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Chapter 6

# Managing Dispersed Ownership Within the Owning Family: The Role of Family Governance

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## Abstract

When ownership starts getting dispersed among several individuals, families, branches, and generations, a need for organizing communications and decision-making usually arises to ensure functional relationships within the family. The need for a shared vision and mutually agreed ways of handling the shared ownership emerges, and a process for developing a family governance structure is often initiated. Family governance, hence, appears to be a central topic in family business research, but we still lack a more profound and specific understanding of how the owner family uses different family governance mechanisms to manage specific situations with possible conflicting goals, interests, and opinions, or just to develop the shared ownership further for or together with the next generation. The aim of this chapter is to give an overview and highlight different processes developed by the family within owner families with dispersed ownership to identify and align governance goals. This overview intends to broaden the understanding of what the role of family governance, as a family internal mechanism, can be in owner families with dispersed ownership among several family members.

*Keywords*: Managing dispersed ownership; family governance; owner family; family constitution; alignment; communication; cohesion; multi-case study

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## 6.1. Introduction

Family business research aims at improving the functioning of family firms, and one way to do it is by gaining a deeper understanding of the forces that underlie these firms. Understanding the reciprocal relationships between the family and business systems is fundamental (Sharma, 2004). Gallo and Kenyon-Rouvinez (2005) introduce the two different interacting subsystems: the business and the family governance systems. The latter and its different character of governance have been relatively little studied compared to the traditional business system. Family business research has actively explored family governance as a managerial tool used by the family for governing the business (Bauweraerts et al., 2019; Cucculelli et al., 2016; Damiani et al., 2018; De Massis et al., 2016). However, the structures and organizational forms of family governance (Berent-Braun & Uhlaner, 2012; Gedajlovic et al., 2004) and the underpinning power of emotions and intertwined relationships within the owner family, have gained much less attention within family business research. More focus is thus needed on the family and on how the opinions and varying expectations are consolidated into a piece of information that is communicated to the management (Sharma, 2004). In this book chapter, the focus lies on family governance defined as the internal agreements and mechanisms through which the owner family manages its shared ownership.

When the ownership of a family business starts getting dispersed among several individuals, families, branches, and generations, a need for organizing communication and decision-making usually arises to ensure functional relationships and effectiveness (Gersick et al., 1997; Goel et al., 2013). Mustakallio et al. (2002) emphasize that family governance structures are needed in the family to promote cohesion and shared vision and to reduce harmful conflict. Family governance is identified and defined as a system to secure and organize cohesion within the family (Gallo & Kenyon-Rouvinez, 2005; Gersick et al., 1997). The governance structures in the family firm have been studied by, e.g., Mustakallio et al. (2002), Botero et al. (2013), and Suess (2014). Suess (2014) emphasizes the role of family governance by the fact that if the family is able to successfully govern itself to ensure effectiveness and mitigate dysfunctional interference, it has important consequences for the business. Still, knowledge about the concept of family governance is quite scarce and scattered; the empirical insights are few and there are as many versions of family governance systems as there are owner families (Gersick & Feliu, 2014). The role of family governance changes and evolves during generation shifts and changes in the composition and size of the owner family. In an earlier stage, when ownership is still shared between siblings, an unofficial agreement or decisions might be enough to guide the shared ownership, but when ownership gets dispersed, typically in the next stage, a cousin consortium, a need for understanding and incorporating the expectations, needs, wishes, and opinions of several people with possibly very different life situations, backgrounds, and visions emerges (Parada et al., 2020; Randerson & Radu-Lefebvre, 2021).

The aim of this chapter is to give an overview and highlight different processes developed by the family for the family in owner families with dispersed ownership and an identified need to align the goals of the family. Family governance parallel with family firm governance, appears to be a central topic in family business research, but we still lack a more profound and specific understanding of how the owner family uses different family governance mechanisms to manage specific situations with possible conflicting goals, interests, and opinions, or just for developing the shared ownership further for or together with the next generation. According to Payne (2020), more focus on the inner workings of the owner families will be emerging as the field of family business grows and develops. This overview intends to broaden understanding of what the role of family governance, as a family internal mechanism, can be in owner families with dispersed ownership among several family members.

