: Jeremy Cheng (written based on the recollection of a story shared by an advisor)

4. GOVERNANCE AS STORYTELLING

"Storytelling is a powerful way of getting a message across. I think we need to think about the stories that are deliberately not being told in a family business – and why."
- Claudia Binz Astrachan

While sensemaking helps families keep their governance alive, storytelling helps institutionalize what families have experienced in the governance system. In any disruptive era, entrepreneurial families often face setbacks, but many of them learn and come out of the disruptions more resilient. Unfortunately, not all families are able to leverage this valuable experience to the same extent. One of the key differentiation factors is the ability to nurture the storytelling capabilities, and in particular, the ability to tell such stories to translate challenges into positive learning opportunities for the future generations. Thomas Ang elaborates:

> "In Chinese, we have a saying 'once this scar is healed, you forget about the pain.' 2020 is a very important landmark storyboard for many families. Let's just remember it ourselves and for the families we work with."

4.1. DYNAMIC DURABILITY: FROM STORYTELLING TO SHARED COGNITION AND SHARED IDENTITY

Family business advisors use storytelling very often when they work on governance issues with families. Ken McCracken believes that "this can help a family, individually and collectively, to imagine the future they would like to achieve and how the roles of the main actors develop as part of this narrative." According to Randel Carlock and Keng-Fun Loh, Storytelling is a social practice with a technical component:

> "Stories demonstrate human-ness – the social and emotional issues families face. The socio-technical model informs us that every human action or interaction contains a social component and the technical dimension, which in governance represents processes and roles. Stories help families express and understand their values and their goals beyond making money and serve as a critical motivator for building strong family relationships. When we work with families, we give them opportunities to share their experiences with their family members and identify shared values to begin crafting a family vision. All business families share the human experience, best expressed by the stories that come from the challenges, triumphs and failures through generations of family and business history."

Storytelling helps (re)activate the governance ***space***, and is a powerful source of family bonding and creates trust. Storytelling is a process that takes place when family members share their stories and start interpreting and negotiating their meanings and conclude on the lessons derived from these stories. Stories denote ***roles*** different family members play and illustrate how individuals act upon these roles. Each family member "downloads" his or her role from the story, and then listens to others and compares the self-narrative with the narrative told by others. This process leads to reassurance of the individual roles and group-level consistency.

Families reflect through stories and seek ***alignment*** of behaviors, goals, and interests among family members and across generations. ***Regeneration*** of old stories may facilitate the celebration of past successes and take the family on the accelerated journey to the "next chapter", which oftentimes may mean a "reset" in governance. Claudia Binz Astrachan stresses that advisors should investigate what stories are suppressed (see this chapter's opening quote) because they may reveal some challenges in gaining ***system legitimacy***, such as hegemonic suppressions and loopholes in heterarchical relationships. As described in the previous chapters, storytelling is an effective social practice to contribute to different building blocks of Dynamic Durability, and to keep the G-SMART model alive.

The power of storytelling comes from the contagious nature of stories[26], oftentimes carrying a strong emotional element. Samantha Reynolds, who believes that storytelling helps to preserve family values, suggests that the stories share three elements[27]: (i) a setback; (ii) a detail; and (iii) an emotion. Stories spread over the family enterprise system quickly and stay there as they carry "emotional markers, which are essential for memory encoding and retrieval."[28] Stories also incorporate the shared cognition and the shared memory. An interesting experiment have shown that conscious processing of narrative stimuli synchronizes heart rate of individuals

exposed to that stimulus[29]. Those who are "synchronized" in the heart rate can also better retrieve the narrative in the future. What is more, having knowledge about family history (such as parents' stories) is "significantly correlated with internal locus of control, higher self-esteem, better family functioning, greater family cohesiveness, lower levels of anxiety, and lower incidence of behavior problems"[30]. These support the resilience of individuals and that of a governance system.

Families use stories to shape, sustain, and renew their shared identity, their guiding principles, and core values, all of which are the source of Dynamic Durability. Stories represent identity narratives that are internalized and evolving, and which reflect the "selective appropriation of past, present and future."[31] Eric Landolt shares a very similar view:

> "I think the story from the past is important and relevant, where it helps to understand the DNA of the family and the core values, but then values transform over generations and motivations should not be set in stone."

Francesco Barbera and the research team echo the above, plus, more importantly, point out the differences between "the dynamic" and "the durable" storytelling:

> "…entrepreneurial legacies feature both stable and fluid elements, and that forward-looking components in family storytelling—which we refer to as 'anticipated futures'—affect this dynamic character. We further show how such narratives can prompt, sustain, and disrupt entrepreneurship across multiple generations."[32]

As families renew or create their legacy stories, they naturally push the frontiers of their shared identity. By doing that they explore a new interface between themselves and their external environment, a process that may lead to a change of routine practices, which in turn may impact Dynamic Durability in governance.

4.2. STORYTELLING IN GOVERNANCE WORK

We identify five major approaches storytelling is used in the work on governance with entrepreneurial families (refer to Figure 4.1 below) during our research:

Figure 4.1. Storytelling in Governance

- ***Story as an Entrepreneurial Legacy***: While heroic stories of business founders can be great inspirations to the rising generation, the leading practitioners see "entrepreneurial legacy" rather as the way difficulties are overcome and as an inherent part of the entrepreneurial journey. Andrew Hier shares:

  "We encourage families to talk to each other about failures in the past, as well as successes, so that lessons can be learned from those failures. It is very hard for families to do that. We want the next generation to understand that nobody is perfect and there are struggles that continue. There are the limits that the senior generation faced, the hard decisions they had to make, and the mistakes they made."

- ***Story as an Identity Imprint***: Stories should focus on a family's achievement, and not put the heroic founder in the very center of the narratives, to build a positive shared family identity that will encompass the rising generation. Fabian Bernhard explains:

  "We should be more focused on the family's achievements rather than putting the heroic founder as the center of attention of the narratives because in this way the next generation can relate more to the family system, rather than trying to fill out the big footprints of the founder. Narratives of this kind can help the next generation build self-esteem and self-efficacy to try out new things."

- ***Story as a Reflective Tool***: Storytelling is about why families make certain decisions, why they make mistakes, and what the lessons they learn are. For this reflection to be useful, it is critical for families to use their own stories, as Denise Kenyon-Rouvinez suggests:

> "I like to go into the family's own narrative, their own past, and their own examples. When I do that, I find that a number of families are stuck in the past. A lot of families have incredible traditions. They need to be inspired by the past, but they cannot be blocked in the past."

- ***Story as a Leadership Development Tool***: Writing and re-writing the stories can raise the awareness of the family members on the differences between the narratives and the reality. Greg McCann applies writing stories in his coaching work:

> "We write stories. We tend to live the story more than we live reality. The next thing to realize is that we write those stories, so we can rewrite them. I think you could spend a month in leadership coaching just on that idea."

- ***Story as a Negotiation Tool***: Stories can also be used as a negotiation technique because they have the power to remove the hierarchies between negotiating parties. It is especially true when the stories are about people or events from the past generations. One such example is illustrated in the vignette presented in Box 4.1.

Box 4.1.

Case Vignette: Rising Generation Seeking Buy-in Using the Grandfather's Story

The third-generation leader of DC International, a family-owned bicycle business from Hong Kong, Ronald Chan saw a 50% decline in profitability over the last few years. The major culprits were a lack of control in supply chain, on the one hand, and an inability to tackle the waves of disruptions, on the other hand. Before he pitched the idea to launch a home-grown premium bicycle brand to his father and his uncle, Ronald Chan had foreseen that these two owners may be hesitant to embrace this risk. At the same time, he knew that the independence run in the family blood. As soon as his father and his uncle showed the first sign of resistance, he brought the well-known grandfather's philosophy: "Don't you always tell me that grandfather never depended on others to keep his family safe, and we should bare this mentality of independency at heart? If this is the case, then does it not contradict with the business model we currently have?" Almost immediately, the father and the uncle were all ears. "It is time to plan for our independence," said Ronald. The discussion had developed in a way that supported Ronald's expectations.

4.3. DARK SIDES OF STORYTELLING

Storytelling, like every advisory tool, has some dark sides, which families and their advisors must be aware of. First and foremost, stories are never neutral. They are told by individuals, who see the world though their subjective lenses. Sometimes stories may even be told with a purpose or a hidden agenda. For example, hegemony (or any other form of authoritarianism) may influence who can share their stories, which narratives can be used, and how and when these stories are presented in the (governance) forums. The national, corporate, and familial cultural setup is reflected in the whole "story cycle", i.e., from story creation to story dissemination, through institutionalization, and finally to application. It is therefore important to understand the power behind stories, and discover *untold* ones. Another dark side of storytelling is its, sometimes accidental (as described in the "Magical Recipe" example in Box 4.2), function to preserve traditions, which give stories a "magic" power to stubbornly resist change.

Box 4.2.

The "Magic" Recipe, with James Grubman

A frequently told story in the family business field is how, on special occasions, a multigenerational family would bake a ham for dinner, always making sure to cut the ends off the ham. Why? Because their grandmother had always done that. The family was adamant the ham tasted the juiciest that way, and this was taught from generation to generation: "Always cut the ends off the ham when you make the dinner."

