



# Family Governance

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Lessons from Families Who  
Have It Figured Out



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## Lessons from Families Who Have It Figured Out

Family governance varies depending on each family's culture, circumstances, and shared history. As a result, there is no universal approach that every family can adopt. Instead, each family must develop its own policies and procedures that reflect their distinct values and aspirations. Even so, there are several essential principles of governance that apply to multigenerational families who aspire to be conscientious stewards of their family wealth. As you think about why family governance is necessary, how to get started, and which practices tend to work well, consider the following:

- Don't rush the process—the journey matters more than the ultimate destination.
- Remember to have fun together.
- Communicate, communicate, communicate.
- Rising-generation leadership opportunities are critical to developing future wealth stewards.
- Governance should evolve as the family evolves. It's never “one-and-done”.

Experts often hear the question, “What are other families doing?” While each family's situation is different, this paper highlights key considerations when it comes to the opportunities and challenges of family governance. Our exclusive research captures intimate personal experiences from a curated group of family representatives, including different generations and families dating back to 1870.

We also include insights from advisors with over 90 years of combined expertise. More specifically, we speak with:

- **Doug Baumuel**, a thought leader on conflict and understanding family businesses;
- **Alan Heath**, a trusted advisor to many family offices and trust companies;
- **Dave Ciambella**, a succession advisor focusing on the myriad of planning issues families face; and
- **Emily Neubert**, Director of Family Governance at Bernstein Private Wealth Management.

### Participating Family Voices<sup>1</sup>



**2nd Generation**—daughter, overseeing initial family governance setup.



**5th Generation (“A”)**—serves on the board of directors for the family business and family council.



**5th Generation (“B”)**—serves on the board of directors for the family business, works as an attorney.



**5th Generation (“C”)**—member of the advisory committee and nomination and governance committee, works as an attorney.



**6th Generation**—married in, member of the family council.



**7th Generation**—serves on the board of directors for the shareholder company, an executive member of the family council, runs a personal business.

<sup>1</sup> Full biographies are included in the Appendix.



## What is family governance?

Family governance refers to the framework of interlocking principles, structures, policies, and practices that families use to make collective decisions. As families grow, governance provides a roadmap to organize a multi-branch, multigenerational family, and is implemented through various documents and systems that guide wealth transitions. Ultimately, the reward for families who dedicate time and commitment to structuring a sound governance framework is a unified, sustainable family enterprise that preserves values and safeguards the family legacy for future generations.

Many components of family governance are referenced in the following interview responses. The first paper in our governance series, [“Ties That Bind: How Sound Governance Supports Family Success.”](#) explores these concepts in greater detail.

*Throughout this whitepaper, when we discuss governance, we are focusing on family governance. For families that own and operate companies or family offices together, corporate governance is of equal importance, but is not addressed in this paper.*

### Governing the Family

**Q. At Bernstein, we work closely with families to understand the power of governance in successfully stewarding wealth through multiple generations. Can you speak to the role governance has played in getting your family to where it is today and what it means to you?**

**5th Gen—B:** With early generations, business decisions were made around the family dinner table. There was no difference in governance between our family and the business, and it was hard to separate [the two]. When everyone could sit around the table, we could operate that way. But as time passed and the family grew, it was no longer practical, and our family governance needed to be formalized. If we didn't have the organization and the

ongoing meetings, we would lose connectivity with so many family members. Governance keeps us organized and gets everyone together. It also helps us have difficult conversations as a group and allows the younger members to see that it's okay to disagree, make a decision, move on, and stay connected as a family.

**5th Gen—A:** We realized early on that staying organized and being able to keep the business family-owned is something we value very much. And the only way to really create that glue is to have a robust governance structure that encourages participation and development—and that allows members of the family to learn about the company and feel engaged with it.

### Expert Insights

**Alan Heath:** Governance is critical to the stability of families of wealth—especially if they are looking for a smooth transition as they go along from one generation to the next. A good governance system can facilitate the family and assist it in dealing with the rapidly changing environments that we find ourselves in today. And it can help a family move out of its comfort zone to address change, which is constant. It can also turn our beliefs, principles, and values into action.

**Dave Ciambella:** Good governance, a unified vision, and transparent communication position a family and family business to thrive, grow, and prosper...and it fosters an environment that helps preserve and improve family relationships. When families are willing to invest in the process and the creation of policies, it's because they care about the family and relationships, and they want to make sure those are protected and preserved moving forward.

**2nd Gen:** It means a lot to us in terms of control, getting things done, accountability, and consistency with our values, because through governance you ensure things are happening. Governance provides the very necessary way to have checks and balances. We believe scenario planning is one of the most powerful tools in our governance system. It captures everything from building human capital to maintaining the 25-year family financial plan. But you're also creating a record for future generations.

**5th Gen—C:** Our family recognized that getting out in front of tax issues and doing estate planning was table stakes. We understood that if we didn't think about governance and how we were going to make decisions in the future, how circumstances could change and how governance structures should change, then all the good tax planning would be undone. We believe governance is just as important as the tax piece, if not more important.

Governance helps us have difficult conversations as a group while allowing younger members to see that it's okay to disagree, make a decision, move on, and stay connected.

