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MANAGEMENT ISSUES FOR SMALL FAMILY BUSINESS

by Fabio Antoldi

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MANAGEMENT ISSUES FOR SMALL FAMILY BUSINESS

by Fabio Antoldi

1. Introduction

Ownership of the family type is a characteristic that links nearly all Italian companies of all sizes, but which inevitably has greater consequences among small and medium enterprises (SMEs), where the role and the management contribution of family members are of central importance and family dynamics are profoundly interwoven with company life.

We should however define what is meant by "family". In these reflections that adjective defines an enterprise in which one or few families hold a share of the risk capital sufficient to ensure control of the firm, that is to say to take the main strategic management decisions. It can thus be a single family or multi-family firm, with families originating from the same stock or from several founders, depending on the generation-transfers that have already occurred. We moreover assume that the family, acting through some of its members, is not only the owner but is also actively involved in governance of the enterprise, at least fulfilling the entrepreneurial role.

From the purely economic standpoint, the fact that an enterprise is family owned implies an overlapping of two functions that would otherwise be distinct (as they are in non-family companies): here the *ownership function* coincides with the *administrative function*, as those who own the enterprise also administer it.

Regarding the more strictly institutional aspect, however, a family enterprise involves the overlapping of two social entities - the family and the firm - that from a sociological standpoint have their own and differing rules, and which, in order to interact for their mutual benefit, need to find a balance that protects both without harming each other.

From this standpoint, the enterprise might logically be regarded as an economic and social instrument serving the family, but at the same time the family - as provider of resources of various types - is in effect at the company's service and determines its chances of development and continuity.

The relationship between firm and family is delicate and dynamic, in that it changes over time, following both the evolution of the enterprise, of its resource requirements, of its organisational arrangements, and the evolution of the family and its various generations. This relationship moreover gives rise to numerous issues on property, competition, organisation and financial matters between the two entities, and these may greatly influence the firm's chances of success.

It will thus be readily understood that the overlapping between family and enterprise entails numerous major issues that need to be tackled correctly for the proper governance, continuity and success of the family firm.

2. Family and firm: obvious differences, but vague boundaries.

The subject of the family-company relationship may best be tackled if we first consider that these are two entities with different reference values.

Managing the difficult balance between family and firm depends, in fact, on an awareness of the boundaries and differences between them, which relate to two profoundly different sets of values.

The typical values of a company, as a market-oriented economic entity - are those of a "team in competition" that has to achieve results, that follows goals, whose members are expected to show professionalism, individual and collective qualities that are assessed on the basis of meritocratic logic.

Family values, on the other hand, have the fundamental aim of ensuring economic security and meeting the social and emotional needs of its members. Values that rightly matter in a family include a sense of belonging, intimacy, the defence of identity and respect for independence. In processes of evaluation of its members the prevalent principle is often that of equity, if not of total equality, regardless of the value of the individuals.

In company terms, these differences of a social and ethical nature have substantial consequences in family enterprises. As an example, we should recall that these have a major impact on personnel management mechanisms, often prompting the company leader to apply different criteria for family members and non-members as regards selection, hiring, valuation and remuneration. In family enterprises such mechanisms may be applied in various ways, depending on whether the family has previously decided to dominate the firm, or company logic predominates, or, lastly, the entrepreneur keeps the management of family and firm fairly separate.

3. Some critical issues in the governance of the family-company relationship

The governance of a family SME should therefore take account of certain key issues that call for shrewd, timely assessment by the owner, to avoid endangering the balance between family and firm.