One day, a young in-law came in and pooh-poohed the tradition, saying, "Well, I never do that and my hams turn out just fine." The family was horrified: "Oh no, you have to cut the ends off." But one of the members eventually tracked down an older friend who had known the grandmother, and she said there was no special magic about the habit. Grandma simply had a small baking pan. Store-bought hams would not fit into it easily, so she had to cut the ends off just to get one in the pan. The family was shocked to discover this supposedly magic recipe really had no power. It had taken on a life of its own, as family stories like this often do.

Storytelling should not help families understand why the prior generation did what they did, how they would decide and act if the decision were to be made in today's context. As James Grubman argues:

> "Durability can be rigidity. Because sometimes stories get cemented into the culture of the family so deeply that you cannot break out of them, and circumstances change. The story is a legacy of a prior time and a prior place. The family has to keep making new stories for new circumstances and then be willing to adapt."

Despite the awareness of this potential pitfall of storytelling, Ken McCracken believes that successful families could decode necessary wisdom from the stories:

> "This process [sic: indexing wisdom from the past] can make a successful family business prone to resist changes to its governance that involve a radical departure from the existing order. This might lead to the criticism that family businesses are too conservative and failure to embrace change is a weakness. That, however, is an odd conclusion to reach in respect of any business that has overall been successful. In place of this judgement, it can be suggested that a wise family business ensure that they understand what makes them successful and then they can deliberately avoid any changes that could damage the existing governance that has contributed to its success. It should be possible to learn from the past without having to live there"

Another dark side of storytelling was a difference between stories that stay private and those which become public. This is something especially relevant to entrepreneurial families, who are widely exposed to media. Denise Kenyon-Rouvinez comments:

> "One thing when we talk about storytelling is that it is cannot be a fairy tale telling. Families are very good at remembering the fabulous past you see in all magazines. When you are inside, you know that they have just as many conflicts as the others and sometimes even more."

The question which advisors should ask themselves is therefore: How should they help the families narrow the gap between these two versions of the same story? Dennis Jaffe advises not to get into the troubled past, but to steer the family to see what the future is:

> "I look to the future to what they want to create together. Not taking a stand on what happened in the past and I am certainly not getting involved in who is right and who is wrong."

4.4. TIPS FOR STORYTELLING IN GOVERNANCE

The uniqueness of storytelling is that it usually emerges naturally in the advisory work. Even though there is no universal "storytelling best practice", the skillful facilitation can make it more systematic. Therefore, we offer a few tips for storytelling, which are the results of our investigation:

- ***Engage in constant storytelling and renewal of stories.*** Families gain valuable experience from the disruptions. To make most of this experience, decode their learnings in the process of storytelling and leverage the learnings by re-telling the old stories by the consecutive generations.
- ***Remember the purpose of a story.*** James Grubman's wisdom is: "A good story is like a parable that teaches a lesson. It conveys an enduring or important value. And the purpose is to bind these values together to form a common narrative and a shared legacy." Yet, family business advisors should be aware

of the dynamics that takes place behind the stories (e.g., specific cultural setup or hegemonies).

- ***Observe differences in stories*** told by various family members, across generations, and between the self-narratives and narratives by others. Work on aligning the different narratives in relevant governance forums.
- ***Look for an overall healthy pattern of stories.*** It is natural for families to go through ups and downs, and this should be truthfully reflected in the family stories. According to Christian Stewart, "the healthiest family narrative is the oscillating narrative, because it does not sugarcoat the past and it teaches resilience through examples of overcoming hardship."[33]
- ***Be aware of suppressed stories or silent characters in the narratives.*** Explore how power and legitimacy issues may be related to the absence and omission of the events or people, and plan on how the families can bring the suppressed voices back to the family stories.
- ***Remember there is no such thing as a good or bad story.*** It is all about how the story is used. Smart storytelling positions risks as a normal event every individual and every family face. Moving from heroic stories to "no perfect leadership" and "no perfect decision" stories may lead to a higher number of entrepreneurial activities among the rising generation.

4.5. ADVISORS AS FACILITATORS OF FAMILY NARRATIVES

Advisors play the crucial role of ***Facilitators of Family Narratives*** in the storytelling process, as highlighted by leading practitioners who participated in our study. In this role, advisors help families seek a better understanding of their own narratives, encourage individual members to explore their inner voices, and alleviate the differences between the individual's narrated past and the version held in the minds of the majority of the family members. Advisors' fundamental task is to clear the past obstacles and roadblocks to facilitate opening up for the future. Citing Thomas Hübl and Julie Avritt[34], Christian Stewart elaborates:

> "As you clear all the sort of unconscious collective trauma within individuals, we become much better at just downloading or opening up to the future, being aware of an emerging future. We need to be building that capacity in our clients."

Advisors should be equipped with storytelling techniques to drive the family discussion about the future. Christian Stewart explains in more details, reaching to Otto Scharmer's Theory U[35], that advisors shall be able to facilitate the family processes of moving beyond just "downloading their own stories and roles", to being able to "challenge their own version of the story/interpretation and allow another version of the story/interpretation from other members", to "listening to others empathetically", and finally "listening to what is emerging" on the way to generating new ideas and co-creating the family's future.

As part of their toolbox, James Grubman suggests that advisors should "have a repertoire of stories on different topics." But the stories told by advisors should only aim to facilitate family stories, not to substitute them. Drawing on the marathon metaphor again, advisors are not runners, and their stories are not center-staged. Joseph Strazzeri notes:

> "Most practitioners utilize what we call war stories. A war story is where you tell a story, where the professional [sic: the advisor] is the hero."

During our research, we collected many examples on how top family advisors facilitate storytelling in their advisory practice. For instance, one advisor collects various family photos from every family member, shows the photos at the beginning of the family meeting, and ask "Can you see anything you do not know on these photos?" This way, information gaps are found. Family members immediately start to close this information gap by telling stories about family friends, new employees, and events unknown to other family members.

A few advisors also use systematic assessments to understand family stories, histories, and legacies, such as the "Do You Know" (DYK) scale[36,37], which includes questions like:

- Do you know how your parents met?
- Do you know the source of your name?
- Do you know some of the jobs that your parents had when they were young?

Other practices that enhance storytelling are, for example, introducing the family historian role, or initiating a family book project. We describe a few other advisory practices, which may help approach storytelling in a more systematic way below.

4.5.1. Strazzeri-Bianchi Facilitation Model

In our interview, Joseph Strazzeri and Carmen Bianchi stressed on the use of facilitation to help families build capabilities via storytelling in the governance system. Below we summarize some key features of their Facilitation Model.

- The model classifies stories into four types: (i) a *bad* situation that stayed *bad*; (ii) a *good* situation that stayed *good*; (iii) a *good* situation that went *bad*; and (iv) a *bad* situation that went *well*.
- Most families only talk about a bad situation that turned good. But by taking the family through the four versions of the story, families find that they have choices. If the parable illustrates choices, oftentimes families will say they do not want their "bad to bad" and they want to keep their "good to good". They also want to make the bad thing better.

- Families need to identify three elements in these stories shared by the facilitator: (i) the commonality in the stories to their own situation, (ii) the patterns that stories have, and (iii) the underlying drivers of the stories.
- Families learn from their facilitator when they do not know what to do. They emulate the facilitator's style. When they struggle, they will borrow the words of the facilitator. Because the advisor is not teaching but facilitating, s/he helps the family find their own path. The goal is to make sure that when the facilitator is not in the room, they do better.
- Curiosity of the facilitator is the powerful tool for unleashing power of the model. The facilitator should hold onto their judgment, and ask clarifying questions such as "Help me understand this. You have agreed to this. But then you are saying this other? Why is that?"

4.5.2. Mary Duke's Story-Based Value Discovery and Family Crest Construction

Stories carry values that families embrace, even though the stories may not always be accurate; instead, they may show aspects of family aspiration. Mary Duke leverages the stories of client families to discover their individual and shared values.

In the first phase, she helps the client families identify individual values:

> "A lot of advisors conduct these exercises with values cards. But when I am working with a family, I always say, 'you tell me your stories and I will tell you your values.' Because you can hear their values in the story. You start writing the words down and some words start repeating and themes begin to emerge. And as important as these values are, a family's stories are also road maps to how the family perceives the world and its place in it. There may be embedded priceless clues to the family's beliefs, assumptions, and interpretations that may actually be limiting their ability to evolve."

In the second phase, Mary Duke asks the families if they were to create a family crest or a family flag, what they would put on it from these values they have identified. Through their debate about which elements to include, families can come up with their shared values – ones that may exist already, and perhaps new ones they see as necessary to embrace going forward. Mary Duke comments:

> "Very often the two exercises go very well together, because the family members come up with a whole bunch of values that they can then translate into an icon or image to reflect on their family crest. It is a fun exercise to get everyone involved. And importantly, what they put on the crest is not nearly as interesting as WHY they put it there. That is where the richness lies!"

5. GOVERNANCE AS LEARNING & DEVELOPMENT

"Every single generation has to turn itself into a learning family that continues to develop talent."
- Andrew Hier

Entrepreneurial families are responsible for building their own governance system and for keeping that system alive. Learning & Development[38] is the necessary tool that prepares individuals and the family for their different roles and functions. While governance as learning is a strong proposition, we receive full support on the notion from our leading practitioners:

> "I do not separate family learning and family governance, to me they are one." (Denise Kenyon-Rouvinez)

> "Any governance body should be continually learning. Learning is a core fundamental of a durable governance." (Andrew Keyt)

> "Learning and governance are inseparable. We need to focus more on understanding why successful family businesses are successful and less on promoting so-called best practices and peddling a myth that there are some practices that are universally applicable for all family businesses." (Ken McCracken)

The fundamental questions family advisors face include: How can entrepreneurial families encourage *participation* in learning together? How can entrepreneurial families capitalize on individual learning and leverage the individual learning to form a learning family? What are the forms of collective learning for the whole family and are these measures effective? How can entrepreneurial families know *what* they should learn to keep themselves abreast in the ongoing disruptions?