## 6.2. Family Governance

Family governance has been studied from different perspectives, of which, e.g., Suess (2014) mainly focuses on the structures, tools, and processes applied to develop a functioning framework. The mappings by Suess (2014) and Koeberle-Schmid et al. (2012) explore the factors that are associated with family governance and emphasize the voluntary character of family governance and the fact that family governance in not legally obligatory. A family governance structure is usually an outcome of, e.g., a family meeting, often facilitated by a consultant, family business expert, etc., guiding a process to find the way of the family to work and own together, to manage the shared ownership. The heterogeneity of family businesses and the owning families naturally proposes a need for as many tailor-made systems as there are families (Gersick & Feliu, 2014). Features defining the family context, e.g., the stage of generations and the ownership structure, tend to shape the way power is distributed among the owners and how decisions are made within the family simultaneously defining what the needs of the family are (van Aaken et al., 2017).

When families grow through succession, governance is considered increasingly important as the family complexity also increases (Lambrecht & Lievens, 2008). When the owner family is at the controlling founder's stage, the need for a specific family governance system is not as explicit. In such a situation, decision-making is clearly in the hands of the majority owner, and at this stage family governance and corporate governance systems are more overlapping. But when ownership is passed on to a sibling stage, quite equally divided from the first generation with no pruning of the family tree, the need for a shared vision and common policies starts to arise (Mustakallio et al., 2002). The need for a shared vision and mutually agreed code of conduct might then appear at the latest in the next generation, if the next generation shift transforms ownership to a cousin consortium, including fairly equally divided ownership among cousins. According to Umans et al. (2020), the use of family governance practices stimulates the succession planning process. Gersick and Feliu (2014) present the governance tasks in the family circle to be the following: to clarify the demands and rewards of family membership in relation to the business, to define and communicate the opportunities for involvement in the family collaborative ventures, to facilitate information flow, to establish and oversee non-business aspects of the enterprise, and to enhance a sense of belonging throughout the family.

In this chapter, I attempt to provide an overarching view from the owners' perspective of the different roles family governance can play in an owner family and to add to understanding of the nature of family governance and its diversity. Focus is on exploring the internal, non-legally, but rather morally binding procedures and agreements concerning the conduct of the owner family in relation to the joint ownership, developed by the family for the family. The function of the family governance system is to allow people to discuss in a structured way issues concerning the shared ownership and to form, (hopefully a unified) view of the family, that can be communicated to the company board, the company management and also when needed, to other stakeholders. The chapter is organized as follows. First, the central themes will be presented as parts of the family governance structure, then identified from the interviews and elaborated through theoretical connections and personal discussions within family business networks and forums. Finally, conclusions and implications will be discussed for further development of research on the concept of family governance.

### *6.2.1. Central Themes on the Role of Family Governance*

Through discussions and interviews with knowledgeable family business owners and based on my own experiences as a fourth-generation member of a sixth-generation owner family, the emerging themes describing the role of family governance, were identified. The interviewees all have experience from positions of trust within the family governance structure in their owner families, their firms are in at least their third generation, with dispersed ownership among several branches, families, and individuals in a way that creates a need for the family to function together in relation to their ownership. My own background and roles within a global network for family businesses and family business consulting build on international networking, facilitating of family governance processes and constant learning through interaction with owner families all around the world during the last 25 years. These encounters provided me with data from multiple sources as well as proprietary information from retrospective and real-time accounts by members of owner families of family businesses. Gradually, recurrent topics and patterns started to emerge from the discussions among family business owners (Corley & Gioia, 2004; Gioia et al., 2012). The exchange of experiences and best practices from the families showed that many different forms of family governance are developed and consumed by owner families of family businesses. Building on this background, my aim is to present a realistic picture of how a family governance framework can be seen from different perspectives, according to the special needs of the particular owner family. Although many of the families might have a similar ownership structure, family culture, or values, the individual families still interpret a definition of family governance in their own way.

