IFB Research Foundation

Family Business Challenges
No. 19

Business Family Justice in Ownership and Wealth Transfers

Practical guidance for family business owners and managers

Second Edition

Aston University
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The Family Business Challenges series

The Family Business Challenges series offers practical guidance for those involved in family businesses to help them manage the challenges that they encounter.

Family businesses face unique opportunities and threats in developing a successful enterprise that works for the benefit of key stakeholders.

Each guide identifies commonly faced issues and discusses the strategies for managing the tensions and competing demands that arise in family businesses.

Each Family Business Challenges guide is illustrated by a case study and divided into three sections:

1. **Defining the Challenge** – clarifying issues and summarising thinking in the subject area
2. **Actions to Consider** – strategies to help those involved in family businesses to meet the challenge
3. **Resources** – suggested further reading and resources

About the Author

This guidance was written by Dr Susan Lanz with input from Dr Martin Kemp, Head of Research at the IFB Research Foundation. Dr Lanz is an Economic and Social Research Council (ESRC) Fellow at Aston Business School, Aston University. Her work focuses on understanding business-owning families, especially in relation to justice issues that arise in transition periods. She recently completed her PhD (2020) at Aston University. Her thesis focused on understanding the process of ownership transfer in business-owning families, and how justice is understood and communicated between different family members.

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1. Introduction

This Family Business Challenges guide provides evidence-based guidance for family-business owners and their advisors on inter-generational business ownership and wealth transfer. It focuses on the justice (fairness) dilemmas that can arise in intergenerational ownership and wealth transfer decisions.

The guide is split into three sections.

Section One – Defining the Challenge
This provides an overview of what has been commonly described as the Great Wealth Transfer[1], its importance to business-owning families and the role that perceptions of fairness and distributive justice play in ownership and wealth transfers.

Section Two – Actions to Consider
This presents a case study to illustrate how different generational perspectives on justice during the ownership transfer process can affect members of the business family.

Section Three – Checklist and Resources
The checklist suggests ways of responding to some of the most challenges and dilemmas that can arise in this process. The final part of this guide suggests additional resources for business families and their advisors to help them navigate the underlying justice issues that can arise when business families experience ownership and wealth transfers.

2. Defining the Challenge

This section provides the reader with an understanding of the ownership and wealth challenges that arise and discusses how wealth transfer affects business-owning families, especially how fairness is understood between family members and generations.

2.1 The Great Wealth Transfer

The UK population is aging rapidly with people aged over 50 the fastest growing segment of the UK population. It is projected that by 2041 over one in four (26.2 per cent) of the UK population will be aged 65 and over[2]. It is estimated that £5.5 trillion in wealth will be transferred across generations within the UK over the next 30 years[3], with 90 percent to be transferred via inheritance bequests[4]. This phenomenon has been described as the Great Wealth Transfer[5] and will be the biggest wealth transfer in the UK, and Western countries, in modern history. Recent reports also highlight the increasing importance of inheritance on the life outcomes of younger population groups[6].

As key custodians and transferors of a significant part of the UK's wealth through their business ownership, family business owners and the next generation of family owners are key actors in this transfer of wealth[7]. In many business-owning families, most of their economic wealth is embedded in their businesses, with family owners preferring to pass their business shares and wealth to close family members[8].

2.2 Difficulty of Ownership and Wealth Transfers in Business Families

However, business ownership and wealth transfer can be a challenging part of the inter-generational succession process. According to PWC's 2016 family business survey, around 30 per cent of family businesses close during inter-generational family ownership transfers. Reasons identified for family business closures include a lack of family communication and destructive family conflict[9]. Family transfer conflicts can arise due to family owners being torn between family (membership-based) and business (merit-based) distributive justice considerations[10]. Open family discussions of ownership and wealth transfer intentions can potentially evoke strong emotional responses in family members i.e., sadness, anger, anxiety, and fear, leading to poor family communication. In addition, when transfer choices are disclosed, they can potentially trigger destructive family conflicts and behaviour due to the emergence of different family members' perceptions of (un) fairness and (in)justice of transfer decisions.