5.1. DYNAMIC DURABILITY IN A LEARNING FAMILY

Learning (re)activates different building blocks of Dynamic Durability. As mentioned, various governance forums serve as tailored ***space*** for family members to practice and learn how to communicate, negotiate, and build trust as a team. Families which include Education and Career Committee, for instance, in their family governance structures position learning as the core governance function. Learning in entrepreneurial families is characterized by its experiential and situated nature. Its experiential, learning-by-doing, nature is driven by individuals' participation in the governance system, thanks to which they (i) see how to make decisions as a team, (ii) observe and mimic other individuals in the similar roles, and (iii) experience what are the expectations towards individuals in other roles. All these enhance their ability to transition to other roles in the system, and thus empower ***multi-role participation*** in the governance system. The families as collective learn to seek ***alignment***, thanks to Sensemaking and Storytelling, and they build their own Guiding Principles, Shared Vision, Mission, and Values over time. Further, learning how to stay agile, lead change as family champions, refocus on value creation as well as developing new ways of working together fosters ***regeneration***. Learning is, however, not an arbitrary process. It requires the *legitimate participation*[39,40]. For example, learners know which governance forums they are allowed to, how and when they can become part of them, and what the forums interaction rules are. Learning helps families keep their governance system alive, vibrant, and open, and enables them to survive repeated stress tests caused by ongoing disruptions.

5.2. GOVERNED LEARNING

Kazuyoshi Takei does not exaggerate when he says, "One life is not enough for learning. You may have to count two or three more lives for this." Entrepreneurial families are privileged in this sense that they usually have numerous learning opportunities. A sample of them, categorized by the level of engagement – individual, household / branch, and extended family levels, are presented in Figure 5.1.

At the ***individual*** level, families deploy formal education and/or more sophisticated, often customized, family business programs. But they also learn from peer-networking platforms, such as participating in family business networks, as well as learning to work with their advisors. Compared with learning at the individual level, learning at the ***household / branch level*** or in the ***extended family*** is more complex (ironically, these complexities and related frictions on family-level learning provide opportunities for additional learning). Learning can derive from, for example, joining a reading group, submitting a proposal to the family bank or investment committee, serving on governance boards, and building up a family academy. Families need to be purposeful in their learning, and

they must know it is a long-term investment. Learning from the family stories and histories, career planning and development, mentoring and coaching, and learning as a shared value, just to mention a few, transverse ***across different levels***.

No matter at what level learning takes place, there is a risk or inefficiency if learning is scattered and lacks an overarching coordination. That is why it is important to have the discipline for the ***Governed Learning***, which defines the "what", "when", "where", "who", and "how" of learnings in the entrepreneurial family, and is tailored to the needs and idiosyncrasies of the family enterprise system. Quite often, achieving the Governed Learning requires dedicated learning structures, such as Family Learning Curriculum and/or introduction of specific roles such as Chief Learning Officer.

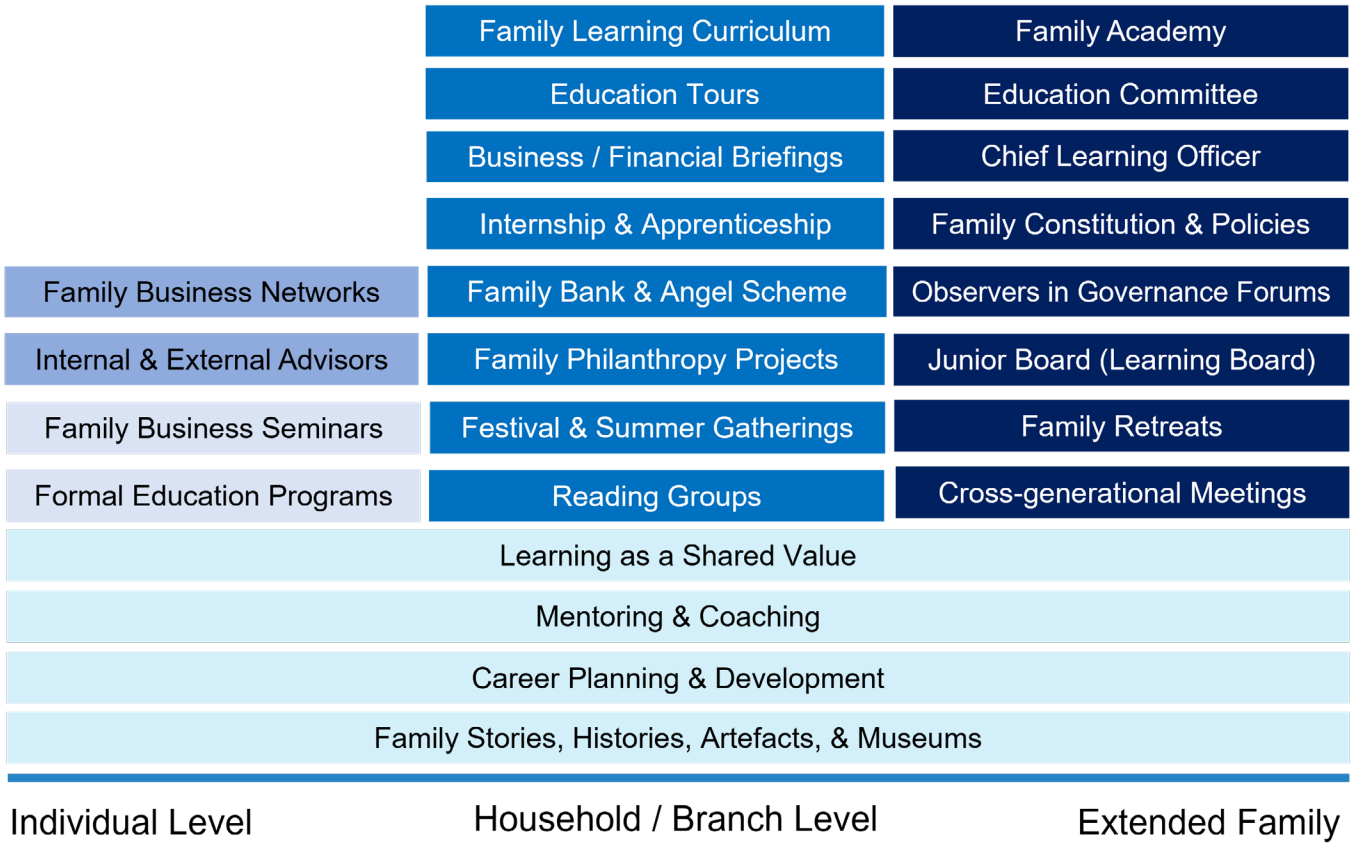


Figure 5.1. A Non-exclusive List of Learning & Development Opportunities with a Three-Level Categorization (Source: Jeremy Cheng)

5.3. FROM INERTIA TO MOMENTUM OF LEARNING

Insufficient learning in the governance system often leads to "silent structures" such as family boards and councils, which exist "on paper" only. At times, learning opportunities from outside of the family enterprise system can change the perspective and put governance back into action. Mohar Yusof shares a vivid example:

> "The late mother of the matriarch instituted a shareholders' agreement and a family trust. Even though there was the setup of a family council, this structure has never been operationalized. The matriarch was aware of this due to her participation in a family business training in Spain, not in Malaysia where the family is originated from. Several years later, she realized that it was time to do something about the structures motivated by a deep intent and timeliness to include the third generation into the business and governance systems and the effort to ensure continuity of the family legacy."

Family learning must be anchored in the family enterprise ecosystem with clear responsibilities and communication about who is responsible for what kind of learning. Jim Coutre shares:

> "When I talk to family members, they are much more interested in learning opportunities and development of the rising generation. When I talked to family office executives, more of them want nothing to do with that. Because they see that as a risk, they see that as parenting, they see that as outside their job. They see that as outside of their skill set."

Families must understand the risks that must be taken in the learning processes, and the anxieties that need to be overcome, which may otherwise lead to *learning inertia* and inability to manage the change. Dennis Jaffe elaborates:

> "Anxiety about change is always there and you do not eliminate anxiety. You help family members see that anxiety is part of change. And that learning is about increasing your anxiety. The first time you try to do it, it is very provoking, you cannot do anything, and nothing is right. And if you give up and get frustrated the first time, you will never be doing it again. You will never be learning anything."

Learning implies change in the routine practices, which is understandably stressful. It also requires critical self-reflection because families must first see the goal of learning as worthy, and they must overcome their projected negative and stressful experiences that come with the learning process. An important role is played by the lead governors (who themselves need to learn this role) and by the experienced now generation members, especially in their role as mentors for the rising generation, who must be given freedom to learn and make mistakes.

5.4. FROM INDIVIDUAL TO FAMILY LEARNING

Learning first takes place within the reflective minds of individuals and is supported by development of all parties who are part of the governance ecosystem.[41] There are also two broad categories of development: (i) horizontal development and (ii) vertical development. *Horizontal development* denotes expanding the *existing* toolkit of individuals and/or the family enterprise system and adding toolkits to become more competent in an existing area

or function. *Vertical development*, on the other hand, is about *transforming* the way individuals and/or the system think. Vertical development makes the individuals and/or the system "become more adaptable, more self-aware, more collaborative and able to span boundaries and networks"[42] – the characteristics that are particularly relevant in the pursuit of Dynamic Durability.

