

LEGACY MATTERS

Your Marriage: A great return on the investment

by PETER VAUGHAN, M.A., R.C.C., Individual, couple, and family therapist

At the core of every family business there is a marriage. For better or worse; be it mom and dad, our own relationship, or our sibling and their spouse; marriage affects business, and business affects marriage. This is an often known, yet frequently ignored reality as our family lives and works together. The good news is that there are "masters of marriage" who have shared their secrets with those willing to listen and learn.

The Science of Marriage

For the past thirty years, originally at the University of Washington, and now at the Gottman Institute in Washington State, the science of marriage has been quietly growing. Thanks to the work of Dr. John Gottman, who is world renowned for his work on marital enrichment and divorce prediction, we have come to understand the "masters of marriage" and the "disasters of marriage" as never before. Here are a few highlights to help focus your goals and stimulate your conversations at home.

Masters of Friendship

I remember a Vancouver bus-stop ad which read "Babysitting is cheaper than marriage counselling." As a couples therapist, I had a mixed reaction. Part of me said, "I hope this doesn't become a trend". The husband part said "I think it's time for a date." The masters of marriage not only date, but they also take time to enjoy the mundane. Sometimes they talk about nothing, do chores, read together. They're friends. They hang out. They listen to and learn about their partner, and have a way to stay current. And (importantly) they have five times more good moments than bad. That's right; five to one! And (very importantly!) it is this simple ratio of positive to negative feelings throughout the day that sets the stage for productive conflict, and is highly predictive of marital success or failure. By the way, the ratio of good exchanges to bad exchanges for couples who get divorced is 1 (happy) to 1.25 (unhappy). Warning to the busy family business leader: If you cannot find the

time to date, you will be missing out on those very essential positive moments. Learn from the masters; build friendship.

PSO: Money in the Bank

Why is friendship so key to marital success? The answer: Positive Sentiment Override (PSO). Happy couples have plenty of PSO. For example, Jonathon comes home tired and hungry after a gruelling board meeting. He is inattentive during dinner, then crashes in front of the TV. Cynthia is understandably disappointed. However, as she watches Jon she remembers the many times where he has been attentive and involved, even after difficult board meetings. She lets the disappointment wash away and sits down on the couch beside him. Cynthia has PSO: the power to suck the resentment out of negative moments. And (take note husbands), Jon helped her develop this good power.

Here's the key part. Research shows that Positive Sentiment Override cannot be taught as a relationship skill. It is an "attitude of the heart" which is bred into us by friendship with our spouse. It draws upon "money in the bank" to pay the debt of our temporarily insensitive spouse. Are you a family business CEO? Do you need understanding and patience from your partner? Make sure you invest in essential PSO.

The First Three Minutes

Every marriage has conflict. Not every marriage has productive forward moving conflict. And too many marriages avoid conflict because it only causes hurt and misunderstanding. The Gottman Institute has discovered why. It's all about the first three minutes! They can now predict, with 96% accuracy, the outcome of a marital conflict by observing the first three minutes! The first few volleys of the argument say it all, and the two essential ingredients are Softened Startup (introducing a complaint) and Accepting Influence (receiving without defensiveness).

Softened Startup is the ice cream of complaining; it goes down smoothly. For an example, Cynthia

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"How very fortunate are those who have a growing marriage and a prosperous family business; two great pleasures in one world."

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.

Participating businesses posting an internship will be provided with a shortlist of student candidates pre-screened for your position. Complimentary access to on-campus interviewing facilities will also be available. Participation in the Next Generation Internship Program is free of charge.

For more information visit our website at:

www.sauder.ubc.ca/bfc/next_generation



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Your Marriage, cont'd.

is a stay-at-home mother of three who manages the household budget. This month, for reasons unknown and unexpected to Jon, it required almost double the norm to make ends meet. A harsh startup by Jon would be something like: "Crap Cynthia, where did you lose your brain?! I want to take this VISA bill and you to a psychiatrist!" A softened startup by Jon may be "Cynthia I'm kind of shocked here, and worried. Don't get me wrong, it probably makes sense, but can you bring me on board with the VISA bill." The power of softened startup is that it cultivates Cynthia's receptivity and acceptance of Jon's concerns. "I agree last month was a little over the top. Let's go over it together, then figure out how to trim back for a while to compensate." There is a skill to voicing serious concerns without blame, sarcasm or incrimination. However, the results are in: it is a skill worth developing.