The prominent themes describing the role of family governance vary from loose systems and agreements to more rigorous sets of rules. The more issues that are included and the more specific guidelines concerning decision-making, the more complicated the structure becomes. This chapter is an attempt to identify and capture the central themes characterizing the different roles family governance can have in owner families, namely *alignment, communication, cohesion, a code of conduct and a set of rules*. When the focus is on how the family builds, develops, and implements a suitable, tailor-made family governance system, these five themes emerged as the most prominent when identifying the role of family governance. According to the respondents and through my experience, the need for *alignment* of the owner family's conduct and goals is considered crucial in order to secure the best possible environment for the management of the company to perform its best. In order to reach alignment, *communication* is key. People have different values, needs, and expectations, and experience things from their specific perspectives, thus working together toward a common goal calls for aligned behavior, built on communication, transparency, and trust. This kind of transparency and trust exist in a best-case scenario in an environment where people naturally internalize reciprocal behavior; and desire to find ways of adjusting possible different opinions and perspectives in order to build and sustain *cohesion* within the family. Cohesion is something that often spurs from a shared value ground, suggesting a shared view on values and norms, or *a code of conduct*. Such a code of conduct can be based on, e.g., the values of the founder, the values and norms of the family or higher values in terms of ethical or religious views. In many cases, the code of conduct or family policy is refined to a *set of rules*, or a family constitution or protocol, regarding certain specific aspects as, e.g., employment policy of family members or nomination of family members to positions of trust.

*6.2.1.1. Alignment*

As a family grows into a multigenerational cousin consortium and beyond that, it has already become a complex structure with several family branches, diverse interests and stakeholders, and challenges to sustain collaboration and effectiveness. A need to regulate and integrate the interests and concerns of many people typically emerges at this stage (Jaffe & Lane, 2004). The growing complexity over time increases the heterogeneity within the owner family, emphasizing the existence of diverse interests, goals, and preferences among owners. The central assumption on family ownership being that the family acts as a united group of owners is challenged through the identification of the demand for family governance regulations to align these varying interests (Zellweger & Kammerlander, 2015). Alignment of the goals and behavior of the family are thus central objectives for having a family governance structure. In order to have the family add value to the business, it should have a clear and consequent behavior toward the management and other stakeholders. Unclear communication and goals confuse all parties, and in a worst-case scenario cause unnecessary misunderstandings and ambiguity, trouble for the management, and might even harm the brand and the reputation of the family. A clear infrastructure to manage the interrelationships of people is of great importance as the foundation of trust and alignment that may have held for several generations faces challenges of a changing environment as well in society as within the family. New generations may have different expectations on the future and look at ownership from a different perspective (Jaffe & Lane, 2004).

Agency theory (Jensen & Meckling, 1976) describes the relationships between a principal and an agent who are engaged in cooperative behavior, but have differing goals. Theorists initially suggested that the unification of ownership and control would induce low agency costs for family firms. Jensen and Meckling (1976, p. 310) suggest that this kind of "agency costs also arise in a situation involving cooperative effort by two or more people even though there is no clear-cut principal-agent relationship." The organizational assumptions for agency theory propose a partial goal conflict among members of an organization (Eisenhardt, 1989). The situation might be similar among the members of the owner family. Even if ownership is divided in such a way that no one owner has decision-making power over the others, there might still be differing goals and tendency to ward opportunism. As one family member described the situation before having developed a family governance structure: "The absence of a structure creates uncertainty and a tense atmosphere. You don't really know the agenda of the others…."

Agency theory has been seen as one of the leading paradigms for studying issues of family governance (Carney, 2005). Much of the studies on agency-based governance in family firms share a common assumption, namely that the controlling family acts as a unitary actor. However, family members may be aligned in their overall desire to secure and increase the economic value of their stakes, but might still have very different interests concerning, e.g., risk levels, dividends, and non-economic goals (Zellweger & Kammerlander, 2015). The principal-agent conflict, owing to divergent interests between owners, is a typical constellation where family members acting opportunistically and according to their own interests and agenda. Such an agency cost might derive from family members contacting the management for special information or perks, thereby signalizing to the management that the family does not have a unified view on managing their shared ownership and thus offers the management a chance to act according to their own interests. Based on agency theory, Arteaga and Menéndez-Requejo (2017) presented, that one of the reasons for a positive relationship between future performance of the firm and a family constitution, might derive from the fact, that constitutions were found to improve alignment among the owners of the firm.

