

Meeting Minutes

Time: Saturday 02.10.21, 11 am ET, ClubHouse

Guest speaker: Professor [John Davis](#) invited by [Prahlad Advani](#)

OPMs: [Volodymyr \(Vol\) Berezhniy](#), [Dao Jensen](#), [Prahlad Advani](#), [Arshi Tayyab](#), [Freddy Sidi](#), [Dev C.](#), [Saurav Arora](#), [Shane Tragethon](#), [Jeff Stuart](#), [Krystal Lucado](#) and many more in the audience

Secretary (not OPM): [cristina brodu](#)

Topic: HBS OPM ClubHouse 21st Meeting: “[FAMILY BUSINESS](#)” w/ [JOHN DAVIS](#)

(Next meeting: 09.10.21, 11 am ET. Topic: “[BUSINESS PARTNERSHIP FOR GROWTH](#)”)

- In owner-managed companies, and family businesses, having the right group of owners is important for success. Business challenges are mostly operational, but owners must support the mission and value of the company with good resources, to help with defining strategic vision, capital and governance structure
- Funders can be brothers and sisters who own and lead a company, or friends. Most often the founder is one. When ownership is passed to partners in the business, often it is done without thinking if are going to be good owners: eg. passing ownership to children who might not be able or not deserve to be owners
- A partner can be someone you work with: making them partners is a way to retain talent, capabilities, and signal to other non-family employees there's a path to the top. External partners - eg. some you want to work with - do not engage in operations, but have insight on big choices as capital, people, governance
- Too often partnership is given for loyalty or past contribution, but it works only if those people can contribute to where the company needs to be in the future: if are able and interested in accelerating and growing the company, building the organization, developing new areas to succeed, with minimum friction
- Unity means to agree on goals and approach to do business, big issues, but not on everything: that is good in the short term, but not useful. A partner needs to offer ideas the owner hasn't and can challenge
- With each new partner an owner needs to be clear: 1. what they're going to contribute to going forward; 2. how they can be good partners; 3. offer a specific buy-back signed agreement to guarantee their rights: how shares will be priced, owner obligation to buy them out, and when (re Vol's Q: 'how to stay in control')
- The owner's personal vision and mission, job and company's mission, is to grow value according to the company's values, including financial and reputational value: an owner needs to focus on this, while the others manage operations and innovation. A company won't be fine in the future, unless is growing value
- Owners can exchange their shares for non-voting ones and have roles as advisors, or on board, for a tax deductible salary. Dividends payout can be smaller, in a bigger pool, to lower taxes. If an owner wants a 51% stake: can tell the shareholders that cannot promise dividends for years (re Q: 'how to consolidate')
- When a company is making lots of money, owners are resistant to talk about anything that can alter their benefit. But that's the time to talk about future ownership, formalise it. Data isn't always appreciated: owners can feel manipulated. Still, marshal data, show better ways to do things, alternatives (re Dao's Q)
- Companies as Bentel started as a family business, and when they added non-family-members partners, the family stayed in control: this model is relevant when the talent of the leadership makes a difference in the returns of the organization. It's difficult to direct, contain, counsel, problem solve with family members
- Partners need to be people who agree with the owner's goals and values, but who can do things owners cannot or do not want to do, and who can help with: 1. value creation plan; 2. bring in people; 3. resources
- To find partners, owners can: 1. pay attention to who is doing innovative things in their industry to see who is good to bring in house, who is writing interesting thoughts; 2. ask the advisory board to see what type of talent can make a difference, see if it's well fitted; 3. network, bring them in with good agreements
- Owners need people who want to help to increase success, who are smarter than the owner is, and who are diverse, as that leads to better thinking. Avoid cast model (re Kristal's Q: 'how those without a Harvard degree can have a voice on the table' [FYI Krystal: OPMs have no Harvard degrees but have those seats])
- Resources: <https://cfeg.com>, <https://johndavis.com>. Thinkers: tech articles, podcasts, www.mit.edu, www.theatlantic.com, <https://sloanreview.mit.edu>, <https://ilp.mit.edu> links families to MIT (re Cristina's Q)