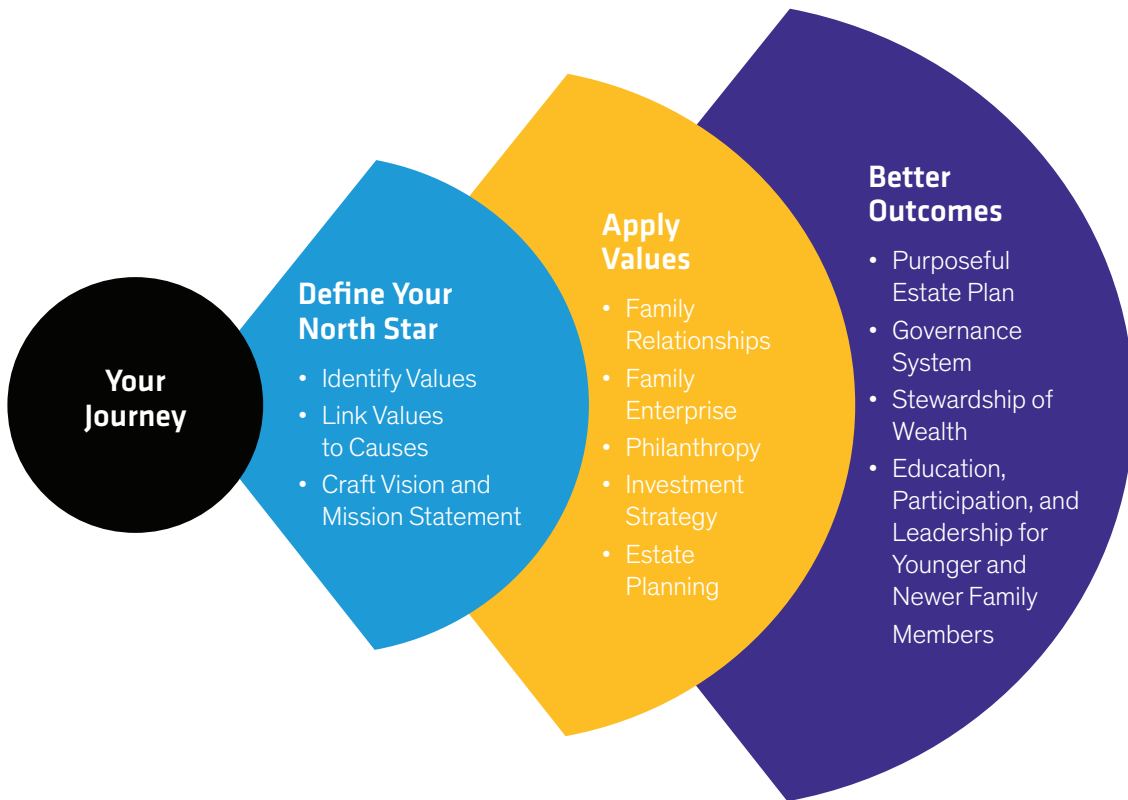


**Q. It can be overwhelming to know where to start when crafting the right governance structures, policies, and procedures. Bernstein believes a critical first step is defining the family and determining what is most important, beginning with articulating and prioritizing values (Display). Can you speak to the role values and purpose play in your family?**

**7th Gen:** I wouldn't be in a position to speak about governance if someone wasn't really intentional about what our values are. We are about family, about gathering, and it's about keeping us together. If values weren't at the heart of our family, we probably wouldn't interact with each other, just because we're so different. Instead, we are deeply entrenched in conservation and stewardship, as it relates to taking care of the community, treating humans with dignity, and being leaders in the community where I grew up. Our purpose is written first in our constitution<sup>2</sup>, it is read at the top of every meeting, and everyone has a copy of it.

It's helpful to have a common language so as we grow and expand, there's still a common thread and link connecting everyone and the family to the business.

**CORE VALUES ARE KEY FOR THE SUCCESS OF A FAMILY AND FAMILY BUSINESS**



<sup>2</sup> A constitution is a formal document that outlines the agreements, policies, and expectations that govern family interactions and decision-making.

**2nd Gen:** Our family values are deeply embedded in how we conduct business and how we conduct family life. Articulating them took us three years. We did an initial pass the first year, then revisited them six months later, did a major repositioning, let them sit for six more months, then reviewed them again. At year three and a half, we agreed we were done, and set a plan to revisit them in five years. We believe human capital trumps economic capital...so, we're always thinking through what values are most important to us.

**5th Gen—A:** We developed a set of family principles long ago, the family council communicated them to the corporate board, and they are plastered over every wall, in every office of the company, and at every manufacturing plant. These principles are a guiding, living document for us to reference. It's helpful to have a common language so as we grow and expand, there's still a common thread and link connecting everyone in the family to the business.

## Family Governance in Action

**Q. In Bernstein's work with families, we've seen the transition from third generation to fourth generation as a pivotal one in the evolution of a business family and how they establish family governance. Does this apply to your family and if so, what was the evolution like?**

**5th Gen—A:** Through our third generation, so many family members were also members of management and on the board of the business, that there was an implicit connection between the family and the company. It wasn't until the fourth generation where there was suddenly a sizable group of family that didn't have a connection and didn't feel a meaningful tie to the company. At that time, the family CEO began studying family governance and teaching the family about the benefits, and I think that provided a solid foundation for us to establish it.

**5th Gen—C:** In the first, second, and third generations, there was one person that made all the decisions. That started to change in generation four and was bifurcated a bit, when the corporate board's role separated from the president's role, and there were a lot more family members involved in the company and the foundation. At one point, the 3rd generation said to the 4th, "This is going to be yours one day. There's a lot of you already and you're going to have to make decisions in the future. We're here to help but it's on you to do whatever you think you need to do." That was about 25 years ago. We identified that things were going to keep changing, and faster, and we needed to get out in front of it. We started by creating a family council. (The family's equivalent to the corporate board.)<sup>3</sup>

**6th Gen:** There was a natural cohesiveness that brought the family together that was disappearing. We realized the business and family wouldn't make it to generation four, five, or six without some thoughtful people who were really considering the next generation and stewardship—and the idea that you are a steward of the company while you are living, and an owner of it, with the goal to pass it along. Today, the family is very clear that the intention is to keep it a family-owned business, and that doesn't happen without both corporate and family governance. So about 15 years ago, we formed the family council to begin separating the family from the business.

## Expert Insights

**Doug Baumuel:** When you have a clear focus and clear purpose...you get buy in, you get commitment, and you get people putting in the effort. If governance doesn't serve a purpose, it's likely to get off on the wrong foot. In those cases, family members get frustrated, and it can lead to a lack of participation.

We realized the business and family wouldn't make it to generation four, five, or six without some thoughtful people who were really considering the next generation and stewardship...

## Expert Insights

**Ciambella:** We worked with a family where when the 3rd generation passed, the 4th generation approached us to help develop a strategic plan for their business. However, we learned they didn't have a lot of family policy in place or a real separation between the business and the family. A lot of the family members from the fourth generation were young and none of them were active in the business, creating a breakdown in communication. So first, we started with family governance and helped them establish a forum for communication and collaboration.

<sup>3</sup> The family council is a governance structure composed of family members focusing on family matters. In most cases, the family council acts as an intermediary between the family and a family office and/or family business, promoting communication, providing a safe harbor for conflict resolution, and educating the rising generation. Family council mandates should be customized to the family.

## Expert Insights—What advice do you have for families who are just getting started?

**Heath:** Families need to think about what they’re trying to accomplish, and what the purpose of the governance process is going to be. This generates a conversation and discussion about the basics of family governance and about the needed family policies and practices. Families need to talk about the kind of things they want to see guiding the family in the future.