£5.5 trillion

in wealth will be transferred across generations within the UK over the next 30 years

30%

of family businesses close during inter-generational family ownership transfers

2.3 Sources of Family Member Fairness Perceptions

To help business families work through these fairness and distributive justice issues in their own ownership and wealth transfers, we can draw on research looking at family dynamics, especially research and theory relating to family solidarity-conflict dynamics[11]. This can help business-owning families understand what fairness issues they have in common with other families in wealth transfers and help them to work out what specific distributive justice issues they will face and will need to work through in their inter-generational ownership and wealth transfers.

Exhibit 1 outlines the concept of family member justice ledgers and how these inform family members' perceptions of fairness within a family group. Contextual family therapy (CFT)[12] is a relational ethics approach that argues family members have a right to expect care from a family member or members (entitlement), and this in turn creates a reciprocal obligation to care for a family member or members in return (indebtedness). Within this framework, fairness is perceived as a balance of care between any two family members (dyadic relationship), referred to as a justice ledger.

Exhibit 1: Reciprocity Based Justice in Families

"The ledger is a calculus concerned with the balance between the accumulating merits and debts of the two sides of any relationship. Just how much entitlement or indebtedness each party has at any given time depends on the fairness of give-and-take that exists between them".[13]

Hanson *et al*[14] draw on CFT and relational ethics to explain, in part, how family business resilience across family generations is maintained or destroyed. Ownership and wealth transfers can put additional pressure on business-owning families. Exhibit 2 outlines the key underlying family resilience considerations that can create or undermine business family success during transition periods.

Exhibit 2 shows how sustaining family businesses across family generations requires trust in family member reciprocation; understanding of what is expected/earned in family relationships (entitlement/merit); balance or imbalance in the giving and taking (perceptions of fairness and justice); and, finally, the importance of understanding to whom family members are loyal to in the past and present.

To understand business families we must know who they feel loyalty towards and the basis of that loyalty. Loyalty ties in families are complex but comprise some level of ethical obligations e.g. parent-child relationships, spousal relationships, and wider family relationships.

2.4 Family Fairness Perceptions within Ownership and Wealth Transfers

Recent qualitative research by the author of this guide[15] reveals the role unspoken concerns, long-running concerns, and areas of unresolved conflict have in creating perceptions of justice ledger fairness between family members. Three key fairness challenges for business families emerge in inter-generational ownership and wealth transfers and these are outlined below:

a. **Intra-Family Trust – Generational Impact of Past Ownership Transfer Injustice**

   The level of trust that exists between family generations can vary both across and within business families. Past generational breaches of perceived agreements and expectations of reciprocity can affect future ownership and wealth transfer timing and choices. For example, family members can do paid or unpaid work in the family businesses with an expectation of inheriting shares in time. If there is a perceived breach of trust in inheritance decisions, this can have a long-term impact on perceptions of trust and relational ethics in a business family. The quote from a family business leader shown in Exhibit 3 highlights the enduring impact of a past breach in family member inheritance expectations.

Contextual family therapy (CFT)[12] is a relational ethics approach that argues family members have a right to expect care from a family member or members (entitlement), and this in turn creates a reciprocal obligation to care for a family member or members in return (indebtedness).

Exhibit 2: Relational Ethic Processes Leading to Short/Long-term Resilience Across Business Family Generations

Trust – evidence of:

- Reciprocal relationships
- Willingness to meet each other's needs
- Willingness to do what is necessary to maintain family

Entitlement/ Merit – evidence of:

