MORE THAN A PIECE OF PAPER

A CASE STUDY ON THE IMPORTANCE OF GOOD GOVERNANCE, EMOTIONAL
OWNERSHIP, SOCIAL CAPITAL AND FAIR PROCESS FOR
THE SURVIVAL OF AN ENTERPRISING FAMILY

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ABSTRACT

The importance of good governance for the development and survival of family businesses has been well researched in recent years. However, research has tended to focus on single business families rather than on enterprising families (business families who deal with portfolios of different business interests). Scholars have now started to acknowledge that enterprising families can offer valuable insights into good governance. For example, drafting a family charter is recognised as an effective method for protecting and preserving family businesses and the unity of business families. Yet this is a highly involved process which many families struggle to complete. Therefore, focusing on a next-generation enterprising family during the process of drafting a family charter, this thesis sets out to explore the best practices and potential pitfalls in such a process. Data was collected over a period of several years from multiple sources including observations, interviews and documents. Both inductive and deductive analysis were used to identify themes in the data. Findings suggest that the process of drafting a family charter can help maintain family unity. The importance of emotional ownership, a good family climate, trust and fair process for the successful conclusion of a family charter and for the survival of an enterprising family are highlighted. As such, this case study offers suggestions which hold value for business and practitioners alike.

Keywords: Family governance practices, family charter, emotional ownership, fair process, social capital, family climate, trust, enterprising family
INTRODUCTION, RESEARCH AIMS & OBJECTIVES

The importance of good governance for the development and survival of family businesses has been well researched over the last 30 years. However, until recently the topic has usually been examined by looking at single business families, rather than by focusing on enterprising families; families who deal with portfolios of business interests. Many good governance practices may be similar in both situations. However, for business families who are in the process of transitioning into enterprising families, a different approach may be required – particularly when this involves moving from an organisational structure where one family member has sole ownership to one where many members form a partnership (Steier, Chrisman & Chua, 2015).

As an advisor to the ‘Pynnock’ family (an alias is used to protect the family's identity) over the last 20 years, I have been involved in the development and implementation of governance practices, both with the second generation owner of the family business and with the members of the third generation. Family governance practices refer to formally established structures and mechanisms the aim of which is to clarify and/or enhance the relationship occurring within the family context and between the family and the business (Gersick, Davis, McCollom Hampton & Lansberg, 1997). In my experience, the following practices are generally accepted as useful examples of good governance: the setting up of formal structures (such as a Family Council); the organisation of family meetings and reunions; the development and use of communication tools; the drafting of a family charter. Among those practices, the drafting of a family charter is recognised as one of the most effective to protect and preserve a family business and the unity of a business family:

A family charter can be as short as one-page description of the family’s values and mission, or as long as 50 pages of policies or contractual stipulations. The purpose of any family charter is, explicitly or implicitly, to guide a family through important, possibly even contentious, decisions into the future (Montemerlo & Ward, 2005, p. 2).
As such, the overarching aim of this research is to establish how the drafting of a family charter can help in keeping a business family together. In this case, the business family concerned is transitioning from a single business context to a portfolio of business interests, and decision power is moving from a second-generation controlling owner to a third-generation sibling partnership. Hence, the primary research question is:

1) How can the drafting of a family charter help in keeping a business family together as they transition from single business ownership under a controlling owner to portfolio management under a sibling partnership?

In my role as advisor to the Pynnock family, I have over the last five years taken part in several efforts to start drawing up a family charter. As an observer in this process, I have witnessed different approaches which up until now have not led to a final result. I have come to recognise that the process of drafting a family charter involves so much more than just putting words on a piece of paper. If well undertaken, it can become a teambuilding exercise, which will enhance the commitment of the family members to the joint venture and which can be an important foundation in the development and survival of the business family. In this thesis, using the Pynnock business family as a case study, I will therefore set out the approach best suited to enabling a business family to devise an effective family charter. Thus, the second research question is:

2) What are best practices and potential pitfalls in the process of drafting a family charter?

Finally, over the last few years I have also started to recognise that other building blocks are needed to keep a business family together. Emotional ownership (Björnberg & Nicholson, 2012), family social capital (Sorenson, 2011) and fair process (Van der Heyden, Blondel & Carlock, 2005) are some of the key factors that are important. Somehow, all of these factors are interrelated and, if well developed, can reinforce the dynamics within a business family and be very
helpful in a charter drafting process. The final research question explored here is therefore:

3) What is the importance of emotional ownership, family social capital and fair process for the survival of a business family?

In order to clarify the research context, I will begin by providing a background to the Pynnock business family and its transformation from family business to enterprising family. I will also give details on earlier attempts to start the charter drafting process.

In the Literature Review which follows, I explore in more detail the characteristics of business-owning or enterprising families. I also explore the topic of family governance and review the literature on family charters, also known as ‘family constitutions’ or ‘family agreements’. I then clarify the main concepts which inform this study: emotional ownership, family social capital, trust and fair process. Those concepts, together with concepts relating to good governance, are the cornerstones of the conceptual framework used in this study.

Next, the Methodology chapter outlines the methods I employed to conduct the research. These included observing an action research process and semi-structured interviews with key actors in the Pynnock business family.

In the Findings and Discussion chapters, I report and interpret the results of the research and arrive at some conclusions which may inform the remainder of the ongoing action research intervention, as well as similar interventions by other consultants in the future. In these chapters I use psychodynamic lenses and concepts, such as social identity, social capital and leadership. Finally, I will briefly explain what I consider to be the limitations of this study and provide some suggestions for further research.
RESEARCH CONTEXT: THE PYNNOCK BUSINESS FAMILY

Brief History of the Pynnock Family Business

Pseudonyms are used throughout this report in order to protect identities. The family in my case study consists of a second generation business leader, Mr Alfred Pynnock, who is 75 years old, his second wife, Mrs Claudia Pynnock-Itau, 74 years old and of Portuguese origin. Also, Alfred’s six children (four with his first wife and two with his second: Xavier, Fernand, Irene, Frank, Nathan and Alexander). In 1982, Alfred Pynnock inherited a well-run textiles business from his father, Joseph Pynnock, who founded the business in 1955. Alfred Pynnock was his only son. Joseph started the business in southern Flanders, in the region close to the French border. He had a very outgoing and extrovert personality. His wife, Alice (Alfred’s mother) was dedicated to him and to the development of the Pynnock family business. Alfred himself is definitely more shy than his father, although he is considered very charming and warm by his many friends and business contacts.

In fewer than 15 years, Alfred Pynnock grew the business which he had inherited and dramatically increased its profitability by modernising the production facilities, developing performant sales teams, and by closely monitoring the performance of his business. After being approached by foreign multinationals for a number of years, Alfred Pynnock sold his business in late 1996 to a large American corporation. At that moment in time, the ages of his children ranged between 15 and 30 years, and Alfred did not really consider that one of them could succeed him in the textiles business.

After the sale of Pynnock Textiles, Alfred, at that time only 55 years old, very quickly decided to invest part of the sales revenue into smaller businesses, mostly in the textile sector. He would thereby try to repeat the successful formula which he had used in the rapid development of Pynnock Textiles. Most of these ventures have done well over the years; some stakes were resold, one joint venture failed.
Alfred took decisions on which new businesses to invest in without involving his children. It seems to me that he never considered whether one of his children would be willing or able to take over at any moment the management of the companies he invested in. However, he did try to stimulate his children to take up non-managerial positions in some of the companies, in order to give them opportunities to gain valuable experience and develop their skills. As a matter of fact, his two eldest sons, Xavier and Fernand, as well as his daughter, Irene, worked in floor positions at Pynnock Textiles before it was sold. Today, Xavier is on the board of most of the new businesses acquired since the sale of the Pynnock Textiles and Frank has a sales position in one of the new companies.

From a Business Family to an Enterprising Family

After the sale of Pynnock Textiles, Alfred took the decision to rapidly start planning for the legal and fiscal succession of his estate. In fact, another reason for his deciding to sell Pynnock Textiles when he did was that he wanted to monetise this core family asset during his life, so as to assure that his children would inherit important capital, rather than a business which he did not consider they would be ready to manage. At the same time, Alfred has from the start of this new period always strongly expressed the wish that his children jointly manage the estate which he will leave them. At first, this estate consisted of the revenues of the sale of Pynnock Textiles, but very rapidly it included the businesses in which he took stakes and also real estate assets which he has acquired over the last 10 years. In 2001, he legally transferred the ‘bare ownership’ of 100% of all his business assets to his children, as well as 75% of the ‘bare ownership’ of his financial and real estate assets, and 25% of the latter to his wife, Claudia. However, under this construction, the ‘usufruct’ of all the assets, including the voting rights in the business ventures, remained 100% in the hands of Alfred. And this is still the case today.

From 1997, Alfred took a number of initiatives in order to realise his wish that his children continue to manage their estate together in the years to come. A very important first step was taken when the legal entity was set up to manage the securities portfolio. A specific clause was included in the by-laws of this entity,
stating that the shareholders of this new company cannot sell or transfer their shares in it for a period of 10 years after Alfred’s death. However, the shareholders will be able to dissolve the company (and distribute the assets) if all shareholders jointly agree to do so. Similar clauses have been included in the shareholders’ agreement regarding the holding company, relating to the investments in new industrial ventures. Practically, this means that Alfred has obliged his children to stay together for quite a long period after his death, unless they all agree together on a dissolution.

Furthermore, in order to create a communication forum for his children, an informal family council was instigated, which at first met once a year during a whole weekend; the so-called ‘Annual Family Retreat’. Here, with the participation of Alfred’s wife, children and two family advisors, of which I am one, the business and financial investments of the family enterprise are reviewed, and in later years also the real estate assets. As said, this is an informal meeting, and is mainly prepared by the other family advisor, who has in the meantime become Head of the Single Family Office. No official minutes of these family retreats are made but the materials presented are shared afterwards.

