



WIFU_compact_06: What is “Ownership Competence”?

The role of the shareholder in a family business is charged with tensions from three different domains: family, business and ownership. Thus, it is almost inevitable that the individual shareholders have different opinions, motivations and priorities. The business family as a whole must manage these mixed – but often legitimate and reasonable – divergencies. As part of the family business governance, the roles, competencies and responsibilities of family members should be clearly defined.

But not every shareholder is well-informed about the business and its strategy ...!

This is exactly why the issue of ownership competence is so critical. Especially in multigenerational family businesses, members of the business family (or at least a significant number of them) should have ownership competence, defined as *encompassing the multiple skills and abilities of current and potential shareholders of a family business to successfully exercise their ownership function as well as their rights and duties within the business family. Moreover, it concerns the ability to manage successfully unprecedented situations in the business and the business family.*

Shouldn't a distinction be made between the different types of family businesses?

Indeed, the required skills for shareholders vary according to the specific context and need to be adjusted over the course of generations. Of course, there is a difference between businesses where family members have a managing role and those where external managers lead the business management. In the first case, the family would be most concerned with the competency gap between managing and non-managing shareholders while, in the latter, it must address the control and strategic assistance of its external management.

Is it not preferable that shareholders keep out of business matters?

It may seem tempting to follow this line but, in certain situations, this can lead to distrust among non-managing shareholders and create conflict, leading in the worst case to the disintegration of the business family. Families who wish to last would be well-advised to learn from successful dynastic business families: conflict and disintegration are best prevented when family members are closely tied to the business. This tie to the business requires involvement and, thus, ownership competence.

Where should this ownership competence come from?

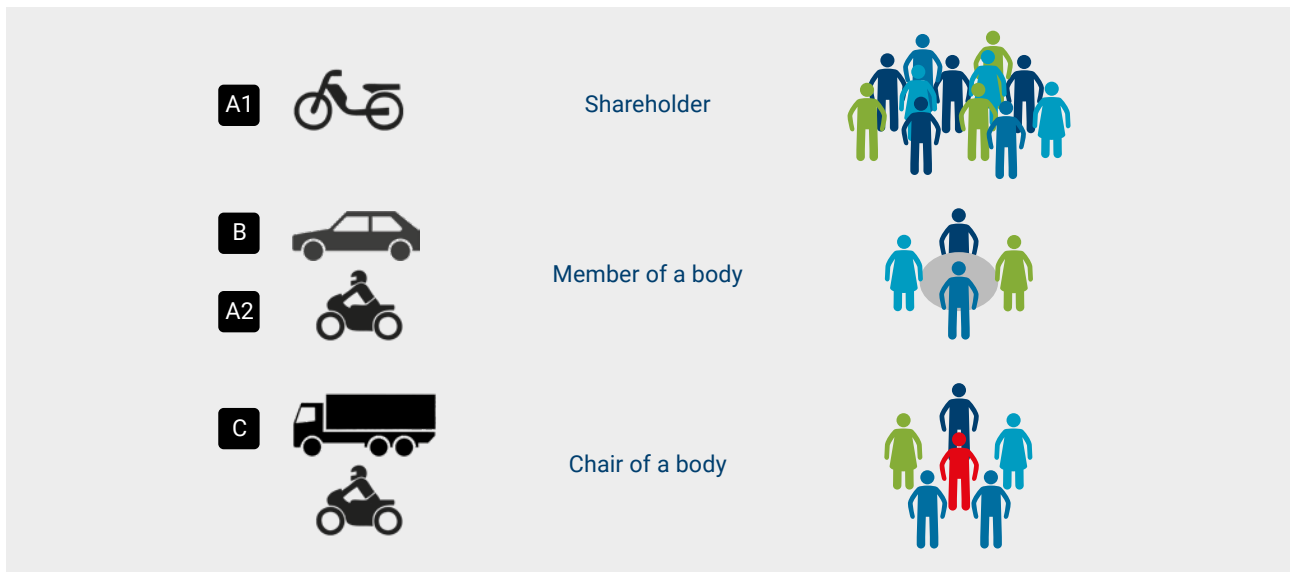
Programmes for ownership competence development (DOC) have been shown to be fruitful. By definition, *DOC includes all the measures taken by members of a business family to accelerate beginner and advanced training in these competencies as well as to encourage the acquisition of skills and experiences that support the perception of the role of the shareholder in a family business.* Such programmes, enacted in some families as a “family academy”, include suitable offers that are sensibly designed as “competency building blocks” to be useful for the family and their business at a given time.

Does DOC bring any benefit to the shareholder?

First of all: Competent shareholders will contribute to the continuation and sustainability of the business family. Furthermore, ownership competence can be linked to different roles and positions and viewed in a similar way to driving licence classes (see figure). By completing a few basic competency modules, the shareholder would, in this analogy, acquire a moped driving licence. Yet, he or she would “only” be a shareholder, with no further function. With a more in-depth, subject-specific competency, the shareholder could obtain a driving licence for cars and motorbikes up to 35 kW, equivalent to holding a position in a controlling body of the firm or a family committee. To be chair of a body that authorises the strategic preparation of decisions (equivalent to the driving licence for heavy goods vehicles), the individual must have acquired further specific competencies.



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And if someone resists at all costs...?

Of course, no one can be forced to participate – that is the basic rationale behind all the measures and offers in the broader framework of a family strategy. At the same time, every shareholder should understand that ownership brings certain duties. Further, one last question regarding participation is particularly important: which family members should be allowed and indeed encouraged to take part in a programme for DOC? Is there an upper or lower age limit? Should spouses and partners be allowed to participate (and to what extent)? Is the programme restricted to shareholders or also open to family members who do not yet hold shares? All these questions concerning access to and participation in a DOC programme must be discussed – ideally in the creation of a family strategy.

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Reference:

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