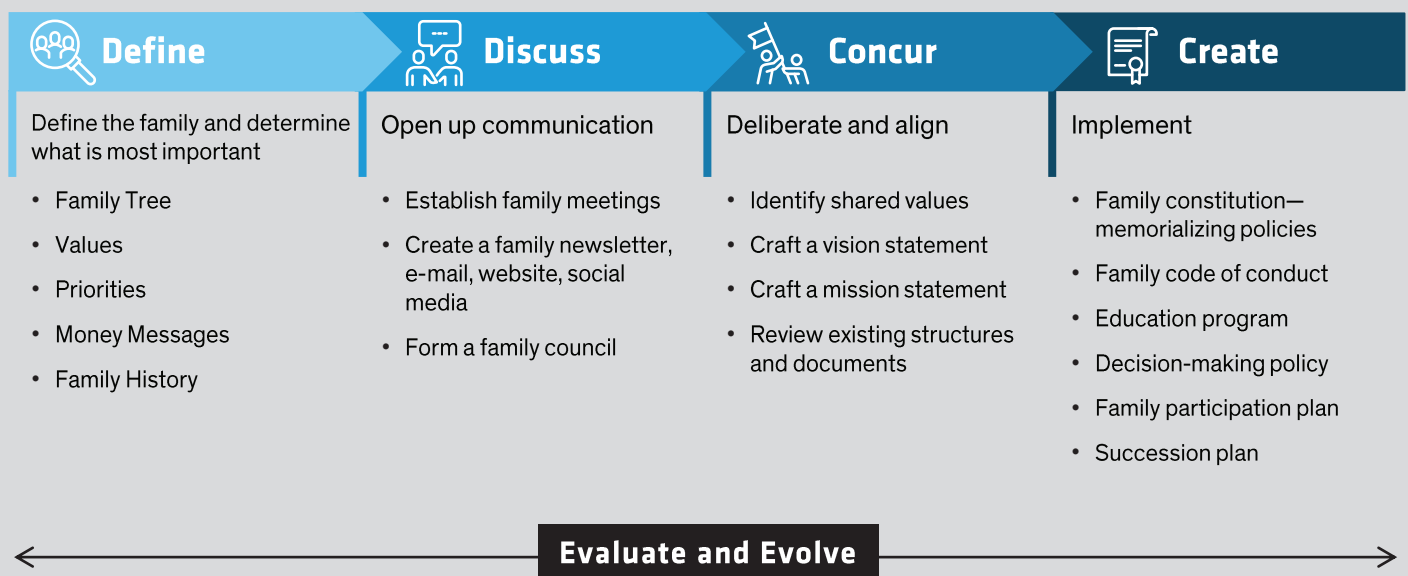
**Ciambella:** Open the lines of communication by establishing a forum for communication and help the family understand why family governance is important and what their role is in helping establish policy. So, setting the stage and having a healthy forum is a primary step. Once that’s established, families need to discuss what’s important to them and what their vision is for the family, like how they want to leverage the family’s wealth and the family’s resources.

**Baumoel:** Start with purpose. Why are you doing this? Is it because of history? Because of future concerns or transition? A bad place to start is because you read an article that said it might be a good idea. Put in the time it takes to do it right. That means avoiding a “fill in the blank” constitution and instead, sitting down, believing in, and leveraging facilitation for developing governance. When you’re in the room with someone who has done this, they can create real value to the families that are at the table and help them avoid landmines and dead ends.

**Neubert:** You start with examining and acknowledging existing family patterns. Take the time to identify what your family is good at and where there are challenges. This is a great way to evaluate what might be possible. More importantly, during that process you’re building a strong foundation for future collaboration and process creation (*Display*).

## THERE IS NO “ONE SIZE FITS ALL” SOLUTION

Bernstein's process



**Expert Insights—Investing the time and energy to implement governance helps families prepare for and navigate decisions before they become challenging. What can you tell families about the time commitment that may be involved?**

**Heath:** Don't feel that governance needs to be created all at once. It can be done in stages, and it is really the process of working through this that is most important, rather than the deliverable. It depends on how families work together and how efficient they are...to get it done right it requires some discipline and a schedule everyone can agree to. Some families can get it done in a 12-month period, but others might take as much as 18 to 24 months. You have to put work groups together. You have to get people's schedules straight and you don't benefit from rushing the process.

**Baumael:** Allow a year. That doesn't mean a year of full-time work, but a year to learn what is involved. A year to cogitate on what kind of things you want to include in family governance; to work out some ideas, maybe pressure-test some ideas, some policies, and have time to react, change, and evolve, and to learn governance. Governance is more of a journey than a destination. It takes time for people to truly grasp the goal and the scope of governance.

**Neubert:** There's no quick, simple answer to creating a family governance framework. It depends on the family's commitment to the process, but on average it can take a year or two. Being thoughtful about defining what the family truly needs and helping them create it is most important.

**Q. The range of complicated needs and decisions varies between families and as a result, there is no “one-size-fits-all” solution. Can you speak to the different governance structures your family currently has in place and what some of their responsibilities are?**

**6th Gen:** We have three primary governance structures. One on the corporate side...a corporate board with 11 board members, six independent and five family members. Then we have a family council, which acts as a liaison between the business and the family and hosts annual shareholder meetings and other events that are more family oriented. The last piece is an Owner's Council,<sup>4</sup> focused on education...and has four parts, business education...what's going on in the business, ownership education...and expectations for being part of a family enterprise, self-development, and family history.

**5th Gen—B:** We have the business, which has its own governance. And we have the family, which has the family council and the steering committee of the council, which gets things done. The steering committee members serve for three years and are encouraged to serve for two terms. Then there's the family ownership group, which is the voice communicating directly with the business. Requests come through one voice to the business, and the business communicates to the greater group of family shareholders.

**5th Gen—A:** Our family council is all family members aged 16 and older, which includes spouses, stepchildren, adopted children, etc. It's one person, one vote. Currently we have a board structure with two supporting elected subcommittees—the Education and Development (E&D) committee and the

Nominating and Evaluation (N&E) committee—and then we have a philanthropy committee. Our family council board, the N&E and E&D committees each have six members that are elected. The philanthropy committee is all volunteer.

**2nd Gen:** We have four committees. Initially we set up a Human Capital Distribution Committee (HCDC) and the Economic Stewardship Committee (ESC). Each committee has three outsiders, my brother and me, and we meet formally in person. The ESC meets quarterly, in person, and over the phone in between. The HCDC meets two to three times a year, depending on what's happening, and over the phone if needed. The other two committees are advisory, the Human Capital Advisory Committee (HCAC) and the Economic Stewardship Advisory Committee (ESAC)...the real work, the real thinking, the real strategy, is at the advisory level, and then we feed the advisor input into the formal legal structures.

**Expert Insights**

**Heath:** Remember that not every family needs a completely formulated formal governance process. Every family is different, and governance processes have to be tailored to the family. Not every family needs a family council or family assembly, but they may need another structure and process to help them get organized and to have best practices.