The owner family involves a cooperative effort by several people, including a high probability for different opinions to still exist, despite the aspiration for alignment and therefore the role of family governance might be to exist as a guidance and reminder of the importance of alignment. A chairman of a newly founded family council felt they had been on a mission of the family to find an aligned view, when developing the family constitution. It entailed lots of work and finally ended with a sense of frustration and disbelief, as some people, wanting to keep control and cling to their power positions opposed to all kinds of changes. The situation was described as follows: "We just finalized a family constitution after working for six years, and it seems like people do not respect it, even though they participated in the development process …." Eventually, by emphasizing the value of the family culture and legacy through continued activities bringing family members together, the family constitution was step by step accepted by people as the guideline for the family alignment. Another member of a family holding company board explained the following:

> I have basically given up on trying to reach a specific goal or a feeling of complete alignment. There is always somebody taking care of their own ones, fixing jobs, positions and privileges, based on a personal agenda. That is frustrating, but, that is just the way it is, and I am finally learning to live with it. Even if people deviate from the rules, it is important to go on and to keep the dialogue and process alive. The work that has been done is not meaningless. How could you actually ever make people commit to the rules? In large family with more than 100 shareholders, the game is played from different power positions…That is why the existence of a family governance framework is so important.

A chairman for the family council explained their situation:

> Being in our fourth generation the need for alignment suddenly struck us. The process has now been going on for two years, seems like two steps forward and one step back….in trying to agree on a code of conduct. We still try to focus on alignment, then see what kind of possible document or set of rules works for us. The family council drafted a family constitution, we worked on it together everybody was content and then…one family member just decided to ignore the policy concerning employment and took power in his own hands, applied for a job and got himself a position in the company, completely disregarding the newly agreed upon guidelines for how family members could work in the company. This creates frustration, mistrust and loss of faith, but at the same time strengthens the need for finding a way of aligning the family at least concerning a basic set of values and a code of conduct.

*6.2.1.2. Communication*

The role of family governance can also be developing and sustaining functioning and transparent communication within the owner family. Communication between individuals, families, branches, generations and between the family and the company takes different shapes. Communication might be dissemination of facts concerning, e.g., company performance, generation shift processes or ownership structure, etc., and other issues where the personal interpretation of the communicator and the receiver is not relevant. On the other hand, within a family, where more personal matters are dealt with, and might be influenced by cultural factors, family norms, opinions, expectations, personal agendas, etc. of both the communicator and the receiver, thus making interpretation a central aspect, and emphasizing the importance of transparency when conveying messages.

A perspective for understanding the power of a communicating text is presented through the concept of framing, that illuminates the way in which influence over human consciousness is exerted by the communication of information from one location to that consciousness (Entman, 1993).

> Framing is understood as the process of selecting some aspects of a perceived reality and making them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation and/or treatment recommendation for the item described. (Entman, 1993, p. 52)

According to Entman (1993), when deciding what to say, communicators make conscious or unconscious judgments that can be seen as guided by frames that organize their belief system. However, the frames that guide the receivers thinking, might reflect the frames in the text and the framing intention of the communicator differently. The concept of family governance in this overview focuses on what happens within the owner family when trying to find and keep a balance between opinions and expectations of different individuals in heterogeneous multigenerational owner families. Since people interpret messages in different ways and according to Entman (1993) are guided by frames that organize their belief system, shared beliefs or norms play a central role. Brundin et al. (2007) suggest that strategic dialogue among family business members is an important practice to grow and change across generations. According to Brundin et al. (2007), the communication behaviors, values, and norms within the family will impact the firm.

Frames are said to highlight the parts of the item that is communicated, and so making them more salient, i.e., more noticeable, meaningful, or memorable to the receivers (Entman, 1993). In a social grouping as the owner family, the culture is defined as a set of common frames exhibited in the discourse and thinking of most people, usually measured in terms of common cultural values. Many of the owners had experienced situations caused by unclarity in communication that needed solving or guidance. Such guidance could often be found in the family governance system, functioning as a framework for managing different opinions. One family council chairman exemplified how messages can be framed when he explained how a representative of the older generation was unwilling to leave his position on the family holding board, although he had exceeded the age limit that had been agreed upon within the family. His argument was that he still needs to sit one three-year period because his experience is crucially needed in the ongoing strategic work and that it was important and best for the family. The family governance structure offered a possibility to handle the situation constructively through discussions on issues, instead of going to personalities, which in the long run can cause much more problems and suppressed discontent.

