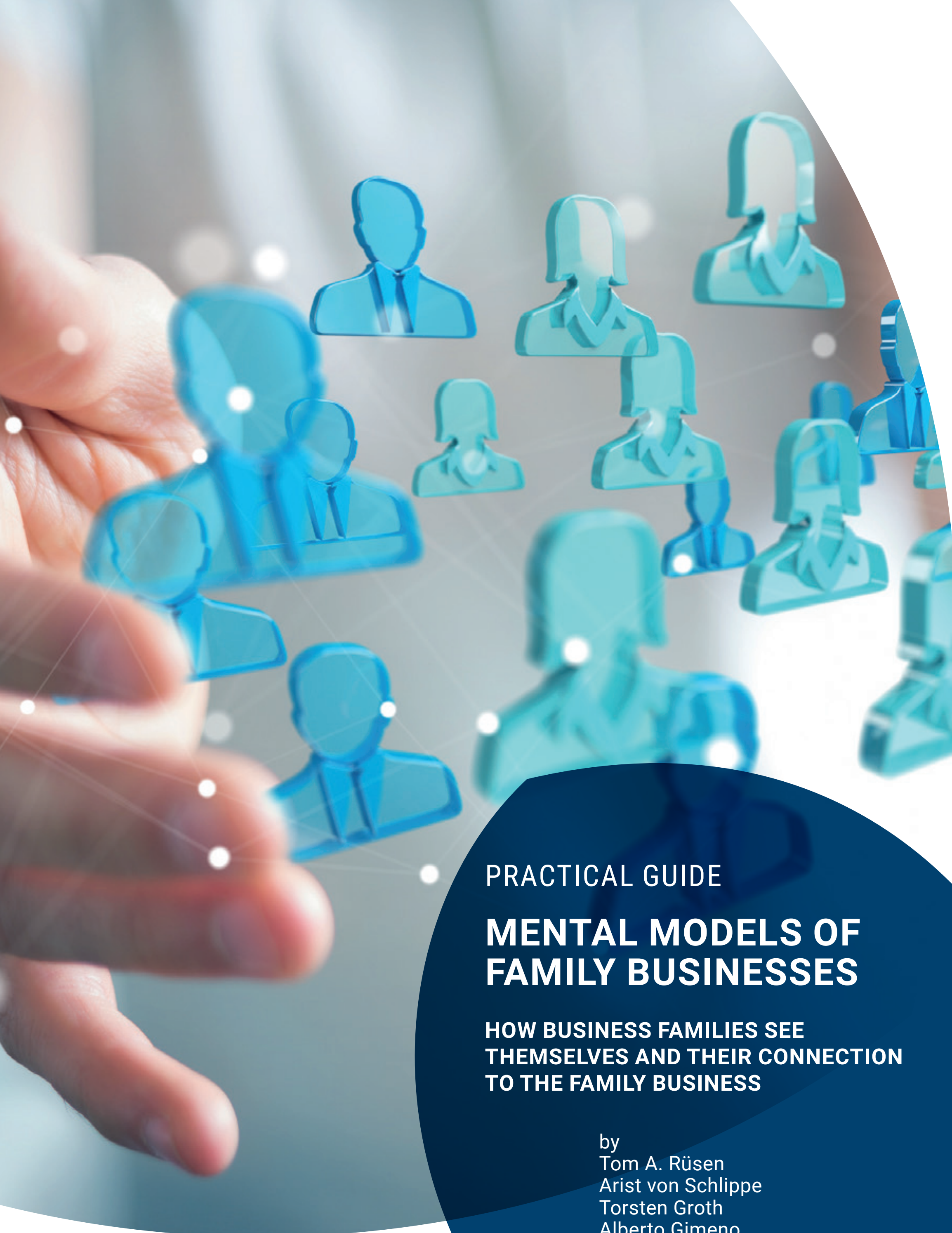

PRACTICAL GUIDE

MENTAL MODELS OF FAMILY BUSINESSES

HOW BUSINESS FAMILIES SEE THEMSELVES AND THEIR CONNECTION TO THE FAMILY BUSINESS

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Note: Inasmuch as this practical guide includes references to persons in the masculine form, these shall apply equally to all genders.

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FOREWORD

There is a truism that nothing is as constant as change. Successful family entrepreneurs know just how true that statement is. However, whereas change is recognised, accepted and often welcomed as the driving force behind every innovation, there is a blind spot regarding one aspect: the question as to what concept of family, a business family and the right way to behave as a family both towards and in the business is held and practised by a family.

This question needs to be answered – and better sooner than later. That conceptual idea, often unspoken and unquestioned, must be identified and handled in a conscious and professional way. Because, it is not until the respective thought patterns and logics have been recognised (and accepted as frameworks that can be changed) that they can move into the range of concrete, clear decision-making: the "mental model" of the business family and the family strategy oriented towards that model then change. In this practical guide from a series published by the Witten Institute for Family Business (WIFU), four mental models are presented, together with their specific issues and family strategy tasks. This guide is based on studies that are described in detail in the book *Die beiden Seiten der Unternehmerfamilie. Familienstrategie über Generationen* ("Both sides of the business family. Family strategy over generations") and that were the subject of surveys on practical implications for businesses.[1]

Usually, an upcoming succession process, or one that has already begun, or the working out of a family strategy is an occasion that triggers such considerations. The WIFU has already been observing and researching the changes in succession processes for more than two decades; the institute describes and supports family strategy development processes. The important thing here is not simply that a succession should be accomplished or family governance developed but also how that process occurs. The often-described "Generation X" and the succeeding "Generation Y" have different attitudes on succession in family businesses. Succeeding generations often strive for self-realisation more than their predecessors did and are not in the least bit ready to simply follow in their parents' and grandparents' footsteps.

A further aspect must be added to this motivational side of succession: in the course of their development, businesses become increasingly complex. Over time, in a decision-making model that is oriented towards people rather than procedure, the success of a succession faces a risk that should not be underestimated. Because only when the leading figure is freed from the complex decision-making structures in the business and family do the closely interwoven personal and emotional reference points of the persons involved become clear. Taking this step has its advantages, but there is also a price to pay: the family business thereby changes as a type, which will also precipitate a transformation of the mental model of that business family.

Every business family should be prepared for such a change, regardless of how it is initiated. No single mental model is better than another, and no single model is superior to another. In each case, the important thing is to shape the transformation of the intrafamily logic and the business family's conception of itself. Here, professional preparation is indispensable. The aim of this practical guide is to encourage business families to come to terms with their own (usually unspoken) picture of reality.

Tom A. Rüsen
Managing Director of the Witten Institute for Family Business (WIFU)

[1] Here, we would like to express our warmest thanks to our co-author Alberto Gimeno, who developed the concept of mental models with his colleagues a decade ago. Jointly, we developed the core concepts of mental models further and shaped them according to the research findings of the WIFU. We would like to thank our dear colleagues Monika Nadler and Ruth Orenstrat for the invaluable work of drafting, correcting and revising the manuscript for this practical guide.

1 | WHAT IS A MENTAL MODEL AND WHAT ARE THE DIFFERENT TYPES OF MENTAL MODELS?

Time and again, family business researchers encounter the same phenomenon: family businesses may have similar sizes and ages, operate in the same sector, have business families of comparable sizes and have similar generational succession – but they differ more than they resemble one another. This applies to the management structure, decision-making processes and structures that have evolved in each business, i.e., its corporate governance.