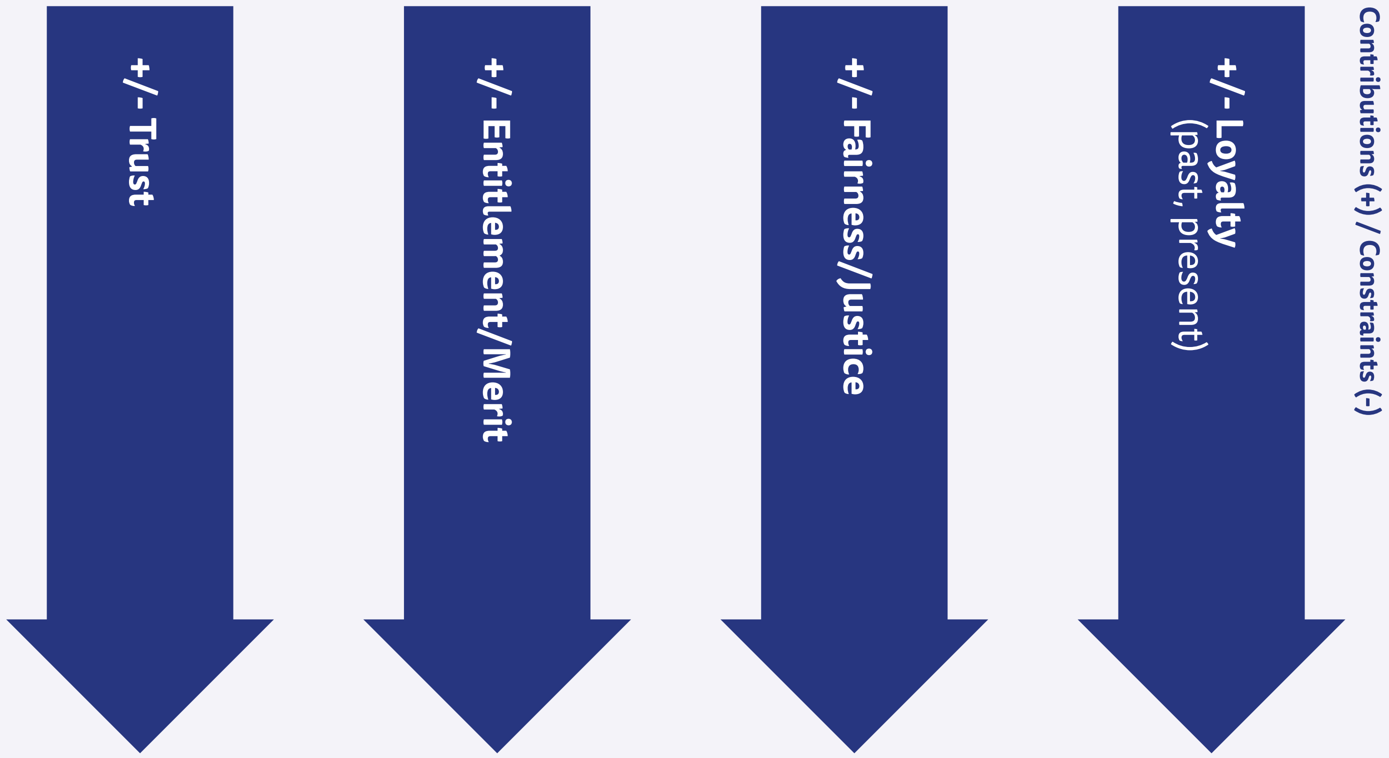
- Mutual understanding of each members' obligations
- Members meeting their obligations
- Feelings of entitlement or disagreement about merit
- Who has earned merit?

Fairness/Justice – Who is giving and who is taking?

- Capacity of each member to return what has been given to them
- Balance between give and take

Loyalty (past, present) between family members:

- Are individuals loyal to some family members but not others? What 'invisible loyalties' are not openly expressed?
- What loyalty conflicts arise when sibling/ spousal relationships compete with parent-child relationships?



Short Term Resilience:
Includes current balance in the family justice ledger (short-term)

Long-Term Resilience:
Includes intergenerational transfer of balance in the family justice ledger ("the revolving slate")

Source: Hanson *et al*, 2019

Exhibit 3: Inheritance Injustice and its Generational Impact

"My mother worked for my grandfather for 10 years for no salary to be a buffer for my cousin and for my brother. On death, he left everything to his [2nd] wife and she'd got two [non-involved] sons… It's reasonable for my wife to not have faith in my mother [to transfer shares on death] because she has seen what her father did". (4th Generation, Family Business Leader)

b. Family Hierarchy of Obligations and Family Member Loyalties – Conflicting Merit and Need-Based Justice Principles

Older generation family members may hold a substantial proportion of shares and may have either relinquished day-to-day involvement, or were never actively involved in the management of the business. Such owners may hold conflicting principles of distributive justice; for example, whether to bequeath shares only to those children who have merited the shares through their business involvement or bequeath shares to children based on need. Exhibit 4 provides an example of such a conflict. The only surviving parent of the current business leader currently holds 25 per cent of the shares of a business he has led all his adult life. He is concerned that she will only honour their verbal share transfer agreement if she dies first.

