



HUMAN SIDE OF ENTERPRISE

JANUARY 2005 NEWSLETTER

A periodic publication to keep in touch with our clients, colleagues and friends.

PREPARING KIDS FOR FINANCIAL STEWARDSHIP

Part of my practice now is helping people cope with the impact of wealth on their families. Many of my clients are entrepreneurs who have built businesses over the course of their lives and who often grew up with little or no financial security or comfort. Yet by the time their offspring are teenagers, many have built profitable businesses. They afford the family many opportunities that the entrepreneur never had: nice vacations, new cars for themselves and/or their kids; "toys" like boats, motorcycles or vacation homes.

These entrepreneurs worry about how these riches may destroy the motivation to work in their children or grandchildren and/or expose them to drugs and other over-indulgences. I often hear the phrases: "They don't appreciate what they have or what it takes to earn that money;" and "They don't know the meaning of a dollar!" In any event, they worry about the kids developing "affluenza" rather than having common sense and financial literacy.

I address many of these issues in the book "Health, Wealth and Families" (Beowulf Publication (2002). Lately, I have been developing curricula, materials and activities for families to use in helping their children learn to be good stewards of their assets. Four concepts are important for youngsters to learn: scarcity, budgeting, planning and investing.

Scarcity: Youngsters need to understand that they cannot *always* have *what* they want *when* they want it in life! Even the wealthiest individuals have to make choices in the use of their resources. Scarcity may apply not only to money and credit, but also time, energy, natural resources and human resources.

Continued on page 3



LESLIE DASHEW, PRESIDENT
HUMAN SIDE OF ENTERPRISE

ENGAGING VS. DISENGAGING

Jim worked hard from the time he was a teenager. His goal was having the financial security he didn't have growing up. Through his creativity, persistence and hard work, he amassed not only "financial security," but also significant wealth.

Now Jim is 50. He sold his business, has a non-compete agreement with the company that bought his business and is bored. For the first time in his life, he does not have a compelling goal. His kids have careers and/or families of their own his wife has a part time job she loves and community activities that have kept her busy and happy while he worked hard. Jim has acquaintances, advisors and business partners, but no real friends.

Jim disengaged from an occupation that was compelling and fully occupying for more than 30 years. Now what? He was not prepared for what life would be like without his business.

Continued on page 4

HUMAN SIDE OF ENTERPRISE MISSION

Our mission is to enhance the effectiveness of our clients (both individuals and organizations) through consultation and training services. We are committed to creating a partnership with our clients to foster the attainment of their personal and professional goals through the most efficient, ethical, and qualitative approaches. Our ability to serve depends upon our growth as well. Thus we seek opportunities to learn from our partnerships and strive for open communication.

SERVICES

CONSULTATION SERVICES

- Organizational Development
- Team Building
- Consultation to Management
- Special Services For
Family-Owned Businesses

TRAINING PROGRAMS

- Performance Management and Supervision
- Listening and Assertive Communication
- Leadership and Management
- Team Building
- Family Councils, Family Wealth and Other Family
Business Strategies
- Managing the Family in Business
- Developing Boards of Directors
- Speeches on Personal and Family Issues
- Partnering for Success

COMMUNICATING WITH HUMAN SIDE OF ENTERPRISE

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Scottsdale, AZ 85255

THE ASPEN FAMILY BUSINESS GATHERING

August 4-7, 2005

*An opportunity for thoughtful dialogue,
Learning from experts and
hearing from other families who have faced your issues.*

The Gathering is a highly interactive, informal conference for families in business. Limited registration provides small group interaction to enhance learning from other business owners as well as from the Associates of The Aspen Family Business Group. Each Associate is a nationally and internationally recognized professional whose life's work is helping family business grow and prosper.

Each day of The Gathering includes approximately four hours of seminars and workshops, all designed to encourage participant involvement and maximum exchange of ideas. You will select the sessions you think will be most valuable for you. We provide a range of workshop topics designed to fit the specific interests of the people in attendance.