<sup>4</sup> The owner's council is an additional structure that sits alongside, or under, the family council. It can manage member relationships, motivations, and convey family owners' interests in an organized way to the corporate board.



**Q. At Bernstein, we define family governance as the system of structures, policies, and procedures that families use to make collaborative decisions. Can you share an example of a key decision your family made, the role governance played, and what the process looked like?**

**5th Gen—C:** Years ago, we considered selling legacy stock in the company. Before we could get comfortable selling it, we developed a plan for what would need to happen if we were to sell it, what kind of family vote we needed, and what we would do with the proceeds. At the time, the plan was to sell legacy stock and distribute cash to the family. So, in our initial vote, we didn't get to the threshold to sell it. We went back to the family and asked, "Why exactly do you not want to do this?" We learned a lot of family were fine selling the stock but didn't want to distribute cash out of the company...they didn't want children to have access to that much cash. We used that information, revised our plan, and voted again. Since then, anytime we sell stock, we leave the proceeds in the company...it solved the problem.

**5th Gen—A:** First, you have to account for things moving at a glacial pace sometimes because buy-in from the family is important. Our current restructuring proposal started in a governance study group, then we introduced the topic to the family with an educational forum...the point was to talk about the value of governance and why we have it to begin with. To make a change, you have to remind people "Why?"...and that it needs to be dynamic...highlighting to the family that a change may be necessary. Next, we brought ideas to the annual shareholder meeting and received opinions and feedback from the family to nail down what a viable structure might look like for our family. At the next family meeting, we will present a new structure that will hopefully be ratified by the family.

**7th Gen:** We wanted to rework our asset allocation and needed to renegotiate the terms with the investment committee and align on how we were thinking about diversifying out of what had been our "bread and butter" for over 50 years. So, we formed a committee, and they were responsible for doing due diligence and discovering all the options. Then they had to come back and present everything to the finance committee. Next, the finance committee brought it to the shareholders, the shareholders got time to think about it and submit questions back. Our family needs to reach a 75% consensus to make any decisions. In this case, it passed, and we adjusted things, but the whole process took four years.

To make a change, you have to remind people "Why?"



## Cultivating Relationships and Communication

**Q. When structured intentionally, a family gathering that includes opportunities for fun and bonding can nurture and strengthen family relationships. How does your family go beyond business and education to nurture the sense of family and connection within the family?**

**5th Gen—B:** We gather every other year since we're spread out over the country. Our agenda is as much social as it is anything else—and philanthropic. We fly in on a Wednesday and have a picnic dinner in the park. The next morning, we discuss what the family has been working on and the next round of priorities. Then we do an icebreaker to welcome new family members and break up the nuclear family groups. We'll do the shareholder meeting, have breakout sessions covering history of the company, current challenges, and then a tour of our business facilities. We wrap with a formal dinner where we discuss philanthropy.

**6th Gen:** We usually have our shareholder meeting every June and we'll sometimes tack on one or two sessions focused on education, as well as facilitate a dinner or another kind of social event. Then every three years we do a “family summit”...which is really getting everybody together. We do it at a fun resort and do three days of family fun. The purpose behind the big summit is to get to the people that aren't as involved or as attached to the family.

**5th Gen—A:** We have an annual event every June. It is a great weekend, a great opportunity for all of the family entities to come together. Every third year, we try to do a site visit. Saturday is always our shareholder meeting, so it's a completely company-focused day. Friday is usually family governance oriented, and then Sunday morning allows for whatever else needs to be added on to the agenda.

**7th Gen:** We encourage meetings in person because if you aren't connected to what the family is up to, why are you going to care what the family is up to? We do a small reunion, usually about 100 people, every year, and then every five to 10 years there is a big one, with all 300+ members, from around the world. They are four days long and there are activities throughout the day—some are family focused, some are committee focused, and some are shareholder focused. We make decisions and have big parties.

If you aren't connected to what the family is up to, why are you going to care what the family is up to?

### Expert Insights

**Baumoeel:** Families need to build strong enough bonds to leverage compromise, forgiveness, and a commitment to change. If at the core, families can build strong enough relationships with each other—meaning, productive relationships or functional relationships—where stakeholders know each other well, then there is trust amongst them. The type of trust that comes from predictability. Knowing each other well creates a commitment to each other.



**Q. Separate from the formal gatherings, families need a way to communicate regularly, and this can take many forms. What methods of communication or platforms does your family use to share information?**

**6th Gen:** We have a communications committee within our family council that organizes different events throughout the year. We'll do a PowerPoint update of who got married, who graduated from school, etc. We see these events as opportunities to communicate with the family as well, so we can make announcements and update people on what initiatives the council is working on. We also have a newsletter that we send out monthly. We have a private Instagram account that you can only see if you're a family member and we'll use it to post any family announcements, save-the-dates, etc.

**5th Gen—A:** We have the "Next Gen Connection" which is a quarterly publication that is family-focused and shares life updates such as wedding and birth announcements, etc. It also has a spotlight from the company and our family office includes an article, usually more education focused on finances or investing. The editor of the publication is on the family council board and works closely with the family office to get it published.

We also have a publication called "Board Insights" that is released after each board meeting, which is the meeting minutes presented in a digestible and accessible way. This level of transparency between the board and shareholders gives family members a high degree of confidence that they know what's going on.

### Expert Insights

**Heath:** Good communication and engendering trust throughout the family system are critical, because if you lose those, then the system is not going to work very well. Learning to communicate well is also essential when bringing younger members into the governance process. As they start to participate, they often sign a confidentiality agreement that has language in it about the fact that family matters are private, and that they are not to be discussed in public. There can also be a policy around how things get communicated and by whom, in the public media, in addition to social media.

This level of transparency between the board and shareholders gives family members a high degree of confidence that they know what's going on.



## Embracing and Advancing the Rising Generation

**Q. Intentionally sharing family stories and teaching rising generation and new family members about where they come from helps instill a founder's legacy and values. What does your family do to educate members about its history?**

**5th Gen—C:** At our last family reunion, there was an hour-long video that was released right before we met. It had video clips of first generation, not speaking, but then a lot of the third generation were talking about the family values and their experiences being part of the family and in the company.

**5th Gen—A:** We did a newlywed weekend with a group of newly married 5th generation family members. It was a crash course in all things family and family business. We had a session with our family office about the history of the family, learned about trust and estate planning, and then had a session with the CEO and business heads about what the different businesses did.

**6th Gen:** We are creating a digital archive of photos and memorabilia. We're also in the process of building out a more comprehensive next gen curriculum. Members also get the bylaws of the council, and a written history of the family. At the last summit, we had a crash course of basics on the company itself, the operations of the company, and projects we're working on.