Combining individual and collective learning and horizontal and vertical development, Christian Stewart describes a matrix that categorizes the four domains of learning (refer to Figure 5.2). In his terms, the four domains are intertwined. First, as advisors we aim at finding answers to the following question: "How can each individual grow in his/her role?" (Horizontal development). Further, we try to transform the individual horizontal development into the horizontal development for the family enterprise system, by for example engaging individuals from across generations. The next step usually happens naturally. As individual wisdom accumulates and pushes the frontiers of the system, the family begins to think about types of collective knowledge needed now and in the future, especially under the threat of future disruptions. This triggers the vertical development for the family enterprise system, which in turn drives the vertical development for the individual members.

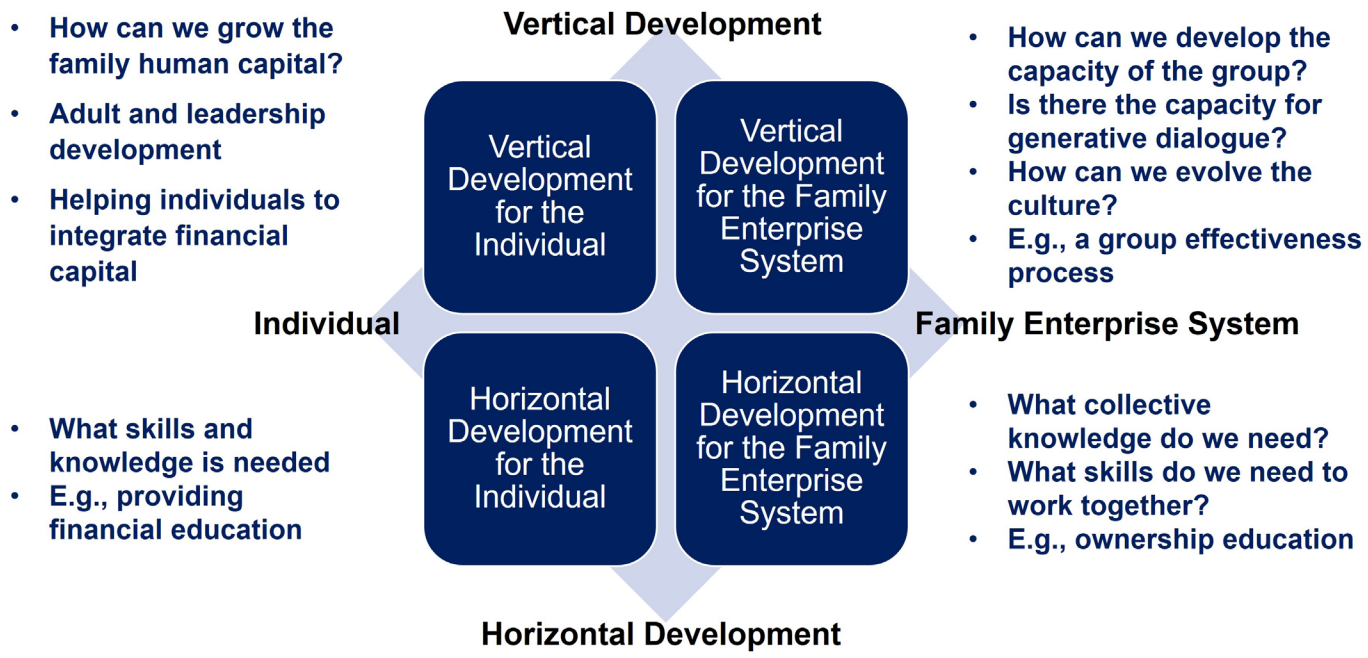


Figure 5.2. Four Domains of Individual and Family Learning & Development
(Source: Christian Stewart)

The faster the transition between the four domains, the faster the whole system learns. Additionally, some competencies and characteristics of the system shall be nurtured to facilitate the transition between the four domains and thus the speed of the learning. For example, Dennis Jaffe believes that system transparency promotes information exchange. Another example is intentional engagement of all learners to share individual learnings in the form of a joint project within one or across many generations. Box 5.1. shows an example of how a philanthropic family engaged the rising generation by synchronizing with their learning preference. Box 5.2. shares some additional wisdom about learning dynamic durability in entrepreneurial families.

Box 5.1.

Case Vignette: Come Back to the Family!

A philanthropic family was concerned about the fact that their family members did not participate deeply enough in the activities of the family foundation. Some older family members felt disappointed because the foundation faced challenges as some family members were not eager to spend their time to review grants, or to place their vote for the winning philanthropic project. To tackle the issue the patriarch asked the rising generation what the family could do to improve the philanthropic process and the family involvement in it.

He was amazed to find that the rising generation had many awesome ideas on how to make the experience of otherwise cumbersome process of grants reviewing fun and effective. One of the family members, who was big into video and film, proposed early advent of the Internet: "Why don't we make the grant submission in a form of a video?" The idea is that the grant applicant should post a 90-second elevator pitch. It should include the information on why their project is important, why the family should care, and how it will add to the family foundation's mission. That idea turned out to hit the nail on the head. Almost instantly, the family increased the participation of family members in grant review process from about 20% to about 90%. And it was all only because the family changed the way it engaged its members.

Source: Kirby Rosplock

Box 5.2.

Jewels of Learning Dynamic Durability

- ***Learning to negotiate, from parents***: "Families often do not teach negotiation very well, in terms of parents teaching their kids. A lot of parents either negotiate poorly or stay away from showing their kids how they deal with conflict, which means kids never get to witness adults negotiating effectively. I find in recent years I have spent more time helping families develop better negotiation skills. And it is transformative to the family." (James Grubman)
- ***Reversed learning***: "In this pandemic, I have experienced a number of situations where the lead generation in a family is learning from the young ones, the reverse of the usual situation. This can bring conflicts in a family if the acceptance is not there. But a strong governance system can mitigate such risk by supporting a good and open communication in the family." (Eric Landolt)
- ***Learning from other families, as an advisor***: "I encourage families to consult with other families. The more they prepare themselves to share their experience with other families, the better they understand themselves." (Philip Marcovici)

5.5. ADVISORS AS LEARNING SYSTEM ENHANCERS

Family learning is a very broad topic. While our informants enumerate various roles they take to enhance family learning, such as coach and educator, they unanimously agree that their main role is ***Learning System Enhancer***. In the first place the advisors facilitate the discussion about learning goals and learning needs of the family. In the second place, they facilitate the family dialogue to decide on the best fit between the governance system and the learning system, engage different family members, and support effective family learning by applying relevant governance structures. Finally, advisors bring appropriate examples and show alternative solutions for families to consider. Ken McCracken indicates:

> "I guess at least half my role is providing information and ideas to clients that they can use to do this (which could be described as educating clients) and the other half is being an independent facilitator in discussions that can often be challenging and sensitive."

While advisors demand client families to learn, they must embark on a more aggressive learning and development path themselves:

> "At the end of the day, our desire is for our clients and their businesses to navigate through and rise above the storm and emerge stronger and more resilient, being able to seize the next wave of opportunities for growth and transformation. As advisors, we do need to be proactive about our own learning and continue to stay relevant so as to be their trusted partner as they transition their business, family, and wealth across generations." (Aik-ping Ng)

> "If families are growing and the advisors are not growing, then that is not a durable governance system." (Christian Stewart)

We discuss two emerging practices that enhance family learning, i.e., (i) Family Learning Curriculum, and (ii) the role of Chief Learning Officer. Both practices involve tailored learning over a long horizon and enhance Dynamic Durability in governance.

5.5.1. Family Learning Curriculum

Like any other curriculum, Family Learning Curriculum needs to tie the overarching philosophy of the entrepreneurial family and the development goals of the family enterprise system with the individuals, who are part of this system. We have seen advisors often integrating the preservation and growth of shared capitals into the Family Leaning Curriculum. In particular, they reach out to James Hughes' Five-Capital Model, where nurturing the qualitative capitals (such as Human, Intellectual, Social, and Spiritual Capitals) of the family is given priority, and the quantitative capital (Financial Capital) is used to invest in the long-term development of qualitative capitals. Christian Stewart describes:

> "One tool in the family governance space is Hughes' Family Balance Sheet[43]. The family wealth is its human, intellectual, social, and spiritual capital, supported by the financial capital. The idea of the Family Balance Sheet is that you need a survey, or ways of asking the family members to rate how they are doing in terms of these qualitative capitals."

Given this, each curriculum is bespoke. Kirby Rosplock shares how she helped her client family to design their first learning curriculum:

> "Early in my career I worked with one family where we created a whole university and built out the curriculum of what internally was unique to that family that only stakeholders could convey like stories and family history and heritage. Then there were pieces of technical data, estate planning, tax, or investing. At some levels, it was co-creating and understanding what it was that we needed to do for this one person, this one cohort, this one branch, or this one generation. Then you started to see, if this had a value in your family, you were going to scale what you wanted to do repeatedly. What you need to have is what I would call a learning asset, as part of your durable education curriculum. You talk about durable governance. Durable education is no different."