Viva La Difference

Although research reveals that most of our myths about gender differences in marriage are not founded, there are some important differences between men and women during conflict. About 70% of all problem solving in marriage is initiated by the wife. This fact should not give men license to become lazy in initiating efforts to improve matters; but it does lead to another interesting research finding. One of the key indicators of marital happiness is whether or not the man can accept the influence of his spouse. The man who can listen to, and learn from his spouse's opinions and perspective is generally a happy husband (Interestingly, women who accept the influence of their husbands may or may not be happy; it can go either way). Hence, it is the "double play" of softened startup by the woman and accepting influence by the man which makes a tremendous contribution to successful and productive conflict with your spouse. Unfortunately, for the business family where the husband is involved in management of the business and the wife manages the home, an unsuccessful "double play" is all too common. When her need for support and involvement at home clashes with his stress and long hours in the business, misunderstandings can spark very quickly. Fast help is offered in another research finding about marital conflict. Simply put, the husband's emotional involvement with his wife in the previous 24 hours can significantly affect her startup. So as Clint Eastwood almost said, "Make her day!"

To Be Continued (by you!)

Our marital stories and challenges can never be captured in a few paragraphs. In the big picture, it's all about having goodwill and trust. Then we build the kind of friendship and habits which endure hard times, as well as sustain the great connection which inspired us to start our journey as a couple. How very fortunate are those who have a growing marriage and a prosperous family business; two great pleasures in one world.

Pick up a copy of Gottman's New York Times best-seller, *The Seven Principles for Making Marriage Work*. It is full of great information and tools to inspire you and your partner.

Peter is a member of the Business Families Centre Professional Advisory Committee. 

UPCOMING EVENTS & PROGRAMS

Visit our website at www.sauder.ubc.ca/bfc/education for more information about these educational programs for business families and their advisors.

Breakfast Briefings

These three seminars are presented in cooperation with the Institute of Chartered Accountants of British Columbia (www.icabc.com)

Addressing Conflict in the Family Firm October 18, 2005 (Breakfast: 7:30-9:30am)

Facing conflict in working relationships is often difficult. Conflict can result in either problem-solving and positive resolution, or an all-out war - particularly in the family-run firm! Conflict can prevent collaboration and cause relationship breakdown unless it is addressed with skill and awareness. In this briefing you will learn to recognize areas of potential conflict, the roles that tend to get played in conflict situations and how to develop strategies for resolving difficult issues in a constructive manner.

Learning Outcomes:

- Understand conflict and manage emotions
- Understand your personal conflict style
- A tool kit for addressing conflict

What Makes Family Business Unique March 9, 2006 (Breakfast: 7:30-9:30am)

Families in business can belong to one or multiple circles of relationships: family member, owner and/or employed in the business. These different roles can sometimes conflict. People located in different parts of the system are likely to have different perspectives on the same issue. This session will discuss the importance of identifying, clarifying and setting boundaries within the three circles to improve communication and reduce conflict.

Learning Outcomes:

- Identify and separate the business, family and ownership roles and issues
- Examine structures and mechanisms that ensure successful communication between family, business and owners
- Explore and learn from the experiences of other family businesses

The Ownership Life Cycle

April 6, 2006 (Breakfast: 7:30-9:30am)

Family enterprises may pass through several major ownership stages. The different ownership types for business families are: Founder, Owner Manager, Sibling Partnership, and the Cousin Consortium, with each having its own challenges and opportunities. Learn about some of the unique characteristics of each ownership type, the dilemmas that each experiences, the predictable obstacles faced in each ownership stage and how the business family can successfully navigate through these issues and plan for their future.