Over time an entrepreneurial family may, in fact, have to tackle and deal with the following issues in greater detail:

- *policies on remuneration of risk capital provided by the family.* This implies a need to find middle road between the extreme options of allocating all the wealth produced to the enterprise (which thus becomes the sole use of family savings and assets), or of distributing the whole amount to members of the family, thus developing their non-company equity.
- *policies on remuneration of work performed by the entrepreneur and his family:* such remuneration should strike a balance between individual expectations and salary levels that the market allocates to various positions and professional abilities, as well as the meritocratic principle, under which remuneration of individuals should be commensurate with their effective contribution;
- *policies on selection, assessment and careers of family members*, taking into account not just assessments based on family affection but also considering the match between their

expectations and abilities, their professional performance and the position they hold in the firm;

– *policies on selection, assessment and careers of non-family managers.* Where such managers exist in the firm, they may suffer when they see their career paths blocked from the outset by the presence of young family members destined for key posts, and when their work is assessed with different criteria from that of members of the owning family;

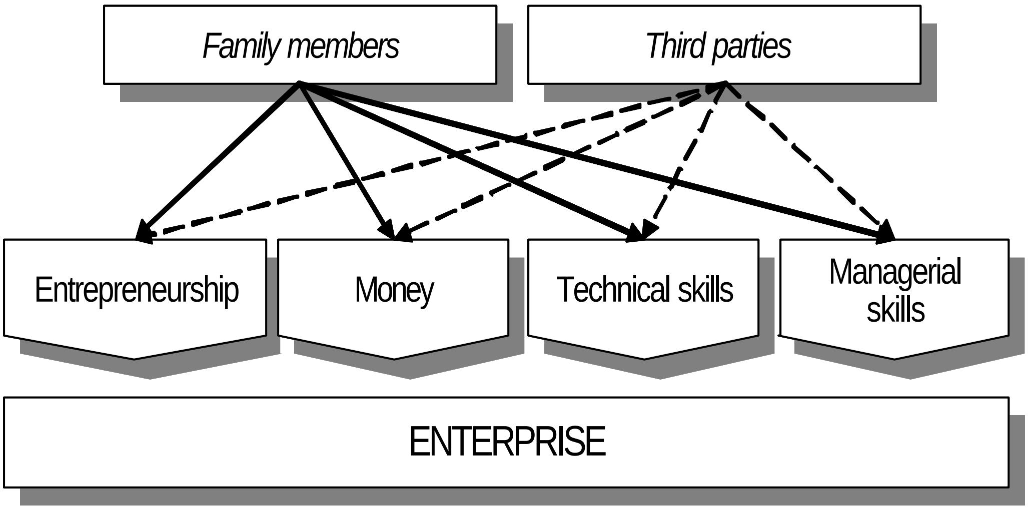
– *the medium and long-term growth strategies of the company* and – linked with these - the related problems of control of company capital and thus of the enterprise, also taking account of restrictions that policies on savings and investment of family equity may create when meeting the firm's growing needs for capital. (This equity and finance aspect raises the prospect of possible involvement of capital external to the family, coming from banks, financing partners, private equity, or finance from the public, through a stock-market quotation).

In general these are questions that emerge over time, obliging the owner to tackle growing problems and find adequate solutions to ensure the efficiency of the company entity and, at the same time, well-being and serenity in the life and internal relations of the family. The family is certainly the main source of company resources: it is always a source of entrepreneurship, a substantial part of monetary means (as regards risk capital and sometimes also credit capital), but often it is also an important or exclusive source of technical skills and management ability. However, the contribution made by the family changes over time depending on the life cycle of the enterprise. While in the early stages the founder-entrepreneur (and with him his family) often represents the sole source of resources, in time other external figures may join and gradually supplement or replace this source.

Recourse to resources other than the family usually begins with the use of labour and skills of non-family employees, who are sometimes asked to take on fundamental roles alongside the entrepreneur. Alternatively such recourse may begin with monetary resources, when the need to increase capital availability prompts the regular use of bank or trade credit (and in this case the family will have to take account of the specific expectations of the external creditors, who require transparency of information on cash flow and more generally on company progress and prospects). A further increase in such recourse may arise when a need occurs to bring in new non-family employees with managerial powers, with specific technical and management skills that the family, perhaps at a vital time, is no longer able to provide.

Failure to recognise the right time and best means of accepting these external sources of skills and resources (tangible and intangible) needed for the business may be harmful to the company, in that the family's inability to provide resources that are always qualitatively and quantitatively appropriate may prove a serious obstacle to the company's future. On the other hand, accepting these sources involves changing the family-firm arrangements substantially, redefining the boundaries between enterprise and family and the habits of their reciprocal relationship.