One of our 4th gen members did a history of the women of the family because women were not historically involved in the business themselves, but they were certainly behind the scenes...the history showed they were an integral part of the success of the leaders within the family.

**7th Gen:** We have a picture of the eight founders that every member has, and we have a physical family tree that climbs up one of the buildings that's on shared family land. We also have a family genealogist who leads the efforts and can provide information based on different members' appetites for it. But most importantly, everyone understands that this isn't about us individually, this is about something that happened 120 years ago. There is a constant undertone of gratitude for what exists.

We did a newlywed weekend with a group of newly married 5th generation family members. It was a crash course in all things family and family business.



**Q. From financial literacy to business and leadership skills, proactively preparing and involving the rising generation is a key step in succession planning. It's important to build muscle memory and create successful habits for stewarding wealth and occupying a leadership role in the family. What strategies does your family employ to involve, prepare, and communicate with the next generation of family members?**

**5th Gen—B:** We offer our family members, 13 years old and up, the opportunity to go through an academy, which is taught by people working at the business. It's a hands-on introduction to the company. Then if someone wants to stay in touch, there is a full family network of members involved in the business and the steering committee, so we can get people involved quickly if there is strong interest.

The academy process also begins to integrate the rising generation into the family council. Then at age 16 members become full-fledged, voting members of the family council. We want them to be involved at a younger age and encourage them to have a voice.

**5th Gen—C:** We leverage “next gen” boards to develop skills, and for the senior generation to identify family members who have leadership qualities. We make it a priority to encourage younger members to go out and get knowledge and experience that could be helpful to the family. We also put structures and mechanisms in place for the senior generation to still maintain as much control and ownership as they need, but that also lets them start to see how it might work once they're gone.

**6th Gen:** When you're born into being a shareholder, you have a responsibility...a need to take accountability to ensure you can be a good steward of your ownership. We have business education, making sure everyone understands what is happening with the company. We also have ownership education, which is focused on the academic aspect of being part of a family enterprise.

**7th Gen:** Our approach is very antiquated. In general, our family considers succession planning as the boards and committees. There is a nominating committee, and their job is to determine who they think are ready and talented. Then there is an informal mentorship or understudy structure—mine was two years.

When you're born into being a shareholder, you have a responsibility...a need to take accountability to ensure you can be a good steward of your ownership.

### Expert Insights

**Ciambella:** Many families use the family council as an educational forum covering a variety of topics including corporate structure, understanding the difference between profit and cash flow and charitable giving, for example. Families often times bring in advisors or experts to educate about investments, develop investment policy statements, and help the family understand what future liquidity needs might be (for example, estate tax liquidity needs, shareholder redemptions).



## Expert Insights—Succession Planning

**Heath:** It's important to have policies in place that deal with the succession before the succession takes place. And they need to be written. But even before the formal plan there also needs to be an emergency plan in place to deal with the unexpected.

One of the toughest succession issues is when the senior person who is either running the business or leading the family doesn't want to step down. Having a policy in place that outlines how long people are going to serve in certain functions and when they have to retire is helpful now that people are living longer. If you get it into the family's way of operating and into its DNA, then you have a much better chance of it working.

**Ciambella:** Often Succession planning takes years to develop and the best advice I can give is to start early. Often times professional advisors and families focus too heavily on the financial planning aspects of succession and less so on family dynamics and family governance. Both are equally important.

In addition to governance, there are numerous interdependent issues to address such as successor preparation, leadership continuity, and strategic planning. Testing your successor in advance versus waiting until death provides an opportunity for you to modify your plan if necessary.

Revisiting your succession plan as feelings, family, finances and Federal tax laws change is imperative.

**Neubert:** When families don't plan for succession or it's handled poorly when the time comes, it easily becomes a problem. It can ultimately jeopardize the entire enterprise and destabilize your family. By creating an intentional plan, families can smooth the ride and ensure an orderly experience. More importantly, a thoughtful succession plan should also outline how your family will continue upholding the values and legacy that your founders had in mind. Importantly, families should also stress-test and reaffirm the founders' values in every generation, ensuring they are still appropriate, and possibly accommodate new, evolving values as the family evolves.

**Q. When the rising generation wants to be involved, having guidelines that outline the necessary qualifications to participate and the family's desired representation within the governance structures helps avoid confusion. What criteria does your family lean on to provide clarity to members who want to be involved?**

**6th Gen:** We have bylaws within the family council to ensure diversity of family representation within the council. We want to capture people from different branches of the family, different generations, in-laws, people working for the company, etc.

**5th Gen—A:** Things like being a strategic thinker, considering the difference between minority and majority points of view, collaboration, the ability to receive constructive feedback from the broader family, and active listening. We also want to make sure that individuals have the time and availability to serve and set expectations with the time commitment.

## Expert Insights

**Heath:** You have to think hard on this, and most family constitutions include provisions about participation, age of participation, when you can vote, when you can sit on a family council, qualifications of membership, etc. But every family will be a little bit different on each of these things.

**Ciambella:** If a family business exists, formalizing business policies with respect to employment, benefits, and distributions is key and making sure everyone understands them is critical. Helping family members understand the rights, privileges, and responsibilities associated with being a family member, a shareholder, and an actively employed shareholder can also be highly beneficial. Family members then understand what is expected of them and how they can make a valuable contribution to the family, the business, and how they can represent the family brand in the community.

## Family Governance over Time

**Q.** We often hear, “We have always done it this way” as an argument against change. But for governance structures to continuously reflect the family’s shifting needs and objectives, the mechanisms need to be reviewed regularly. What is your family’s process for revisiting and evaluating the effectiveness of the governance system? Can you share any stories of how it has evolved over time?

**5th Gen—B:** Our family council steering committee is responsible for looking at all of our documentation on a continuous basis. For example, the committee recently had a conversation about religion because it was part of our mission, and we had several different perspectives on the topic. We started by asking the broader family, how we could make the family mission most open to all of our family members. What is most inclusive of everybody? After many surveys and conversations, our family realized we couldn’t force members to believe certain things. We ultimately took out the religious aspect of our family mission because we realized it was what was best for everybody.

**2nd Gen:** There’s a constant revitalizing of ideas because we have new information. We have a measure of our assets, and how they’ve done. In a macro view, we have to anticipate taxes, mortality, etc., and we’ve built it all in. We review our documents on a routine basis that we think is suitable. Not every year, some of them are on a five-year cycle and some of them are annual.