Another example of communication guiding the need for a family governance structure could be discovered in the fourth-generation owner family where the family council chairman explained the focus on communication being the most important thing. The culture of the family is that everything shall be discussed, and people need to feel comfortable with decisions. This way of including everybody can be identified in many larger families, especially when developing new features if the governance system and the need for buying in is big. It emphasizes the importance of communication but at the same time also the role of a family governance system, since, if the family culture happens to be very discussant and consensus seeking, it might sometimes be challenging to get decisions made. And that in turn creates frustration in the long run.

*6.2.1.3. Cohesion*

One of the most concrete roles of a family governance structure is probably the task of developing and sustaining cohesion within the family. Voluntary family governance practices enhance the cohesiveness and collective goal orientation and facilitate the relationships between the family and the business (Berent-Braun & Uhlaner, 2012). As cohesion is one of the cornerstones of building a shared vision, nurturing and sustaining it is a central task especially in such a heterogeneous group as an owner family. The family forms a social network with many individuals consisting of different kinds of personalities with expectations, needs, resources, future plans, assumptions, etc., thus it is not self-evident that such a group will agree on a shared view, or be apt to follow a common policy, even if the policy would have been developed together. In such a situation a possible outcome is, that the people sharing the feeling of discontent toward a decision, identify each other and try collectively try to find a solution for addressing the issue they perceive as unjust. Collective action is seen as spurring from a sort of collective discontent and a generalized belief, as can be the case within an owner family, if part of the family members do not feel content with a decision made. Social movement theory describes the concept of collective action as follows: "before collective action is possible within a collective, a generalized belief is necessary concerning at least the causes of the discontent and, under certain conditions, the modes of redress" (McCarthy & Zald, 1977, p. 1214).

When a group sharing the same belief and need for action then is mobilized, resources are assembled for the specific purpose of pursuing the group's interest through collective action. Policies regarding the employment of family members, or the nomination of family members to positions of trust, typically have been sources for causing differing opinions and also individual interpretations. In order to underline that some policy is experienced as unjust, family members might gather collective strength to oppose through mobilizing resources. Resource mobilization theory focuses on how actors develop strategies with their environment in order to pursue their own interests (Canel, 1991). The theory suggests that groups mobilize and manage resources in order to pursue their goals. Resources can be seen as material or non-material, such as legitimacy, loyalty, authority, moral commitment and solidarity, etc. (Canel, 1991). In an owner family it might be a question of gathering a critical number of votes, in case voting is in the culture of the family, or seeing to that, e.g., the opinion of the mobilized group is communicated well enough to several people in positions of power, in order to make a case.

Another perspective on cohesion, by Long and Mathews (2011), suggests that the social cohesion, including a certain norm of reciprocity, leads to specific attributes identified for family firms, such as intentions for transgenerational sustainability, the pursuit of non-economic goals, and strong interpersonal ties. According to Hechter (1987), social group cohesion is a function of the extensiveness of the reciprocal obligations required of members and the extent to which the group can ensure compliance with those obligations. Long and Mathews (2011) conclude that in order to ensure and sustain social cohesion and morality within a group, capacity to control member behavior and to ensure compliance with the norm of reciprocity as well as other norms of the group is needed. Furthermore, according to Aronoff (2004) family members, even if they typically hope to benefit financially from their ownership, are often still primarily motivated by their sense of belonging in a group that possesses the special opportunity to sustain and extend a legacy of values.

The chairman of an owners' council of a seventh-generation owner family described how the family is organized through their family governance structure, focusing on balance and cohesion among the family members. This builds on lots of activities, talking, networking, finding a shared view through cohesion in order to get aligned. The family has a family council for social activities, e.g., next generation programs, owners' council for owner issues and a channel of communication with the board of directors and a written handbook with family policies. All these are considered important tools and features with the main target to keep up the system and to promote cohesion of the owner family. The chairman also emphasized that it is important to see the whole governance structure as a system where the different parts are dependent of each other and support the development of the family governance structure. None of the tools or features function separately by themselves, but need concrete activities and pushing of issues toward common goals that are communicated within the family. The same pattern could be identified in another family in eight generations where the chairman of the family council presented their main task being to organize the big family and to prepare the family for the next generation shift. This calls for respect for family traditions, but as much respect for each other and individual opinions within the family in order to build cohesion. He also explained that even if aiming at cohesion through cooperation is the goal, also use of power exists in a subtle way, sometimes so subtle that you cannot really acknowledge it or criticize it, because it is not visible. The common pattern of balancing in a diplomatic way was visible in both families as well as using the family governance system as a framework to manage things within.