Learning Outcomes:

- Understand the challenges of moving from the founder stage to a sibling partnership
- Understand the need to develop a family vision when approaching transition phases
- Examine structures and mechanisms to navigate the obstacles of the ownership life cycle

Governance Workshops

The topic of governance is essential to business families, especially in the context of continuity to the next generations. These workshops will cover the uniqueness of family businesses, mistakes to avoid, understanding the normal forms of conflict and communication in the family business, determining if you are a family-first business or a business-first business, and more.

Research has proven that families who address these various governance issues have a higher rate of success in transitions from one generation to the next. In this series we will teach about governance structures in all three subsystems of a business family: the family, the business and the ownership - and how they relate to each other.

For the Family

November 29, 2005, 8:30am - 12:30pm

We will explore the importance of establishing a family council as a vehicle for governing family life, as well as how this body should interact with the business.

Learning Outcomes:

- What role a family council plays in helping build communication within the family
- How to establish a family council
- What topics should be included in discussions at a family council, and what ones should be covered elsewhere

For the Business

February 2, 2006, 8:30am - 12:30pm

We will explore why some of the most successful family businesses have created a board, with independent members, to assist them in governing their private companies.

Learning Outcomes:

- The roles a board can play in assisting a family business
- How to recruit for a business family board
- Some of the unique characteristics of a family company board

For Ownership

March 28, 2006, 8:30am - 12:30pm

Power in a family business lies with the ownership. This is why many struggles in a family relate to the "ownership circle". We will explore how to manage this vitally important area.

Learning Outcomes:

- Why it is important to have regular shareholder discussions in a family business
- How to handle conflict in a business family
- What topics family shareholders should be considering

REGISTRATION

online
www.sauder.ubc.ca/bfc/register

by telephone 604.822.0102

Road Map Program

Navigating the Business-Family Relationship: The Road Map is designed to provide business families with insight, ideas and strategies for running their businesses more effectively and managing transitions. This seminar focuses on relationship and communication issues unique to the family business enterprise.

Learning Outcomes:

- Examine new ways to handle the unique challenges of the family business enterprise
- Create an action plan to build on strengths and address weaknesses in your family business
- Develop communication skills that will help you negotiate family conflicts and reach a consensus
- Create a long-term plan for change and growth in your family enterprise

Road Map 2 (Weekend Fri-Sun)
Location Vancouver
Dates: Sept 23-25, 2005

Road Map 1 & 2 (10 weekly modules)
Location Vancouver
Dates Sept 15-Nov 17 2005
(Thursdays from 6:00 - 9:30pm)

Road Map 1 & 2 (5-day intensive)
Location Whistler
Dates: April 30-May 5, 2006

Outstanding Lecture Series

Developing Family Business Policies

Lecturer: Craig Aronoff, Ph.D

As you consider the future of your family business, you need policies to guide decisions inside the business and about the relationship between the family and the business.

At this lecture and workshop, Craig Aronoff will guide you through a process enabling you to determine what policies your family needs at its present stage, and help you create those policies. He will discuss the rationale for policies and help you look at issues different policies raise. He will offer thoughts on the implementation of policies, as well as guidelines for when policies need to be revisited and revised.

As you formulate your policies in the workshop, you will create a manual. You will build your family mission statement, policy for joining the family business, shareholder agreement, statement about philanthropy, code of conduct and more.

October 26, 2005

Lecture: 5:00 - 7:00pm

Reception: 7:00 - 9:00pm

October 27, 2005

Workshop: 8:30am - 12:30pm

A Perspective on Family Business and Philanthropy

by GARRY ZLOTNIK, B.Comm., C.A., CFP, CLU, Ch.F.C, and MARK ZLOTNIK, C.A., CLU, TEP

Philanthropy, like any other economic activity is subject to the forces of supply and demand. The demand for charitable contributions has traditionally been greater than the supply. Over the years successful charities developed and implemented programs designed to encourage (some would say extract) more charitable giving. In addition to the regular and capital campaigns, we saw the introduction of additional rewards, such as dinners honouring leading philanthropists and highly visible public recognition for large contributions. Charities have increasingly proposed sophisticated strategies for giving, designed to provide the eligible donor with a win-win result. In economic terms, this is the demand side of the equation. The successful charities have shown the ability to generate greater demand through development of a sophisticated incentive and recognition programs

We are now seeing a subtle but measurable shift in the supply-demand equation. There is a significant increase in the amount of money being earmarked for charitable donations by high net worth individuals. This is the result of increased awareness, combined with greater interest and inclination on the part of donors to direct a larger percentage of their assets to philanthropic purposes. This trend is supported by statistical information.

