Key Pillars of Lasting Family Enterprises

BY CHARLIE CARR, CFP®

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A client recently mentioned that the more he networks with other family businesses, the more he realizes that none of them are perfect. He reads articles or hears rumors about a business and thinks "they must be really buttoned-up." But as he gets to know them, he discovers that while these businesses may excel in some areas, they often struggle elsewhere, perhaps not doing as well as his own business.

In other words, there are great family enterprises, but there are no perfect ones. Over roughly 25 years of advising family businesses and family offices, we have observed eight key pillars in which the strongest enterprises consistently excel. And, at the risk of giving away the conclusion too early: the best businesses are not just producing impressive profits; they are always preparing for the generations to come.

1. Clear and compelling vision

Great enterprises have a clear vision of who they are and where they are headed. Both family and employees know and embrace this vision so that they move in the same direction. A compelling vision excites staff about the future and feels unique to that enterprise; it wouldn't fit if one of their competitors tried using the exact same vision. Vision is not only about what you do today; it leads you beyond where you are, showing you what you can be in the midst of what is.

2. Strong governance

Enterprises that span generations understand that governance cannot focus only on the current generation; they must be prepared for the next generation. Founders often say they have been very successful without a board of directors or advisors. While we'd argue that they might have done even better with the right board, their next generation really does need a board and would benefit from the founding generation modeling that governance.

Great enterprises have strong boards with outside members along with written policies and procedures, and are designed to support the next generation.

Strong governance extends beyond the board. It includes policies and procedures that are documented. Depending on the size and complexity of the business, operating committees or similar structures also may be required. The best enterprises balance the discipline of governance with the flexibility to remain nimble and creative.

3. Documented and active strategic plan
Most strategic plans cover five or ten years, but any plan with a horizon of three years or more fits this category. A one-year plan is merely a business plan, not a strategy. We've seen "plans" scribbled on a napkin or held only in a leader's mind – both fail the test of greatness.

Involving a broad team in creating the plan improves it: the result better reflects the business, builds buy-in, and is far more likely to be achieved. We recently helped a family business create a strategic plan, where the business emphasized that they think in terms of decades. Their father started projects that the current generation has been advancing, and their plan will identify projects that energize the next generation. Great enterprises maintain written strategic plans that focus the organization, clarify priorities, and lead toward a greater future.

4. Strong culture
Culture is the lived identity of your business – your real values expressed in action. You may have a written statement of desired culture, but the actual culture is what people see and feel every day.

Great enterprises have a culture that makes employees want to work there, customers eager to do business with them, and outsiders keen to engage.

Often it is hard to pinpoint what makes that culture special. We worked with a large family office whose culture was so exceptional that we half-joked that they should never hire anyone fresh out of college – those employees wouldn't appreciate how great it is and would be spoiled for the rest of their careers. Staff turnover was almost nonexistent.

5. Right people in the right roles
As enterprises grow, staff often evolve into positions that no longer match their skills. We frequently hear, "this function really shouldn't report to that person, but it evolved that way, and we don't want to offend anyone." Even when a manager retires, some businesses leave outdated structures untouched because "that's how it's always been."

Great enterprises continually realign to ensure the right people are in the right roles, recognizing that what worked last year may not be the best for the future.

6. Excellent execution
Successful enterprises are obviously profitable and deliver products or services their customers value, yet efficiency matters. We once worked with a family office widely praised for perfection, but internally, operations were inefficient and staff frustrated. Every transaction was reviewed three or four times by different layers of bureaucracy. Mistakes rarely reached the outside world, but costs were inflated and staff did not feel trusted or empowered.

Excellence includes financial stewardship. The discipline of maintaining strong balance sheets, diverse income streams, thoughtful distribution strategies, and more. Great enterprises find ways to execute efficiently and accurately, building trust while containing costs.

7. Constant innovation or creativity

Innovation is part of the culture in great enterprises. Staff are encouraged to think differently about processes, knowing that some new ideas will fail. Creativity may involve new products or services, fresh manufacturing or delivery methods, or small improvements in communication, training, or service. Big or small, in great enterprises, creativity is celebrated.

8. **Succession plans**

Succession is not a one-time project; it is a continuous discipline. Great enterprises are always preparing to replace key employees approaching promotion or retirement. They are developing the next generation of owners and board members, and they regularly review outside advisors or partners to ensure alignment with future vision and strategy. At all times, leaders are accountable for each element of succession.

Family Enterprise Success

Just as there are no perfect people, there are no perfect enterprises. The process and organization that worked beautifully last year, may become an Achille's heel this year. Great enterprises are constantly improving, evolving their execution as the business grows and changes. They realize that excelling in just one of these eight pillars is not enough; they are looking to excel in most or all of them.

The best leaders look not only at what works today but at what will give the next generation the greatest chance of success. After all, success for most family enterprises is not defined in a single generation but in their ability to thrive across many generations.

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