The Gathering has a definite informal tone and is designed so that attendees can take full advantage of the program, as well as enjoy the summertime beauty and wide range of attractions found in Aspen and the Roaring Fork Valley. The activities range from the Aspen Music Festival, hiking, biking, fly fishing, rafting, horseback riding and hot air ballooning, to all the other things that make Aspen a highly-desirable destination resort.

The Gathering is designed to be accessible to everyone in family business. A nominal registration fee of \$800.00/each for the first two family members, \$650.00/each for additional family members is charged to defray the cost of meeting rooms, materials and group meals. This year we will again hold the Gathering at the Snowmass Club Resort. Contact us at www.aspenfamilybusiness.com or at 866-442-7736 to register or get further information.

Budgeting: Because we have limits on some of our resources, we must learn to make choices and budget our assets so they accomplish what we want and need them to.

Planning: Budgeting requires that we are clear about our goals and priorities so we can make the choices that are best for us. For example, if we know that after taking care of basic needs such as food, shelter, medical care and education, we would like to have resources for recreation (time and money), we plan our schedule and our budget to allow for that fun.

Investing: Finally, youngsters need to learn the concept of investing of our money, time, energy and even influence. Investing helps us build assets and opportunities. This is important if we want the resources to spend.

GAMES FOR LEARNING

Given that these are important concepts for young people to learn, I have been researching games that are fun ways to learn about them. The following are brief reviews of three:

Payday

Payday is a game which helps players think about the basic costs of living and how to make the dollars stretch to meet the days of the month. The game is played through two or more “months.” (Two months played by 4 players takes about an hour). In addition to learning about paying bills, taking advantage of investment opportunities and “life events” which impact one’s financial situation, in this game you can take out loans and pay them back during the course of the game. The game is geared for kids 8 years of age and older. Decisions about how to use financial resources are an important focus of this game.

Tycoon

Tycoon is a fun game about the stock market. Kids from 6 or 7 (with help from older players) can play and even the teenagers enjoyed this game.

Each player gets \$100,000 to invest in the stock market and the “market” and dreams/realities cards reveal events which impact the market (“Amazon expands by buying out all the public libraries. 100 shares of Amazon go up \$10,000”. “The temperatures in Florida plunge and

so does Disney. 100 shares of Disney plunge \$2000”.) or one’s life (pay for kids braces or new roof) so they see their assets go up and down. The winner of this game is the first person to accumulate \$1 Million in assets. Learning about diversification of portfolios, the impact of trends and consumer whims, and managing life’s unexpected events are all part of the game.

Cashflow

Robert Kiyosaki and Sharon Lechter authors of the book, *Rich Dad, Poor Dad*, created the games “Cash Flow” and “Cash Flow for Kids” to help teach people how to get out of the rat race and achieve their dreams. Their games are about learning to manage your budget and find cash to make investments that ultimately support your lifestyle without having to work.

In the adult game (for young teens through adults), you begin by drawing a card that indicates your occupation (truck driver, doctor, teacher) and with each one, your salary, dividends, real estate, businesses and expenses are noted. So are your assets and liabilities. These financials differ from profession to profession (like real life!). To leave the rat race, you must buy investments that give you cash flow (passive income) that is greater than your expenses. At that point, you are on the “fast track” and the goal is to achieve your dreams, increasing your monthly cash flow.

I have played this game with teenagers and adults and even the most sophisticated adults and seemingly uninterested teens get involved!

The children’s version, which is appropriate for kids age 6 and up, is geared to teach kids about money and finance by teaching them about concepts such as cash flow, salary, passive income, expenses, assets and liabilities. The game is a simplified version of the adult game so that players can deal with fewer concepts to begin with.