Figure 1: The family as a source of company resources (and restrictions)



Changes that affect these boundaries may reveal restrictions that the family - perhaps quite unknowingly - places on the development of its company.

Such restrictions are usually correlated with structural and operational issues that need to be tackled in good time and in the best possible way.

A prime issue is that of the constant *balance between family equity and the company's financing requirements*, to be managed in way that always enables the ownership to meet the growth of the business with fresh capital. A related issue is the need to break down the recurrent obsession of the owner with retaining exclusive company control. This typically Italian obsession prompts many entrepreneurs to regard any opening of the enterprise to new partners as a disturbance to be avoided, or sometimes almost as a personal defeat, while in many cases it is just such an opening that offers the best prospect for potential company development.

Another matter that may prove significant is management of the so-called *generation drift*, which may occur in an SME where the company is inherited by several descendants under the Italian inheritance laws. On the death of the founder, the enterprise passes to the sons, and then to the next generation of cousins, and so on. In the case of large families, and after several such transitions, this may lead to undue fragmentation of the shareholder base, usually accompanied by a progressive drifting apart of the real and affective interests of the partners.

Some family members will be actively involved in the enterprise and will have very strong expectations from it in emotional and professional terms. Other members, however, having decided not to work in the family firm, will confine their involvement to non-operational roles, perhaps serving on the board of directors. Their connection will be weaker and they will certainly have less access to company information and affairs. Yet another segment of family members will be much more remote from the firm, and for them their shares will be mainly or solely a long-term investment, from which they expect adequate remuneration. This progressive differentiation of the roles of family members usually also leads to a weakening of the affection between them, and between them and the firm.

All this raises a need to understand and manage the complex and differentiated expectations of the various family members as regards policies on remuneration of capital, accounts information, management of borrowing requirements and, in the last analysis, the firm's future development strategies. But it also means taking account of expectations of a professional type held by family members (for themselves or their descendants), especially where there are many shareholders. Indeed, in terms of proper company planning, such expectations should be correlated with the training programmes of family members who are candidates to join the firm, and to an objective assessment of their current and potential professional value.

But a further issue pertaining to the assessment of the professional potential of family members is who should fill the most sensitive company post: that of the entrepreneur. There is, in fact, a substantial *risk that the family enterprise could suffer from a deficit of entrepreneurship* if one generation proves unable to provide people of the necessary calibre, or fails to choose and properly prepare the most suitable candidate to replace the retiring leader. This last point, which obviously refers back to the already-mentioned problem of entrepreneurial succession, serves as a reminder that planning of this delicate transition calls upon the family to look at itself and the enterprise with a critical eye, making shrewd (and not foregone) decisions on the effective value, preparation and motivation of possible successors. Where necessary, the family should also have the courage not to rule out solutions outside its own nucleus.

Finally, we should also remember the *question of planning the succession of the entrepreneur*. It is of fundamental importance for the continuity of the enterprise that the transition from one generation to the next should be prepared in advance and managed, both as regards the potential future leader (possibly more than one candidate), and as regards their training, professional growth, introduction, and progressive assumption of responsibility. This is a task that many, indeed too many, small entrepreneurs tend to undervalue, putting off the problem or supposing - wrongly – that “preparing the successor” is simply a matter of making him or her repeat the same route by which the entrepreneur came up from the bottom, as a young person.

4. A real example: the case of Meroni srl

The entrepreneurial situation of our country is rich in situations that illustrate the points made above, in ways that may be more or less gradual or dramatic, even in the life of small firms. An analysis of real company stories provides a better understanding of how the overlapping between family and firm is a source of both strength and weakness in the life of a company.

The brief story that follows is based on the case of an enterprise in northern Italy, and illustrates certain real problems that affected the people in question, all members of the entrepreneurial family. The facts are given substantially as they occurred, except that for reasons of privacy we have changed the names and certain pieces of information on the sector to keep the firm anonymous.

4.1 Brief history of the firm

In the mid nineteen sixties Mauro Meroni and his brother Pietro founded a small workshop for the repair of tractors and now, after 40 years of hard work and sacrifice, the two brothers lead a mechanical firm that produces small agricultural machines. Some of these are designed, built and marketed under the firm's name (with a high level of personalisation for purchasers), while others are produced for third parties, mainly to orders by a larger company whose head office is nearby.