We offer additional wisdom of crafting a Family Learning Curriculum from Scott Peppet, an "internal advisor" in Box 5.3. The emic perspective can be very different from the epic one taken by an external consultant, especially on the timeframe of learning and the transformative view of the system. As a single advisor can never do all the work, balancing the emic and the epic perspectives is important.

Box 5.3.

Crafting a Family Learning Curriculum, with Scott Peppet[44]

Scott Peppet leads the family office of his family and is responsible for crafting the Family Learning Curriculum (in his role as an "internal advisor"). Due to his training as a law professor, Scott Peppet wisely integrates key principles of curriculum design and learning with his model of wealth (an adaptation of James Hughes' Five-Capital Model). Below we capture some of the wisdom and advice he shares.

- Families should dedicate themselves to nurturing qualitative capitals – Human Capital, Learning Capital, Social Capital, and Legacy Capital. Do not start from quantitative (Financial) Capital.
- Think long-term. Scott Peppet says: "You do not have to rush." His family learning project operates in the timeframe of five to ten years – a timeframe less likely to be seen as practical by a transaction-based consultants).

- Tailor the learning to cater for the needs of a group with a significant age range if you want to engage members. In Scott Peppet's case, the age ranges from 25 to 70.
- Co-create the Family Learning Curriculum together with your stakeholders. The process of co-creation can help prevent learning from becoming a way to replicate the incumbent's life form or his/her playbook.
- On financial capital: it is about relation with wealth and the technical aspect.
- "Family members will have to become investors" – it is a myth! In reality, it depends on their owners' set of competences and skills.
- Design of the learning space is an investment, a rewarding one as it can help reduce the anxiety, especially when the discussion involves wealth and with family members not working in the family business.
- The use of Hughes' Five-Capital Model can reduce the inherent biases of the "internal" advisor who himself / herself is also a family member.
- Scott Peppet provocatively challenges advisors with the following question: "How are you going to plan the next three family meetings without talking about money?"

5.5.2. Chief Learning Officer (CLO)

Family learning advisory is not easy because of two reasons. First, it is usually embedded in much larger work on the governance. Second, the fruits of the work can be collected only after a long time. According to Christian Stewart, as he learns from James Hughes, this is a long-term relationship with the family, ideally a 10-year journey with the family. Therefore, the most sustainable way to approach learning agenda is to co-create it with the family. Additionally, appointment and involvement of a dedicated "Chief Learning Officer" is worthy.

The CLO can be a family member or a consultant, and it does not necessarily have to be a full-time or in-house role. CLO's job is to assess the learning goals and needs, to arrange for learning programs and activities, and to bring in the external expertise, if needed. On the other hand, CLO should be able to provide or arrange for coaching, developmental activities, and facilitate development of skills and competencies of the individuals.

To provide a deeper understanding of the work of the CLO, we bring the example of Christian Stewart who plays this role in his work with an entrepreneurial family (see Box 5.4.).

Box 5.4.

Situating the Role of the Chief Learning Officer in a Governance System, with Christian Stewart

As CLO of one of his client families, Christian Stewart sees multi-level work in the client's governance system running with four key components.

- ***Family council or family meeting***: The CLO works with a strong family champion advocating for learning in the family council, which leads the family governance system.
- ***Board of the Private Trust Company (PTC) and the Beneficiary Relations Committee (BRC)***: The CLO works with the BRC to provide qualitative advice to the PTC board and helps them see how their distribution decisions may impact the lives of the beneficiaries.
- ***Family office***: The Family Office plays a supporting role when it comes to learning and development and family governance; and engages the CLO.
- ***Collaborative advisory team***: Being part of the advisory team, the CLO helps raise effectiveness of the team by leading their development and intentional reflection efforts.
- Christian Stewart summarizes how he supports development of the five capitals in this family below.

Five Capitals (James Hughes)	Definition	What Can This Look Like in Practice?	CLO Support
Human Capital	• Are the individual family members flourishing?	• Do I know myself? • How can I remove obstacles to growth? • Learning & growing through participating in family governance	• Assessments • Mentoring • Coaching • Referrals to e.g., individual counselling
Intellectual Capital	• Is this family a learning organization?	• Capacity for deep listening • Capacity for self-reflection • Practices such as after-action review • Openness of the system	• Supporting individuals with reflection & processing • Being a thinking partner • Facilitation • Skills development

Social Capital	• Are the family members able to make effective joint decisions together? • Are there positive family relationships?	• What skills are needed to become a more effective team, to learn how to work together, to manage conflicts? • What skills do we need to invest in positive family relationships? E.g., have we learned about Bowen Family Systems theory?	• Facilitation • Skills development • Mentoring • Coaching • Referrals to e.g. couples counselling
Spiritual Capital	• Is there a vision of everyone in the family flourishing in 100 years?	• Are there shared values, virtues & vision? • Is there a foundation of love?	• Supporting individuals to find their own practice
Financial Capital	• Financial Capital	• Is financial capital being invested in growing the qualitative capitals? • Are individuals supported to obtain external help and attend programs?	• Beneficiary Relations Committee • Support for the integration of financial capital • Financial education

Source: Christian Stewart (expanding on the five capitals model and definitions developed by James E. Hughes Jr.)[45]

6. META-GOVERNANCE AND GOVERNANCE INNOVATION

"We've become overly bureaucratic and normative in family business governance. We need to lighten up everything."
- Denise Kenyon-Rouvinez

The understanding of governance has evolved over time. In this study, we present a contemporary view on governance; a view that embraces nurturing Dynamic Durability through Sensemaking, Storytelling, and Family Learning & Development, facilitated by advisors. Some entrepreneurial families grow their Dynamic Durability with relative ease and as a result constantly innovate their governance system; some other families struggle to embrace the change and as a result may stick to their past, often outdated, governance model.

Those who embrace Dynamic Durability usually talk about some sort of "invisible hand" in the governance system that steers the review process and governs change of the governance system itself. We refer to the concept of **Meta-Governance**, understood as a critical self-reflection and therefore also a self-regulation of the system. In this chapter, we explore the Meta-Governance as well as provide some tips and tools, which may prove to be helpful for the advisors in their efforts to foster the governance system innovation.

6.1. META-GOVERNANCE

We define Meta-Governance as the self-awareness of the entrepreneurial family's governance system: in particular, Meta-Governance refers to the deep understanding of the processes and the underlying patterns. Meta-Governance may take many forms, such as reflecting on the family's own ways of thinking, knowing when and how to apply certain Principles, Structures, Policies, or Practices.

Family enterprise governance involves simultaneous, interactive, and ideally collaborative governance of the family, business, and ownership subsystems. Referring to Dynamic Durability, how do families *know* that "the dynamic" and "the durable" are in balance across all subsystems? How do the subsystems *know* if the social practices and the technical components can jointly synchronize (e.g., whether the retirement age set – the technical component – for serving a family council may (de)motivate retention of valuable human capital and the sought-after intergenerational exchange in the system – the social practice)? The answer can be Meta-Governance, a somehow abstract notion of how families know their own governance system, and how they govern this knowledge.

The concept of "Meta-Governance", which literally means governance of governance, has long been known in the field of political science. In this context, Meta-Governance involves "deliberate attempts to facilitate, manage and direct interactive governance arenas without undermining their capacity for self-regulation too much."[46] Even though this concept has not been applied in the field of family business, we all subconsciously feel it is there. As Carlo Salvato comments, "Meta-Governance is absolutely central because families keep thinking about that. But they will never label it in the head as meta-governance."

Decoding Meta-Governance may prove crucial in enhancing Dynamic Durability, and may therefore become the new source of inspiration for family enterprise governance practice. So far, the field of family business has worked out the Balance Point Model, in which there are balancing points, aligning interests of various subsystems[47]. For example, family council balances the interests of family and the ownership subsystems, and the board of directors balances the interests of the ownership and business subsystems. But it remains unclear, how the balancing points (i.e., family council and the board of directors) seek the balance between one another. Theoretically, it is about cross-membership in these two structures, where the Meta-Governors sit in both the family council and the board of directors. During the data collection for our study, none of the interviewed practitioners explicitly refers to the **direct participation of Meta-Governors** as a source of Meta-Governance (which should be common in family folds in the first generation). We are, however, able to collect other ideas in what we call Meta-Governance, as outlined below:

- ***Drawing overarching principles to know how to determine the Scope, Function, and Composition of family, business, and ownership governance systems.*** In other words, it is about having rules and awareness of how families design their governance system. In this understanding, Meta-Governance is "deciding on how to decide," as Lisa Morel says.

- ***Steering by goals with the application of frameworks*** to provide "direction to the interactive governance processes and facilitate systematic auditing by allocating resources, defining the overall objectives, specifying the legal parameters and constructing the discursive storyline that frames the problem and the possible solutions".[48] Embracing this meaning of Meta-Governance, Patricia Angus defines it as an "awareness of the purpose". Andrew Hier gives a detailed and inspiring account on how to operationalize it:

> "One of the important aspects of Meta-Governance is, how are the governing entities inside a family enterprise monitoring what is happening and how effective are they in gaining insights and information about how the participants are responding to the governance? We have had very dramatic positive changes take place, because family councils, ownership councils, or the board of directors have initiated surveys. You must take the effort to absorb that information in an effective way. Then make use of it, be willing to respond, give the family members a sense that they are being heard, and that things are being done about what is important or reasons why change is not taking place. And then everything I have just talked about is the platform for meta-governance. It is making it a living system… It is self-monitoring and self-evaluation. We encourage board to have self-evaluation on a continuing basis. Here is a miniature form of meta-governance, which is at the end of every one of our meetings. We always like to go around the room in a formal way and say, 'What are your takeaways from this meeting? And what could we do better next time?' It is a continuously open invitation of learning about how we can improve. If you apply continuous improvement to all sessions, it is amazing what comes out of it."