In some businesses, the organisation is more or less exclusively tailored to one person or a small group of people. The shareholders often have a very intuitive trust in the managing family member, and the strategy is determined by that person or group. There are seldom any supervisory or advisory bodies, nor are there any established ways of balancing the distribution of power. In other family businesses, for example, a group of siblings may control the business, a non-family management team may be appointed or more or less elaborate control structures may be installed with a greater or lesser range of delegated competences and authority.

At the same time, one can also observe that the way in which a business family organises itself and how it defines the relationship of its members to one another and to the business differs very widely. Thus, there are, for example, intrafamily organisational and decision-making principles that

- are focused on just one person
- focus exclusively on family members who actively work in the business
- practise election and decision-making principles at the ownership level that are reminiscent of political decision-making systems, or
- when viewed from the outside, resemble those of private equity investors.

This immediately gives rise to questions: What is the reason for these differences in cases where there are, after all, so many superficial similarities? **Do the established structures represent the visible manifestation of an implicit thinking logic and/or family strategy of the business family?**

The family business researchers in Witten work based on the idea that the respective **mental model** on which the business family has (usually unconsciously) agreed has something to do with these differences.[2]

One must distinguish between four fundamentally different theoretical models:

- the patriarchal logic, according to which one person must stand at the head of the business and the family,
- the logic of the managing family, according to which, as a family business, the business can only be managed by family members,
- the logic of the controlling family, according to which a family has to focus on its function as an owner, and
- the logic of the investment family, according to which the main focus is the professional management of the family capital as a community.

So, just what is a "mental model"?

Generally speaking, this can be seen as an underlying picture that a person has of reality. It is a system of convictions as to what the world is like and what place that person has in it. However, it is not, of course, a complete, unchangeable picture and is not found only in the mind of one single person. Mental models are dynamic and in flux and tend to characterise a group of people; one might say that they develop between people and are being continuously negotiated between them.[3]

[2] The inspiration for this came from our friend and visiting professor, Alberto Gimeno (ESADE Business School, Barcelona), who established the concept of mental models and developed it further together with his colleagues at the WIFU. See Gimeno et al. (2010) and Rüsen et al. (2017).

[3] See Seel (1991).

A shared mental model (which is, naturally, consistent only to a varying degree and is highly diverse and nuanced) tends to come into being in family groups that have had very close dealings with one another over a lengthy period. The model represents their communicated, experienced and lived self-conception as a business family. A mental model simplifies the complex family strategy situations with which a family has to concern itself. For the family members, the model serves as the essential thinking logic with which the entrepreneurial and family reality is viewed. Specifically, the model consists of the business family's unquestioned, over-simplified, value-loaded **concepts of what is right**. These relate to the following (among other things):

- the only good (or correct) way to manage and control the business,
- the role of the family and its members in the business,
- a meaningful use of the family wealth,
- the appropriate behaviour of the business towards the members of the business family and vice versa, and
- the issue of the "right" way to organise the succession.

These standards are not just decision-making aids but are also regarded as a **component of the family's own identity**. This explains why the models are vehemently defended and only rarely actively questioned.

The mental model thus offers, so to speak, an unspoken basis for what the management of a business and the positioning of the business family towards that management should be like. This is why cues from the outside showing that things can no longer go on as they have until now often shake those involved to their foundations – for instance, in the context of transitions from one generation to the next. Until new structures have developed, those concerned suffer from intense uncertainty. **The mental model is, in fact, not just a programme in one person's head but is also embedded in the people involved and in their communication.** Even though it is dynamic and multifaceted, the mental model changes only slowly – in innumerable conversations and discussions – until a new structure is found on which it is possible to agree and inwardly accept.

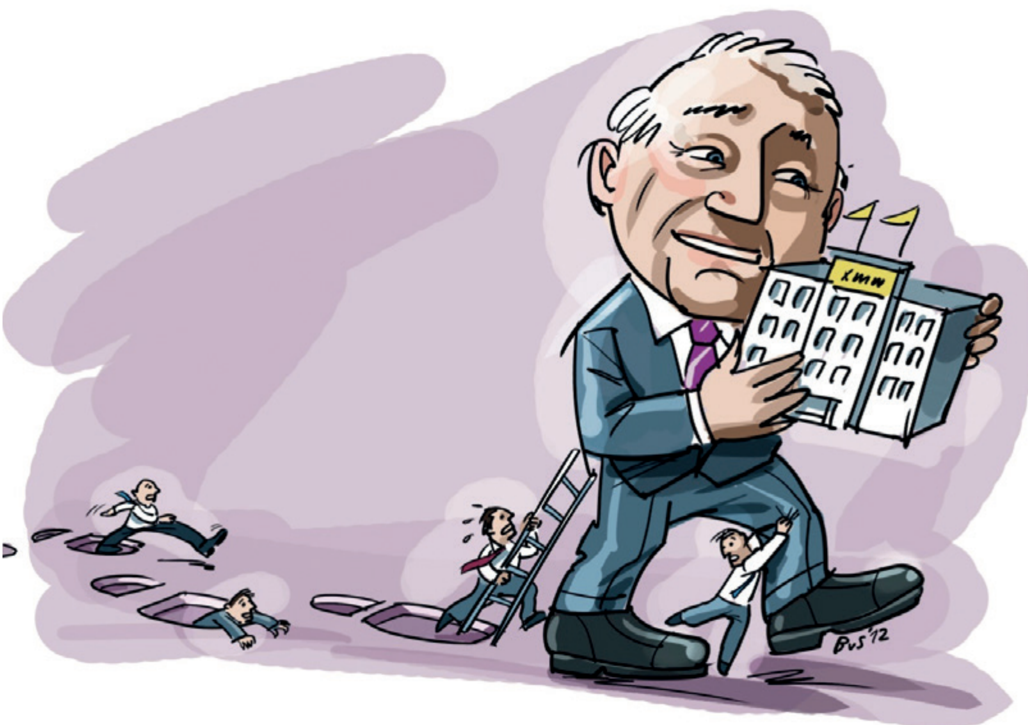
In its management structures, the family *business* follows the mental model of the business *family*: the structures are built around the respective model. If, for example, the idea predominates that business management is only good if one person has a say, that will bring into being an organisation that is completely different from one based on the concept that the best work is achieved as a team.

In the process of generational succession, mental models necessarily undergo typical changes; these changes do not follow a development dynamic. Also, none of the four distinct basic models described in the following are "better" or "worse" than the others. Each has specific strengths and risks with which one should become familiar.

In the following, the four typical mental models of business families are introduced.[4]

[4] The concept of Gimeno et al. (2010) envisages six mental models. In the following, we focus on four models that, in our estimation, illustrate the different mindsets most appropriately. We regard the two models not presented here as special sub-categories of the "patriarchal logic" and "logic of the managing family" models for micro-businesses.

1.1 | PATRIARCHAL LOGIC



"Naturally, in the beginning, I set the course and ensured that there was orderliness and safety. However, at some point, I noticed that my staff, my brothers and sisters and cousins, only ever looked at me and asked, 'What does he say?' I was turned into a patriarch by my environment." [5]

This mental model, which is completely centred on one person, but is usually shared by the whole family, can be described as follows: Someone has to do it. The patriarch, or the matriarch, is the leader of the business and the family.[6] The firm and family consist of one head with many helping arms.

This kind of mindset is typically found in founder businesses. Irrespective of the size of the business, the entire organisational structure is centred on the figure of the founder: the patriarch. Many of well-known German businesses that are world market leaders have been and (still) are run by such business personalities and are thus based on premises that can be categorised under this mental model.