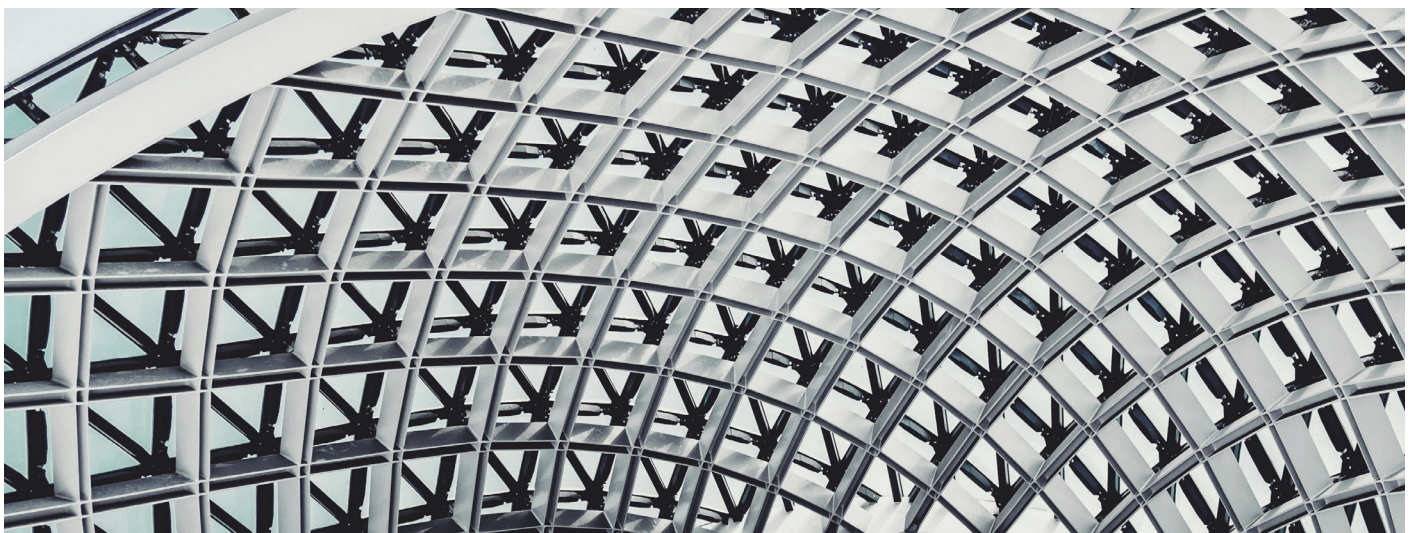
**7th Gen:** It was in the 1930s we actually changed from “blood descendant” in our definitions to “lineal descendant” because one of the cousins had polio and decided not to have blood children but started adopting. Then in the 1960s, we evolved from “married in” to “partner” to represent people having partnerships that looked different. Our most recent victory in the last 10 years was changing the bylaws to allow for electronic e-mail as opposed to the “Pony Express,” which is what was written.

But changing the bylaws is a big deal, because you don’t want to set a precedent that you can change things often. We’re learning about where you want to be intentionally vague and where you want to be very specific, for what behaviors you’re encouraging or not encouraging.

## Expert Insights

**Baumuel:** It is critical to have a governance committee which is constantly looking at, “Are we still doing a good job and reviewing the membership of the family council, the capabilities, and the resources?” Families evolve and governance must evolve with the family. Certainly, the governance system you put together for an early generation family where members are figuring out family employment, policy, and other things, will be very different from a later generation, where families learn how to do things over time, and the purpose of more formal governance is to really codify the things they’ve been doing well for generations.

We’re learning about where you want to be intentionally vague and where you want to be very specific, for what behaviors you’re encouraging or not encouraging.



**Q. Family governance may not function smoothly if a faction of the family does not want to participate. As a result, families may leverage an approach called, “pruning the family tree” as an alternative method of handling family complexity. Has your family ever exercised this strategy? Or have you had members exit on their own over time?**

**5th Gen—B:** In our family, there was a member who felt marginalized in the business and lashed out at the family members involved in the business. One of those members thought they were being groomed to be CEO of the company, and it didn't work out, they left angry, and their family was angry...it resulted in a very nasty lawsuit. It was a painful pruning of the family tree.

**7th Gen:** Back in the 1990s, there was a disagreement on how shares would be split with a new generation, and a branch of the family was unhappy with the outcome. Ultimately, they turned everything back to the family and split off on their own. It can happen in different ways though; people can get voted out, or they don't get enough support for a decision, and they choose to no longer participate, which has its own consequences, socially, emotionally, and financially. Ultimately, everyone who is a lineal descendant is still invited to come to family reunions, but they can't participate as a shareholder.

### Expert Insights

**Baumael:** When families start arguing, it's often way too easy to say, “You're cut off.” When that happens in families, you can start seeing it repeat in generations, because it's learned behavior. It establishes a pattern in families that cutting people out of their lives as family members is one of the ways we manage complex relationships. We need to teach families that members can be toxic, and you may need to sequester them somehow. Families may need to cut them off, but that should be so rare, and the exception to the rule. You don't want to teach that family is disposable because it can come back and happen to you.





## Customizing Governance to Your Family

**Q. We've worked with several families to build and adopt formal governance for their philanthropy, with the hopes of establishing a charitable tradition that preserves shared values. Can you speak to the role philanthropy plays within your family's governance system?**

**5th Gen—A:** We recognize that collective giving can be a real source of family glue but getting traction can be challenging. We now have a family action fund that started as an initial gift from a family member that's been matched, and people contribute every year...and a cause is voted on by the family. We're also trying to do more volunteer activities together as a family...offering regional gathering opportunities for the family to connect.

**6th Gen:** Our foundation is newly up and running and we are establishing the board. The challenge we're facing is staffing another board with talent out of the family. We're trying to figure out how we might be able to share some resources between the family and the business.

**2nd Gen:** We like doing philanthropy together so we're aligned with regard to what we're supporting, and we enjoy the pleasure of it and the work associated with it. Philanthropy is one of the ways we mitigate the geography challenge. We're planning to spend the next 18 months formalizing a new mission, vision, best practices, etc.

## Expert Insights

**Ciambella:** Charitable giving is a priority for many of our clients. Having a defined process to filter charitable requests and determine how charitable contributions are made each year is very valuable. It helps relieve some of the immediate pressure family members feel when asked to make charitable contributions throughout the year and affords the family the opportunity to make joint decisions on giving.

**Baumoel:** Philanthropy is an opportunity for cousins or brothers and sisters to communicate what's important to them, because in a way they get to know each other better and how they make decisions. Through this process they learn how to compromise, how to argue, and how to lobby for a cause. They also have to learn, in some cases, how to lose an argument. Family philanthropy is a chance to accomplish something together as a cohort of the rising generation.