In addition to this annual retreat, the Pynnock family have started meeting on a monthly basis to review the securities portfolio. Proposals to invest or divest are put forward by two separate financial advisors with whom the family has developed a close relationship over the last 15 years. Over time, Alfred has started to share the decision power regarding those portfolios with his children, who effectively make joint decisions during such meetings.

For summary profiles of the Pynnock family members, please see Appendix A.
LITERATURE REVIEW

From Family Businesses...

Family businesses are argued by some to be the most important form of enterprise worldwide (Gersick et al., 1997). It is therefore not surprising that an enormous amount of research has been done on this topic. Yet it remains quasi impossible to arrive at a precise definition of what constitutes a family business.

A seminal work on family businesses is the already cited Generation to generation: Life cycles of the family business (Gersick et al., 1997), in which a widely accepted and used model of family businesses has been developed. Based upon a model elaborated by Tagiure and Davis at Harvard in the early 1980s, Gersick et al. have developed the so-called Three-Circle Model of the family business.

Figure 1. Three-Circle Model of family business (Gersick et al., 1997)
Figure 1 represents three overlapping systems in a family enterprise: family, ownership and business. For a family business to function effectively over time, each system must interact with and support the other systems. The Three-Circle Model has been widely accepted by academics and practitioners alike because it is both theoretically well founded and immediately applicable. It clarifies the interaction between the different parts in an often complex organisation and helps to explain the potential sources of interpersonal conflicts, role dilemmas, priorities and boundaries in family firms.

However, the Three-Circle Model can only provide a snapshot of any family business at a particular time. Many of the challenges faced by family businesses are caused by the passage of time. They involve changes in the business organisation, in the family and in the structure of ownership. Gersick et al.’s addition of the time element to the three circles leads to a more comprehensive three-dimensional development model of a family business.

![Three-dimensional developmental model](image)

**Figure 2.** Three-dimensional developmental model (Gersick et al., 1997)
As illustrated in Figure 2, for each of the three subsystems (ownership, family and business), there is a separate developmental dimension, indicating different stages of progression. These different stages will most likely lead to different types of challenges in a family business. For example, a family business with a controlling owner, where the business is maturing and the original founder is passing the baton, will face different challenges to a business owned by a sibling partnership, trying to work together, and where the business is expanding. When working with family businesses, it is therefore very useful to take into account not only the subtleties of each of the circles, but also the development stage of each circle.

…to Business and Enterprising Families

For a long time, the family business literature has focused on families owning a single business, and on the goals, strategies, structure and performance pertinent to the single family business. Even Gersick et al. (1997) mainly deal with such single business families, although a chapter is dedicated to the concept of a “complex family enterprise”. Only since the beginning of this century has the focus of research gradually shifted from family businesses to business families (Steier, et al., 2015). As a business or a family moves ahead, they often accumulate other assets, some within the original business activity, and some outside. Families acquire other non-related businesses, invest in real estate or in a portfolio of financial securities. By doing so, a family business moves more in the direction of a family enterprise, and the complexity of this family enterprise will develop in a different manner than that of the original business (Michael-Tsabari, Labaki & Zachary, 2014).

More recently, some scholars have started shifting their focus from the notions of business-owning families and family enterprises to the valuable notion of enterprising families. An enterprising family has been defined as a business-owning family that is focused on growing family wealth and protecting shared wealth together by way of business value creation (Habbershon, Williams & MacMillan, 2003). As explained by Berent-Braun and Uhlmaner (2012), “the enterprising family accumulates its wealth by creating business value as opposed
to or in addition to more passive investments (e.g., purchase of real estate or stocks)” (p. 104). I was very happy to discover this notion in the literature, not only because I am convinced that many challenges for business families will be more usefully understood from the perspective of an enterprising family, but also because the case study which I will further elaborate in this thesis deals specifically with such an enterprising family rather than a single-business family or a family business.

What then differentiates an enterprising family from a business-owning family (defined as two or more family members owning a firm together)? In the first place, an enterprising family shares an entrepreneurial purpose, meaning that the family members share a common, unified purpose to create, grow and preserve family wealth (Habbershon et al., 2003). As mentioned above, this family wealth does not only include business assets, but usually also real estate assets and securities. The members in an enterprising family agree to manage those assets together, rather than each of them managing some of their assets on their own. Berent-Braun and Uhlaner (2012) refer thereby to the paradox of the enterprising family: individuals in enterprising families do not act as ‘loners’ but rather work together as a team in the joint pursuit of business value creation. The same authors underpin the idea of an enterprising family as a team by referring to concepts from group and team dynamics and organisational social capital perspectives. From a group dynamics perspective, an enterprising family undertakes several initiatives to stimulate social interaction, form a shared vision and common norms, and agree upon rules to govern the behaviour of family members with respect to the family enterprise. From the perspective of organisational social capital, an enterprising family heavily relies upon cohesion within the family group. In this context, the notions of associability and familiness have attracted a lot of attention from scholars in recent years (Leana & Van Buren, 1999).

However, if an enterprising family has not developed a strong common vision and has not clearly agreed upon a set of common rules to govern the behaviour of the family members, they may start wondering at a certain moment in their life cycle how to sustain themselves as a collective entity (Gersick & Feliu, 2014). What
continues to tie them together as a family, especially if there is no longer the original family business to identify with? Is the social interaction within the family strong enough to keep them glued together? And at which costs and benefits? How strong is the cohesion and the ‘familiness’ within the family?

**Family Governance**

Good governance is long recognised as a key factor in the success or failure of businesses in general and of family businesses in particular (Aronoff & Ward, 1996). Family governance has attracted a lot of academic attention in the family business research area (for a good overview, see Gersick & Feliu, 2014).

In terms of the Three-Circle Model described earlier, research on governance in the ownership and business circles has focused on the following topics: board of directors; size of board; categories of directors; board process; role of the chairperson of the board and the CEO; shareholder agreements. Research on governance in the family circle has traditionally focused on: family councils; family assemblies; family constitutions or charters; family offices; family foundations. Family governance in this context can best be defined as a process or structure to facilitate communication between family members, providing a forum for constructive discussion, problem solving and decisions about the family as it relates to the business, as well as how the business relates to the family. (Gersick et al, 1997).

As focus has shifted from family business to business family and onto enterprising families, it should not be surprising to note a growing interest in good family governance practices for enterprising families (Berent-Braun & Uhlner, 2012). Even though the Three-Circle Model remains very valid for enterprising families as a general framework, many governance topics may be approached differently from the perspective of an enterprising family. While in a traditional family business approach, the succession topic will mainly be looked upon from the perspective of the preservation of a particular business; with an enterprising family, the focus will likely shift to the preservation of the family's value system, entrepreneurial spirit, and growth of overall wealth (Steier et al., 2015).
Furthermore, the governance of an enterprising family (which is likely to include multiple businesses or multiple family elements) may become more complex than a single family business. For example, some of the businesses in which an enterprising family is involved may have other non-family shareholders. Clearly, this is an area where there is plenty of room for further research.

As announced in the introductory chapter, this study will focus on one particular aspect of a family governance system: the process of drafting a family charter. It is clear that such process can only be seen within the broader context of good governance practices.

**Family Charter**

In contrast with the topics discussed in the previous sections, not a lot has been written in the academic literature on the topic of family charters, or as they can otherwise be known: family protocols, family constitutions, family agreements or family codes of conduct. Surprisingly, Montemerlo and Ward (2005) is the only publication I found which is fully dedicated to the subject. Other publications that touch upon the topic include: Berent-Braun and Uhlner (2012); Björnberg and Nicholson (2012); Brenes, Madrigal and Requena (2011); Carlock and Ward (2010); Compernolle (2004); Kets de Vries, Carlock and Florent-Treacy (2007); Van der Heyden et al. (2005).

Although not a lot of research has been undertaken with respect to family charters, it is generally known that many family advisors work with families on creating family charters, beyond the shareholder agreements that usually only govern the ownership issues of a family business (Gersick & Feliu, 2014). This increased interest in the practice of drafting a family charter may be explained by the large number of entrepreneurial families that came into existence after World War II that are now passing on the baton to the next generation or to a wider family network:

  Popular culture presents young adults in these extended families with an unlimited array of alternative value systems and lifestyles. Senior
generation leaders who are concerned about the continuity of the enterprise in this competitive market for the family’s attention, may use a constitution to articulate their values and culture, to formalize the ‘rules of engagement’, and to emphasize the obligations and requirements for participation in the benefits of future ownership (Gersick & Feliu, 2014, p. 214).

There can be a variety of formats for family charters, going from a statement of values and mission, to a fully-fledged range of policies defining the family’s interaction among themselves and with the family business in particular. Such fully-fledged family charters usually include the following components:

- Preamble or introduction for the parties involved (Who?)
- Statement of family values and beliefs (Why?)
- Outline of family business principles and decision making principles (What?)
- Chapters on policies that govern family and business relations (How?)
- Chapter on methods for handling potential conflicts (How?)
- Conclusion on the strategy for effecting change (When?)

Furthermore, research has indicated that the process leading to signing a family charter is even more important than the charter itself. Indeed, if well-constructed and guided, the process enables the family to openly discuss their roles and expected behaviours in the business family. Most importantly, the process can foster family commitment to personal and collective growth (Berent-Braun & Uhlaner, 2012; Montemerlo & Ward, 2005). It is hereby important to note that a family charter always needs to be considered as a ‘paper in action’, meaning that it needs to be regularly updated in alignment with the evolution of the business family.