Often, organisational and decision-making structures have come into being which are characterised by an intense focus on that one person: decisions are made in a **person-oriented** way, and the uncertainty bound up with the decision is transferred to the individual patriarch. First, the so-called "uncertainty absorption" does not take place in a **procedure-oriented** way, for example, through communication in management teams, but instead in the **mind** of the patriarch: it is the patriarch who, after sleeping badly for three nights, stands up in front of the workforce and announces his decision.

5 This and subsequent quotations are paraphrases of actual statements of family entrepreneurs.
6 In the following, we use the masculine form of this model description, i.e., "patriarch". In practice, forms of matriarchal thinking logic are regularly found that correlate entirely with this model.

Second, the “uncertainty absorption” takes place through the **person** of the patriarch – as none of the staff (nor, of course, the family members) question the principle of uncertainty absorption, even if they do not agree with a decision: “I think it’s crazy, but if he thinks …! After all, he must know …!”

This interplay between decision-making based on an individual psyche and personal attribution means a decisive advantage in the speed and clarity of the assumption of responsibility. As a rule, the patriarch possesses a matchless, comprehensive and detailed knowledge of the market, the internal business structures, the relationships with customers and suppliers and the often-complicated financial interconnections that the patriarch has built up. However, that person is not per se a strong personality who forces their indomitable will on the business: what is involved is, rather, **a complex interplay between the attribution of responsibility and the assumption of responsibility**.

Both the workforce and the remaining family members are relieved to regularly leave the uncertainty of decision-making to the person at the top, whose knowledge, expertise and network contacts grow until he or she ultimately does actually become indispensable. Therefore, rather than referring to a patriarch, it would be more accurate to speak of a **patriarchal system** or **patriarchal logic** that is shared by a large number of people in the family and business: the patriarch is definitely (also) the product of his environment, as this quotation testifies:

*“If I want water to flow uphill,
then it flows uphill!”*

THE CHALLENGE:

The biggest challenge for this model lies in the transition phases: it is not only the patriarch who has to let go but also his environment. Here, coping with the issue of succession is particularly vital. Within the logic of this mental model, a patriarch is simply irreplaceable – and it’s not only the patriarch himself who is firmly convinced of it: this usually also applies to the patriarch’s environment, family and staff. Despite the deep desire for the entrepreneurial spirit to be passed on to the next generation, a successor often finds it difficult to take on the patriarchal position in a completely smooth transition. If there are several children, they are not infrequently fiercely competing to succeed the patriarch, who is often their father or uncle. If one descendant prevails, their success depends very much on being accepted as the new head of the family by lower-ranking siblings or cousins and/or on what possibilities they then have under corporate law (for example, their share balance or voting rights).

If there is a potential successor, they are often compared unfavourably with the patriarch. The patriarch usually measures the younger family member, who is often twenty to thirty years younger, by the yardstick of the patriarch’s own experience. If the descendant has a different personality structure than the senior patriarch, then that will very likely lead to power struggles between the junior and senior figures. If the successor tends to have a different, more submissive personality, resignation will often follow.

In such cases, the incipient leadership vacuum can only be compensated for by structural changes in the management team, usually through additional managers from outside the family and/or a strong supervisory and control committee. The successor sometimes manages, for example, to build up a foreign business somewhat outside the direct sphere of their senior or to prove their own abilities for a longer phase outside the business. If the successor has proved themselves for many years and is accepted as the new head of the family by the relevant family members and by the staff, the result can be a successful repetition of the patriarchal mental model. Such a case is known as a "crown prince arrangement": the entire operational responsibility, often including the largest portion (or even all) of the shares, is transferred to that one person. Even though this is the desired model in many family businesses, one must nevertheless understand that to accomplish this succession process, many processes must successfully interact with one another.

It can be dangerous to cling too long to the idea that the succession of an heir is the only possible transition process. It would be an interesting topic of research to investigate how many times the desperate desire to install the junior heir in the same position as the senior patriarch has played a role in cases of unsuccessful successions that have ended with the insolvency of the business. Studies show that the passing on of the business within the family (without taking into consideration the competence level of the junior heir) led to an 18 % decline in performance (return on assets). In the cases studied, the sex of the successor also played an interesting role: usually, the sons were the desired successors. However, when they were chosen, there was a greater decline in business performance than if the daughters succeeded. This led to the conclusion that the daughters were obviously chosen more on the basis of their qualifications, while the sons were supposed to fulfil the dream of the crown prince model.[7]

However, if a smooth transition to a new patriarch or a new matriarch is not possible, the business family is particularly challenged. How can the transfer of decision-making power, the right to speak, etc. to several family members be successfully accomplished? The task then consists of activating the family as a professional business family. There is therefore a twofold step to be taken: the transition from the one-person principle to a multi-person principle, as well as the development of a professional business family. This so-called "post-patriarchal phase" constitutes the most vulnerable period while transitioning from one mental model to another.

[7] Cf. Bertrand et al. (2006), p. 73-96.

THREE TYPICAL SITUATIONS IN THE MENTAL MODEL OF PATRIARCHAL LOGIC

A. The patriarch wants the new start

In cases where the central family member (the patriarch) has initiated this development himself and has thus decreed a new start for the business, the circle of shareholders and the family, the whole process can benefit considerably from this mental model. If the central family member actually backs this family strategy development process, it will be possible for the subsequent one or two generations to develop new and different rules – such as new ways of handling decisions. **The situation is promising if the central family member sets himself or herself at the top of the process and stipulates that they should be phased out as a leader who makes all the decisions.** Then, new structural patterns can be quickly and efficiently established and implemented. Any doubts within the organisation and/or the family can easily be removed by virtue of that person's social authority.

B. Descendants or third parties want change

In this mental model, if a family strategy process is, however, initiated by descendants or third parties from outside the family (for example, advisory board members) or if the central family member fears a loss of power due to the changes introduced here, then there is a risk that concepts and measures may be perceived by the patriarch as an attack on their business capability or authority within the family and/or the group of shareholders. Then, the family's formulated vision of the future or the succession concept under consideration is often not accepted, and there are fierce defensive reactions. The research also shows that changes to these constellations can deeply unsettle the workforce and represent a real danger for the business.[8] From the point of view of the patriarch and/or their closest confidants in the business family, the patriarch is being attacked unjustifiably and undermined in terms of their family authority, and their entrepreneurial life's work is being devalued. The patriarch perceives new rules of conduct and decision-making as unnecessary, restrictive obstacles, and in extreme cases, they devalue potential successors or, once a successor is already in office, reverses that successor's decisions. Thus, the patriarch holds the view that the key advantages of family entrepreneurship (the speed and flexibility of decisions) are being made unnecessarily complicated. One shareholder in a family business describes it ironically:

> ***"We, his five children, are all equal shareholders and have to reach a joint decision in the association. Father always perceived the resulting increased need for coordination and the sets of rules developed by us for that purpose, particularly how we handle disagreements, as proof that our entrepreneurial skills were worse than his. He never acknowledged the difference in the situations."***

Added to this is an often distinctly defensive attitude towards professionalised supervisory and control structures for the business. For the patriarch, these represent an unnecessary restriction of their decision-making power.

In business families with this mental model, the main task lies in ensuring **an understanding of the need to work jointly on the family strategy**, to obtain the legitimation of the patriarch for this purpose and to mobilise people in the next generation who are ultimately willing and able to establish professional decision-making structures and to fill those positions on their own responsibility.