Our foundation is newly up and running and we are establishing the board. The challenge we're facing is staffing another board with talent out of the family.

**Expert Insights—Conflict might feel inevitable for families as they start working together. What advice can you share on managing and resolving conflict?**

**Ciambella:** Try not to avoid conflict, and avoid others. It only makes matters worse. Families can find success in leveraging personality profiles, conflict resolution tools and professional advisors who are skilled in managing family dynamics. Ultimately, managing conflict requires active listening, active engagement, compromise, having an open mind, and owning your part in the conflict.

**Baumoeil:** First you need to look at the underlying reasons for the conflict—that members have opposing goals, incompatible values, or historical impasses that get in the way. When family works together, they can bring a lot of baggage to the table or the decision-making process. No one loves conflict, so families try to avoid it. It is helpful to have a professional come in and help members focus on growing personally (becoming more knowledgeable and better skilled) and growing in their relationships. When this happens, families can become more empathetic to their fellow stakeholders, and in turn work on developing dispute resolution and negotiation tools.

**Q. Protecting legacy wealth and family business interests is vital to the success of multi-generation families. Can you speak to any policies your family has in place regarding prenuptial agreements?**

**6th Gen:** We have a legal structure in place...it is very clear within the bylaws of the corporation, that the only people who can ever own shares have to be bloodline relatives and that is very clearly communicated. You can be a lifetime beneficiary of income...for example, I could be a lifetime beneficiary of income, but ultimately my kids will be owners of the shares.

**7th Gen:** We have guidelines to protect our family's legacy assets, but the family didn't necessarily expect anyone in my generation to create their own success, so different arrangements exist based on individual earnings, and individual assets aren't as looked after the same way as legacy wealth is. When it comes to communicating family guidelines, it's at the discretion of parents to disclose when and how and what is expected of each person.

**Expert Insights**

**Heath:** Generally, if prenuptial agreements are discussed and explained in the correct manner, families come forward and put them in place. Having this as a formal policy can make the prenuptial seem more objective to the family members. It is less "personal" and more a part of a mandated family governance requirement. It is easier to get it done if it is a family policy.

## The Role of a Family Office

**Q.** For families who can afford them (an asset level of several hundred million), a single-family office, or entity driven by a common purpose across generations can offer centralized wealth management, efficiency, and privacy while safeguarding a family's legacy. Does your family have a family office? If so, how does it support your family?

**5th Gen—A:** Our family office is unique in that they do much more than personal, financial, and investing services. They are the backbone of our family governance and the logistical, foundational support of everything we do. They manage the website, help plan our annual family gathering, work on education, etc. It is staffed by seven non-family members that are committed to the success of our family and have a vested interest in our family governance being successful.

**7th Gen:** We have a family office embedded in our owner's corporation and a private trust company. Our family office is the overarching body, and each branch has a different relationship with the trust company and establishes the services they agree are important to them. So, my branch gets access to information at different times and access to different resources than another branch might. I get distributions on a different schedule than my 2nd and 3rd cousins.



## Expert Insights

**Heath:** The nice thing about putting a governance structure in place and the policies and procedures to go with it is that the governance process can also be utilized with the family office. It can also be utilized with a private trust company if the family has such a thing. But families have to think about the fact that the family office's main job is not to manage the wealth of the family. It is not just about the money but rather about enhancing the family and the individual members' pursuit of happiness and the long-term preservation of the family as a whole.

They are the backbone of our family governance and the logistical, foundational support of everything we do.

## Guidance for Your Future Family

### Q. What advice do you have for future generations stepping into leadership roles and for families who are embracing family governance and starting on their journey?

**5th Gen—C:** You're never really done. There are always opportunities to be better at different things...it is important to keep coming back to the governance, whether it's serving the family, how circumstances have changed, and how governance may change as a result. This is something you're going to have to do, and hopefully have the opportunity to do forever.

**5th Gen—A:** Our family is successful because we are constantly evaluating if things are working. Does the structure and the process still support our goals? We are a family that is not afraid to question things, and that has been to our benefit. You still have to manage having an element of being critical, with having a tremendous degree of compassion. You never want to hurt someone or be critical of something that it becomes irreparable. Thinking about how you can have constructive and critical conversations in a way that everybody still feels they're a meaningful part of the community at large is really important. Most importantly, keep in mind that at the end of the day, you're still all family.

[Governance] is something you're going to have to do, and hopefully have the opportunity to do forever.

**5th Gen—B:** There are so many resources out there for families... everyone likes to say that their family business is unique. But if you start focusing in on the collective experience of families and business organizations and family businesses, you'll realize that you're not really that unique. Everybody at some point in time has experienced something difficult or great that you could benefit from. You just have to find the right publications and read those, read a lot and ask a lot of questions, because that's how you're going to get to the resources that will really be beneficial to your family business.

## Closing Insights

**Heath:** Every family functions differently, and what works for one may not work for another. I would encourage them to try to modify the system, as time goes on and as the family system changes. As the family gets bigger, it can become more cumbersome to do things in the same way. Having good governance gives a family a base to operate from. It shouldn't be an impossible task to create a good governance system. It's a fun thing to put in place and it starts by asking the question, "Who is family?" And it goes forward from there, working with questions that are both easy and difficult to answer and deal with.

**Ciambella:** Family typically represents unconditional love and acceptance and business represents conditional performance. When a family business exists, managing these competing priorities can be difficult, which is why good governance of the family and the business is essential. Families that meet consistently and who establish and abide by family policies have a higher probability of preserving family harmony and making a successful transition through the next generation of owners and managers.

**Baumoel:** Change is tough, families keep evolving, marketplaces keep evolving, the economy keeps evolving. It's important for families to understand what they can control and what they can't control. Also understanding that external factors might trigger conflict by increasing stress levels, and then that may compromise good decision-making. Having good governance helps families be proactive in their response to all kinds of problems. It builds muscle for families, so that when a problem does come up, they have the experience, confidence, and skills to address those challenges—whether they come from the inside of the family, and its business, or from the external world.

**Neubert:** If your family is just starting out or if you're at a transitional moment, hearing and learning from other successful families can provide the perspectives needed to move forward. Family governance rooted in shared core values helps build a strong family, with communication as its focus. Whether guiding conflict management, fostering family unity, or supporting critical decisions, good governance should embrace diverse perspectives and multiple generations to create better outcomes for your family and the business. Most importantly, tailor governance structures to meet the needs of your family, recognizing that transitions are inevitable, and structures need to evolve alongside your family if you want things to last.