Exhibit 4: An Example of Family Injustice Concerns

"There is a verbal agreement [transfer of shares on death] within the will as it stands. I'm financially stable; my middle brother has had two divorces… he had a bleed on the brain. So, it is natural for my wife to be worried… If I am not here, why wouldn't she [mother] turn around and give it [shares] to my brother." (4th Generation, Family Business Leader)

c. Family Cultural/Religious Context

Family members' expectations relating to the ownership of shares in the business can create complex distributive justice dilemmas, especially if these involve female members in the next generation. For example, past generations may have excluded female family members from involvement in management and ownership. Historically in the UK there was a higher application of primogeniture[16] to guide ownership and wealth transfers in business-owning families. More recently, primogeniture has, overall, been replaced by more complex family wealth and property transfer decision-making that seeks to balance considerations of merit with family membership.

The quote in Exhibit 5 highlights how distributive justice dilemmas can be influenced by the religious context. Out of respect for his mother's wealth transfer expectations, a family business owner reluctantly decided to exclude his daughter from inheriting any business shares. In this case, the family ownership transferor decided to leave it to the next generation to alter or maintain family ownership eligibility rights that are currently based on religious norms. He and his brother have instead diverted profits from the family business to create a new enterprise as a wealth transfer approach to financially support his daughter, and two nieces.

Exhibit 5: An Example of Dynamic Cultural Justice Principles in Practice

"I don't totally agree with it but that is how it is… my daughter and nieces, they own a property company probably worth £1 million. We put money in, so that they've got that, and we are building on this. That is their succession." (2nd Generation, UK Ethnic Minority Business Leader, High Net Worth Business Family)

Primogeniture has, overall, been replaced by more complex family wealth and property transfer decision-making that seeks to balance considerations of merit with family membership.

3. Actions to Consider and Practical Responses

This section looks at how business-owning families can respond to the fairness challenges in their ownership and wealth transfers. It first provides a model of succession contexts where fairness challenges can arise. It then presents a case study of ownership transfer and fairness challenges within an ethnic minority business family. Finally, examples of practical responses to common fairness challenges are discussed, followed by a checklist for business-owning family members and their advisors.

3.1 Succession Options

Ownership and wealth transfers can occur within many different family and business succession contexts and are rarely just about financial risk management and wealth preservation. Business leadership successions and ownership transfers can happen in parallel or consecutively. For example, a business-owning family may transfer its leadership to non-family managers in the next generation but retain family majority ownership, or it can continue with a family leader and majority family ownership.

Zellweger's[17] model of succession options (Exhibit 6 below) summarises some of the ways that ownership and wealth transfers can happen where leadership and ownership both stay within the family, or where some of the leadership and ownership moves into the hands of non-family members. The final possibility is that the family business moves out of family ownership and leadership altogether, with family members having limited or no involvement in the business. Family transferors and business families should seek to develop an understanding of the fairness and distributive justice issues that arise in relation to their ownership and wealth transfer context. This context determines the kinds of distributive justice questions that need to be answered prior to any action taking place.