As stated, little research has been undertaken on the successful conditions required for drafting a family charter and even less on whether or not family charters are successfully implemented and updated (Gallo & Tomaselli, 2004). This can perhaps be explained by the fact that often families are not eager to
share their own experiences, positive or negative. Nevertheless, Montemerlo and Ward (2005) have indicated a number of good practices and pitfalls which I will test against the background of the Pynnock case study. Unsuccessful family charters may cause damage: if a family has made the effort to formulate their governing principles, but if afterwards they are not implemented, the trust among family members is likely to evaporate, and the willingness to cooperate together may be lost (ibid.).

Social Capital

In the context of family business, social capital is a topic which has drawn a lot of attention. Social capital refers to trusting, cooperative relationships that enable collective action (Sorenson, 2011). When those relationships enable a family to engage in collective action, that can be referred to as family social capital. Communication, identity and trust are generally accepted as forming the basis for family social capital (ibid.).

Trusting and cooperative relationships require open communication. For communication to be open there is a need for an honest and frank exchange of opinions and feelings (Goodpaster, 2011). This can be done via formal or informal channels. In the context of a business family, a family council and a set of regular family meetings often constitute an important formal channel. Another aspect of open communication is transparency. In a family business, for example, transparency might mean that relevant information about the business is made available to all family stakeholders (ibid.).

Open communication also plays an important part in developing an identity element of the social capital construct. Business families often have an outspoken family identity; an explicit belief of belonging to a particular family group. Other business families, where most family members are owners and/or also work in the business, develop a family business identity. Family vision, values and norms are associated with the business vision, values and norms (Eddleston, 2011). As a family develops and family members in succeeding generations become more independent, the family-business identity may get lost.
This most often happens when fewer family members have a connection with the business as the family grows (members may become disinterested in the family business, unlike in a small family where links tend to be retained), or worse, when a business is sold. Different forms of wealth may replace the business, but the connection with this wealth does not provide for the same sense of meaning or purpose and the family business identity gets lost (Shepard, 2011). However, if the family has developed and uses sufficient communication channels, the family identity, and thereby family social capital, may continue to exist.

Furthermore, open communication is an important factor in developing another component of social capital, trust. Generally speaking, trust is the capability to rely on another individual or entity. Pearson and Carr (2011) distinguish between fragile and resilient trust. They indicate that families, more than other groups and entities, often have a resilient, long-lasting form of trust, based on emotional bonds and enduring commitment to good relationships. However, it is clear that resilient trust needs to be maintained and developed and that in other families, lack of open communication, envy and jealousy can lead to distrust and destruction of family social capital (Steier, 2001).

On sustaining trust within a business family, an important contribution has been made by Sundaramurthy (2008). By linking the concept of trust to one of life cycles, she distinguishes between different dimensions of trust: interpersonal, competence-based and system-based. At the early stages of a family business, shared history, experience, identity and rituals often serve as a critical bonding mechanism fostering interpersonal trust (Gersick et al., 1997). At a later stage in the life cycle, family members may need confidence that sufficient competence is present within a family enterprise to address the complexity of a growing business. Such confidence can be fostered by injecting external competence, for example via a professional manager or, as far as the family system is concerned, non-family advisors (Montemerlo & Ward, 2005). System-based trust is enhanced as the family and/or family business grows, developing policies that are transparent and consistently applied (Sundaramurthy, 2008). I will illustrate that discussing and drafting a family charter can be particularly valuable in this respect.
Finally, it is important to note that strong family social capital not only depends on the presence of open communication, family identity and resilient trust, but is very often also a result of a strong family leader. The absence of a strong family leader may make the transition from one generation to the next more difficult as leadership is needed to maintain and develop family social capital (Carr, Chrisman, Chua & Steier, 2016).

**Emotional Ownership**

One of the key elements in the sound development and survival of family businesses is the commitment shown by family members towards the enterprise and the sense of unity they express towards the family business (Gallo & Cappuyns, 2004). A large amount of research has been undertaken on the important role of emotions within family businesses and business families. It has focused on diverse concepts, all important in the family business context: *commitment, cohesion and belonging*. A number of recent studies have focused on the theory of *social-emotional wealth*. This theory builds on the notion that family businesses have a socio-emotional endowment, representing the stock of affect-related value that a family derives from its controlling position in a particular firm (Gomez-Mejia, Cruz, Berrone & De Castro, 2011). This social-emotional endowment is considered to be crucial in understanding decisions and actions because family businesses will make decisions and take actions to preserve this endowment (Sheperd, 2016).

I personally have been very inspired by another concept, which has been recently developed by two scholars at the London Business School, namely the concept of *emotional ownership*. Björnberg and Nicholson (2012) define emotional ownership as “a sense of ownership, that is as matter of sentiment, associated with the belongingness and attachment beyond the monetary significance of the ownership bond, in which the family has a central role” (p. 381). They consider that this is distinct from other related concepts, such as *psychological ownership, affective organisational commitment* and the above
mentioned concept of socio-emotional wealth. According to the authors, the key differentiator between emotional ownership and the other concepts is:

. . . the affective state of association that describes a family member's attachment to and identification with his or her family business. This builds on a history and a shared meaning that the individual has obtained from being brought up in a family business environment (p. 381).

I explore in this thesis whether this state of emotional ownership can also be experienced in the context of an enterprising family, i.e. where the original family business was sold quite a while ago, but where the family members jointly own and/or manage a range of different activities (in this case, industrial companies, real estate and a portfolio of securities).

In one of the studies that led to the coining of the term ‘emotional ownership’, Björnberg and Nicholson (2008) note that two themes were very often brought forward by respondents: attachment and social identification. The notion of attachment was developed by Bowlby (1969), who thought of closeness-distance as an indicator of relationship quality or bond between an individual and an attachment figure. In the context of a business family, attachment could be considered in the relationships that a family member develops towards significant others in the family business systems.

One step further could bring us to make the link from the notion of attachment to object relations theory. In the context of family business systems, scholars have referred to the possibility of looking at the family business as a transitional object (Kets de Vries et al., 2007). The concept of transitional object was introduced by Winnicot (1971), who described soft toys, blankets and bits of cloth to which young children develop intense, persistent attachments. According to Winnicot, those objects play an important role in the process of separation-individuation of young children. Transferring this concept to the adult world and to the family business context, it could be argued that family members may sometimes view the family business as a means to move from dependence and attachment to
individuation and autonomy. Similarly, it may be fruitful to explore whether family members could also experience the family charter as a transitional object in their process from attachment to individuation. This idea was therefore taken into consideration in analysing the data from the present study.

Furthermore, the above mentioned study by Björnberg and Nicholson (2012) has also brought forward a very interesting conclusion for the purpose of this thesis. From the survey data they collected, the authors come to the conclusion that the presence of good governance practices definitely enhances the experience of emotional ownership, especially among next generation family members. Developing sound governance practices, such as drafting a family charter, brings communication to the fore. In the process leading to a family charter, the family business is solidified in the minds of family members. Their sense of attachment and identification with the business and the family will thereby be strengthened. This theory will be discussed in light of this study’s findings.

Another conclusion of the above mentioned study relates to the fact that a sound family climate also enhances the emotional ownership of family members in a family business (see also Björnberg & Nicholson, 2007). Family climate refers to characteristics such as emotional and cognitive cohesion, adaptability and open communication. Family climate also relates to the aforementioned concept of familiness, a particular form of social capital that seems to be unique to family firms (Habbershon et al., 2003; Pearson, Carr & Shaw, 2008). It is evident from the narratives that emerged in surveys performed by Björnberg and Nicholson (2007) that family dynamics and relationships play an important role in determining the quality of relationships next generation family members have with their family business. I expected that this would be even more valid for an enterprising family, where identification with one particular business is not necessarily available. I anticipated that only if these family members experience a sufficient level of communication, cohesion and consistency, both with respect to family leaders and with respect to the different business interests, would their emotional ownership be enhanced.
As is widely accepted in organisational theory, consistent application of transparent guidelines and policies provides the foundation for process-based justice or procedural justice, otherwise known as *fair process* (Kim & Mauborgne, 1997). This concept is closely linked with the concept of trust. Within the context of family businesses, Van der Heyden et al. (2005) have strongly argued that fair process is a very important basis for development and survival. They have developed a fair process framework for family businesses. As shown in Figure 3 below, it consists of five fundamental steps to be followed in succession and specifies a number of behaviours which should be adhered to when going through this process (voice, consistency, changeability, etc.). Adherence to these principles is critical, they argue, for developing policies that build system-based trust within family businesses.

![Fair Process Framework](image)

**Figure 3.** Fair process framework (Van der Heyden et al., 2005)

The first part in this process is fully in line with the general literature on decision-making processes where they are viewed as sets of iterative steps (Russo & Schoemaker, 2002). The first step in a well-designed process relates to the framing of the issue and obtaining the engagement of all persons who need to be involved. It includes an examination of the important aspects of the issue and of the criteria which should be used to reach an optimal outcome. The second step
consists of generating a series of available options and evaluating the implications for different stakeholders. The third step refers to making a choice among the available options and explaining that choice to the stakeholders involved. The fourth step consists of making sure that the decision taken is being implemented and executed. This is crucial step for the credibility of the process, also in the context of family businesses. The final step refers to the need to evaluate the decision taken and its implementation, so as to allow the participants to learn from the process and to amend it if necessary.

The second part of the fair process framework introduces a number of crucial fairness characteristics (behaviours) which should be adhered to throughout the full process. The first characteristic that should be adhered to in a fair process is to give all of the stakeholders involved a ‘voice’, so that their views can be heard and represented. This voice provides those involved with an opportunity to co-shape a decision under consideration. In a family business context, this aspect should allow the younger generation to actively experience the family dynamics.

The second characteristic concerns the clarity and accuracy of information. Kim and Mauborgne (1997) stress that this requirement means more than giving access to all relevant data, but should also include giving explanations and managing expectations. In a business family context, it is often necessary to help the non-core family members understand the issues at hand.