The employees of the Meroni brothers have now reached the substantial number of 21units, and for some time business has been very good. Recently, indeed, the number of customers has been increasing rapidly. This recent development is partly due to the contribution of Marco, son-in-law of Mauro, who joined the firm four years ago after leaving his previous job as a manager.

At the moment Marco is the only relative involved in the enterprise, apart from the two original partners, despite the fact that both Meroni brothers have numerous descendants.

Mauro, married to Annamaria, has four children. Marta, Marco's wife, is the eldest daughter and works for the local municipal council as a surveyor. They live in the original family home, next to the company, and have four children of their own. After gaining an arts degree, Cristina, the second-born, developed a dynamic international career in the public relations department of a clothing company. More recently, however, having become a mother herself, she has returned to live in the area, reducing her pace of life. Two other children, Lucio and Gaia, decided to take up jobs unrelated to the firm, after leaving high school. He opened a bookshop, while she works as a trader in the women's clothing sector. They too are married and live, with their respective families, not far from their parents.

The other founding brother, Pietro, married Maria Cristina and had two children. After studying physics, Pierluigi, the first-born, became a scientific journalist with a monthly magazine, and lives in another city in northern Italy. His sister, Francesca, travelled widely after graduating in political science, and finally married Federico, an engineer, owner of a mechanical company whose head office is about 60 Km from the native town of the Meroni family. Francesca lives there now, mainly looking after her six children. However, both Pierluigi and Francesca, return to their old home (also located next to the Meroni firm) almost every Sunday to have lunch with their parents.

The Sunday reunions at the respective homes of the founding brothers are something that none of the cousins want to miss - not even now that they have their own families. Indeed Mauro and Pietro's children were born and brought up in these surroundings, spending their time in their gardens and in the firm's yards and sheds.

And yet, until a few years ago, the Meroni brothers were seriously worried about the professions their children were choosing, as none of their offspring seemed interested in continuing the family enterprise. Luckily, after much insistence on their part, Marco agreed to give up his job and join the firm. In view of his professional skills, gained in 12 years of work (albeit in different sectors from that of Meroni Srl), the two brothers agreed to appoint him managing director, with a salary that was even more than their own. And he certainly lived up to their expectations. He set to work immediately, and his efforts bore fruit. He found new customers, the turnover increased, the firm gained financing from public funds for innovative projects, and a major programme of investments was begun, to equip the small enterprise with new machines. In short, he has big ideas, including one (so far revealed only to his father-in-law) of launching a new line of products in the near future, to take advantage of a fresh market opportunity that, in his opinion, is arising thanks to a partnership with a distributor in Eastern Europe.

However, although everything seemed to be going well, Mauro had reasons to be upset. The week before, in fact, Marco had called the brothers Pietro and Mauro together and had spoken to them in these terms: *«As you can see, the company has made a lot of progress in the last few years, thanks to my efforts. Moreover, in accepting this post I gave up a career and a salary that would in any case have become much greater than what you have given me so far. Up to now I have never asked for more, but now that we are getting ready to reap the rewards of my efforts, I think the time has come to give me formal recognition that I deserve to continue your work in the future. My proposal is that I should become a director with you, and I am asking you to give me a small share of the company capital free of charge: your share would be reduced to 40% each and I would have 20% of the company».* He added that he had been thinking about this for some time, but the moment to speak about it openly had arisen only now.

Marco's request caught his father-in-law on the wrong foot. He did not know what to say. He trusted his son-in-law, but this was not the way that he had planned to arrange the transition. His wife, however, took Marco's side, partly because their daughter Marta was naturally behind him.

On the other hand Marco's request had a decidedly negative impact on Mauro's brother and his family. Pietro told him that his children had no intention of allowing their future share to be diluted and had not taken the news well. Indeed Mauro heard whispers that Pietro's daughter Francesca had promptly asked her husband, Federico the entrepreneur, to make himself available to join the family firm and manage it alongside Marco..

