A Message *from the Director*

On March 8th, 2004 I joined the Business Families Centre as the Director and am absolutely thrilled to have the opportunity to help guide us toward achieving our vision and goals. The Business Families Centre is an incredibly unique partnership between UBC, the business community, and families, with a huge potential to benefit all three!

I have spent twenty years in leadership and management roles in the not-for profit world and with municipal government. My focus has been on strategic planning for community development, establishing partnerships, event and program planning, facility development and policy formation and implementation. This career path, along with a family business background, combine to create a passion and enthusiasm for ensuring that the Business Families Centre attain its vision of becoming an internationally recognized Centre for Business Families Studies.

I regret that my own family did not have the benefit of resources and services like those offered through the Business Families Centre while we struggled through a family business ownership transfer several years ago. Subject matter such as governance, board representation, shareholder rights, compensation, employment in the business, termination from the business, strategic planning, identification of family and business values, valuation of shareholdings, and communication are all issues that we dealt with. I am so pleased that the Business Families Centre is focusing on these and other subject matters, and that I can contribute to the "solution"!

To this end, I will be working closely in my first year with UBC faculty and business advisors to develop a directional plan that ensures we reach our goals for research and the creation of academic credit courses. In addition, the current range of educational programs, events and services offered to assist business families will be reviewed, with the potential for expanding them. Overall, my personal goal is to increase the number of business families that take advantage of and benefit from the services provided by the Business Families Centre.

I look forward to getting to know all of you!

Edie Doepker

Next Generation Internship Program

The Sauder School of Business Career Centre (BCC) and the Business Families Centre are pleased to partner in introducing the Next Generation Internship Program.

The goal of the program is to assist business students who will be next generation leaders of family businesses. Students will be linked with family controlled enterprises where they will have the opportunity to diversify their work experience, while gaining exposure to the expertise of other business family leaders.

For more information about this program please visit the BCC website at www.sauder.ubc.ca/ccc or call Linda Gully at the Sauder School of Business BCC (604 822-9422 or gully@sauder.ubc.ca) or Edie Doepker, Director of the Business Families Centre (604 822-3289 or edie.doepker@sauder.ubc.ca).

2004 Family Legacy Series Dinner

presented by
The T. Stenner Group of CIBC Wood Gundy

The JR Shaw Family Story

Business Families: Working Together

Join the Shaw family in a candid discussion about one of western Canada's largest and most successful diversified businesses. Family members will share their personal experiences on how they have successfully integrated family with the management and growth of a complex telecommunications enterprise. The Shaw story—from the early days of growth to the challenges that lie ahead—highlights the issues unique to business families everywhere and provides a rare opportunity to learn from a prominent Canadian business family.

Tuesday, May 11, 2004
from 5:00 to 9:30pm
Fairmont Waterfront Hotel,
Vancouver, BC

For more information or to purchase tickets please contact Megan Paris-Griffiths at the Business Families Centre at:

Phone: (604) 822-1858
Fax: (604) 822-8496
Email: bfc@sauder.ubc.ca
Web: www.sauder.ubc.ca/bfc/events/family_legacy.cfm

BUSINESS FAMILIES CENTRE SAUDER SCHOOL OF BUSINESS

University of British Columbia
800 Robson Street
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www.sauder.ubc.ca/bfc

The Business Families Centre is a joint venture between the Sauder School of Business at UBC and the Family Business Community. The BFC is committed to assisting business families, their advisors, and their enterprises through research, programs and academic education.

To find out more about:
- how your business family can become involved in the Business Families Centre at the Sauder School of Business at UBC
- how to make your tax deductable contribution to the Business Families Centre
- opportunities for sponsorship of BFC events and courses

Please contact:
Lynne Jamieson *Centre Administrator*
T: 604.822.0083
lynne.jamieson@sauder.ubc.ca
Edie Doepker *Director*
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edie.doepker@sauder.ubc.ca

A newsletter for friends of the
Business Families Centre

Legacy *Matters*

APR 2004

Proudly sponsored by:

National Life

SAUDER SCHOOL OF BUSINESS
THE UNIVERSITY OF BRITISH COLUMBIA

Family Wealth Optimization
and the Business Family

Abraham Lincoln said *"Measure your wealth not by the things that you have, but by the things you have that money cannot buy"*. We have all heard the stories of people who on their death beds have not wished for more money or that they had built a bigger business, but rather that they had enjoyed better relationships with their spouses, families, and friends. If we consider these, then "Real Wealth" is not measured by the size of our pile of chips or the value of our business, but "success" may be measured by the quality of our relationships and how we have applied our human and financial talents to build these.

Family Wealth Optimization is a process through which our energies can be focused to empower us to fulfill that potential. It is a multi-disciplinary approach that goes back to basics, and is driven not by tax structuring, or investment strategies, or by estate or succession planning, but *reflects the integration of these in achieving the desired relationship outcomes.*

Understanding the Family Wealth Optimization Process

V alues

Our values are at the foundation of everything we do. They reflect our ***purpose*** in life, the fundamental why, to everything we do; the ***passions*** that cause us to face each day with anticipation and excitement; the ***people*** and relationships that are important to us; the ***principles*** which we hold dear and which are the foundation of our character and integrity; the ***priorities*** that we set, recognizing that within our limited time and resources there are choices which must be made; the ***processes*** we develop for efficiency and consistency; and, the ***practices*** we implement to effect our priorities with fairness and equity. These "P's" are the "seven pillars of wisdom" on which we build, our human and financial capital.