The third characteristic of fair process in this model asks for consistency across people, over time, and with agreed values and norms. Family members need to experience the treatment they receive as consistent with the treatment received by other family members. Again, this is a key element in sound family dynamics.

The final characteristic in this model relates to changeability, namely the possibility of amending the guidelines and policies following debate and ultimately the consent of family members or a large majority of them; “The inability to alter course can turn a family and its business into a prison whose members will be increasingly motivated by the sole desire to escape” (Van der Heyden & Huy, 2008).
METHODOLOGY

For more than 20 years, I have been an advisor to a business-owning family who are now transitioning into an enterprising family. During this time, I have been fortunate to observe the dynamics of this family. I therefore make use of this experience here to describe in a single case study what I have observed with respect to a particular event in the family dynamics, namely the effort to draft and finalise a family charter. According to Creswell (2013), case study research is a qualitative approach in which the investigator explores a bounded system (i.e. a next generation enterprising family) on the occasion of a particular event (i.e. the drafting of a family charter) over a specific period of time (in this case a period of approximately five years). Case study research involves detailed data collection involving multiple sources of information (via observations, interviews and documents), and reports a case description and case-based themes. These will be provided in the next chapter of this thesis.

Over the last five years, I have observed three interventions delivered to the Pynnock family by experts in the charter drafting process. As I have witnessed, the approach taken by an outside consultant can have both a negative and a positive influence on the development of the family dynamic. In reporting on the present intervention, set in motion in 2015, I have not only made use of my own written recordings of various meetings, but also of the minutes of each meeting which were produced by the facilitator/mediator.

I also integrate feedback I received from the key players in the business family via a series of one-to-one semi-structured interviews. These interviews were used to obtain additional information and also to validate important themes and findings. The interviews took place during July and August 2016. Each lasted approximately two hours and covered two parts: (i) general feedback on the family history; (ii) feedback on the family dynamics, including those relating to the drafting of the family charter. For a sample interview schedule, please refer to Appendix B. Interviews were recorded in writing. Participants were fully briefed on their right to withdraw all or part of their data. Nevertheless, care has been
taken not to include in this report any material which may be considered too personal.

I used a combination of inductive and deductive analysis in this research project. At the start of the project, I already had a wealth of information available from the many observations I had been able to make during two initial attempts to draft a charter and during the current ongoing intervention. A number of themes had therefore emerged from those observations and the minutes of the different sessions, such as the need for good and fully accepted governance practices and the importance of good family dynamics, including trust and open communication. However, during the literature review I undertook for this paper, I discovered a number of concepts, such as the notions of an enterprising family and of emotional ownership, which allowed me to more fully understand the context in which the Pynnock family has evolved. Also the notion of fair process and the importance of a good process provided me with useful insights, especially with respect to the considerable time it has taken for the family to finalise their family charter. These concepts have therefore also guided many of my interpretations.

A final concern was that, as long-term Family Advisor to the Pynnocks, I had to make sure that I was not including only material that would fit my *a-priori* assumptions. I therefore engaged in a process of self-reflection and also cross-checked my interpretations and conclusions with two other professional family advisors who have extensive experience with business families and the charter drafting processes.

A case description will now be provided, before attention is turned to the themes identified in the analysis.
THE FAMILY CHARTER DRAFTING PROCESS

First Attempts to Draft a Family Charter

This sub-chapter offers a description of the first attempts made by the Pynnock family to draft a family charter. At the 2011 Annual Family Retreat, the potential of doing so was for the first time brought to the discussion table. Alfred Pynnock was 70 years old and felt that the time was ripe to transfer the decision power within the newly created Pynnock Family Enterprise to his children. In discussions with his two trusted family advisors, he had come to the conclusion that, even though several steps had been undertaken since 1997 with respect to family governance, there would be need for a more stable and sustainable foundation for the future, in the context of the transfer of real decision power.

A well-known Professor, with a background in family business as well as in psychiatry, was invited to assist the family in this process. He started off during late 2011 with a series of joint and bilateral meetings with each of the family members. He made use of the Three-Circle Model of family businesses, as described in the Literature Review. It took some time before Alfred and his children connected with the approach, which may have been a bit too academic for them. However, I noted that after a while, the siblings started appreciating the interaction which was created. Nevertheless, Alfred felt that it would take too long for the family to reach a conclusion, and therefore the cooperation with the Professor came to an end in early 2013. With hindsight, Alfred, his children and the other family advisor and I may have been too impatient. We did not yet fully understand that in order to have any chance of coming to a satisfactory conclusion, a family needs to take sufficient time to discuss such sensitive and important topics.

Six months later, another consultant was hired; this time a legal expert who claimed to have more than 75 family charters under his belt. His approach was quite different from that of the Professor: he was much more directive on the content and process of drafting the charter. Based upon his reported experience, this legal expert had developed a standard scenario which he proposed to follow
during the drafting process, thereby using what he considered to be the 10 fundamental questions to be addressed in a family charter (see Appendix C).

The family, together with the advisors, met seven or eight times over a period of a year to respond to all of these questions. The legal expert would very much steer the discussions, rather than leaving sufficient time for reflection among the family members. Based upon his experience, he would come up with several alternative replies to the questions in order to “speed up” the process. Towards the end of 2014, a draft family charter was arrived at. However, the whole family felt that, although they had arrived at a valuable text, it did not really ‘come alive’ among the family members. Therefore, the decision was taken to pause for a while and as such the document was not signed. It was late 2014, and the family had already spent three years on-and-off in the drafting process.

I wondered what went wrong and why it took the family so long to come to a conclusion. Were they dragging their feet, or was it the process itself that had prevented them from doing so?

Action Research Process

In the first half of 2015, the other family advisor and I came across Anne, a woman with a legal and mediation background, whom we understood had successfully assisted a number of families, including her own well-known business family, in setting up and developing sound governance practices. After reviewing what the Pynnock family had already undertaken and meeting Alfred and his children, she accepted the request to set up a specific ‘family action research process’, aiming first at establishing whether there was a real need for a charter and, if confirmed, working to put together a robust document. In line with the model developed by Kurt Lewin (as cited by Kets de Vries et al., 2007), an action research process begins with a family or business ‘triggering event’, which is followed by the engagement of an outside consultant. The subsequent phases are usually: data collection; family feedback; intervention and action planning; implementation (ibid.).
Although it was agreed with Anne that the draft family charter document that had resulted from the previous exercise would be used as a basis for the new discussion, Anne requested to start this new process with an open mind and a full day of open exchange. Afterwards, meetings would be planned on a monthly basis, each lasting approximately three hours. The intention would then be to delve deeper into several items and review and discuss them more than once, so as to hopefully arrive at a document which would be fully accepted by all family members.

Anne indicated that the whole exercise would definitely take 12 months and might last as long 18 months. At the time of writing of this thesis, we are just halfway through the 18-month timeframe, and it is clear it will take longer than the minimum period of 12 months. It was agreed that Alfred and his children would participate in all sessions, that Claudia would be invited on occasions, and that the two family advisors would be there as observers and not participate in the discussions. In the remainder of this section, I will summarise the approach which Anne has taken and how the family have reacted to it. For a detailed description of each session, see Appendix D.

At the start of the action research process, Anne invited all the family members to freely speak their minds and asked each of them what they saw as their plans for the future. In this way, corresponding with the first fairness characteristic set out by Van der Heyden et al. (2005), she gave all stakeholders a ‘voice’. She reiterated the Three-Circle Model, which she would be using throughout the exercise. She also invited all family members to list the topics which they would like to discuss over the course of the exercise. Having done this, Anne guided the family members in clustering the long list of topics into the three circles: family, owner/shareholder and business.

By going through this clustering exercise, the family members became more aware of the complexity and the overlaps of many topics. Anne also made clear that the process would be in their hands, and that she would be there as a facilitator rather than a director of the exercise. Furthermore, during each of the sessions Anne made plenty of time available for the family to give feedback on
their afterthoughts regarding the previous sessions. This would lead to a
reiterative process, where all participants were invited to take the floor and
express their feelings and opinions on the family dynamics. This also led the
family to spend sufficient time considering their willingness to draft a charter.

The more technical topics of the family charter, such as which governance
structure to opt for, only came to the table in the following stages of the exercise,
when a sufficient basis of trust and understanding had been established.
Furthermore, Anne made sure to clearly discuss the principles of fair process and
how it could be applied in this family context. As a matter of fact, she invited the
family members to apply those principles on a very sensitive topic (the family real
estate assets). By doing so, she provided them with an opportunity to experience
the application of family charter principles, so as to increase their commitment to
the drafting process.

Halfway through the charter drafting process, all family members have expressed
their satisfaction with Anne’s approach and the progress made so far.
FINDINGS

The long period it has taken to move towards the conclusion of the charter drafting process, initiated in 2011, clearly shows that several challenges have been faced by Alfred Pynnock and his children. All of these challenges relate to what I consider to be important ingredients for the survival of a business family: emotional ownership, social capital and fair treatment and process. On the basis of my observations during the family charter intervention process, and on the basis of my interviews with the protagonists, I will now evaluate where the Pynnock family stands today in order to address this study’s one main and two secondary research questions:

1) How can the drafting of a family charter help in keeping a business family together as they transition from single business ownership under a controlling owner to portfolio management under a sibling partnership?
2) What are best practices and potential pitfalls in the family charter process?
3) What is the importance of emotional ownership, family social capital and fair process for the survival of a business family?

In order to address the first two research questions, in the first part of this chapter I will focus on the sound governance aspects and the value of the family charter process by drawing lessons from the family’s own experience. I will then address Research Question 3, relating to the importance of emotional ownership, social capital and fair process.