Lastly, over Sunday lunch, Mauro's daughter Cristina also asked to be hired by the firm on a part-time basis as a clerk, on the pretext that she too could contribute in some way and that *«in any case a salary would be handy for me too»*, as she had decided in the meantime to leave her previous job permanently. Her request was immediately supported by her sister and her mother, but Marco did not seem too happy about it. In short, a real mess!

4.2 Issues on the table in the Meroni case (and their possible solutions)

The point-blank request that Marco made to his father-in-law and Pietro (*«I'm asking to become a partner and you to transfer 20% of the firm to me…»*) shows that much had changed in the relationship between the family and the enterprise that the two founding brothers had set up and managed for the first 40 years of the firm's history.

The arrival of the second generation in the firm, the fact that the founders had six children who in turn had large families, Cristina's request to be hired by the firm, the different expectations of the children, professionally external to the company but with affective links and various interests (including business ones, in Francesca's case, as the wife of another entrepreneur in the same sector), the different views that could emerge regarding the firm's future development as planned by Marco, and having to face the succession issue (perhaps for the first time in a concrete way): all these issues have profoundly upset the apparent stability of a situation that now has to be redefined.

The two most urgent problems in the life of the Meroni firm are Marco's request, (which is also linked with the prospect of Federico, Francesca's husband, becoming involved in the firm's management), and secondly Cristina's request. In both cases these are problems correlated with the typical management of family firms already mentioned in earlier paragraphs. Let us take a brief look at them.

There are probably three different motives for Marco's request to be promoted from managing director to partner, with his own share separate from the one that his wife would receive in future through natural succession:

1. *The first is Marco's feeling that he has not been adequately rewarded for his contribution to the firm.* Having worked for years as a manager in other companies, he is well aware of the remuneration levels that people like him can command, and feels that he has not been treated properly. He thinks he is good, he knows that he is giving his unstinted commitment to the enterprise, and after a few years the results are starting to emerge. Not having a share of the capital, his salary is his only recompense, unlike the two partners who naturally also enjoy capital remuneration and do not feel the need to pay themselves salaries in line with those on the market. The problem of Marco is directly linked with the policy of remuneration of family members, a question that the two brothers have never considered, as none of their children has joined the firm and their relationship is one of complete equality. Having the same long family history, the same long company experience, a shared life, and the same share of the capital, they have always drawn identical salaries that are unrelated to market considerations. However, this mutual adaptation between similar people is no longer enough: Marco's entry has brought in greater complexity, because his unusual role, the fact that he is not a shareholder and his managerial background create a need to *establish explicit criteria of evaluation and remuneration, even for family members.*

2. *Marco's second motive is linked with his role.* Since he joined the enterprise he has devoted all his energy, skill and enthusiasm to building a future for Meroni Srl. He has found new customers and business opportunities, he probably has a plan for its future, and he has taken decisions that involve risks, thinking that the risk was worthwhile, as if the firm were also his. In other words, he has made himself the promoter and interpreter of a strategic development plan, assuming the entrepreneurial function. His request to be a partner thus also illustrates his wish to see his role as an entrepreneur recognised, and sounds like an explicit bid to become the future company leader. His approach thus clearly shows that the time has come to tackle the *question of entrepreneurial succession* within the Meroni family, between the founding brothers and their children.

3. *Finally, Marco's third motive is related to the size of the Meroni family: two current partners, with six children who will be future heirs and - in prospect - a substantial number of third-generation offspring (obviously without counting their husbands and wives).* Marco probably realised, before the two founding partners, that unless he acted early there would be sound reasons to worry about the firm's future control and continuity, due to the *risks of possible generation drift.* The natural succession process could lead to substantial fragmentation of the company ownership. In the coming years many people, belonging to the various related families, will inherit small shares of the capital, although most of them

will have no involvement in the enterprise. What will happen - Marco probably wondered - if it becomes necessary to finance a capital increase to support the company's development? Or how will they react if they are asked to accept a policy of dividends below their expectations, in the event of a contingent fall in profitability (or a proposal to reinvest the profits in the company)? And what will protect the firm against the possible ambitions or future requests of unsuitable relatives to join it? A possible scenario is that there could be endless arguments between people whose opinions and interests are too diverse to facilitate agreement and to foster the firm's well-being. It is therefore advisable to start finding solutions to problems that will soon arise. Apart from defining the criteria for joining the firm, and the evaluation and remuneration of family members, it is necessary to set agreed policies on remuneration of the capital invested in the firm by family members, to assess the best way of ensuring that the chain of command continues to work properly, to set rules that protect the interests of shareholders who are less involved in the enterprise, and, more generally, to define and formalise an agreed strategy regarding future development of the firm, one that allows those who govern it to act with relative security when making medium-long term decisions.