As the examples from the interviews show, alignment and cohesion are closely related to each other in a sense that the goal is to enhance the development and sustaining of a shared direction for the owner family. Yet, there is a difference in the way this is done. Alignment refers to the family having a concrete structure and infrastructure for managing the interrelationships of family members, something that can also be communicated to the management and external stakeholders. Cohesion, in turn, refers to the desire to develop and sustain a diplomatic atmosphere and sense of reciprocity within the family and spurs from the fact that family members are often motivated by their sense of belonging in a group that possesses the special opportunity to sustain and extend a legacy of values.

*6.2.1.4. A Code of Conduct*

The role of family governance can mainly be defining a code of conduct or policy for behavior for the family members to guide within the family, but also toward the company and toward external society and stakeholders. It might be a collection of the values of the owner or, e.g., religious values that the family has always followed. These kinds of policies can appear more as recommendations and norms, and may be written as handbook for the joint shared ownership or simply exist, guiding in different situations with differing opinions and difficulties in making joint decisions. Families that are guided by higher values or specific ethical codes seem to have higher resilience and understanding when building a shared vision and implementing it. The values might serve as a sounding board for making the right decisions and also as a roadmap or street sign for showing the right direction. Koiranen (2002) identified family values as explicit or implicit conceptions of the desirable in family life and emphasized that the shared beliefs underlie the attitudinal and behavioral processes of family members. The F-PEC scale by Astrachan et al. (2002) presents the cultural dimension in the F-PEC scale including value-related items such as the extent to which the family members share similar values.

In these families, single events of differing opinions may be treated as "business as usual" and managed through the set values the family has decided to stand behind. In two of the interviewed families, the interviewees told that the behavior (conduct) of the family is built on the religious values the family shares. The challenge appears when unpleasant behavior has to be dealt with and the values or norms do not offer any kind of solution. Any kind of "punishment" or sanction seems to be unthinkable, and the only way is to try convincing the actor of the importance of following the family's code of conduct and in that way contributing to the cohesion of the family. In one case, the frustration toward the family decisions triggered a family member to expose his side of the story publicly in the press. The only thing to be done was to expel him from his positions of trust, but any kind of legal sanction was not feasible. The family had a non-written code of conduct, based on the values of the founder from 100 years ago, according to one family member, a structure was in place but it was difficult to govern. Another large owner family sees the role of family governance to guide the process toward alignment from a perspective of the religious values of the family.

So even if they see themselves as very well organized and structured, there is still some frustration because of being locked in the structures. But because of the foundation, building on the founder's values, nobody really dares to oppose. Both these families seem to have experienced the same ambivalent situation of building on the founder's values, making them the guidelines of the family, but at the same time struggling to find a way to develop the policy and be more practical.

Yet another extremely well-organized family presented their way of family governance having all possible documents and structures, because of a rough background between the sibling partners at a time. They build on religious values and trust people to be honest and respectful, finding having a family governance system calming. They have put in place a charter, policies, and expectations of commitment through a non-legally binding code of conduct. All this is part of the family handbook or the overall structure. And, still, people might not follow the code of conduct, despite all the mechanisms "…then we just realized, that best practises come from someone behaving badly…gives us a reason to adjust and develop continuously."