Human Capital

Human Capital has four primary components; our health and well being (Physical Capital); our knowledge and experience (Intellectual Capital); our relationships (Social Capital); and, our time. Our ability to balance the demands on our time in how we apply our physical, intellectual and social capital to career or business development is critical to fulfilling our objectives.

Job or Career

We may use human capital to earn an ***income***, and our "success" or satisfaction may be derived from relationships, a "job well done", and from the financial rewards and security of the income we earn.

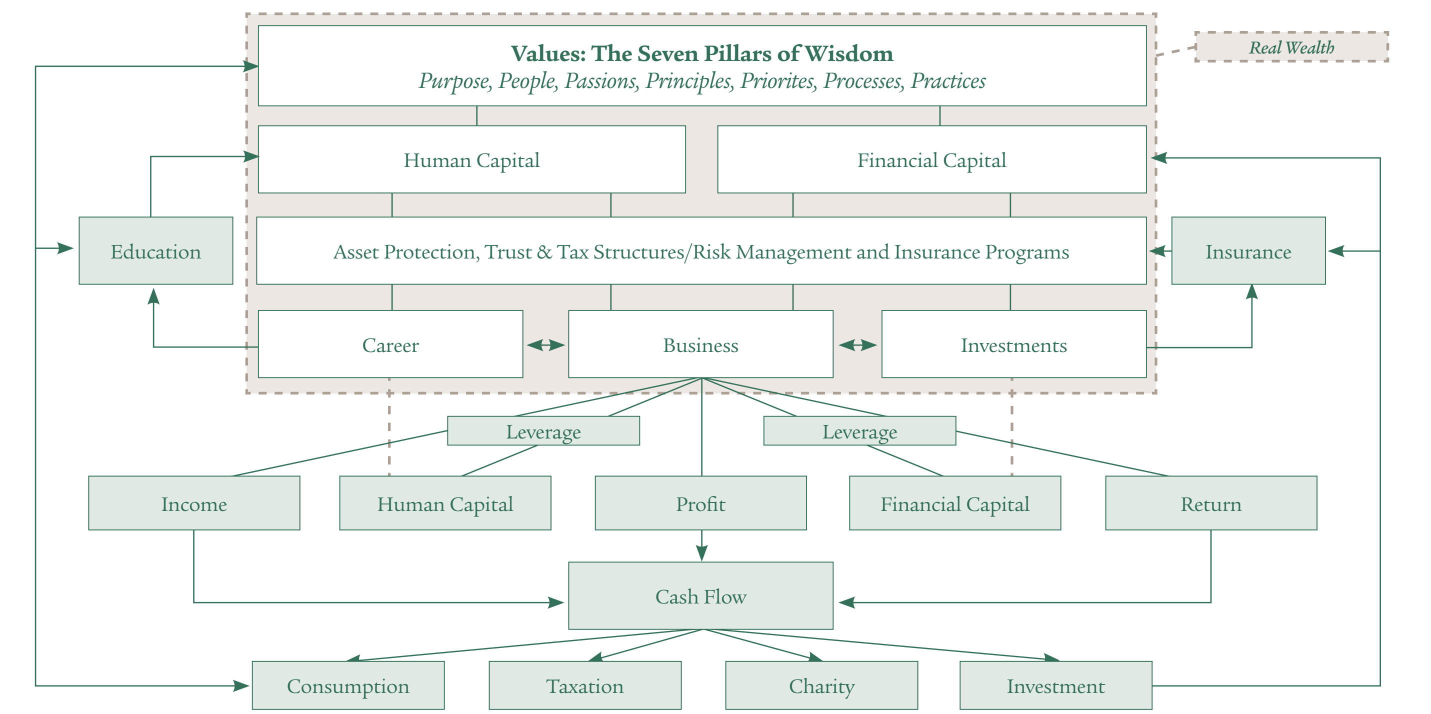
Financial Capital

Our financial capital is generally made up of Personal Use Property (Residential and Recreational);

Investment Real Estate; Portfolio Investments (Registered and Non-Registered); and Intellectual Property (Patent, Business Process or ideas with tangi-

THE FAMILY WEALTH OPTIMIZATION MODEL

Wealth Creation, Protection and Management



ble value). We may earn ***investment returns*** on this financial capital and create financial security through managing risk and insuring and protecting assets from unnecessary or unexpected risks.

Business

However, we may also choose to integrate our Human Capital, Financial Capital and Intellectual Capital to form a business with which we may generate *profits*. The goal, to build a cash engine and equity. In the process of building our financial security we may potentially leverage off other peoples' Human and Financial Capital.

Cash Flows

These three elements (income, returns and profits) are our sources of cash flow. We can only use this cash flow in four ways: consumption, taxation, philanthropy, and re-investment (including paying down debt).