There is then the request by Cristina, who - supported by her mother and sister - asks to be hired, essentially because she is a family member and that for her too *«a salary would in any case be handy».* Although this request might seem less important, it nevertheless offers interesting food for thought, as it relates to the delicate point that family values do not coincide with company ones. And this too is a potentially explosive issue for the equilibrium of the family firm.

Indeed, Cristina's request will inevitably open a debate within the family and could potentially divide its members. Indeed, the problem could be handled in different ways depending on one's perspective regarding the family-company relationship, and thus the system of values used in the decision:

– Those involved in the life of the enterprise who give priority to the family aspect (for example Cristina's mother and sister) will tend to consider her request reasonable and to accept it. For them, the values of belonging, identity and fairness will lead them to the conclusion that fundamentally Cristina «is one of us and needs to work» and therefore has a right to a job.

– On the other hand, those for whom the company perspective is uppermost (for example Mauro and Marco) cannot be very happy with this request, because they will immediately feel that it is not worth hiring someone unless the firm needs extra personnel. They will moreover think that this young woman's compatibility with the firm's needs and working rhythms should first be assessed. At the very least they will be worried about the possible effects of hiring someone that the firm does not really need, just to serve the individual interests of a family member.

A possible conflict is thus emerging between those involved over the boundaries between the family's interests, the interests of its individual members, and the well-being of the company.

The most logical way to deal with the requests made by Marco and Cristina is that the family should finally tackle the issue of what the enterprise should and can be for the present and future of the people involved, to prompt an awareness that the firm is certainly something linked with them, but is also different and distinct from the dynamics of the individuals and their family relationships.

For example, in order to give Marco an appropriate reply, reflecting calmly on what has happened and on the wider context of the present and future links between the firm and the family, the two Meroni brothers will find that it is best to separate the three motives underlying his request, discussing them in different terms: (a) his effective remuneration expectations; (b) his official candidacy for the role of company leader in the future; (c) the question of hereditary succession and the risk of generation drift. The first point is obviously a subjective one: it should be resolved by beginning with an assessment of Marco's contribution to the company performance and a subsequent renegotiation of his salary, while the other two points are of an institutional nature and call for deeper investigation at the family level.

On the other hand, Cristina's request should be considered in the context of a general examination of the question of family members joining the firm, setting rules that apply. Hiring decisions should be preceded by a check on the firm's real needs and the extent to which the skills of those concerned meet such requirements.

The Meroni brothers should therefore arrange a frank, calm discussion of these issues, first between themselves and then with their respective children, seeking possible solutions to the problems at an institutional level.

5. Shared reflections

Lastly, this general examination of what the critical points of the family-firm relationship are, and the analysis of the case set out above, together suggest that underlying many of the problems typical of family SMEs there is the question of their institutional relationship, that is to say the combination of structures and mechanisms through which the players, family members or otherwise, make their contributions to the economy of the firm, receive remuneration and participate in governance of the enterprise itself.

In particular, the chances of governing the family-firm relationship in a beneficial manner over time depend on first correctly identifying the boundaries that separate these two entities and making them objective, and then on designing appropriate instruments, of a company and legal nature, to manage the relationship between the firm, the family and its various members (current and future).