The Social Welfare Research Institute at Boston College published the following information. About 700 estates probated in 2000, worth more than \$20 million each, contributed 50% of all of

the charitable giving in the US in that year. This number is expected to increase dramatically over the next 10 years.

We suspect that the statistics for Canada would be similar. If charities accept this evidence then they would be well advised to develop specific strategies to attract these key donors, who are often owners or shareholders of family businesses. Over the next decade we anticipate that Business families will become more interested in philanthropy and more involved in the process. Charities therefore need to develop specific strategies to attract the increasing interest of business families.

We expect that elaborate campaigns will not be as relevant as they have been in the past. Many families will be seeking out rather than resisting charitable donations. They will however be selective about the charities they support based on the charity's ability to satisfy their needs.

They will look increasingly for charities that address the business families special needs, the three circle model and how multigenerational giving can achieve the desired result.

Business families will tend to focus on caring for the needs of others as the path to self fulfilment. Studies have shown some of the largest gifts have been made to charities that address needs that the family may have direct experience with.

Business families will not be satisfied with just providing a cheque. They will be looking for accountability. They will be looking for charities that optimize the end result. Money that reaches the target. Charities with an entrepreneurial rather than a bureaucratic bend.

Business families are more likely to limit the amount bequeathed to the heirs. The rationale being that too much inherited money will restrict their children's ambition and motivation to succeed. Furthermore they will be interested in instilling financial morality, early on, to the next generation. Children will be brought into the process of family philanthropy at an early stage through the set up of a foundation. They will be involved in the decisions that the family as a group makes regarding which charities the foundation will support.

In conclusion, we believe that the emphasis in the new economics of philanthropy will shift to the supply side of the equation; to the needs of the donors. Charitable organizations that develop and cultivate the relationships with the donors will outperform those concentrating on the traditional approach of generating demand. Organizations like the Business Families Centre can help educate and assist families in crystallizing their charitable goals.

Garry Zlotnik is the President of Zlotnik Lamb & Company, a family-controlled, Vancouver based financial advisory group. Mark Zlotnik is a shareholder of Zlotnik Lamb & Company.

A New Paradigm for Advising the Family in Business: A Multi-disciplinary Approach

The day includes lawyers, accountants, academics and consultants discussing and presenting the following topics:

- Keys to successful family business succession
- Governance systems & wealth transfer solutions
- Tax minimization solutions
- Giving legal effect to succession plans
- Review of strategic ownership, exit strategies and valuation issues

Following the lectures, a panel will discuss a case study on a multi-disciplinary approach for succession planning. Continental breakfast and a networking lunch are provided.

November 16, 2005

8:30am - 5:00pm

A Word from the Chair: Be Patient! Listen Up! & Speak Up!

By DAVID C. BENTALL, Chairman, Business Families Centre

I come from a family with a successful track record of business achievements that span most of the last century. My grandfather, Charles, and my father, Clark both built an enviable record in construction and real estate. Today, over 1,000 people working across North America carry Bentall cards, proudly continuing the legacy our family started. Sadly, nobody in our family is employed in this enterprise any longer, nor do they own any shares. How did this happen? There are many theories, but I think three things which contributed to the situation are worth mentioning.

First of all, I now realize that my own impatience and youthful exuberance played a large part. If I had not been so critical of others and demanded everything change overnight, the story of The Bentall Group might have a different ending. I was not willing to be submissive to organizational authority, and I would encourage all "would be" successors to learn from my experience. Be patient. If you are deserving, your chance to lead will likely come!