Christian Stewart converges on the family's "licensing" (giving permission to) of self-evaluation processes in governance work:

> "Ask regular scaling questions, and have a feedback process, where you get everybody to go around the table and say, 'What is working? What is not working? What is missing?' It is giving explicit permission for a feedback process and explicitly asking people to think about how effective they are."

- ***Regulated self-regulation.*** Carmen Bianchi sees Meta-Governance at the individual (i.e., governor) level as a self-governing process, i.e., "introspectively how you govern the way you react and address yourself in a meeting." Joseph Strazzeri extends this thinking to the system level and talks about self-awareness coupled with the "license" given by others to self-monitor and self-regulate the system:

> "Does it [sic: the system] have self-awareness? Do we build in to be self-aware every year or every five years to relook at the promises we made to each other? Do we license that everybody has a voice but somebody has a decision? When we start a meeting or end the meeting, do we say are we all in alignment with what we are going to do? Are we going to live up to what we promised each other? It is the self-aware and license others to check in."

Even though Meta-Governance can be powerful, it presents some challenges. The practitioners taking part in our study raise the question whether families have sufficient *innate ability to reflect*. It is because every generation faces a different set of challenges, and their systems need to be ready to respond to different challenges than those that were created by their forefathers. Cultivating Meta-Governance without the assistance, guidance, or facilitation of a trusted advisor may therefore be formidable if not unrealistic task:

> "From my experience families do not know what they do not know. If they do not know what to be aware, then they cannot be aware." (John Broons)

> "The idea of being self-governing is a great aspiration. Realistically, as a family evolves, it needs to learn that the competencies, skills, and behaviors they will need change over time. For example, they are unlikely to learn how to make joint decision from the elder entrepreneur who created the financial wealth because that individual is unlikely to have experience in collaboration. A family needs a place to learn and grow new skills and capacities." (Mary Duke)

> "Meta-Governance is if you are aware of the rules in the family, and how the system works for you. And often you are aware of how it works. But you are not aware of other models or other ways to do it. Part of the Meta-Governance awareness would be when you are aware that this is one system of governance, but there can be other ones. And people use other ones. It is like levels of learning, learning how to learn, and meta-learning." (Dennis Jaffe)

We need more understanding of what Meta-Governance means in theory and in practice. To what degree can it play the role of "the invisible hand" of self-regulation of the governance system? What is the relationship between Meta-Governance and informal governance (see Box 6.1. for Ken McCracken's thoughts on *natural or informal governance*)? We hope that "borrowing" the concept of Meta-Governance from the political science and bringing it to the family business field will spark a wider discussion among family business advisors, scholars, and family businesses themselves.

Box 6.1.

Natural Governance as the Durable Form of Governance: Insights from Ken McCracken

My view is that every successful family business is well governed.

This statement is true of those that have formal structures, like a board of directors that meets regularly and includes non-executive members, and of those that have an owners' or family council as separate forums to address the interests of these stakeholders.

It applies to family businesses that have written policies to govern potentially sensitive areas such as paying dividends and employing family members, and those that have codified their governance in a written family constitution or charter.

The statement also covers every successful family business that thrives without formal governance, that does not have regular board meetings, or non-executives, or an owners' or family council, or any written, policies, constitution, or charter.

A successful family business is never a void in which no governance exists. Success is evidence of decisions being made that satisfy the different needs of owners, directors, managers, employees, and family members. Each of these stakeholders is reasonably clear what is expected of them and what they can expect of others, and all behave in a way that upholds their governance arrangements. Outsiders who are concerned about the lack of formality would be told that this should not be mistaken for a lack of order.

The fact that a successful family business can be governed *informally* contradicts the view that a lack of formal governance will lead to failure. This might happen occasionally, but some businesses that fail have all manner of formal governance in place, which means it is unbalanced to argue that success is always due to having formal governance and failure is attributable to its absence. It would make as much sense to state the opposite, that the presence of formal governance will lead to failure and its absence will contribute to success.

Faced with evidence that some family businesses thrive with formal governance and others prefer informality, it is only reasonable to conclude that there are different ways in which a successful family business can be governed, all of which deserve respect and attention.

It is essential to grasp that while some aspects of governance will be created deliberately, such as the legal documents needed to form a company, a partnership, or a trust, a significant part of governance is the by-product of innumerable interactions among stakeholders in a family business combined with many decisions that are made in response to events. Over time this process generates customary practices that are accepted as an effective way of governing the family business. In reality, every day a family business makes decisions that have an effect on governance without ever being able to articulate the rules that guide their decision making.

Source: Ken McCracken

6.2. GOVERNANCE INNOVATION

Governance innovation can take place naturally and without any external support as soon as entrepreneurial families see inadequacy in the current system. However, advisory intervention may be necessary in entrepreneurial families which have yet to develop a strong self-reflection and self-regulation of their governance system. We observe five ways advisors injected innovation to the governance system to support entrepreneurial families to pursue Dynamic Durability in their governance system.

First, to innovate, advisors need critical reflection on their own practices. In the course of maturing of the family business field, we have encountered numerous examples of not fully thought-through practices. For example, why still some family business advisors draft an "80-page long constitution" in a family that may not even be ready to read it, let alone regularly update it? Therefore, a critical reflection of "fit-for-purpose" is the basic advisory skill every practitioner in our field shall train on and bear in mind:

> "Advisors want to write the story for the family, on everything from employment policies to social media. But then suddenly they realize that they are addressing issues that are not there. And it sometimes can have a negative consequence. It is almost like building a Taj Mahal, when somebody said, 'I only want a basic house.'" (Kirby Rosplock)

> "One of the things we as advisors need to be extremely careful about is not overburdening a family with governance structures. It is easy when you get in the room and talk about, 'We will set up this committee. We will have this test. We are going to have a gathering of this.' The reality is: it needs to be right sized to what the family needs at the time. And it may be that it needs to be cut back to simplify these structures." (Mary Duke)

Second, reframing existing practices can provide an easy access to innovation. In one of his client cases, Dennis Jaffe frames the establishment of a family council as an "experiment" to reduce anxiety in the governance system. In that sense, family council becomes an innovation. However, trying and failing to innovate is a good reframing practice, too. In reframing a practice, the socio-technical fit is important. Linda Salim gave a great example of what does not belong: "I was trying to replicate Sunday family dinner on Zoom, and it did not work."

Innovation can also be "forced" by lowering the hurdle of revision of the existing practices. Mary Duke describes two very hands-on ways she encourages governance innovation:

> "I always add two provisions to any policy or rule set that a family might be working on. First is to have an easy process for initiating an amendment, allowing pretty much any family member to suggest an amendment after which the body would consider and use its established decision-making mechanism to agree any amendment. Second is to add a 'sunset' provision, which basically says 'this policy will expire on x date, or in three years, unless the family considers and re-instates it. By enforcing a sunset like that,

> it really makes the family routinely check back and say, 'Is this still the way we want to continue to be together in this work? Is this still serving us as intended?'"

Third, governance innovation often comes from freedom and space to explore and create. Greg McCann advocates the use of creative "white space", the quality time for reflection with a trusted person, and stressed on exposure to other professional areas and disciplines. A few thoughts on governance innovation from Greg McCann are as follows:

- "Governance is about looking way down the road, looking at trends, thinking about how some innovation totally outside of your field might impact this."
- "A mentor of mine, an expert on innovation, puts forth this challenge: If you are not spending 25% of your professional time outside of your field, you are not spending enough time outside of your professional field."
- "You do not have to be the innovator for your clients. But you have to challenge them to get outside of their bubble."

Fourth, applying new theoretical lenses to governance may sparkle innovation. It is important to look at the current governance through new theoretical lenses, such as stakeholder capitalism or circular economy, which may seem not to be compatible with governance at the first glance.

Patricia Angus reutters the importance of "stakeholdership" versus "shareholdership" in governance work. She believes that family governance may often be used to isolate and insulate wealthy families from society rather than integrate them into it[49]. Patricia Angus challenges governance institutions that families build from this stakeholder perspective:

> "You have a whole generation of people who are skeptical of institutions[50]. They are talking about that publicly. Will they also be skeptical of institutions and families? Are some families and advisors trying to create models that are really built for yesterday's generation as opposed to tomorrow's generation?"

The focus, shifting towards "**stakeholdership**", urges us to rethink the relationship of the elements of the governance system with sustainability and United Nations' Sustainable Development Goals. Christian Stewart appropriately asks:

> "Where do we put climate change into the Family Balance Sheet? Where do we put our connection with nature into the Family Balance Sheet? There is more of a wake-up call now. If we have tools for measuring how well the family is going, we need to start thinking about how we can expand those tools to think about sustaining society, environment, and climate."