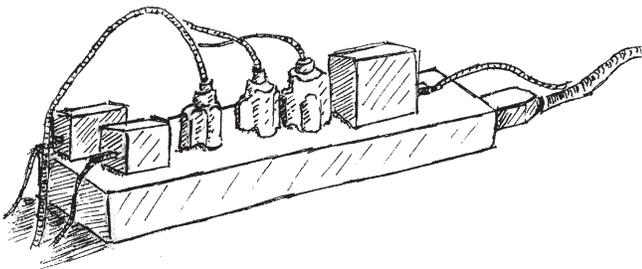
You can learn more about these games by going to websites:

www.TycoonTheGame.com
www.richdad.com
www.hasbro.com
www.games.com

Ellen is 32, works as a marketing director for a pet food manufacturer and is a 3rd generation minority shareholder of a family business founded by her grandparents. Her aunt and uncle ran the family precision machining business and her father served on the board. Her cousins went to work in the business, but Ellen never felt encouraged to join the business. Now that the older generation has retired, Ellen wonders if her cousins are doing a good job, but doesn't know what rights or responsibilities she has as a minority owner who is not working in the business.

Ellen wonders how she can or should engage in the family business. While she is an owner, she has always depended on the older generation to be stewards of the business. Her parents always received a sizeable distribution from the business and she realizes she may be able to live off of such a distribution and not work, if her cousins run the business well. But how does she get involved?

As "stakeholders" in a family business, family members often wonder how to appropriately engage or disengage from the complex system. I often think about it like a lengthy power bar (or surge protector) with many electrical outlets. Are these outlets clearly marked with how to plug in and how to "pull out?" Do they have different sizes or shapes that provide a variety of opportunities for people to connect?



Is the assumption that the only way to be involved with the family business is to work there full time correct? What are the ways owners can be involved without working in the business? What about family members or in-laws who have no ownership or involvement in the business? Sometimes they don't even feel that they are "legitimate" members of the family since they do not work in the business (particularly when the family had trouble speaking about anything other than the business) or have ownership!

Among the definitions of "engage" are to *hold somebody's attention or to involve somebody in an activity or become involved or to take part in an activity*. For many members of families who own businesses, it's hard to tell where the

boundary of "family" and that of the "business" begin and end. They seem to merge. Employees who are not actually part of the family often refer to feeling like they are part of the family. Kids who grow up in the shadow of the business often feel like the business is another member of the family.

They often refer to long-term employees as "Uncle" or "Aunt" even though they have no true kinship to them. But this sense of connection is different than *being engaged* in the business. "Being engaged" connotes an active involvement or focused attention.

Ellen wondered, for example if she is entitled to have information about how the business is doing or even to give input into the direction of the business. Jim didn't know how to pull away partially before he sold the business. They needed to understand the range of opportunities to be actively involved without being "*fully engaged*."

To engage or not to engage
That is the question!
When, where and how?
With whom?

Engaging means
Committing myself to a course
Which requires
Digging in
Dialogue
Deliberation
Decision-making
And accountability.
It means
Being there
Paying attention,
Fighting it out
Staying the course.

Disengaging means
Letting-go of the responsibility
And the authority
Of the accountability
And the identity.
It means
Transitioning out,
Turning it over
Detaching from all that engagement
Requires
and
Offers.

Engaging requires energy
Disengaging requires release.
Engaging says "I am connected."
Disengaging says, "I am letting go."

If I choose to engage, I am stepping up to the plate
Taking a seat at the table
Making my voice heard.

When I disengage,
I am moving away,
Transforming my energy
Going in a new direction.

When I "plug in"
I take a spot
I get juice
I charge "the machine."
When I unplug, I leave a spot open.
For someone else
To plug in
To take the spot.

Whichever I choose,
It cannot be done lightly
It is not without consequences
For me
And
For those around me.

"Rules of Engagement"

Typically, we engage in that which is important to us.