Drafting a Family Charter: Good Governance Practices and Potential Pitfalls

As mentioned in the Literature Review, very little research has been done on the drafting and implementation of family charters. Although, as explained by Montemerlo and Ward (2005), the practice of drafting a family charter is accepted as a first choice governance option in Europe, it is understandable that families are not eager to make their ‘private’ arrangements public, and even less eager to provide information on the implementation of their family charter.
From the Pynnoch family’s story we can learn that the key success factor in a family charter exercise is to have a strong process at all stages; preparation, drafting and implementation. That is not to say that the quality of the content is not important; on the contrary. But I believe that many attempts to draft a charter fail due to poor process. In the next sections, I will look back at the Pynnoch family’s experience, taking into account both content and process. I will now present 10 areas of best practice identified during this study.

1. Assess the Readiness of the Family

A first prerequisite in a family charter process is the ‘readiness’ of the family concerned. Alfred Pynnock initiated the first attempt to draft a charter with the best intentions back in 2011. But he and the family were not prepared at that moment for the academic approach followed by the Professor. Although he planned to use more or less the same methodology and approach as the one presently used by Anne, he failed to capture the imagination of the family members. This may have been partly due to some of the family members not fully understanding the need for a family charter at that moment.

Similarly, if a family is too fragile (which I believe was not the case with the Pynnoch family in 2011) because there are too many conflicts or there is lack of goodwill and mutual respect, that family is clearly not ready to start a charter drafting process. In some cases, families may lack the necessary strength or the basic skills for engaging in a charter process. They do not need to be experts in interpersonal skills, but they must have a basic understanding of formulating opinions, debating them and showing respect for opposing ones (Sorenson, 2011).

2. Get the Family On-board

Contrary to the Professor and the legal expert, Anne started her family charter intervention by broadening the scope of her intervention. She invited all family members to speak their minds freely and list the topics which each of them wanted to discuss during the process. By doing so, she invited the family
members to take ownership of the exercise and to participate as much as possible (Kets de Vries et al., 2007; McArdle & Reason, 2008). She approached the intervention as a bottom-up exercise, which was in strong contrast to the approach followed by the legal expert.

3. Create a Safe Space and Stimulate Open Communication

At the same time, Anne’s approach stimulated the family members to seek to understand better each other’s opinions on several topics, and to learn to positively confront diverging opinions. During the first sessions of the intervention, I observed that Alfred’s children communicated in a more open way than I had witnessed before, and really opened up their minds to one another. This created a sense of familiness, as described by Pearson et al. (2008). Anne was able to construct the charter meetings as a safe place for them to express their opinions and feelings, although in the later sessions, especially when the topic of family real estate was on the table, I felt that some of the siblings started to hold back again.

4. Reconfirm the Basic Foundations

Anne took the time to reconfirm the basic foundations of the Pynnock Family Enterprise: Which are the values they adhere to? Do they really want to comply with Alfred’s wish to stay together after his death and subordinate their own expectations to a common objective? What do they want to achieve? How good are the relationships between them and how can they improved? What is the role they see for each of their partners in the family system? These types of questions relate to the sense of emotional ownership, as defined by Nicholson and Björnberg (2008).

5. Make it Personal and Positive

Rather than using a set of standard questions and topics (as was done by the legal expert), Anne started from the input of the family members themselves, and continued to stress the need for a positive approach. At one point, Alfred’s son
Fernand explained that he felt he was not being taken seriously by the rest of the family, so Anne invited them to reflect on that and to expressly state what they appreciate in Fernand’s attitude and behaviour.

6. Create Time to Reflect and Digest

By starting each session with the family members giving feedback on their afterthoughts on the previous session, and by providing written minutes after each session, Anne stimulated the family to reflect and gave them time to digest the discussions. She always meticulously kept a list of items discussed, items still to be discussed, and actions to be undertaken between the different sessions. She also made sure that decisions or orientations that were taken were correctly understood and interpreted in the same way by all family members. If an item was not clear for everybody she would come back to it during later sessions.

7. Provide For and Practice Fair Process

When a debate arose on the sensitive topic of using family real estate, Anne deliberately made use of the five-step fair process method proposed by Van der Heyden et al. (2005). She framed the issue and engaged everybody; explored several solutions and eliminated some; let Alfred’s children decide on what solution they would take; set a clear timing for the implementation and execution. Of course, the evaluation will have to be undertaken at a later date. By applying this method in the course of the drafting process, Anne has shown how the family charter will be applied in the future when the family face other sensitive issues.

8. Stimulate Good Family Dynamics

Anne ensured that a broad range of topics were brought to the agenda for an open and orderly discussion. She invited the family members to debate to the fullest, but also to accept decisions once they were taken, avoiding break-ups and looking for full consent whenever possible. This is maybe the most important aspect of the whole process, as the ultimate purpose of a family charter is to change attitudes and behaviour (Sheperd, 2016).
9. Help the Family to Define Clear Roles and Understand the Structures

Another important objective of a family charter is to create clarity for all family members as to the different roles they can play in the business family system: owner-shareholder; manager; director; family member (Gersick et al., 1997). During sessions, Anne always drew participants’ attention to the role they were taking up when discussing the different items. Even after eight sessions, most family members still had difficulty in differentiating between these different roles. I have observed that the Pynnock family will still need a few sessions to clarify this item.

The same observation can be made with respect to the existing structures within the family system. As could be seen in Session 6 (see Appendix D), the family has great difficulty in drawing the existing structures and their own position in each of them. Is this due to the complexity of the structures? Or to a lack of interest? Or does the family simply trust that if the family advisors understand the structures, all is well? Again, the need for the family members to take real ownership of the structures they already have in place was emphasised.

10. Allow for Change when Needed

A family charter is drawn up at a particular moment in the lifecycle of a family. If well drafted, it takes into account the present and past experience of a generation but it should also allow for future amendments and changes. This is not only because the present family members will go through their own lifecycles, but also because the next generation may want to adapt the charter in light of unforeseeable circumstances. The importance of the different lifecycles and developmental stages in a family business has been very well described by Gersick et al. (1997). During my interviews I noticed that most of Alfred’s children viewed the fact that they are all at different moments in their lifecycles as a potential obstacle for the conclusion of the charter.
Summary

From the above comments it should be clear that a good process is needed when drafting and formulating a family charter. Such a process takes into account the particularities of the family concerned, addresses the key issues, and stimulates ownership and participation amongst the family members. By promoting open communication and applying fair processes, the drafting exercise will actually enhance family social capital and can be very important for the development of trusting and cooperative relationships among family members. The time taken to come a conclusion is not always important, but if takes too long, the momentum within the family, and the opportunity to act before foreseeable major events, may be lost.

**Family Survival: The Importance of Emotional Ownership, Social Capital and Fair Process**

The section that follows will present findings that relate to the third research question: What is the importance of emotional ownership, family social capital and fair process for the survival of a business family?

**Social Capital**

There seems to be a fair amount of social capital available within the Pynnock family. Alfred’s children get along well with each other, and his leadership is still very much accepted and aspired towards. Yet, challenges to this family social capital loom from different sides.

**Communication**

Although a Family Council was installed years ago, the Annual Family Retreat has become the true forum for discussion and exchange, and the bi-monthly meetings are well attended. However, some family members complain about the lack of open and transparent communication. During the interviews, several of Alfred’s children negatively commented on the fact that not everybody speaks...
his/her mind during family gatherings and family charter drafting sessions. Others noted a lack of consistency between what is said and what is actually done by their siblings.

As far as transparency is concerned, those who are not involved in the business ventures complain that relevant information is not readily made available to them, so that it is difficult for them to follow and evaluate those businesses. Yet, the family office electronic folders have been made accessible, and are rarely consulted. This is an interesting paradox.

When speaking about open communication, Alfred and his children worry about the role of the in-laws, a topic which has received ample attention in research (e.g., Steier et al., 2015). Years ago, Alfred insisted on family matters only being discussed among blood relations. This however has led to some of the in-laws becoming frustrated, mainly the spouses of the two eldest sons. About 10 years ago, an information session was organised with those spouses, but in Alfred’s mind the outcome of that session was not particularly positive. However, today all of the Pynnock children are married and four of the grandchildren are already more than 18 years old, so that the need for new communication efforts towards the spouses and a number of the grandchildren is being felt more and more.

Identity

Most of the Pynnock children still very much identify with the Pynnock Textiles business. This is not uncommon, as explained by Eddleston (2011). Three of them have actually spent part of their working lives in that business and even the younger ones have very vivid and positive memories of belonging to the family that owned Pynnock Textiles. Joseph and Alfred were very successful in creating a family-like atmosphere within Pynnock Textiles, and the children, even the youngest, appreciated that a lot. As Alexander said: “I was very proud to go every Saturday morning to the plant together with my mother who served coffee and sweets to the employees”. Or, as Nathan mentioned: “I remember very well the gratitude shown by my school community when Pynnock Textiles sponsored one of the annual school events”.

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Even now, 20 years after the sale of Pynnock Textiles, the children identify with the former family business. Identification with the new Pynnock Family Enterprise and its different activities is much more difficult. As identified by Shepard (2011), this is not surprising as it is much more difficult to associate with the underlying assets of the new enterprise. For the two children who are closely involved with the new business ventures, such association is still possible, but that is much less the case with the other four children. The underlying assets, so to speak, do not provide for the same sense of meaning or purpose as the former Pynnock Textiles business. Their value for the broader communities in which the Pynnocks live is not visible.

Here lies therefore an important challenge for the Pynnock Family. Even though the family-business identity, linked to Pynnock Textiles, still lives in the minds of the third generation (i.e. the six Pynnock siblings), it is very unlikely to continue living on with future generations. At the same time, it seems to be very difficult to identify with the new Pynnock Family Enterprise. I think therefore that the family social capital is at risk of getting lost, unless the Pynnock siblings succeed in maintaining and developing a strong family identity. But that probably requires extending the family communication channels to in-laws and to the next generation.

