

NOTIFICATIONS



Notifications

- Amelie Gaziello liked R&D Meeting**
October 12, 2020 12:19 PM
- All participants have signed 22042019 Wayne Take Over Bid.pdf**
October 12, 2020 11:24 AM
- Sam Gubel mentioned you in 20.06.30-Monthly-Report-PV-Buyback-USA.pdf**
October 12, 2020 11:11 AM
- Amelie Gaziello has requested your signature on 22042019 Wayne Take Over Bid.pdf**
October 12, 2020 11:00 AM
- Amelie Gaziello shared 22042019 Wayne Take Over Bid.pdf with you**

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Budget for Family Engagement & Family Cohesion



created by **Frank Tobé**
a year ago • Family Members

Documents to Sign 8

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0 of 1

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Contract for final handover of shares from the Wayne take-over.

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E-SIGNATURES

Karla Powell



Topics Covered

- What's the ROI of investing in family & shareholder communication, education & engagement ?
- Practical case example - the cost of a family split
- Different steps to build your budget

ROI of investing in family & shareholder communication, education & engagement ?

What are the benefits for a family business of having engaged family?

- They can be ambassadors of the family business, and support/bring new business opportunities
- They can provide long-term, patient capital so that the management can deploy long-term strategies
- They can provide additional financing in more difficult times in a relatively fast way
- They can provide qualified board members that can add real value to the business
- They can enable management to focus on the business, instead of having to deal with family & shareholder issues and disputes

ROI of investing in family & shareholder communication, education & engagement ?

What's the risk/cost for a family business of having not engaged family & shareholders?

- They might block important decisions at AGM or Board level
- They might want to exit
- They might have a short term view, and perhaps not be able or willing to support the company in more difficult times
- They might appoint unqualified/unprepared board members when generational transitions happen

Investing in family engagement– business perspective and family perspective

Family Business Perspective:

- What's the value of having a well informed, educated and committed family & shareholder group with a long term view?
- What's the percentage of our sales/yearly profit that we are ready to invest in family & shareholder engagement?
- For non listed family businesses: What do companies of our size that are listed on the stock market spend on shareholder communication and engagement?

Family Perspective:

- What percentage of our net worth are we ready to invest every year in family & shareholder communication, education and engagement? How much are we ready to invest to keep the family together and therefore benefit from economies of scale?

Practical case example – the cost of a family split

1. A 3rd generation family owns a business that is currently valued at 100m USD. The company has revenues of 150 million USD, and a net annual profit of 10m USD.
2. There are currently 10 G3 shareholders that own equal shares in the business (G2 already transferred their shares).
3. Individual net worth of each G3 member is 10m USD.



What's the cost of unengaged G3 members?

1. It could lead to the family selling the business and family members splitting the assets

- Each G3 member would get 10m USD in cash.
- They would probably place it with a wealth manager, who will typically charge them 1% management fees a year (100.000 USD / year), and that's a significant cost.
- If you take 1% management fee on the value of the entire company, that would be 1m USD / year
- By staying together, you save most of these management fees.
- Investing 0.1% to 0.25% of the family's net worth in family communication, education and engagement seems like a reasonable approach (100k USD to 250K USD / year in this case)

What's the cost of unengaged G3 members?

2. It could lead to three G3 members out of the 10 deciding to exit

- The three G3 members would get 10m USD in cash each
 - They would probably place it with a wealth manager, who will typically charge them 1% management fees a year (100.000 USD / year), and that's a significant cost.
- The remaining 7 G3 members would have to find 30m USD to buy out the existing family members
 - They could provide the money directly if they have the liquidity (most often not the case)
 - They could ask the company to buy back the stock (2 years of net profit of the company required), but that would harm the growth of the company and the motivation of management
 - They could find an external buyer to take a minority stake, but that will mean given away part of the control and thinking about an exit strategy for such new shareholder.
 - The cost of such process can quickly become expensive in terms of time of key stakeholders / decision makers.

Steps to build your budget



Measure how much you currently spend on family, shareholder and board communication, education and engagement

- How much do you spend on family meetings / shareholder meetings / board meetings?
- How much do you spend on family & shareholder education?
- How much do you spend on family & shareholder communication (emails, newsletters, courier service, portals)?
- How much time does it currently take to manage all the above?
- ...
- Agree on which challenges you are trying to solve and what are your priorities
- Develop a new budget for family & shareholder cohesion budget
- Allocate budget to different initiatives
- Measure progress and success

Thank you!



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