*6.2.1.5. A Set of Rules*

In order to explicitly and formally align the behavior of family members, families often experience a need to formalize the family governance structure to that extent that compliance with the rules is expected and agreed upon in writing and maybe even through signing a family constitution, family protocol, family charter, or other document. However, as long as these policies are non-legally binding agreements, the whole structure only functions if there are mutually respected norms of communication and reciprocity that are embedded in the family culture. Botero et al. (2015) provide an understanding of the importance of family governance structures for the success of family firms. According to Botero et al. (2015), a family protocol can be a tool that outlines in advance what procedures to follow in different situations that can occur when managing relationships between family, business, and ownership subsystems. The main purpose with a family protocol is to have the expectations explicitly articulated by family members documented. The protocol can then function as a tool to manage possible conflicts caused by perceptions of inequality between family members. Suess (2014) focuses on three family governance mechanisms; the family meeting, the family council and the family protocol, and the family introduced them as being primarily intended to strengthen the family's relationship with the business. This overview aims to add to knowledge about family firms with a perspective from members of the owner family exemplifying how family governance can be developed, implemented, used, and experienced in different ways depending mainly on the generational stage of the family, the dispersion of ownership, and the cultural context the of the family. The intended contribution of the article is to enhance the understanding of the importance of flexibility in developing, implementing, and monitoring the family governance system, as well as underlining the significance of heterogeneity within and between the families.

As the earlier example with owner families that follow ethical and religious norms as guidelines and a code of conduct facing challenges with an individual not following the family norms, the same challenges appear even in families with a stricter set of rules in the form of, e.g., a family constitution. People might not just be content with the rules and if they don't get understanding for their critique of the system they might decide to decouple from the rules. Even if there had been a feeling of alignment during the process of developing the rules, the same spirit might not be there anymore, if some of the rules do not fit an individual's personal life situation. A family holding company board member from a fifth-generation family explained that the owner family has a very well documented and "waterproof" set of rules for how family members interact and organize their shared ownership. They see it as the most important task of their family governance structure "to keep people informed and aligned, give them a possibility to talk and to get heard, but in the end, you cannot please them all." This exemplifies how the themes presented in this chapter can be of different importance in families and give family governance different kinds of roles. In this family alignment is the most important and the means for reaching it is primarily through a set of rules, not through cohesion or communication. Another member of a family holding company board presented as the most important issue for their large owner family to "do things by the book, keep control, educate the family members according to a program and to try to avoid conflict." This is also an example of focusing on relying on the rules and agreements.

## 6.3. Conclusions

Through interviews and discussions, emergent themes were identified, representing the different roles a family governance structure can have in an owner family with dispersed ownership. It appears that when ownership gets dispersed and the family identifies a need for organizing itself in relation to the shared ownership, a family governance mechanism is taken into use, or a more detailed governance system is developed. The themes represent different perspectives of owner families, the naturally prioritized way of functioning of the family. From discussions and interviews combined with my own experiences, common patterns show that when ownership gets dispersed in an owner family, the need for a unified view concerning the shared ownership becomes of great importance. Families seem to search for a suitable solution that fits the culture of the family and resonates with the values of the family. My experience is that most families turn to an external expert or facilitator to set the stage for the process of developing the family governance system and also seek for best practices and confirmation from other families of same size, age or with a similar ownership structure with dispersed ownership in several generations and branches.

Family business research on family governance has focused much on individual tools or mechanisms such as the family protocol, the family constitution or the family council, since these are often concrete steps to either start building a family governance system or continue developing an existing one. However, through encounters with owner families from around the world, praxis appears to be finding one mechanism to start from and then adapting and extending the system to suit the own particular ways of the owner family. The identified themes picturing the role of family governance in owner families show that a family governance system is often shaped to serve the family according to its needs and through a process of involving the individual owners on different levels. Respect for earlier generations and a restrained atmosphere seem to characterize especially old, large families with a strong family culture and traditions. The identified themes presented in this chapter are by no means exclusive or unique, but rather examples of how diverse and yet similar the role a family governance system in an owner family can be. The heterogeneity within the owner family maintains a need for flexibility and adaptability and as experienced by some owners, the most important thing is to have a structure, a framework to process things through, since a very rigid system seldom serves the purposes of a diversified family for a long time and thus calls for an ongoing dialogue among the family members. Building on experiences, episodes, stories, and observations, this overview aspires to broaden understanding of and perspectives on the concept of family governance, from seeing it as one specific tool or mechanism to understanding the diversity of it. The owner families referred to in this study do a lot of benchmarking and attend conferences and workshops to learn more. They seek expertise from consultants and facilitators to find the right model for taking care of their shared ownership. Very seldom, one solution lasts for years, and as the family constitution or protocol is said to be a living document, so is the whole family governance system. It is about managing, not solving, as one family member defined the ongoing process.

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