[8] Cf. Dreyer et al. (2008), p. 324-331.

C. Two or more generations on

If the business is in the hands of later generations, the other shareholders are usually distant from the business because they have relied on the family member fulfilling the function of patriarch and on that person's entrepreneurial skill. They have realised that the patriarch does not accept any criticism or suggestions from other members of the business family and have therefore bid farewell to any entrepreneurial role as shareholders. Here, reactivating a readiness for duty and a commitment to business or family committees is laborious and requires much patience to overcome corresponding post-patriarchal paralysis symptoms in the initiating family members. However, doing so is a basic prerequisite for being able to abandon the pattern of lone decision-making.

Here, the task of a sustainable family strategy not only encompasses a realignment of the supervisory and control bodies of the business but also extends to the **professionalisation of the autonomous decision-making structures within the shareholder group and within the family. In all business and family committees, it is necessary to learn to make decisions outside patriarchal communication structures**. The process of turning away from patriarchal logic radically changes the core of the communication and decision-making structure upheld until now. At the same time, as there is little experience in handling committees and multi-person decisions, a team that begins working to change the form of family organisation practised hitherto must proceed not only with particular sensitivity but also in close communication with all members of the business family.

1.2 | THE LOGIC OF THE MANAGING FAMILY

"It was decided from birth that my cousin and I should manage the business as the seventh generation. I never had a chance to choose my co-managing director. If I'd had a choice, I would have chosen my cousin – there's no better partner the whole world over."

In addition to patriarchally dominated families and businesses, in which almost everything is centred on one person, one can also find management structures in which the family acts as a team. Here, the mental model is that of a managing family. Several, and sometimes even all, members of the business family work in top positions in the business. The dominant, lived self-conception may be summarised as follows: "We, the family, run and manage the business jointly. As a professional team, we're unbeatable. We set ourselves – every family member who works in the business – the highest standards. The concerns of the business take priority over private interests. It is of vital importance to us that at least one, and ideally several, members of the family are represented in the business and on the executive board. **With no family representatives at the top of the business, we are no longer a family business!**"

The business families of this type thus pursue something like a common dream. The collaboration of one or, for example, several family members in the top management of the business is very important to them. Many of the family businesses that follow this mental model are in the hands of the second generation or a subsequent generation and operate very successfully on the market. Here, siblings or cousins work together for the good of the firm and the family. Everyone feels committed to the greater family as a whole (the success of the business) and puts aside their own private needs (such as alternative career aspirations). The common goal unites the active players and, in critical situations, serves as a point of reflection for decision-making. **In this model, the cohesion of the family is regarded as a key success factor.**

THE CHALLENGE:

Here, anyone who wants to be successful has a few paradoxes to resolve. First and foremost, it is a matter of handling obvious inequalities between family members. Differences with respect to final decision-making, public standing and strategic competence must be legitimised and tolerated. In this mental model, the essential task is to solve the problem of difference without an ongoing dispute within the family arising and the family losing itself in post-patriarchal power struggles.

This makes it possible for the recognisably higher position of the family representative who is accorded greater prestige in the position of CEO and/or chairman of the executive board (higher compared to other active family members) to be regarded as appropriate and accepted by everyone. However, here, the family dynamics are completely different from those in the first model. There is no thought of that person's being the new patriarch. That person was, after all, selected by the business family as its most competent member and is thus accorded legitimation as the "top of the class". Without the consent of the other family members, that person cannot fulfil the top position.

Business families deal with such a structure in very different ways. Family members who have decided not to actively work in the business often like to see themselves as active sparring partners of the intrafamily CEO — sometimes to a greater extent than the CEO him or herself wishes. However, as the CEO is not the patriarch, they cannot defend themselves against the votes of their siblings (who, if they are unanimous, can often outvote the CEO based on the shares that they hold) by simply barking a patriarchal "Enough!" Others find the possibility of becoming actively involved in the wider environment for the good of the firm and the family (for example, in a joint charitable activity), or they leave the narrow family group and go their own way.

In family businesses with the mental model of the managing family, one frequently finds shareholder structures that have established themselves along family branch organisations formed under corporate law. Here, the delegation of one or several members of a family branch to the operational executive board can even be stipulated as the right of the family branch by a shareholder agreement. In these or other cases where several family members work parallel to one another, it can often be observed that although the family members are, on the surface, officially of equal status to the executive shareholders, their responsibilities within the business are very differently weighted.

If a generation manages to produce competent family members, gain their active involvement in the business, and judiciously balance out the existing differences in collaboration or practise them in a way that is acceptable for everyone, then families that function with this mental model can operate with great success for generations.

The Achilles' heel, and therefore the key challenge, in family strategy in this mental model lies in the fact that, once found, the balance of power or established legitimation structure is seldom as consistently stable as it is with patriarchs. In teams with managing directors from inside the family, occasions can repeatedly arise when individual people are called into question. Should there only be one managing director from inside the family, they usually only have a fixed-term contract and must be re-elected by their co-shareholders, who, moreover, make very sure that that person does not elevate themselves to become the new patriarch: that person remains accountable to the family. The imperative premise in the mental model of the managing family – i.e., that family members should manage the business – poses the risk that family dynamics will penetrate to the top management in a more or less unfiltered state. A new balance must then (and of course during the generational transition) be negotiated within the business family.

The tension can thereby be enormously challenging if, for instance, family logic prompts such demands as “Well, dear brother, you've been at the top for twelve years. It's now time for someone from my family to take over the leadership – my daughter, for example!” As all changes in the business or family organisation are coordinated with the requirements of family members who actively work in the business or oriented towards the up-and-coming representatives of the next generation, the balance of family and business logic is a constant task for the business family. Fast adaptation processes at the top management level are more of an exception: one can frequently observe a cautious approach to integrating the next – often already numerous – generation.

The business family pursuing a common dream faces the task of constantly recommitting itself to this goal and thereby of taking the coming generation along, step by step. Accordingly, the active work on the cohesion of the business family has a special role to play. In the model of the managing family, the important thing is to take cross-generational steps towards professionalisation as a business family.

THREE TYPICAL SITUATIONS IN THE MENTAL MODEL OF A MANAGING FAMILY

In business families that follow the model of a managing family, many sets of rules and codes of conduct on the topic of equality/inequality are aimed at both the family members working in the business and at relations between the working and non-working family members. How can the business continue to exist, and how do the family members involved find adequate acknowledgement and appreciation for their individual contributions towards achieving the common goal?

A. Handling differences

Here, what is called for is the constant balancing out of potential or already apparent differences among family members. In the day-to-day process of managing the business, this balancing must likewise be carried out between business representatives and shareholders – and again, both must be done against the background of the known equality expectation within the family. Here, key components of a family strategy must, above all, be clear rules on the prerequisites for being able to work in the business, on how to handle superordinate and subordinate relationships between family members or with non-family executive management, and rules on the amount of the distribution.

If the latter is lacking, it is only a matter of time until the non-active shareholders oppose an investment-intensive business strategy, most likely with the argument that they want to receive something from the yields of the business too. Actively involved shareholders who are family members often overlook the fact that they are already very well provided for financially due to their managing director salaries. This is why they find it easier to sacrifice higher dividend payments, and they are more eager to see profits re-invested in the business than are other family members.