Trust

From my observations and interviews I am convinced that there is a basic pattern of trust among the Pynnock children. All claim to have good relationships with one another. Of course there are closer relationships between some of them. The two youngest, for example, live close to each other and also their wives get along well. The two eldest also have a special relationship, as they more or less got closer to their father during the same period.

When it comes to believing each other when confirming their intention to stay together after Alfred’s death, I notice a worrying feeling of distrust, especially with the younger children. This may be inspired by the experience that one of their
elder brothers is not always truthful. However, when that same brother was facing a medical crisis a while ago, all of the other children, including the younger ones, were very worried and cared for his wife and children.

Lack of ‘full’ trust may also be explained by the fact that there does not seem to be a lot of informal communication and socialising among the family members. Again, the negative views of some of the in-laws may also play a role and explain some of the feelings of envy and jealousy brought forward by the younger brothers.

All the children recognise that the value of the joined family assets is bigger than six separate pieces, and for most of the children that is an important reason for wanting to manage the assets together. Some of children would also consider a potential split up as disrespectful to the wishes of their father.

For me, the most sensitive aspect of trust in the Pynnock family is that up until now the children have not really shown how they will be able to work constructively together. They have not experienced concrete collaborations which might indicate whether their brothers and sister can ‘really’ be trusted. This is nevertheless a crucial factor in establishing trust in a family, as explained by Sundaramurthy (2008).

*Family Leadership*

The leadership of Alfred Pynnock has played a key role in establishing and developing the family social capital. He is very respected by all of his children, not only for what he has realised in his business career, but also for his warm and caring personality. His ‘charming’ dominance is probably also one of the reasons why years ago his children accepted without any questioning his wish that they should stay together for at least a decade after his death.

Some of the children have, however, indicated that they do not feel that their oldest brother, Xavier, the ‘natural’ successor, has the necessary skills and competencies to take on the family leadership role in the future. I think that
Xavier will still have to prove in the coming period that he can take up that role, for example by taking on a more central role in the family charter process.

Emotional Ownership

From my observations and interviews, I have sensed a limited level of emotional ownership with respect to the new Pynnock Family Enterprise. This is definitely closely related to what I discussed above regarding the identity factor (Eddleston, 2011). It is understandably difficult for family members to take emotional ownership of a series of distanced business ventures, real estate projects and investment portfolios. Yet, I have clearly observed a strong sense of belonging and attachment to the family. At the same time, as I consider the Pynnock family to have become an enterprising family rather than a business family, I have also observed its willingness to take up the challenge of jointly creating future business value by growing and protecting shared family wealth together. In this sense one can argue that the Pynnock family shows emotional ownership of the joint estate. Just as Berent-Braun and Uhlaner (2012) describe, they intend not to act as loners, but are willing to work together as a team in the joint pursuit of business value creation.

Fair Treatment & Fair Process

A very sensitive item I have observed relates to the use of family real estate assets by some of Alfred’s children. This has been an emotional point of discussion for many years. It not only shows the importance of ‘bricks and mortar’, but even more importantly, the need for fair treatment and fair process. The fact that some of the Pynnock siblings live in a house that belongs to the family and have not paid any rent until now has been very distressful for the other siblings, who felt this was unfair. Similarly, when Alfred asked his youngest son to go and live in his mother’s (the son’s grandmother’s) house when she died a year ago, some of his other children strongly felt that this should have been discussed with them beforehand. If there had been a pre-agreed process, such as the one proposed by Van der Heyden et al. (2005), for bringing such a sensitive topic to the discussion table, it could have prevented some unnecessary bad feelings.
DISCUSSION

The study detailed in this thesis was primarily concerned with identifying how good family governance practices, in particular the drafting of a family charter, can help keep a third-generation business family together. A single case study is presented of a business-owning family seeking to preserve and grow the wealth successive generations have created and in doing so become a truly enterprising family, rather than a family with an enterprising leader.

The case of the family described in this thesis is not unique. Indeed, Gersick (2015) observes that third- or fourth-generation families in such situations quite often wonder how to sustain themselves as a collective group, and why they should endeavour to do so:

What ties them together as a family, in the face of continuously increasing diversity? Is common shareholding enough? Especially if there is no longer one core operating business to identify with, are they coinvestors, or partners, or just genetic relatives, gradually dispersing into strangers? The key questions are not only how to organize, operate and govern but also why – to what ends, with what theory of engagement, risk and reward? (p. 1436)

Hence, it is vital that we understand how this substantial sector of industry can navigate these troubled waters. Therefore, in this thesis I have identified and explained a number of best practices and potential pitfalls in the family charter drafting process, and in doing so highlighted the value not only of the end result, but of the process itself. These practices and pitfalls will be discussed shortly. Turning firstly, however, to Research Question 1, I will discuss how the drafting of a family charter can help in keeping a business family together as they transition from single business ownership under a controlling owner to portfolio management under a sibling partnership.

The Pynnock family has organised an annual retreat for 20 years, and bi-monthly family meetings have been held for a long time. However, it is only now, when
pressed by the need to make a document drafted two years ago ‘go live’, that Alfred’s six children are addressing the basic question of whether they really want to stay together, not just because it is their father’s wish, but because they think that it is in the best interests of all family members to manage the estate together. The reply to this basic question will determine whether the family charter will be concluded and adhered to afterwards. Of course, there will remain plenty of challenges in the years to come, such as the influence the in-laws will have on the behaviour of the Pynnock siblings, and the different life stages within which each of the siblings will be at any moment in time, causing different needs and expectations. But I believe that if basic questions are well thought through and openly discussed, there is a much bigger chance that the family will hold together over time (Gersick et al., 1997).

Furthermore, if the family charter leads to a clear choice of governance model for the future, there will at least be a very important reference point for all of them. What role does each family member want to fulfil in the future? Some of them could be interested in an operational role in one of the companies, fully or partially owned by the Pynnock Family Enterprise. For example, Frank Pynnock presently has an important sales position in one of the companies. Other family members may be interested in taking up a director role with respect to the management of some of the other assets, and still other family members may just want to remain as engaged shareholders. For each of these roles it is important that the family charter clearly defines what is expected, under what conditions they can be taken up (especially in the case of an operational role in one of the companies), and what kinds of responsibility are involved. Even more important, the charter has to clarify how decisions will be taken within the Family Enterprise and at what level (e.g., at management level, at the level of a board of directors, or at the level of a shareholders’ meetings). For what type of matters will unanimity be required? Will there be a need for a simple or qualified majority? In the context of an enterprising family like the Pynnocks aspire to be, it has to be stressed that, as outlined by Berent-Braun and Uhlaner (2012), the main challenge is to work as a team, with less autonomy for each of the individual family members, and with unity of purpose towards creation and growth of family wealth.
From my interviews with the Pynnock children, it is clear that all of them wish to work as a team together but still very much need to create a common understanding of the different roles mentioned above and still need to fully agree on decision processes for the future.

Of equal importance is the fact that the family charter needs to provide for a fair and fully accepted process, as suggested by Van der Heyden et al. (2005), to handle sensitive issues or potential conflicts in the future. The Pynnock children have recently experienced difficulty in coping with the sensitive issue of how family real estate is made use of. Throughout the process of her intervention, Anne has taken sufficient time to frame this issue, come up with several options for a solution, and guided Alfred’s children towards one accepted outcome which is experienced as fair. Of course, the implementation will have to be followed up and evaluated. But I believe that this one experience could constitute an important breakthrough and will be a very useful guideline of how to handle sensitive issues or conflicts in the future. It would be good if this particular approach of applying fair process within the family could be tested on other sensitive issues in the coming period, so that the Pynnock children experience on their own the value of such approach, and gain sufficient trust that this approach will help them tackle difficult issues in the future.

Turning to the second research question, relating to best practice and potential pitfalls, it is clear from the findings of this study that an action research approach (Lewin, as cited in Kets de Vries et al., 2007) has considerable merit, or at least did so in the context within which I was immersed. Having observed this process in action, I have identified 10 areas of good practice (listed below). Practitioners should consider incorporating these into analogous interventions.

1. Assess the readiness of the family
2. Get the family on-board
3. Create a safe space and stimulate open communication
4. Reconfirm the basic foundations
5. Make it personal and positive
6. Create time to reflect and digest
7. Provide for and practice fair process
8. Stimulate good family dynamics
9. Help the family to define clear roles and understand the structures
10. Allow for change when needed

In terms of potential pitfalls, it is of course vital that the family is at a stage where they are ready and able to make a transition. If they are not, practitioners may be faced with some of the same issues as the Professor was who was first enlisted to assist the Pynnocks in drafting their charter. Assuming the family are ready, practitioners may wish to avoid directive strategies, such as that adopted by the legal expert in the present case study. Needless to say, each case is different and interventions should be tailored to specific requirements, but the findings presented here may serve as a useful guide.