In order to understand the boundaries between the two entities better, it may be useful and/or necessary to distinguish expressly what the family's needs and those of the firm are, both in terms of values and substance (for example equity). Where necessary, this could be followed by an assessment of the needs of the individual families, so that their possible hiring and the progression of their responsibility is consistent with firm's well-being and is in any case dependent on their merit. A second useful and/or necessary step towards that aim - especially at times of discontinuity in the history of the enterprise or the family - is that of formalizing the company strategy, setting out the goals and organisation plans, so that the actions of family members and of non-family managers can be kept in line with these goals and plans. It may equally be useful to discuss and express the general strategy of the owning family or families (including the equity aspect), so as to be able to consider to what extent the firm's decisions can be consistent with the owners' objectives, and to be able to check the compatibility of the interests and of the future paths of the two entities.

There is however a need to establish rules and practices that can settle in advance those future personal issues that one knows could affect the life of the enterprise, beginning with decisions related to the identity and working of the top-management bodies.

For example, it is obvious that the firm's continuity over the generations depends partly on the skill of those who lead it in planning the succession of the entrepreneur properly, identifying the candidate for succession in good time, and giving attention to his/her training and progressive assumption of responsibility.

It is moreover of fundamental importance to evolve the system of company governance, especially when preparing the transition between generations or the enlargement of the top-management bodies to include new family members. For example, the decision might be taken to switch from a sole administrator to a true board of directors, perhaps also taking into account the possibility of enlarging it to include a few independent directors, nominated by the family, whose task would be to bring in specialised skills and a different perspective from that of the family members.

To avoid the risk that internal issues within the family might weigh too heavily on the firm's decision-making processes, other organs could be instituted, such as a family board, a decision-making forum above the board of directors in which family members can consider all aspects of the strategies to be adopted in the family-company relationship. Alternatively, a further management body could be created under the board of directors, instead of above it. This could be smaller and more operational, for example a management committee. In general what is needed is a gradual transition from one-man mechanisms and informal decision-making to more objective and collective systems, without however indulging in excessive formality, to avoid losing the character and flexibility that marks the modus operandi typical of SMEs.

One way of facilitating these changes in the structure and, more generally, of ensuring in advance a correct balance between family and company needs, is the so-called Family Pact. Already used in other countries for many years, this instrument is spreading among a still limited but growing number of companies.

The Family Pact is a formal agreement, signed by the members of the owning family, which regulates the relationships of family members with the company. The areas regulated by the pact vary, depending on whether it concerns only a few private aspects of intra-family relationships (leaving matters strictly related to the working of the firm to the articles of association or to company agreements), or whether it serves as an all-inclusive agreement, regulating the whole relationship between family and firm.

Such an agreement aims to provide clarity, avoid possible conflicts, and set the guidelines for future generations.

As a whole the Family Pact mentioned here serves these purposes: (a) to make explicit and to formalise the values and guiding principles shared by the owners, underlying the foundation and history of the enterprise and the family's vision of it; (b) to define rules derived from these principles, regulating the implementation of practices or possible future events that concern the relationship between the family and firm, such as transfers of ownership (right of pre-emption, options, valuations of shareholdings), the entry and careers of young people, the structure and working of the ownership, governance and management bodies, the criteria for remuneration of family members employed in the enterprise, the use of company resources for the family, and lastly the resolution of conflicts between family members, (c) to indicate the criteria to be followed in strategic planning and in planning the succession of ownership and of the leader.

In conclusion, it should be borne in mind that dealing with the institutional aspects of the enterprise to regulate important questions regarding its relationship with the owning family is a delicate and sometimes unpleasant task, because it puts a question mark against dynamics and practices that are consolidated both in the family and in the firm. Small entrepreneurs often tend to undervalue the importance of these matters and do not deal with them in time, whether because of the psychological difficulty of tackling problems regarding when they will leave the company, or because of the embarrassment that dealing with such matters openly may cause in the family, or again because sometimes they lack knowledge of the instruments and of the experts in corporate and legal matters available to deal with these issues.

In carrying out this task the contribution of experts external to the family is of vital importance. Usually these are specialised consultants or independent directors that the family may decide to bring in to assist its representatives on the governance bodies. The experts are chosen in the professional world on the basis of their skills and their capacity for discernment.

These may adopt a third-party role in relation to the various members of the family, thus helping the entrepreneur to find solutions as the need arises, to preserve a proper balance between the enterprise and its owners over time.

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