Furthermore, with this type of mental model, it is necessary to clarify, within the context of family strategy, what kind of representation in the decision-making bodies of the business is desired by the non-active parts of the family. The prevailing attitude is often that those family members who work in the business should be in charge. However, the larger the group of non-active shareholders is and (something often connected to that) the further removed the degree of kinship in the circle of shareholders is, the stronger the demand will be for at least monitoring executive management. A managing director from inside the family may feel offended if the family members voice this demand. However, the introduction of effective control and monitoring mechanisms should not be regarded as an act of mistrust; it is often a major focus of family strategy work within the mental model of the managing family.

At the same time, the option of selling partnership shares must be addressed and regulated within the business family in the process of developing family strategy. In particular, actively working family members will either perceive such considerations and wishes of non-active shareholders as a betrayal of the common goal or gladly use them to secretly increase their influence as shareholders even further. Both developments put a strain on the sensitive interaction between the active and non-active family members.

On the corporate side, decision-making principles that both enable the participation of all executive family members and ensure decision-making capability need to be organised. In practice, the “first among equals” rule has proven its worth. Here, the rotation principles applied are an indication of the efforts of those involved to balance things out, but the principles should not disregard **managerial competence**.

B. Balancing inequalities

The greatest risk in the model of the managing family is its focus on the social togetherness of the family members involved. This becomes painfully obvious when any economically meaningful changes within the business, such as the reallocation and restructuring of business areas or organisational structures, are personally attributed to the actively working family members who are responsible for those changes.

For example, if a reorganisation in the business results in a downsizing of the scope of functions of a family member who still works as the representative of one branch of the family, this may be perceived by the family as a loss of power and prestige for that particular family branch. Worse still, in crisis situations, for example, due to the results of an outside expert report, differences in the performance and competence of individual family members, which have been latently known within the business family for years and decades but have been accepted – and, above all, never openly addressed – can become clear and obvious to everyone involved. In such cases, inequalities in performance, success, remuneration, failure and responsibility become evident and are very clear to the members of the business families. For the family shareholders concerned, this means a loss of face in front of the other co-shareholders and/or the entire family. Not infrequently in such situations, conflicts can flare up, both between generations and also between shareholders and along family branch lines and core family boundaries.

The established shareholder and/or managerial structures in the mental model of the managing family have usually come into being within the framework of succession decisions in which the parent generation has stipulated the equal treatment of the children at these levels. Regarding the process of working on a family strategy, this means that a great amount of discussion has to be invested in regulating, handling and resolving conflicts. This means that clear processes must be defined as to how to deal with the situation when the active players are suddenly no longer in agreement. Appropriate regulatory measures may then include, among other things, the transfer of decision-making competence to outside third-party bodies (for example, to those members of the advisory board who are not family members, to mediators or to a court of arbitration). When the time comes for selection decisions to be made about the suitability of next-generation representatives of different groups of shareholders to be managers of the business, it will then, at last, become necessary to set up structures that allow decision-making in accordance with a person's competence level rather than their family origin. One key point here is that, right from the start, the family should also think of **a face-saving way to handle matters** regarding family members who are not selected.

C. Preserving family feeling

Family management that takes this path faces the major challenge of having to **differentiate between equality as a family member and inequality as a staff member/executive in the business**. However, the necessary introduction of procedures for systematic training and competence assessment is not perceived as a solution but as a **loss of family feeling**. The logic of the decision, which was hitherto heavily oriented towards individual people and the existing family structures, is often perceived as harsh and purely business-oriented in the context of family strategy processes. In this situation, there is a danger that, in matters involving decision-making heuristics concerning people from the family circle, the family strategy process will be evaluated as an unacceptable foreign implant within the family community. **Even though, as shareholders, the family members are convinced of the necessity and rightness of appropriate regulations and guidelines, they also fundamentally reject these in their subjective experience of the family's emotional world.**

In practice, it can be observed that although operating families draw up a wonderful family governance system on paper, they nonetheless frequently circumvent its content and regulations. When developing a family strategy for the first time, it makes sense to transfer critical content that is not supported by everyone onto an "open points list" and then work on the list afresh after introducing the set of rules.

Since, in the model of the managing family, it is common for a few family members to occupy a small number of prominent positions, forums and other opportunities must be created where the interplay of all those involved can be reflected upon. For example, one well-proven method is to hold an annual "washing day", on which the family takes a friendly, constructive look, possibly with external consultants, at its own shortcomings – such as a still inadequate adherence to the set of rules it has created. In the first years after introducing a family strategy, such a day helps the "foreign body", made up of the family constitution rules, to be accepted in the logic of the business family.

1.3 | THE LOGIC OF THE CONTROLLING FAMILY

"My cousins and I manage the business through our work on the supervisory committee. Over thirty years ago, our family filled the positions on the executive board with specialists from outside the family. We hold the business together as the overall authority."

The mental model of the controlling family involves a completely different picture of the interaction between the business and the business family. Here, the attitude of members of families based on this model can be best summed as follows: "As the controlling family, we get ourselves the most professional business management on the market. We regard ourselves as being responsible for governing, but not managing, the business. We assume entrepreneurial responsibility for our function as owners." Business families who follow this thought model differ fundamentally from the two types of mental model already described with regard to ownership. They ensure that the family asserts its conceptions and rights in relation to the business through its shareholder role. Here, there is no strong expectation that family members should participate in the operational work of the business or claim the right to manage and lead business operations. In practice, it can be said that the members of this type of business family are, as a rule, represented in **supervisory and control bodies** and believe that their entrepreneurial task lies there.

Here, in contrast to the mental models described previously, the business's self-conception requires that the management of the often large and very complex business should be left to a top management team from outside the family. From the perspective of the business family, the best-suited management team should be tasked with the executive management of the business.

The personal desires of family members to participate in the work of the business are subordinated to this principle. In the event that a family member fulfils the high standards required to become a member of the management team and that they have proven themselves in a comparable position outside the business, it is usually not out of the question for that person to enter top management, though without receiving any kind of "family bonus". Here, in contrast to the two models described previously, **family identity is not tied to working operationally in the business**. Rather, the owners have a long-standing emotional bond with the core business. Typically, their own identity as shareholders is closely tied to the business, its locations, its products and its history. This mental model can very frequently be observed in the case of large, often publicly traded family businesses.

In addition, these families often regard themselves as having a task that is diametrically opposed to that of the two previous models. **Whereas with patriarchal logic or a managing family it is essential to ensure that, aside from the family and its logic, clear-cut professionalism is also established, in the model of the controlling family, there is a risk that the unifying sense of family will be lost:** here, there is a greater temptation to feel like the owner of a business, and thus like more of an investor. Here, the structural risk must be managed: a business family that organises and maintains itself through responsible, competent shareholders needs to be motivated to continue to feel like a group of family shareholders rather than an investor community. It is also necessary to precisely define what the business family understands, within its ranks, by the term "active". After all, the willingness to become actively involved in the business and take on the role of a responsible owner is bound up with different tasks and, occasionally, time-consuming activities.

THE CHALLENGE:

Many efforts made by the business families with this mental model are aimed at (once more) integrating the family perspective into the shareholder group. Joint family days and festivities thus explicitly serve to enable everyone to just be a family again, aside from the otherwise dominating business aspects. At the same time, the building and constant expansion of professional ownership is a central and necessary component of a family management system in business families with this model. It is necessary to systematically identify competent and responsible persons in the ranks of the owner community who will present their values and views as the "voice of the family" on appropriate shareholder committees.