For Jim, creating a business and financial security was his initial goal and a high priority value. So when the opportunity to "harvest" financial security came along, it felt like the right thing to do. However, he didn't recognize that the business also represented another important value: being productive and creating something. While he loved his family, he felt the gap he needed to fill was to be the "breadwinner." His wife took primary responsibility for the family and home. Spending time with friends was less important (i.e. not a value) by comparison to the satisfaction he achieved through work. So his business life achieved two important values: creating financial security and being productive.

But our values change as we move through life. Our initial values are often "deprivation values:" that is, we value what we don't have. Jim didn't have financial security, so that was of utmost importance to him.

Once he sold the business and had the security, he realized how important "being productive" was to him. He also began to notice that as his kids were independent and less available to him, that relationships were now more important. Being engaged in a productive activity and in relationships were now key values to him.

So rule number one of engagement is spending the time to fully understand your own values and to make sure you are attending to the top priorities...and not ignoring some that are just out of sight.

Often we assume that someone else is taking care of some valued responsibilities, so we don't need to engage. For Ellen, her cousins, parents, aunt and uncle were taking care of the family business and assuring that both the business she cared some about and the income she liked having, thus it did not require her involvement. But is that a safe assumption? We all hear of horror stories where widows assumed their late spouses took care of the finances only to find out they were bankrupt after the funeral! Women historically have left the financial responsibilities to their fathers, husbands, brothers or sons. In recent decades, that responsibility has either been shared or has been the sole purview of a woman-single or married.

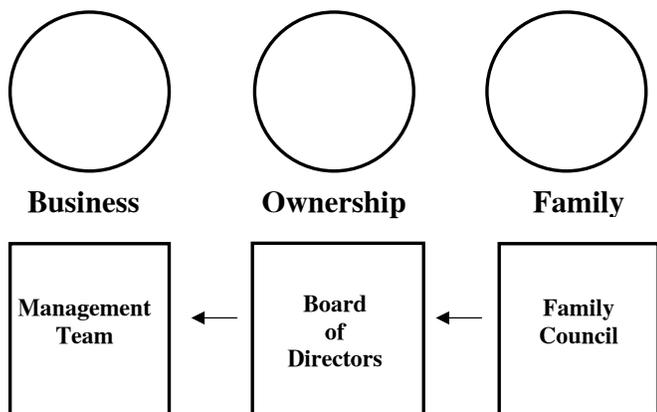
Sometimes we don't engage because we don't feel competent or very interested, even if we recognize that the engagement may be very important to us. Ellen was knowledgeable about marketing, but not precision machining or financial matters. Thus, the combination of someone else taking the responsibility and her lack of confidence made engagement in the family business a low priority. Yet, as her priorities shifted (i.e. considering retiring from her career and living off of the family business income) and her confidence in her family stewardship came into question, she began to realize it was in her best interest to become engaged.

Rule number two, then, is to check your assumptions about whether your interests are truly being well taken care of without your involvement. You may need to protect your interests by observing, learning and connecting.

The next issue is how to engage without jumping in with both feet. Jim didn't know how to partially disconnect; Ellen didn't know if there were opportunities to engage in the family business without working there. As we have discussed elsewhere, (*The Best of the Human Side*) family businesses are complex and there are several roles

one can play: be a member of the family, an owner of the business and/or work there. The healthiest of family businesses have what I refer to as “legitimizing structures” which give each role a legitimate forum for dialogue about the family and business (illustration below). The family council is a place for family members to think together about their goals as a family, the role the business (or other assets) play in their lives and policies and practices to govern the interface between the family and the business. The board is the venue for dialogue among owners or their representatives to assure that the business is being run in accordance with the wishes of the owners and in an ethical and effective manner. The management team is where the direction and implementation of business activities take place.

Legitimizing Structures in Family Business



The family council can provide a “socket” for family members (by birth, marriage or any other way) to plug in, feel included and have a place to feel valued. Frequently, education about the business, family communication, and governance takes place in family councils. This type of education is useful for family members of all ages. Communication about family activities, philanthropy and/or the business is another function of the family council. Finally, family owners often make use of the family council to come to consensus on the direction they wish to give to management and do so via a document sent to the board of directors. Both Ellen and Jim might find the family council an appropriate place to engage. Each could pursue his or her interest in involvement with the family or its assets and yet not feel too involved or too disengaged.