Philip Marcovici advocates the **circularity** mindset in family enterprise governance. The major premise of the circular economy is to avoid wasting resources. These principles are part of work Philip Marcovici is doing to apply the principles of the circular economy to families and family businesses themselves. Only one example would be that instead of having an exit with somebody who can walk out the door, he advises that families should build "a revolving door" in their governance mechanisms, which can change how this changes how shareholders agreements and trust arrangements are drafted. Philip Marcovici explains:

> "Instead of an exit, you can distance yourself from the family business, but the door is always open for your children and grandchildren and even for you to come back. That concept changes the financial arrangement when somebody exits because you do not have to pay them as much, or you pay them nothing, because their children can always come back in. It creates a different mindset in how you look at governance."

Fifth, innovation comes from creative and diverse minds who also have the power to execute. Families have a natural repository of divergent creativity: their rising generations have a natural potential to represent diverging views, especially compared to the generation-in-power. Even though these divergent views and creativity are awaiting to be unleashed, it cannot be done just by simple "injection" of the rising generation into the governance system. Denise Kenyon-Rouvinez pays attention to various questions that families and their advisors should ask to embark on the route of the thoughtful governance innovation:

> "What is our key role? Who do we have as people / true talent? Who has the courage to challenge? Do we have people who are visionaries? How often do we need to change our governance system? How do we work with our current system? How much autonomy do we give to management? How do we empower people?"

Governance shall embrace the contemporary trends and respond adequately to them. For example, a global trend that challenges the old-fashioned governance is the increasing human longevity and intergenerational stacking (see Box 6.2).

Box 6.2.

Managing Human Longevity and Intergenerational Stacking

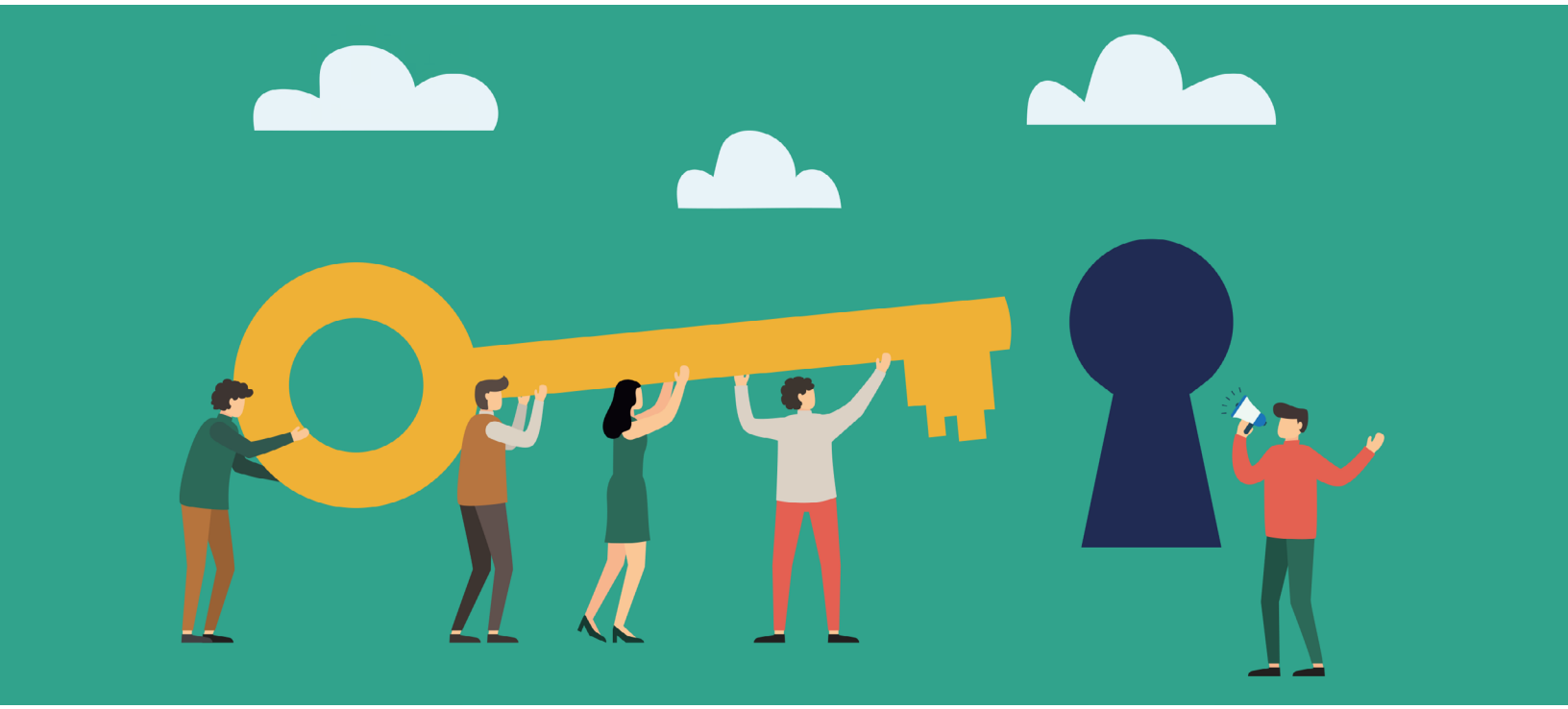
The ever-increasing human life expectancy, ironically, becomes one of the "disruptive" forces in governance systems. Designed for much shorter lifespans, governance that functioned effectively in the past may no longer be applicable due to the extended time overlaps between two or even three generations (as such we shall no

longer speak about “father-to-son” succession but rather replace it with “father-to-grandson” succession). Because the rising generation does not want to wait very long for their turn to take the lead, co-governance becomes an emerging trend. Co-governance has also additional benefits such as leveraging the wisdom of the many elders and several generations. Below we summarize the wisdom of the leading practitioners who tackle this disruption:

- ***Support self-governance in the rising generation***: “This is very powerful, get organized themselves, and they start doing things together. They are not waiting for sanction from the current generation. They are solving governance issues within their own generation.” (Andrew Hier)
- ***Cultivate emerging committees and task forces***: “We encourage any governance model to build bridges of communication and collaboration between generations, and any governing body to be representative. That said, within the process, it might be helpful on some occasions to create task forces. This could mean each generation working together in a committee to develop insights, plans, and ideas to present to the larger group.” (Lisa Morel)
- ***Rethink retirement***: “We must rethink the term retirement planning, which is not going to happen at 60. How do we support individuals to rethink a new stage in their lives? How do we have constructive conversations of how and where they want to add the most value, and if they are willing to be generous and create space for others? These are valid questions.” (Lisa Morel)
- ***Develop wise elders***: “We live in a society where people become old. But we do not want people to become old; we want people to become elders and sages in the family to grow and deepen their experience.” (Christian Stewart)
- ***Offer psychological support for the elders***: “We need to have activities for the seniors. Sometimes they feel jealous about the activities that the young people have.” (Borja Raventos Saenz)

As a concluding remark, we would like to remind that there is no one-fit governance model, and that governance must remain specific to individual families’ needs and challenges. It shall therefore reflect the idiosyncrasies of the focal family: it shall be family- and problem-specific.

7. KEY TAKEAWAYS



The pursuit of Dynamic Durability is similar to running a governance marathon. With necessary training and preparation, many entrepreneurial families can succeed in nurturing Dynamic Durability. The fundamental premise of Dynamic Durability is to keep the governance system open, alive, organized, and adaptable for change. Durable governance is the regular practice of a *fixed* set of well-referenced Guiding Principles, Structures, Policies, and Practices. Dynamic Durability is the regular practice of well-referenced and adaptable Guiding Principles, Structures, Policies, and Practices for *change*.

In our pursuit of the understanding of Dynamic Durability in governance systems, we were deeply inspired by the wisdom of our generous informants. Thanks to their input, we developed the G-SMART model. It denotes the five building blocks of Dynamic Durability, namely (i) Space, (ii) Multi-Role Participation, (iii) Alignment, (iv) Regeneration, and (v) Tackling Legitimacy, and contains 15 constituent elements. When these building blocks are arranged into the Guiding Principles, Structures, Policies, and Practices, depicted in the Dynamic Durability Cone, the G-SMART model offers a framework for families and their advisors to critically review their current governance and identify areas of development necessary for the long run. We strongly believe that every entrepreneurial family is unique, with a different trajectory of narrated past, present, and aspired future. Instead of proposing a prescriptive model, we trust that families are SMART enough to (re)activate the developmental processes of relevant building blocks in their own governance systems, especially when they are facilitated and guided by their advisors.

The processes of Sensemaking, Storytelling, and Family Learning & Development may have certain overlaps, so do the relevant roles of advisors, in particular “Mediators of Sensemaking”, “Facilitators of Family Narratives”, and “Learning System Enhancers”. All involve balancing between continuity and change, facilitating change as the norm, mindfully articulating perceptions, interpretations, stories, and learnings between individual and entrepreneurial family as a collective. Repeatedly, we must underline the importance of not replacing the work that needs to be done by the family. Advisors are like coaches in a marathon, and they cannot substitute the runners.

We see both opportunities and risks as the family business field matures. Gladly, families and advisors can benefit from experience of successes and failures of other entrepreneurial families from the past three to four decades. However, advisors must be conscious of obsolete and “over-sized” practices. To us, the best practice of advising is to come into every advisory assignment as if it were the first one, in which the attention is paid to tailor the advice to uniquely fit the client. At the same time, advisors must be innovative to make family business advisory a sustainable profession. In an increasingly complex world, advisors must learn to be utmost versatile by constantly exposing themselves to knowledge from different disciplines. To us and to many of those who shared their wisdom in this research, the ultimate advisory goal is to set the client families on their own feet, enabling them to overcome different disruptions they may face, working ourselves out of a job. This is, perhaps, the true meaning of Dynamic Durability in our advisory work.