THREE TYPICAL SITUATIONS IN THE MENTAL MODEL OF A CONTROLLING FAMILY

A. Acknowledging the transgenerational legacy

In the transition from a managing family to a controlling family, the focus of attention shifts to shareholder-related matters. In the context of a family strategy process, the key tasks consist of, for one thing, forging a bond between the distant relatives so that they can continue to regard themselves as a family community and, for another thing, ensuring that this community preserves its emotional connection to the business and regards the shares it holds as a kind of **"transgenerational legacy"** that is administered in trusteeship and, in that sense, passed on to the next generation. If neither of these tasks is fulfilled, it is highly probable that, over time, the shareholders will increasingly develop a conception of themselves as purely an investor community that happens to have the same forebears. Thus, business families in this mental model are faced with the continuous task of perceiving the business and the members of the business family as **purveyors of meaning and identity**. If this is not taken care of, there is a risk that the business will slowly lose its business family. One can particularly observe this gradual change in the nature of the organisation in the case of large, dynastic family groups – especially with listed family businesses with freely tradable shares.

B. Preserving the goals and will of the family

In this mental model, the members of the business family are faced with a further task: to ensure that the will of the business family is adequately respected by the (usually non-family) management and integrated into business strategy considerations. Here, the aim is to ensure that the principles and values of the business family continue to be put into daily practice in the business, even if the family itself is not represented in operational management.

The corresponding, usually value-based, concepts cherished by the business family often relate to treating staff in a fair, socially compatible way, as well as having a loyalty to the place where the business headquarters is located. However, they can also – depending on the ethos of the business family – relate to certain business practices or business types (for example, "no business deals with dictatorships", "no business deals that could be used for military purposes", "no business deals that endanger ecosystems", etc.) and guide the strategic orientation of a business. **What this means for the family strategy process is that the members of the business family must agree on a set of values for the family and value-based standpoints regarding the business.** Otherwise, particularly in groups of shareholders that exceed twenty to thirty people and in which members of the business family possibly live on different continents, very different concepts and ideas regarding values can develop. If these are brought to the non-family management team in an unstructured form, they can cause irritation with their incompatibility and inconsistency; then, in the worst case, this can compromise the management's capacity to act.

A key task for the circle of shareholders is therefore to provide structures that ensure a well-coordinated family presence, both within and in relation to the business. Thus, for example, a group of family representatives legitimised by election can, as members of the control committee or of a shareholder or family council, ensure that the will of the family is implemented by the management team. In the case of many larger and publicly listed family businesses, committees within the governance structure can be designated for this task. The important thing is that the **interaction with non-family management** should be communicated and coordinated at an early stage, i. e., if possible, from the time when the management team is recruited.

C. Defining oneself as an "active" family

Within the business family, the task in the family strategy process consists of regularly and systematically dealing with the question of how to preserve the self-conception and feeling of being an active business family that is no longer operationally active as well as the question of how an entrepreneurial spirit can be preserved or repeatedly rekindled anew. **Professional ownership must be developed at a level appropriate for the requirements arising from the business's size and complexity.** This means that at least a few representatives of the family have to be put into positions where they can discuss and decide the strategic orientation of the business with the board members or other representatives of the supervisory bodies on an equal footing. For the large number of other shareholders, the important thing is the development of a minimum of strategic capability that enables them to be able to comprehend the content of the meetings about the annual financial statement or talks from the advisory board, supervisory board or executive board and to support the contents of future-oriented decisions. **In addition, it must be clarified which tasks/activities can be carried out by interested, actively involved family members who do not do any committee work.**

In this mental model, the key task for every larger business family is to establish family committees, such as a family council. This then functions as a communication link within the family, organises its cohesion and deploys special working groups to deal with special family matters (for example, establishing a shared family office, etc.). **In the end, business families with the controlling family mental model are permanently concerned with the task of inspiring a sense of meaning and purpose within the business family that makes remaining in the family seem rewarding.**

1.4 | THE LOGIC OF THE INVESTMENT FAMILY

“Our entrepreneurial task lies in managing the risk allocation of our family capital. My grandparents and parents built up a big business. After it was sold, we succeeded them in the family legacy and continue to manage the family capital now found in other business activities.”

The mental model of the investment family can particularly be observed in the case of business families that have completely sold the original business or listed it on the stock market but want to hold, increase and manage their capital together as a family community. The basic logic prevailing within this type of family is best summed up as follows: “We manage and maximise our capital together as a family. We invest our capital as a family group, and we are free to determine the form of investment. **The aim of our joint undertaking as a family community is to preserve and grow the family capital and to optimise the returns.** The entrepreneurial task consists of preserving and increasing the available capital and distributing it in different risk classes.”

This thought model again differs markedly from those previously outlined: **Here, there no longer exist any – or, at least, any strong – traditional connections to the original business.** It’s “only” the shared capital that holds the family together. If the original investment portfolio does not bring the expected developmental opportunities and returns or if the family property is strategically not the optimal place to invest it, the portfolio will be sold.

Additionally, the occupation of publicly prominent positions in the business or in supervisory and control bodies is not important to business family members who follow this mental model. These positions are not necessarily filled by members of the family; instead, they are filled by non-family managers, professional supervisors, asset managers or interim managers who enjoy the trust of the family. Overall, the only important thing is to hold the individual parts of the assets and the family group together.

The lack of emotional connection of the owner community to common undertakings is often detrimental to family relationships. **The classic tendency towards the disintegration of families who have no common business is the most pronounced in business families of this type.**

THE CHALLENGE:

The task consists of finding a new focal point on which the family can centre if it wants to remain a community in the long term. One way can be through special social commitment: for instance, if the family has placed a portion of the common capital in a charitable foundation, administers it and decides on the funded projects together.

THREE TYPICAL SITUATIONS IN THE MENTAL MODEL OF AN INVESTMENT FAMILY

A. From business management to asset allocation

In the model of the investment family, the focus lies on asset management. The family strategic development task mostly consists of transforming the existing competence and ability profile that was oriented towards the management of a business into the no less complex task of managing capital and drawing up balance sheets. Quite a few successful business families wipe out large portions of their sales proceeds in the first few years after selling the business as, in their new role as investors, they are unable to expediently use the abilities they exercised up to now (as owners, on advisory boards or as members of a top management team) for professional asset management. Here, there no longer exists any individual business or group of businesses as a common link, but there is often a conglomerate of participants, investment portfolios and different investments instead. **Hardly any of the values they have cultivated or entrepreneurial strategies they have learned and few of their well-proven decision-making processes can be applied to the new task.**

If a distribution of the capital in keeping with the different risk propensities is achieved, a specific family strategy must ensure that a benefit is created within the family that makes remaining together as wealthy high-net-worth people – i.e., cohesion as a family community – seem not only emotionally but also economically meaningful. Thus, the appropriate family strategy work here consists of preserving or **creating a shared sense of meaning** that is not based exclusively on achieving economies of scale.

B. Preserving identity

In practice, particularly in business families with this mental model, it can be observed that the business family undertakes many activities together outside the core business; among others, these include joint non-profit or charitable activities, the setting up and care of joint institutions such as a family foundation (which, for example, gives financial help to family members in need or finances and structures the training of the next generation) and the setting up of a family office that, for example, takes care of legal, tax and any other administrative tasks for all of the family members. These additional activities are essentially measures taken to counter the disintegration of the family community into individual investor groups.

In this mental model, the core challenge thus lies in the contradiction between constantly searching for new entrepreneurial challenges and goals that enable the growth and yield enhancement of the existing family capital and the preservation of a historically grown family unit, without the permanent presence of a business, staff, products or regional points of reference to foster a sense of identity. Despite all of the changeover opportunities offered by rewarding investments, the challenge is to uphold an entrepreneurial, creative spirit in the family. In business families of this type, one often sees attempts by the senior generation to motivate the junior generation to start up their own business or to make start-up ideas possible with appropriate funding capital from the family group.