Consumption

Our consumption is governed by our values. We may place a priority on family and personal education in order to continue to build Human Capital.

Taxation

We may become proactive in tax planning, integrating tax structures or reorganizing investments to improve after-tax disposable cash flows and enhance our after-tax distributable estate. We should however remember the seven pillars of wisdom and ensure that the structures have real value beyond the apparent short-term tax advantages.

Philanthropy

Our Philanthropy is again driven by Values. For it to be most effective it should be "intentional" and "targeted". The planned benefits to others generally creates tax planning opportunities, and may create or enhance Social Capital. The sum of these benefits may be a considerably greater reward than the financial cost.

Re-Investment

Free cash flow may be applied to increasing Financial Capital, by reducing debt or increasing assets. Priority may also be given to put in place insurance to protect Human and Financial Capital.

Asset Protection, Risk Management and Tax Structures

In addition to traditional insurance considerations, risks may be managed through corporate and trust structures to limit personal and/or professional liability, and to protect against Family Law and Will Variation Act Challenges.

Real Wealth and Advisor Selection

Integration of the above is "Real Wealth". To focus on separate parts without maintaining the "whole" perspective will surely result in the failure to integrate and optimize. If advisors do not understand the Values and vision of all of the family, and help transition human capital, then financial succession will not be successful; and we know that only 1 in 3 businesses passes successfully to the next generation! Choose advisors who see the "BIG PICTURE"

Whose dream is this?

We cannot and should not try to dictate the dreams of others. Our passion for our business may not be shared by our heirs. Business Succession fails when the transfer of ownership happens without the passion of ownership.

The Fundamental Questions of the next generation in Family Business Succession

- What are your dreams and aspirations?
- Do they include the Family Business, and How?
- If the business was sold would the heirs go into partnership together?
- If not, why would we tie them together when they will not pull together?
- If not, what are the alternative exit strategies, to secure asset value for the owner and for the heirs?
- If they share the dream, do they have what it takes, and what training or support will they need?
- How can you develop the human capital, the leadership and the management support teams to ensure effective transition?

Remember, it has to be a joint decision, and Time is essential.

A Final Thought!

Many "invincible" companies have failed. Many of the world's wealthiest people have been ruined financially, by bad business decisions, failed relationships and unfortunate circumstances. We cannot guarantee that our heirs will not experience any of these. We can prepare them, however, to develop their human capital founded upon solid values, which perhaps is a more significant and permanent legacy. ■

The Author

Malcolm Ross B.Comm., *C.F.P. was the Advisors Edge Advisor of the Year 2002 for British Columbia and the Territories. He is President of Invest-a-flex Financial Group, an integrated wealth management firm specializing in Family Wealth Optimization, Tax Structuring and Business Succession. He is a Founder of the Financial Advisor Network (FAN Program), a professional development and advanced planning support program attended to date by over 350 certified accountants in BC. Mr. Ross is a Board Member of Advocis Greater Vancouver, an associate member of Canadian Association of Family Enterprise (CAFÉ), and frequent speaker to Professional and Public groups in this subject.*

Corporate *Governance*

On Thursday, April 1, 2004 the Business Families Centre welcomed back Marjorie Engle to present a one-day *Family Business Governance* workshop. Ms. Engle, a Family Business Consultant with Allen, Gibbs and Houlik in Kansas, guided participants through an exploration of the value of outside expertise and guidance, how to evaluate your needs and recruit new board members, and recent trends in board assessment.

The following checklist outlines some of the considerations in assessing your governance needs and taking action to create a governance structure to assist your family enterprise.

Indicators that you may need to give some attention to your board of directors:

- Do all shareholders feel they are well represented?
- Does the current board enhance the effectiveness of the CEO?
- Are the board interactions dynamic and effective?
- Does the board support and enhance the strategic planning?
- Is the financial performance of the organization evaluated at a board level?
- Is succession planning established for all key employees of the company including the CEO?
- Is the company well represented in the community and the industry?
- Does the board provide additional business knowledge that compliments the management team?
- Does the board understand and uphold corporate culture?
- Are the board meetings productive?

If you had to answer 'no' to any of the above — the following action steps can help you create an effective board for your family business.

1. Develop a 3-4 page document that outlines the following:

- An overview of the organization
- An overview of the critical issues and challenges the business is facing
- The purpose and structure of the board and its activities
- The roles board members will play and how they will be compensated

2. Develop a list of candidates and then recruit individuals to serve on the board:

- Create a list of the expertise required for the organization to pursue it's strategic initiatives
- Develop a list of individuals who can refer candidates
- Develop a list of candidates
- Develop candidate communication strategies and approaches
- Screen and interview candidates using interview questions that uncover 'red flags'

3. To ensure that board meetings are organized, effective and efficient:

- Prepare an information package to be sent to directors prior to the meeting
- Provide an orientation meeting for the newly developed board
- Implement a process for a board self-assessment

The Family Business Governance workshop will be part of the Business Families Centre's program schedule for Spring 2005. If you are interested in receiving more information or registering for the workshop please call Lynne Jamieson at (604) 822-0083. ■