# Contributor Bios

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## Family Representatives:

### “2nd Gen”

Member of the 2nd generation, with only three blood relatives living. Currently, President and CEO of our family office, which oversees investments, our fiduciary system, and two family foundations. The family enterprise got started in the 1960s with one 13-acre orange grove that grew into 60,000 acres of productive agriculture 40 years later—the family grew food for mankind! There were other entrepreneurial endeavors along the way in energy and real estate. The family ultimately repositioned with divestiture of farming assets and the family office was formed in 1996. We rely on good math for economic progress but hope for family flourishing.

### “5th Gen—A”

Member of the 5th generation. Family is over 140 years old with generations 3 through 6 living, and over 300 family members. Active family-owned portfolio of manufacturing businesses that create products used in a broad range of applications including personal care, food and beverage, agricultural nutrients and adjuvants, and building materials. Currently serves as a director on the corporate board and a family council board member.

### “5th Gen—B”

Member of the 5th generation. Family is over 119 years old with generations 4 through 7 living, and over 110 family shareholders. Active family-owned businesses selling shoes, apparel, bedding, and electronics. Currently the chair of the corporate board responsible for communicating with the family council through the steering committee. Outside the family, he works as an attorney specializing in estate planning, probate and trust administration, business planning including formation, governance, succession and transactions, and prenuptial and postnuptial agreements.

### “6th Gen”

Member of the 6th generation, married in. Family is over 150 years old with generations 4 through 7 living, and over 220 members. Active family-owned construction and real estate development business. Currently a member of the family council. Outside the family, she works as a financial advisor at a large, global broker-dealer firm.

### “5th Gen—C”

Member of the 5th generation. Family is over 130 years old with generations 3 through 7 living, and over 160 members. Active family businesses focused on supplying consumer goods and services primarily within the home and leisure lifestyle markets. Currently serving as a member of the advisory committee and the nomination and governance committee, under the family council. Outside the family, he is an attorney with focuses on complex estate and wealth transfer planning, wealth preservation planning, and trust and estate administration.

### “7th Gen”

Member of the 7th generation. Family is over 120 years old with generations 4 through 8 living, and over 300 members. Active family businesses in life sciences, financial services, and real estate. Currently on the board of directors of the shareholder company and an executive member of the family council. Outside of the family, she is founder and CEO of her own business.

# Consultants

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## Doug Baumuel, MBA

Founding Partner  
Continuity Family Business Consulting, LLC  
<https://continuityfbc.com/>

Doug Baumuel is the Founder of Continuity, LLC and offers an extensive background in family business operations and executive management in his work with clients. He served as a second-generation executive in his own family's business and has held key executive positions in other family and non-family businesses. Doug is the co-author of *Deconstructing Conflict: Understanding Family Business, Shared Wealth and Power*.

Doug earned an MBA from the Wharton School at the University of Pennsylvania and a BS in Electrical Engineering from Cornell University. A dual certificate holder in both Family Business Advising and Family Wealth Advising from the Family Firm Institute, he has been awarded the additional distinction of FFI Fellow. Among Doug's numerous professional achievements, he holds a certificate in Civil Mediation from MCLE and is a graduate of the Director Professionalism program of the National Association of Corporate Directors (NACD), which recognized him with Fellow status. Doug also served as President of the New England chapter of the Family Firm Institute.



## Alan Heath

Chairman & CEO  
Wind River Trust Company  
<https://windrivertrust.com/>

Alan Heath is active with several family wealth and advisory companies, including Wind River Trust Company and the Drumore LLC family office, The Strategy Group, Inc., and STG Family Transition Group, S.C. At Wind River Trust Company, he is a member of the board of directors, Chairman of the Investment Committee, and a member of the Distribution committee. Alan is also the Founder and Managing Director of The Strategy Group, Inc. He has been advising families in business and families of wealth, including their CEOs and top management teams, for nearly thirty years as both a consultant and an executive. He consults internationally with family businesses on issues of governance, organizational development, succession, exit strategies, internal capital markets, trust practices, and family offices.

Alan received his Bachelor of Arts degree in Political Science and Economics from Kalamazoo College and his Juris Doctor from the University of Colorado School of Law. He did post-graduate work in finance at Western Michigan University and has completed the Corporate Boards course at Harvard Business School. Alan is a certificate holder in family business advising from the Family Firm Institute. He also is a long-term member of the Collaboration for Family Flourishing, a multi-disciplinary think tank focused on issues of family well-being. He is an active member of the Family Office Exchange where he serves on the Strategic CIO Council. He serves the Chancellor's office of the University of Colorado as a Global Ambassador. For 10 years, Alan was a family facilitator and guest lecturer at Harvard Business Schools Executive Education program, Families in Business: From Generation to Generation, which examined pivotal issues facing family businesses.



### **David Ciambella**

President and CEO, Succession Advisor  
The Rawls Group  
<https://seekingsuccession.com/>

David Ciambella, CFP®, works with closely held business owners, family members, and executive management teams to address a myriad of family business succession planning issues and is a co-founder of the International Succession Planning Association®, an organization dedicated to providing professionals, business owners, and strategic partners access to a network of expertise, educational tools, and resources to enhance business longevity and value.

A native of Philadelphia, David graduated from Rollins College in 1991 with a B.A. in Psychology. David enjoys spending time with his wife, children, and friends at the beach, supporting his children in their various sporting activities, fishing, and playing an occasional round of golf.

David's expertise with privately held and family-owned businesses is also shared throughout various industries. He is a frequent speaker and presenter for national organizations and contributes articles in publications that span industries including professional services, automotive, and other franchise concepts.



### **Emily R. Neubert, CFP®**

Director of Family Governance  
Bernstein Private Wealth Management

Emily Neubert is the Director of Family Governance and a leader within the Family Engagement team, which helps families explore the transfer of wealth-related values and knowledge. Her primary responsibility is leading Bernstein's Family Governance efforts and authoring Bernstein's research on Family Governance. Emily works closely with high-net-worth families, family offices, foundations and endowments, and their professional advisors on a variety of complex planning issues, including pre-transaction planning, multigenerational wealth transfer, and philanthropy. Her focus is helping families manage the impact wealth and success can have on relationships and family dynamics. Emily joined Bernstein in 2012, as a private client associate in the firm's Los Angeles office. In 2015, she joined the Wealth Strategies Group. Later in 2015, Emily relocated to the Denver office. Prior to joining the firm, she spent seven years in the Financial Services industry at JPMorgan Securities and also at UBS. Emily earned her BS in economics from Pennsylvania State University. She is a CERTIFIED FINANCIAL PLANNER™ professional, holds advanced certificates from the Family Firm Institute (FFI) in Family Business Advising (CFBA) and Family Wealth Advising (CFWA), and is a 21/64 Certified Advisor.



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