In one such case, it was customary that, on coming of age, all representatives of the next generation signed a waiver completely renouncing their statutory share and inheritance. They were promised that they would receive shares in the considerable family capital, which was being managed in a family holding business, provided that they successfully founded at least one start-up and either developed a viable business over a period of five years or successfully sold it. The necessary start-up capital was made available to them from a general "Family Venture Money Pot".

C. Enduring ambivalence towards the family assets

Actively managing capital that preceding generations have built up with hard work and dexterity represents a key challenge whose importance is emphasised time and again. One can observe an ambivalent relationship with the existing (usually large) financial assets, ranging from **rejection and shame or torpor due to a fear of losses to a sense of responsibility for preserving it and passing it on to the next generation**. Particularly in family constellations in which the founding or build-up generation has rapidly amassed considerable business wealth (and has gained it through selling a business or individual parts of it), one observes a great amount of worry about "corrupting" the coming generations with wealth that is too freely available, as one entrepreneur said, and thus depriving them of any ambition to actively build lives of their own.

In this constellation, the aspect of replacement and succession regarding operational tasks plays a secondary role. Rather, a family strategy must establish structures that make it possible to make decisions as an investor team rapidly and flexibly and thus offer individual family members the option of not having to always co-invest in everything. When attempting to reinvest the free assets, business families all too often get bogged down in endless discussions about the opportunities and risks of individual investment possibilities on which it is ultimately not possible to reach a positive consensus. Consequently, typical outcomes of family strategy processes in this type of family are fixed-term pooling contracts and the commissioning of individual family members to supervise and monitor the asset management of the whole family for a limited period of time.

Here, the attractiveness of belonging to the investment family circle is linked less to individual people and far more to the economic and emotional advantages that result from pooling the family capital, from additional services and from emotional dividends as a member of a business family community. Nonetheless, as in all models, it can be an advantage if, in addition to all regulations and decision-making structures, respected individuals take on the responsibility for ensuring that "the business is held together".

2 | MENTAL MODELS IN PRACTICE

2.1 | CHANGING A MENTAL MODEL

Regardless of which mental model determines the structures, as long as it is accepted by all family members and supported regarding its effects on each individual, it enables effective and successful communication and decision-making processes. Looking from the outside, supposedly impossible constellations can function outstandingly well in individual business families.

Key issues arise particularly in transition phases – i. e., when the existing mental model is put to the test by the entry of the next generation. Often, the mindsets and values of the active or preceding generation are not fully shared or are even rejected by family members who arrive later.

In such situations or due to external effects, the erosion of the hitherto utilized mental model can occur. In a controlling family model, if, for example, in a business family that has up to now felt at home in the logic of the managing family, there are no representatives in the next generation who can conceive of an operative task for themselves or who have the necessary abilities for that task, it will necessarily lead to discussions as to whether and in what form it is possible and permitted to still feel like family entrepreneurs. The following quote makes the issue clear:

"For seven generations, we as a family have been represented in the top management of the business. But now the children only want to be on the advisory board at most. For me and my cousin, the family business will cease to exist after our days. If none of us manage the business operations anymore, it would be better to sell."

It is easy to understand that the discussion of the family strategy orientation in the family to which the above quotation refers makes it necessary to conduct very far-reaching deliberations about the self-conception up to now and, if need be, the modification of that self-conception in the future. The challenge is to master a situation in which every family business will presumably find itself in one form or another. **It is nothing less than a transformation of the family's conception of itself as a business family.** Mental models are, after all, not just simple cognitive programmes; they relate to an entire social system.

If a change of model occurs, in the course of which the business family completely gives up all claims to operational management and restricts itself to its function as the owner, a structure of trust between the owners and the now non-family management must be established. From the point of view of the business family, the management in place now is, after all, not only conducting the operational steering body of the business but also, the body that administers the greater part of the private assets and of the legacy of the family forebears. The following statement makes it clear that despite the rational realisation and the change in management structure based on that realisation, a form of wistful nostalgia over the loss of "real entrepreneurship" may still remain in the emotional world of the family shareholders:

"No family member has worked in the business for 25 years. We, the representatives of the sixth generation, who can still remember the times when three cousins were active as personally liable shareholders, somehow still mourn those times. Even though we're fully satisfied with our non-family executive board, we still feel – at an emotional level – that we have lost our entrepreneurship."

If, conversely, a change of model affecting the perception and thinking patterns of an **investment family** occurs, it is now not so much the structural development tasks that play a role in relation to the owner role as it is the issue of fostering a sense of identity. If, up to now, most of its inner sense of identity has been, so to speak, supplied to the business family by entrepreneurial responsibility ("ownership entails responsibility"), after a (partial) sale of the family business, questions concerning the meaningfulness of remaining in the wider family community and concerning the concrete investment of the now freely disposable capital suddenly have to be answered. Here, issues arise regarding the creation of an overarching identity and a common tie in order to preserve the decision-making capability of the community.

If a business family goes through the process of changing the mental model, it will be unable to avoid having to undergo a change of process patterns that will transform the decision-making mode and the culture of interaction between family members. In this situation, it is extremely important to manage the transition. Often enough, one can observe a typical inability of business families to make decisions, for instance, in a post-patriarchal phase. **Particularly in situations in which the mental model followed up to until now is no longer working, there is often a great sense of helplessness regarding the establishment of new, functional decision-making patterns**.

Transforming the mental models is therefore by no means easy. It requires a high level of willingness from all those involved and the ability to critically scrutinise oneself and to allow oneself to be critically scrutinised by others (which is sometimes easier to manage with outside support). The key task for the family is to ensure that all members actively commit to a framework of thought and values that is supported by all family members. This requires a new, jointly developed goal, without which it will be difficult for all those involved to submit to a new structure. At the same time, it is necessary to train a minimal amount of competences in order to participate in the process of defining objectives. The management of such transitions from one model to another is very prone to conflict, as the active players are often not even aware of what thought and value frameworks they are leaving or what new model they are headed towards. In many cases, an effort is then made to take over the known model of the preceding generation until it is realised that the system conditions (for example, the size of the family or business) have meanwhile become completely different and thus, it is no longer possible to carry on as before. If a business family manages to begin a parallel family strategy process, either in anticipation of or during a change of model, this considerably reduces future conflicts.

2.2 | DECISION-MAKING PROCESSES: FROM FOCUSING ON PEOPLE TO FOCUSING ON PROCEDURES

As already discussed in reference to the business and the decision-making structures in the shareholder group, upheavals are to be expected when changing mental models. The structural adaptations of the transition from the patriarchal model to another model that are thereby necessary can be summarised in the following simple formula: from the **person** to the **procedure** as a decision-making principle – i. e., from a vertical decision-making logic that is oriented towards one or more final decision-makers to a horizontal decision-making culture supported participatively by many actors. If the uncertainty of entrepreneurial decisions is no longer absorbed by one person or the executive family members, every shareholder who is required to help carry responsibility will immediately perceive that they must now take on part of the entrepreneurial task of “uncertainty absorption”.

This involves the extremely difficult task of changing a pattern of success without destroying it because, naturally, many of the qualities of person orientation are worth retaining. As a rule, it is not regarded as desirable to develop the culture of a publicly owned business: so how can one push ahead with development steps within the framework of a family strategy process without throwing the special culture of the respective family business and its flexibility and decision-making speed overboard?