Secondly, my father's generation focused on the "hard issues" (sales, profits, taxes, etc.) As Harvard Professor, Bi Barnes, often says, we let the "hard drive out the soft". In creating our plans and getting technical advice from our professional advisors for The Bentall Group, the long term implications and the relational impact of many decisions were not considered.

Had we been alert to the need to invest in appropriate governance structures and family communications, we may have been successful in charting a different course.

Thirdly, we had good advisors. In fact, some of the best tax, legal, finance, and management talent money could buy. For the most part, they served us well. However, unfortunately, none of them stood up to warn us of the pending relational disaster that was ahead. Had they spoken up, some of them might have been able to prevent the eventual unravelling of our family enterprise. Let me illustrate.

1) We had good legal advice. But, our legal advisors did not notice, nor speak up about the fact that the company's shareholders agreement lacked a conflict resolution mechanism. My father and his brothers found themselves in an argument after working together for 40 years; and when the documents were examined they found "no way out of the room". This exasperated matters for the family. Furthermore, no-one was alert to the dangers of the inherently unstable shareholding structure, which eventually collapsed, bringing an end to the family's participation in the company.

2) Our tax advice was also excellent. However, nobody predicted the loss of control to come as a result of some share transfers. The estate freeze, which was done many years ago, saved on taxes but also contributed to the humiliation

of one of our family members, who had to face the helplessness of being cash starved when control of the company slipped into other hands.

3) We also had great corporate management, and capable business strategists and advisors. However, none of them spoke up to prevent the cataclysmic explosion which was coming. They perhaps had not paid attention to the opposing strategic views and life goals of some of the shareholders.

What can be done about situations like ours in the future? Firstly, we would encourage successors to be respectful and patient, while waiting for their turn to lead. This can take a lot of stress out of the family system. Secondly, we would encourage business families to seek input from their advisors on the non-technical implications of their plans. They will often be able to foresee potential problems in time. Thirdly, we would encourage professional advisors to speak up when they spot issues which the family may not be aware of. Their word of warning can make a big difference. These three steps have the potential to assist other entrepreneurs and their families to enjoy a better end result than we in our family had.

In conclusion, if you are a successor, be patient; if you are an owner, listen up; and if you are an advisor, speak up! You owe it to yourself, your family, and your country! 

Highlights from the Executive Director

by EDIE DOEPKER, Executive Director, Business Families Centre

As I reflect on the last 15 months at the Business Families Centre, I am pleased to see success and accomplishment in many areas. There is much that we (the board, staff, business families, advisors and the university) can collectively be proud of! This fledgling organization that began 4 years ago is at the cusp of achieving its goals for Education, Research and Programming. Here are a few of the highlights from the past year:

- A successful third annual Family Legacy Series Dinner and a second annual Outstanding Lecture Series were held with excellent attendance and corporate support.
- A record number of Breakfast Briefings, Advisor

programs and seminars were offered.

- Relationships have been fostered with numerous family enterprises, and organizations that serve the family business market.
- Several new individuals have recently joined the Advisory Board, taking over from others that were involved in the "start-up" operation, increasing the number of committed and involved business family members.
- A Fundraising Committee has been established and is undertaking a \$3.5 million fundraising campaign to create an endowment for a professorship, research and programming. Already, significant success has been achieved!
- A multi-disciplinary Professional Advisory Com-

mittee was created to provide input and support to the Centre's program and marketing efforts.

- The first Okanagan Business Families Centre program was held in May, with the largest enrolment in the Road Map course to date.

It is with a certain amount of regret that I move on from my position as Executive Director with the Centre; but I leave knowing a strong foundation is in place to achieve great things in the upcoming years. I hope the friendships and relationships I've formed during my time here will last beyond my departure, and I look forward to continuing to be inspired and enriched by knowing you in future years. 

Business Families Centre

SAUDER SCHOOL OF BUSINESS
UNIVERSITY OF BRITISH COLUMBIA

800 Robson St, Vancouver BC
Canada V6Z 3B7

tel 604.822.0102
fax 604.822.8496
email bfc@sauder.ubc.ca
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.

Contact us 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 deductible contribution to the Business Families Centre
- opportunities for sponsorship of BFC events and courses