The board provides departing executives with a means to stay connected without being involved in the day-to-day

activities. The governance principle of “NIFO” (“nose in; fingers out”) applies to this type of involvement. The board has the responsibility to keep owners informed and to represent them. Thus, minority owners can use this vehicle to stay plugged in without overstepping their bounds or having their investment at risk because of lack of oversight. In the case of Ellen, she might become her father’s successor on the board, having become prepared for the role by learning about the fiduciary responsibilities of a board member and learning more about this family business. (See for instance Ron Zall’s new book, *Boards of Directors for Family Owned Businesses* published by NACD). Many retired executives and business owners share their valuable perspectives and knowledge with others through service on business boards (some of which are also investments for them.)

So rule number three is to identify the range of opportunities which exist to engage at the level that is most appropriate to you as an individual at your particular point in time and assertively seek that engagement.

The level of engagement, the socket in which to plug, the role you are to play can be negotiated with other key stakeholders. Ellen could discuss her interests with her cousins and see if they have a shared vision for the future. She can offer to be supportive of them and offer up her skills, objectivity and commitment. Jim might find that he now has a new opportunity to identify ventures that allow him the time to be with his family, form friendships and have a business involvement that requires less than full time. By creating the desired outcome and presenting them to the stakeholders involved, creative engagement can occur!

Books by Leslie Dashew

Health, Wealth and Families

The Best of the Human Side

Working with Family Businesses:
A Guide for Professionals

Each may be purchased for \$15.00+ shipping by
calling (866) 419-4243
or online at
www.lesliedashew.com

9TH ANNUAL WOMEN IN FAMILY BUSINESS PROGRAM

Engagement & Disengagement
MARCH 17-20, 2005
Miraval Resort Tucson Arizona

For the ninth year, we will be hosting the program for women in family business and women of wealth at Miraval Life in Balance Resort in Tucson Arizona. The program was initially designed to provide women a place to talk freely about issues related to being in a family that has a business or wealth. Women have come from around the world to attend these programs as they provide safety, information, perspective and camaraderie with others who share similar dilemmas.

This year's theme is Engagement & Disengagement

- How do we engage everyone in our family, our business or our investments?
- How do we disengage and turn over the responsibility to others?
- How do we decide in what we should engage?
- Whom do we engage as our advisors, our leaders our team members?
- What does it take to make sure our expectations are met when we are engaged or engage others?

These and other key questions of concern to women in family businesses and women of wealth will be the focus of our program.

The exploration of these issues is facilitated by Leslie Dashew in the magnificent, nurturing setting of Miraval Life in Balance Resort.

The program offers opportunities to listen to new ideas and the experiences of other women and to have time to reflect on your own life. We also have time for a bit of pampering at the spa each day.

REGISTRATION AND FEES

The program will be limited to 30 participants, so register soon!

The program registration fee for Women in Family Business Program is \$650 for the entire long weekend. Miraval is giving us a special rate of \$525/person/day (single) or \$446/person double occupancy/day (plus 7.5% tax and 17.5% service charge added each day) this all inclusive rate does include fabulous food, one "service" (massage, facial, etc.)/day, transportation to and from the airport, etc. *Miraval releases our rooms at the end of January so register there soon!*
1/800 825-4000.

To register, contact Human Side of Enterprise at 480/ 419-4243, see www.lesliedashew.com and/or send in your registration to Human Side of Enterprise, 21839 N. 98th Street, Scottsdale, Az. 85255.

*With Best Wishes for a
healthy, happy, prosperous
and above all peaceful 2005*

INSIDE

- Engaging vs. Disengaging
- Preparing Kids For Financial Stewardship
- Upcoming Conferences

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