For the members of the business family who want to change their mental model, it is important to create person-centred processes and structures that ensure legal capacity and decision-making capability in the course of adaptation. An endless debate in which each family member gives their opinion on each point is not a desirable objective. The important thing for the family is to develop the awareness that no single family member is making decisions for everyone any longer and that this presents the task of remaining capable of decision-making by means of structures and bodies. This can be achieved by the family organising itself in a way that is centred on procedures whose functional effectiveness and procedural fairness are trusted equally by all shareholders. Family members therefore hand over part of their vote to the relevant committees. Only in this way can all members submit equally, as individuals, to the resulting decisions (for example, election results) and the corresponding consequences.

Therefore, in essence, the transition to a procedure orientation means introducing decision-making structures that are both democratic (family logic) and decisive (business logic). The following tasks in particular must be addressed in the transformation from a person orientation to a procedure orientation:

- The development of more markedly organisation-based, less family-like structures when making decisions.
- The building of active, intentionally participatory decision-making structures.
- The preservation of the positive sides of person orientation – for instance, in that the final decision lies with one person, but the person concerned is now required to legitimise themselves more fully and to justify their decisions. It therefore definitely helps if the family remains available as a sparring partner behind the scenes of the business. However, the line between active participation and shallow gossip can become extremely thin!
- The mobilisation of decentralised intelligence in business operations – which also means that second and third management levels are more heavily involved in decisions; this can often be particularly difficult in business where the person at the top has, for years, even decided what kind of pencils should be purchased, etc.
- Strategy development should be regarded as a task to be carried out jointly by business management in consultation with the family – a task that cannot be delegated to other authorities.

All of this goes hand in hand with an increased investment of time in communication, a greater need for coordination and a greater formalisation of the mutual coordination process. The family can thereby fall into a “fatigue trap”[9]. Before it feels the constructive side of the change, things will be arduous. The price of potentially improving the sustainability of decisions that are jointly made is a greater investment of time and effort.

The transformation process once more shows that the ability of the family business to survive depends on investing in communication and decision-making capability within the business family.

[9] The term “fatigue trap” means that the family cannot delegate the tasks ahead but must instead invest a great amount of time and survive the process of permanently reinventing itself.

2.3 | THE MENTAL MODEL AS A BASIS FOR A FAMILY STRATEGY

Differentiating the four types of business families based on their prevailing mental models is an important basic precondition for establishing family strategy considerations. Once a mental model has developed, i. e., once a family has developed very pronounced concepts regarding the premises for business and family management (which are often also shared by the staff in the business), it is not hard to comprehend why any suggestions for establishing or changing family governance are always measured by that set of concepts. If the suggestions fit the mental model, they are gratefully taken up and then promptly and efficiently implemented, but if they do not, they can lead to reactions of rejection or to conflicts within the family. This polarisation reveals the two sides to this model:

- **There is clear orientation:** Each individual knows how they are supposed to behave, and in the case of fundamental issues, family members and staff know the premises by which senior management will decide.
- **There is a risk of torpor:** Torpor sets in if principles that have been well proven over a certain period, or perhaps even over a very long period, are still the guidelines for action even at a time when the general conditions for the business (business size, market position, etc.) or for the business family (number of shareholders, management potential, etc.) may have already changed.

Against this background, members of business families (and likewise, supporting legal, tax and family advisors) would do well to form their own picture of the respective prevailing mental model of the business family that they are dealing with. This could help prevent many conflict and crisis dynamics that result from a lack of understanding for the mindset and values within the respective business family or at least help these dynamics understood and contained. These premises often seem so self-evident to a business family that they are not even perceived as self-conceptions that have gradually developed and been chosen and can, therefore, also be changed. Questions set in motion a process of reflection on the mental model being used. If necessary, the family members can examine for themselves how the set of values dominant up to now fits with the family's future strategies and can be applied to resolve the orientation of the family, which has developed over a long period. **In the course of a family strategy development process, the family can begin gradually moving towards a new mental model of the business family.**

2.4 | MENTAL MODELS AT A GLANCE

Patriarchal logic

- Concept: Someone has to do it. The patriarch is the leader. “After all, he/she must know!”
- Business: (often) A founder business
- Characteristics: Person-focused decision-making and assumptions of responsibility
- Challenge: Transition phases, particularly during succession
- Family strategy goal: From the one-person to the multi-person principle; from a family to a professional business family

The logic of the managing family

- Concept: As a team, we are unbeatable. The business takes precedence over private interests. With no family members on the executive board, we are no longer a family business.
- Business: (frequently) Already in the second generation or a later generation
- Characteristics: A common dream; commitment to the greater good: the business; family cohesion as a success factor
- Challenge: Handling obvious inequalities between the family members; balance of power, legitimation; balancing business logic with family logic
- Family strategy goal: Commitment to the common dream; professionalisation of the business family

The logic of the controlling family

- Concept: “We have gotten ourselves professional management for the business.” – “We govern but do not manage the business operationally.”
- Business: Frequently a large, sometimes publicly traded family-run business
- Characteristics: Representation of the family on supervisory and control committees; family identity is not tied to working in the business
- Challenge: Defining “active”; loss of family feeling; a creeping tendency to feel like investors
- Family strategy goal: Integration of the family perspective in the shareholder group; developing adequate competences in the shareholder group

The logic of the investment family

- Concept: “We manage and maximise our business wealth together.”
- Business: (usually) Has no connection to the original business
- Characteristics: Positions in the business or on committees are not important; the aim is to optimise the returns on the family wealth
- Challenge: A weakening of family ties, which can lead to a tendency to disintegrate
- “Holding the business together”; fostering a sense of meaning despite handling the large amount of available capital
- Family strategy goal: Finding a focal point for the family as a community

2.5 | TEN QUESTIONS AND SUGGESTIONS FOR REFLECTING ON ONE'S OWN MENTAL MODEL

1. Which mental model would you say is dominant in your business family at present, and which might be dominant in the future?
2. What would you say is the level of knowledge in your business family regarding its mental model? Would you say that it is the same as your own level of knowledge?
3. What are the barriers stopping your business family from constructively coming to terms with its mental model?
4. How might it be possible to overcome the conceivable barriers to discussing the family's current and future mental models?
5. What might a discussion and reflection on the current mental model and the potentially different mental models of the future be like in your business family?
6. What are the consequences of your business family's current mental model or of its potentially different future model (e. g., for planning a succession)?
7. What family strategies could be needed as a result of the current model or future models?
8. How might it be possible to ensure that recognised tasks for developing a family strategy are systematically reflected upon and implemented?
9. What could help you successfully implement this in your business family?
10. What could help you successfully implement this outside your business family/in the family business?

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WITTEN INSTITUTE FOR FAMILY BUSINESS (WIFU)

The Witten Institute for Family Business (WIFU) of the Faculty of Management and Economics of Witten/Herdecke University is Germany's pioneer and trailblazer in academic research and teaching about the special features of family businesses. Three fields of research and teaching – Business Administration, Psychology/Sociology and Jurisprudence – mirror a scientific picture of the shaping of family businesses. This has enabled the WIFU to develop unique expertise in the field of family businesses. A group of 75 family businesses makes this possible. As an institute for family businesses, the WIFU can thus work to support family businesses on an equal footing with them. Currently with 18 professors, the WIFU has been making a significant contribution towards the cross-generational future viability of family businesses for over 20 years.

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