Instead of summarizing each chapter of this report, we would like to share our own takeaways – those “eureka” moments – from our research process.

1. Governance is about *problem solving*. However, our role as advisors is not to put a solution to the problem, but to ask, “What are the problems you want to solve?” This way we allow the governance system and our advisory practice to evolve with the needs of the client families.

2. Optimization of social practice and technical components in governance systems is *equifinal*. Families are heterogeneous, and they may achieve the same building block of Dynamic Durability in different pathways. They may even be using different methods in the past, present, and future.

3. “You can’t make sense of what’s happening in the world, because it doesn’t make any sense right now.” Dennis Jaffe’s quote makes perfect sense for us. Making sense out of nonsense is a social process. The important thing is: families and their advisors can leverage off different perspectives to make sense of what happens in the environment.

4. Remember the importance of *negotiation* in governance work. This is a skill that the rising generation should learn in their families. The challenge is, however, how an advisor could ask the parents (or the older generation) to negotiate in front of their children, especially under the influence of the social expectation that the parents are supposed to be harmonious?

5. Pay attention to *stories that are told*, and more importantly, *stories that are not told*. Work on both.

6. Be *curious*. Curiosity is not only beneficial to advisors who by asking questions get a better understanding of the family, it also helps the family understand themselves better. It is easier than you think. Start saying: "Can you help me understand what you have said?"

7. "*Learning, learning, learning, evolving, evolving, growing!"* We like the wisdom of the journey Mary Duke builds in this simple advice, encapsulated just in one sentence. It is valid for both families and their advisors.

8. Be aware of your *personal biases* in your governance work. If you cannot get rid of this, get someone else to do it together with you.

9. Be *creative and innovative*! It starts off with envisioning the future of the family business field. Start with envisioning the future of our client families and the future of the rising-generation advisors.

10. "We are in an industry that is extremely fragmented. What is missing is an official knowledge-sharing platform, bridging the consultants to share their experiences," says Gregoire Imfeld. So simply share your knowledge! Because community learning follows the principle of co-creation and co-evolution, we invite you to capture what you have learn below and then reach out to the wider community and share your learnings.

Box 7.1.

Your Learning Matters!

We hope that you enjoyed reading this report. We also hope that you can apply some of the learnings in your work with entrepreneurial families. Last but not least, we hope you can share some of your “eureka” moments with the family business community **by submitting an article at ffipractitioner.org**

The Advisor’s Toolbox

Videos accompanying this report will be available in 2022

APPENDIX I. RESEARCH METHODOLOGY

- Responding to the call for proposal on "The Role of the Advisor in Fostering Family Enterprise Governance Durability" by the 2086 Society and the Family Firm Institute (FFI), this study addressed the overarching question of "How do advisors secure a durable governance system with entrepreneurial families amid disruptions?" Given that governance durability was a new concept, we adopted a qualitative approach with a two-stage design, where the first phase involved two focus groups, and the second phase involved in-depth interviews. The design offered a rich picture of the complex governance issues, situated in the nexus of ongoing disruptions. It also afforded thick descriptions to understand what governance durability means from the advisors' perspective. A more relevant concept of Dynamic Durability emerged in the research process. We attempted to address the question of "how" entrepreneurial families nurtured Dynamic Durability in their governance systems with the support of their advisors.

- To understand how governance systems evolved and what were the roles of the advisors in this evolution, we held two focus groups with 12 and 10 FFI members in mid-December 2020 and early January 2021 respectively. Prior to the focus groups, the research team conducted a literature review on the topics of "governance", "system durability", "disruption/crisis management", and "family business advisory" and prepared a list of focus groups questions. The informants were from different geographical regions (12 in Asia; 5 in Europe; 3 in North America; 1 in Latin America; and 1 in Africa; 5 of the participants had a family business background). Each of the semi-structured focus groups lasted for about 1.5 hours and were conducted virtually, via Zoom. The discussions were recorded and transcribed verbatim by Otter.ai. The first author listened to relevant audios and checked the transcripts to ensure that necessary subtleties were retained. Data from the focus groups were strongly influenced by the COVID-19 pandemic. "Risk" was a repeated label mentioned during these focus groups. The concepts of "Sensemaking", "Storytelling", and "Family Learning & Development" emerged from the two focus groups.

- To explore what constituted a durable governance system less anchored in the pandemic, we conducted a set of interviews with senior members of FFI, mostly its Fellows, Awards recipients, and/or its GEN faculty members in September 2021 (it was the time when the pandemic was more seen as "normalized"). Semi-structured interviews were conducted based on a list of questions drafted from the emerging themes from the focus groups, and from a wider literature search. A total of 25 interviews, which involved 29 participants, were arranged (22 individual interviews; and 3 small group interviews with 2 to 3 participants). Each interview lasted on average one hour. In addition, 4 participants submitted their responses in writing. Out of the 33 contributors, 13 participants had a family business background. The interviewees were based in different geographical regions (17 in North America; 8 in Asia; 7 in Europe; and 1 in the Middle East). Again, all interviews were recorded and transcribed verbatim by Otter.ai, and the transcripts were checked for accuracy.

- Thematic analysis was adopted to analyze the data. A rich thematic description of the entire dataset was conducted because pertinent factors affecting Dynamic Durability had been not well known. Initially, the first author familiarized himself with the dataset to grasp a holistic understanding of the data, and then the coding began. The whole process of coding, categorizing, concept mapping, and theme generation remained open to incorporate emerging themes. In the process, new observations might have emerged, prompting literature review to refine the codes. Different codes were then collated into tentative themes. Presence of coded extracts incompatible with the tentative themes or overlapping themes drove recoding or redefining of the tentative themes. As such, iterative coding led to recurring patterns grounded in the data. In case of a doubt, the second author was consulted. These robust themes were defined and named to capture the constructs behind. Vivid examples of relevant themes were extracted and shown in this Report.

- Below are the questions explored in the two phases of our research.

Focus group questions	December 2020	January 2021
How do you perceive your role as a family business/wealth advisor in general? Does the pandemic change your role perception?	X	X
What do you bring home to client families as they go through the crisis?		X
Where are your client families now in the pandemic? What change do you bring to them as they go through the crisis?	X	X
Do you think family governance works and prepares families for unexpected disruptions? What governance practices we know of should be changed in the face of the pandemic?	X	X
How do the family and corporate governance systems work together to help families navigate through the uncharted waters?	X	
Is interaction compromised in your governance/wealth planning work in the pandemic? How do you overcome the relevant challenges?		X
Do you observe a changing mentality/role of business/wealth owners?	X	X
What do you see your client families learn from the current crisis?	X	X
How do you overcome the relevant challenges?		X
What do you see as a piece of advice which is highly valuable to your client families but ironically rarely gets accepted?	X	X
What and how do your client families learn from the current crisis? How do you facilitate the learning?		X
What kind of tools are missing in our field that will help you secure a durable governance system for client families?		X

In-depth interview questions (September 2021)

1. What do you understand by the term “governance durability”? What are the building blocks of a durable governance system?
2. How do you help families build / nurture durability in their governance system? Is this a relevant consideration in your practice?
3. What kind of stories usually come up in families with a durable governance system? How do you and your client families analyze and leverage on these stories?
4. How does a governance system help families make sense of their internal and external environment? What is your role as an advisor in this sensemaking process?
5. How would you describe the learning pattern in families with a durable governance system? In your practice, how do you bring family learning and governance together? Or do you see them as separate domains?

ABOUT THE RESEARCH TEAM

Jeremy Cheng, FFI Fellow, ACFBA, ACFWA, is a researcher at the Center for Family Business at The Chinese University of Hong Kong. He is a member of the Global Survey/Case Committee of the STEP Project Global Consortium. He serves the Family Firm Institute (FFI) as Founding Chair of its Asian Circle, GEN faculty member, and member of the Research Applied Board of *Family Business Review*, and is a proud recipient of the Barbara Hollander Award in 2021. His research focuses on governance, family office, transgenerational entrepreneurship, and family advisory practices. To inform his research, Jeremy advises a few Asian families.

Kevin Au, PhD, FFI Fellow, ACFBA, is a management professor and directs both Center for Family Business and Center for Entrepreneurship at The Chinese University of Hong Kong. In addition to his academic roles, Kevin advises entrepreneurial families and startups, and serves formerly or currently as director of FFI and STEP and as member of government committees in small businesses and social innovation.

Marta Widz, PhD, is a member of FFI, IFERA, and AOM and was the Co-Chair of the 2020 FFI Global Conference's Program Committee. A specialist in governance, sustainability, and family offices, she has worked with large, global, and multigenerational family businesses as researcher, educator, and advisor. She is currently serving as Director, Family Office Research at the Wealth Management Institute in Singapore, Affiliated Faculty at the Family Business Institute of the University of Vermont, and Executive in Residence at INSEAD. She had obtained her PhD at the Center for Family Business at the University of St. Gallen, Switzerland, and was Research Fellow at the IMD Business School in Lausanne, Switzerland.

Marshall Jen is an Honorary Project Director for CUHK Center for Family Business. His research focuses on leadership development and mentorship for rising-generation members in family businesses. A rising-generation member of a listed family firm in Hong Kong himself, Marshall designs and teaches educational programs, and trains mentors for growing rising-generation power.

FOOTNOTES

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All errors rest with the authors.

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