As for the role of emotional ownership, family social capital and fair process in the survival of a business family (Research Question 3), this study has illustrated that not only are these factors vital, but they should – and can – be integrated into a well-facilitated charter-drafting process. For example, trust in each other will, in the case of the Pynnocks at least, be a key condition for making the family charter work. As described in general terms by Sundaramurthy (2008), trust is one of the key components of the Pynnock’s social capital. They have clearly developed a certain amount of it over the last 20 years. But to me, the Pynnock children have until now not really tested how well they are able to constructively work together. Therefore, I believe that the family charter process is an important element in further developing this social capital. If they succeed in the coming period in shaping the family charter so as to make it really come alive within their family context, I believe this can ‘cement’ the family social capital. It will not be like a ‘concrete’ foundation, because family social capital is too much dependent on the continuing goodwill of everybody, including in-laws and newcomers, but in my mind it will at least help the family to deal with some ‘shocks’ in the future.
Finally, as indicated in the Literature Review, I explored the potential qualification of a family charter as a transitional object for the Pynnock children. However, I have not been able to come to a clear conclusion on this topic. It remains possible that, unconsciously, the Pynnock children consider the charter as a helpful instrument in their transition from a controlling ownership exercised by their father to a sibling partnership. However, their replies in our bilateral interviews did not throw a conclusive light on this. What is clear is that, if well conducted, the drafting process amounts to a strong bonding process among them. I nevertheless suggest that this topic be further explored in other studies, which leads me to the next chapter.
LIMITATIONS AND FUTURE DIRECTIONS

In this paper I have dealt with one particular business family in the process of drafting a family charter. One might argue that it would have been better if I had compared the experiences of the Pynnock family with that of other families which have gone through the same process. However, as I mentioned before, business families very often want to remain discrete on potentially sensitive matters such as this. Moreover, adopting an idiographic approach allowed me to explore the topic in greater detail than would have been possible if I had attempted to deal with a high volume of research participants. In doing so, I have been able to shed light on why many business families fail to complete the charter drafting process by surfacing its complexity due to the interrelation between different aspects of the family business and its key stakeholders. I have also been able to provide insight for further research, and to illustrate the value of the various theories I applied, specifically relating to good governance, emotional ownership, social capital and fair process. This, I hope, has enabled me to go beyond the pure description of the case so common in the literature on family charters.

The limitation to one case does of course lead to the suggestion that a broader study on drafting and implementing family charters could bring real added value to this field of study. Furthermore, as indicated, more and more business families are cashing out the original family business in order to become enterprising families. In these circumstances, the focus of governance can be different to that of single business-owning families, and the importance of a well-founded family charter is even greater. I therefore suggest that more scholars follow in the footsteps of Gersick (2015) and myself and further explore the new challenges facing enterprising families.

Regarding the present study, something worth noting is that, being so close to the family, my own experiences and feelings will inevitably have influenced which data I have chosen to include in this thesis, as well as the inferences I have made from it. I did, however, engage in reflexive processes throughout, and one could also argue that my intimate knowledge has qualified me to provide an ‘expert’ view on the topic.
CONCLUSIONS

In this paper I have described the processes a business family has gone through in drafting a family charter at an important moment in the life of their family. The original business has been transformed into a portfolio of different assets, which the family wants to manage together in order to create common added value. At the same time, the second generation family leader has expressed a real willingness to fully transfer the authority over the business portfolio to the third generation. Finally, the fourth generation and the second generation in-laws are requesting to be involved to some extent in the enterprising family to which they belong.

I believe I have illustrated that a well thought out and well guided process of drafting a family charter has the potential to play a crucial role in keeping this family and its next generation together. I put the emphasis on ‘process’ rather than on the content of the charter, because the Pynnock case has shown that creating a family charter involves more than just putting words on a piece of paper. The process of discussing among siblings the basic questions regarding why they should stay together and how they intend to cooperate in the future will determine whether the document is successfully completed and adhered to.

At the same time, the Pynnock case also clearly indicates that for a business family to stay together, more is needed than just a piece of paper. That piece of paper will only have real value if it is founded on sufficient family social capital and emotional ownership, and if it provides for a fair process. This case study has also shown that all these elements are strongly interrelated. Good governance, and in particular agreeing on a family charter, reinforces the family social capital, emotional ownership (even in the absence of the original identifying factor) and the expectation that the application of fair process and fair treatment will be a cornerstone in the future development of the family.
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APPENDIX A: SUMMARY PROFILES OF THE PYNNOCK FAMILY MEMBERS

Alexander Pynnock
- Youngest of the family, 35 years old.
- Married with one young child.
- Secondary school education in France and Switzerland.
- Active in the music business (runs recording studio's) and in event organisation.

Nathan Pynnock
- 40 years old.
- Married with two young children.
- Secondary school education, partially in Switzerland.
- Has run his own business twice (restaurant, foodshop), but failed twice.
- Unemployed for the time being, but helps his father and the Family Office on punctual family projects (real estate).

Frank Pynnock
- 45 years old.
- Married with three children (aged seven, 10 and 12).
- University educated (sports).
- Worked 10 years for a pharmaceuticals company, and since then, 12 years active in one of the Family Enterprise companies as a sales manager.

Irene Pynnock
- 47 years old, living together with a partner for the last 14 years.
- Has two children with her partner (aged 11 and 13), and considers the son of her partner (aged 22) as her own.
- University educated (business).
- Worked for four years for Pynnock Textiles, and afterwards for many years with several companies, mostly in marketing and controlling functions.
Fernand Pynnock
- 50 years old.
- Married with two children (aged 20 and 21).
- Trained as a real estate broker (at a later age).
- Worked for eight years with Pynnock Textiles, afterwards for three years with another company of the family enterprise, and has since spent 10 years at his own real estate business.
- Helps the Family Office frequently on real estate projects.

Xavier Pynnock
- The eldest son at 52 years old.
- Married, divorced and remarried. Has three children (aged 11, 19 and 23).
- Secondary school educated.
- Worked for 10 years with Pynnock Textiles, afterwards for three years with another company of the family enterprise. Now represents the family as Director in all of the industrial activities of the family enterprise.

Claudia Pynnock-Itau
- Belgian-Portuguese nationality.
- 74 years old.
- Married Alfred Pynnock in 1975. Two sons of her own but legally adopted the four children from Alfred’s first marriage.
- Very outspoken.

Alfred Pynnock
- 75 years old.
- Married, divorced and second marriage with Claudia in 1975.
- Secondary education (partially in France).
- Self-made succesfull businessperson, much respected in the business community.
- Strongly believes in business partnership and being advised by trusted advisors.
- Very much hopes his children will stick together.
APPENDIX B: SAMPLE INTERVIEW SCHEDULE

QUESTIONS WITH RESPECT TO PERSONAL HISTORY
1. How is your relation with your father ? How has it evolved over the years ?
2. How is your relation with your brothers and sister ? How has it evolved over the years?
3. How is your relation with your mother/step-mother, now and in the past ?
4. Describe your relation with any significant other, if any
5. Describe memories from your childhood & adolescence with respect to growing up in this family
6. Describe how you identify with this family

QUESTIONS WITH RESPECT TO FAMILY DYNAMICS
1. Describe how you perceive the family dynamics, now and in the past
2. Do you regularly meet with all family members on social occasions ?
3. How does your mother/stepmother influence the family dynamics ?
4. What role do you see for your spouse in the family enterprise, if any ?
5. What role do you see for your children in the family enterprise, if any ?
6. How do you see family leadership ?

QUESTIONS WITH RESPECT TO THE FAMILY CHARTER AND THE DRAFTING PROCESS
1. Is there a real need for a family charter ? If so, why ?
2. How do you identify with the actual Family Enterprise ? and its different components
3. How do you feel about the present drafting process ? What goes well ? What can go better ?
4. Can you confirm that you want to manage and build the Family Enterprise together, also after your father will have passed away ?
5. How do you look upon communication within the family ? How should partners and children be involved ?
6. What do you feel about fair process and fair treatment in your family ?
APPENDIX C: LEGAL EXPERT’S QUESTIONS

To be addressed in drafting a family charter:

1. What is our family history?
2. What are the values we stick to in our family?
3. What is our vision with respect to the Family Enterprise? Which strategy do we want to pursue? What kind of return do we expect? Which risks are we willing to take or not?
4. What kind of owners do we want to be?
5. How do we organise our ownership? What legal structures do we already have and which do we need to create?
6. What governance model do we want to set up for the future?
7. What arrangements do we agree upon with respect to employment within the Family Enterprise?
8. How will we organise ourselves as a Family, in addition to the organisation of the Family Enterprise? How will we communicate with each other?
9. Which role will everybody take up in the Family Enterprise/Family Circle?
10. What behaviours do we expect from everybody both in the Family Enterprise and the Family Circle? How do we intend to resolve conflicts?
Session 1

Anne started the first session by inviting all the family members to speak up their mind freely and asked them what each of them saw as his/her plans for the future personally, as well as for the family. She then reiterated the Three-Circle Model, which she would be using throughout the exercise. Next, she invited them to list the topics which they would like to be discussed in the course of the exercise and whether they had been discussed in the previous exercise or not. Having done this, Anne guided the family members in clustering the long list of topics into the three circles: family, owner/shareholder and business. It became clear that there are many overlaps and that several topics will need to be discussed from at least two perspectives. By going through this exercise, the family members became much more aware of the complexity and of the overlaps on many topics. It was agreed that during the second session they would focus on topics in the family cluster.

Session 2

As she would do at the start of every session from now on, Anne asked all family members to openly give feedback on their afterthoughts regarding the discussions of the first session. Everybody expressed having enjoyed the openness of the discussions last time and hoped this would further develop. Then Anne invited them to start discussing in pairs what was on their mind regarding the topics in the family cluster: what does it really mean to stay together as a family in the future? Do we really want that? How good are the relationships between brothers and sister? What bothers each of you with respect to the family? What do we mean when some say that there is not sufficient open communication? Do we listen sufficiently to each other? Where and why is there sometimes jealousy? What is the big fuss about the family real estate assets, which has now been going on for years? Anne proposed to discuss these items in a peaceful spirit and provided some tools to make this possible.
During the second part of this session there was only sufficient time to discuss the feedback from and to Frank and Irene Pynnock. What bothers Frank most is the lack of clarity with respect to the family real estate assets. Three of his brothers freely live in a house belonging to the family. They moved in with the permission of Alfred without any discussion beforehand. Furthermore, he himself is interested in developing a real estate project on a piece of land belonging to the family but he understands that another family member may also be interested in that piece of land. He asked for a transparent discussion and decision on this.

Irene from her side expressed the frustration she has felt when a few years ago she applied for a vacant job in one of the companies, where the Family is majority shareholder. On that occasion she was reprimanded by her father for doing so, without consulting with him first. She never got into the selection procedure. This confirms to Irene the bias which her father still seems to have towards women, because he would not react in such a way if one of his sons applied for a job in the same context. A discussion on both topics followed, however without coming to a clear conclusion.

**Session 3**

This session was almost entirely dedicated to feedback from and to Alfred Pynnock. He formulated his main frustrations within the family context today. First, he expressed regret that he has not been able to spend sufficient time with each of the children when they were growing up. Secondly, he worried that the children would be split up in two groups (depending on who their mother is). On the first topic, all the children indicated that Alfred has more than made up for his absence in the early years by the attention he has given to each of them over the last 20 years. On the second topic, the children replied that in their minds the image of the split up between two family branches does not exist. Alfred remained in doubt, and expressly asked the children of his first marriage to show respect and affection for his second wife, Claudia.

The third frustration Alfred experiences has to do with his daughters-in-law. He
feels that they are critical towards other family members and asks his children what they would be able to do to establish a greater harmony with the in-laws. In the discussion that follows, it became clear that the private situation of each family member differs and so do the related expectations. Several suggestions were made, such as trying to convey this message to their partners (difficult!), blocking them when comments which are too critical are made, and providing clear and transparent communication in a kind of family forum. It was understood that most of the daughters-in-law are looking for security and reassurance as to what will happen when their husbands pass away. However, it is also clear that some daughters-in-law will always have difficulty in hiding their jealousy no matter what reassurances will be given.

The fourth frustration which Alfred brings to the discussion table is the lack of commitment which he senses from the children towards the follow-up of the family estate. Would this be an indication that not all family members are really convinced that they want to stick together after Alfred’s death? All of the children replied that they do want to stay together and manage the family assets together. But all of them agreed that a number of elements in their interaction will need to be further improved: open communication, respect for each other, real willingness to take tasks over from Alfred and the Family Office, and the undertaking of efforts to improve the relationships between the family members and the in-laws.

Session 4

Starting this session, Anne referred to the second frustration which Alfred formulated last time: his worry that there is a split between two family branches. The four eldest children reconfirmed their reply from last time, that there is no split. This is experienced slightly differently by the two youngest children. Some children however expressed the fear that Claudia, their stepmother, may reinforce the sentiment of a split family in Alfred’s mind.

The discussion then moved to the feedback from and to Nathan Pynnock. Being out of work for a while, he feels that he arouses envy with some of his family
members, because he freely lives in a house from the family estate and he continues to live a good life, including a few foreign trips. This distresses him and makes him unhappy. Anne remarked that in such situations bad rumours can cause double harm with people who go through a period of uncertainty. Next to that, Nathan is frustrated by misinformation regarding his situation, which is being circulated probably by some of the in-laws.

Next came the feedback from and to Xavier, who as the eldest son is perceived as the successor to Alfred as future Head of the Family. However, he expressed the feeling of not always to be taken serious in that future role. According to Xavier, Alfred’s opinion usually still gets heavier weight than his own. Nevertheless, he recognised that over the last few years, Alfred has been helping him more and more to establish him in his future role. Alfred called upon his children to accept Xavier’s role and to make him (Alfred) aware if he still undertakes actions which may undermine Xavier’s authority. In the same context, Xavier indicated that Claudia sometimes makes negative remarks to Xavier on his leadership style and unfavourably compares him to Alfred. Xavier will take this up directly with Claudia in a separate meeting, but the family members nevertheless expressed the need to include Claudia in these ongoing sessions at some point.

Session 5

There were still two more family members to receive and give feedback. First came Fernand. Similar to Xavier, he is frustrated by the feeling that he is not always been taken serious by his brother and sisters. Some family members remarked that Fernand may himself contribute to raising this feeling, as he very often formulates something in an unsure way while he also rapidly makes a joke about serious items. He also participates less than the other family members in debates. Anne had recognised this phenomenon in the previous sessions and so then invited the other family members to express what they do appreciate in Fernand: his emotional intelligence, nobility, humour and wit. She also invited Fernand to take himself serious and consider the value which he contributes to the family.
Finally, Alexander is most bothered by the rumours and negative comments circulating about himself and other family members. This is somewhat similar to what Nathan had expressed. The two youngest children feel that the four eldest consider them as being privileged in the past and also now. Alexander indicated that he can live with that but he would much prefer open communication than rumours in the background. He therefore called upon all family members to really improve on this important aspect of the family dynamics.

To finish the discussion of the day, Anne proposed to tackle in more detail the one topic which had in the previous sessions proven to be very sensitive: the topic of the family real estate assets. A long animated discussion followed, among others on: the objective of keeping those assets in the family; possibility of selling or developing some of them; their value within the family patrimonium. However, to be able to discuss this matter with full knowledge, Anne proposed gathering some technical information from the Family Advisors and asked whether some family members would be willing to make a clear overview of all costs and revenues related to those assets. Frank and Alexander volunteered to bring this information together to Session 7.

Session 6

Claudia, Alfred’s wife, participated for the first, and so far, only time in a session. The topic to be discussed was the governance structure around the different family assets, as they are today, and as they should/could evolve in the future. Anne asked each family member to draw the existing governance structures as they are today perceived by each family member. It became rapidly clear that the family members do not have a clear picture of the existing structures, they mix up the different circles, do not make the distinction between being an owner of an asset (shareholder) or a director in a structure, do not have an idea of what a board of directors in a company is supposed to do as compared the role of the operational management, they do not realise that they do not own the family real estate assets directly, but rather as shareholders of company structures. After a while, it becomes clear that a lot of learning still needs to be done.
Referring to the draft charter document, Anne explained the primary task of a director in a company structure and the competences required. She compared that to the rights and obligations of a shareholder, and to the role usually taken up by the operational management of a company. An animated debate started up. Some of the family members feel that even as an owner of an industrial company, they should be allowed to attend operational company meetings. Other family members find it more important to have a voice in the Board of Directors. Xavier who is Director in most of the industrial companies, explained more in detail how he fulfils his role. Frank on the other hand, who has an operational sales function in one of the companies, stressed that in his company there is a healthy tension between the operational management team and the Board of Directors. Alexander asked whether the family would be willing to provide a learning track for those family members who would be interested in taking up a director position in some of the companies.

Anne referred to the concept of responsible owner which has been used in the draft charter. She explained that a responsible owner feels engaged/committed towards a company, usually feels proud to be an owner, makes the necessary efforts to be informed on the company and wants to invest time and knowledge in the company’s future. She stressed the importance for responsible owners to share a common vision and common values with respect to the company they own. Based upon all this information and the initial exchange of opinions, Anne invited all the family members to reflect on which role they see for themselves in the companies and the family enterprise as a whole. Everyone agreed to come back on these important topics in future sessions.

Session 7

It is important to note that Alfred Pynnock underwent surgery shortly before session 7, he is recovering well but he has made clear he will not attend any session until after the summer. According to Xavier, Alfred has also clearly indicated that he wants to play a smaller role in the family enterprise in the months/years to come, and that he expects his children to take up more active roles. As agreed before, the remainder of this session is spent on trying to further
clarify the topic of the family real estate assets. Anne invited the Family Advisors to provide additional technical information on those assets, if and when needed. Frank and Alexander had not been able to complete the overview of costs and revenues related to those assets, as promised in Session 5. Nevertheless, a very lively discussion started up who would be interested in acquiring which piece of real estate which today belongs to the family assets.

After this discussion, a number of general principles were agreed upon:

- All the family members agreed, partially based on emotional reasons, to keep the family real estate assets together and to manage them together for the future generation. The real estate patrimonium should be considered as an investment and be managed as such.
- For those who presently occupy a house belonging to the family, a rent will be agreed upon, and will have to paid as from January 1st, 2017. In this, as in other matters, the rule of equal treatment should be applied.
- The cost of structural works in the occupied houses will be covered by the family; other costs will have to be born directly by the family member concerned. Costs need to be calculated and applied on a fair basis.

Session 8

As agreed in Session 6, this session was fully dedicated to the future governance structure of the family enterprise. Anne reminded attendees of the general principles already explained in session 6, but additionally drew to the attention of Alfred’s children to the fact that together they have 14 children of their own, of which four have already reached the age of 18. She therefore invited the family members to look forward and take into account that more family members may soon become part of the Family Council, as projected in the draft family charter. In addition, some of the participants in this session pointed to the role of the in-laws and some ‘special’ situations. Irene Pynnock for example would like the son of her husband (who was already married before) to be considered as a full family member. The draft family charter has so far not included the in-laws and the ‘special’ cases. From the discussion that followed, it became clear that not
everybody is as yet on the same wavelength.

Anne then invited the family members to reflect on the existing governance structure and to propose possible alternatives. She stressed the fact that it should not be the intention on that occasion to attribute roles and functions to anybody, but rather to define the foundations for the future governance. To stimulate the drawing session, she asked for the following questions to be taken into consideration:

- Do the family members want to differentiate between owners and directors? If so, what criteria will be proposed to make that distinction?
- Do the family members see a role for externals at the different levels of the governance structure? If so, how far can that go?
- What type of leadership is looked for at different levels of the governance structure: family, ownership, business?
- Which kind of relationship does the family envisage with the operational management in the different companies?
- How can the engagement of shareholders be increased, especially taking into account that, with the next generation, they will grow in number?

Stimulated by these questions and remarks, the family members drew up no less than six different scenarios. An intensive discussion followed, which made clear that further reflection is needed. Anne clarified that it will be important to make a choice in one of the next sessions, but that the family should always remain open and willing to review its governance structure after a few years, and if and when circumstances require changes.