Exhibit 6: Succession Options

		Leadership Succession		
		Family	**Combination**	**Non-Family**
Ownership Transfer	**Family**	Family Succession *(via, Gift, Inheritance, Trust, Sale)*	Mixed management *(via, Gift, Inheritance, Trust, Sale)*	Professional (non-family) Management
	Combination	Business partner or private equity *Family – see family succession* *Non-family – employee stock ownership plan (ESOP), partial management buy-out (MBO), leveraged buy-out (LBO), Negotiated Sale, Offer)*	Mixed Management and Ownership (e.g. publicly listed family business) *Family – see family succession* *Non-Family – Initial Public Offering (IPO))*	Financial investment *Family – see family succession* *Non-family – employee stock ownership plan (ESOP), partial management buy-out (MBO), leveraged buy-out (LBO), Negotiated Sale, Offer*
	Non-Family	Ongoing family involvement after whole/partial business sale		Transfer to employees, Management Buy-Out, Sale (planned/quick) to Co-owner(s), sale to financial or strategic buyer, full/partial liquidation

Source: Zellweger, 2017

3.2 Case Study

The cultural context and ethnicity of business family members can shape the ownership transfer and fairness challenges that they face and shape their perceptions of justice issues in the succession and wealth transfer process. This case study of The OM Group illustrates how cultural beliefs and social norms in business families, particularly in relation to gender and wealth dispersion, is influencing how they approach wealth transfer decisions.

Situation

The OM Group began as a partnership in 2008 between a father and daughter team – Daljit and Damini Sharma. Initially set up as a Health and Safety consultancy and training business, it evolved into a Group specialising in providing multi-disciplinary services to the construction sector, as well as a variety of other industries. Damini explained that since her father semi-retired last year she is now the main leader within the business, which is experiencing rapid growth:

"During the pandemic we have experienced massive growth in the business and I am actually having to recruit continuously right now – which is a nice position to be in but brings its own difficulties."

Challenge

The business shares remain 50/50 owned between Damini and her father. Earlier this year, and after her father recovered from COVID-19, a difference in opinion came to light as to how the shares should be distributed when he fully retires. Although they started the business together and she is the only involved family member, he nonetheless wanted all the siblings to own equal shares in the business:

"Although he understood that I am co-owner, because we've started business together, his opinion was still that those shares should be split equally between the four of so that the siblings will own 25 per cent of the business each."

It was initially difficult to hold an open discussion about their different ownership transfer perspectives; coming from a Hindu Punjabi cultural background Damini explains that there is an "inherent kind of expectation that children with an Indian background will toe the line and do what the parents say".

Solution

It took several months before conversations between the parents and all the children took place:

"Seeing the conflict in them (parents) made it hard to raise the conversation, as soon as I started the conversation if they didn't like it, they changed the subject… it doesn't allow us to have that healthy conversation to take it forward".

At the same time the siblings were having open and transparent conversations to agree what constituted a fair generational ownership transfer. The non-involved siblings wanted to be treated equally in the transfer of the non-business wealth but did not want any more than they were entitled to in the business wealth:

"It took several conversations, and also speaking to my sisters and my brother for them to explain to my dad that they have their own careers and don't expect to have 25 per cent of the business."

The agreement reached was that Damini's father's 50 per cent ownership would be split four ways. Damini, as the family business co-founder and sole family business leader, would therefore own 62.5 per cent of the shares, with the three non-involved siblings owning 12.5 per cent each. The agreement between Damini, her siblings and her father remained verbal.

Complication

Although a verbal agreement was reached within the immediate family, it became necessary to re-visit and reaffirm this agreement due to the influence of extended family members. Many people in their extended family network expressed opinions about how the business should be owned and operated. Unbeknownst to Damini, her parents were also discussing the situation with individuals beyond their immediate family group:

"My mum and dad are genuinely quite private people but when it comes to business they seem to want to talk about it with everybody. So you know, they've been discussing it with various family members."

The conversations Damini's parents had with these other family members, especially with her male cousins, led to the undermining of their original agreement on ownership transfer. As she puts it,

"We didn't know that they were having these conversations, but our parents would change what they were saying and we didn't know where it would come from."

This led Damini and her siblings to come together to speak with her cousins to try to prevent further extended family member influence undermining their verbal ownership transfer agreements. The process revealed that there were differences within their close and extended family on issues of fairness, inheritance, and family tax planning, especially between the first and second-generation migrant family members. First generation family members wanted the wealth distributed widely, to allow all family members to develop, whereas those in the second-generation emphasised the importance of earning a right to the family's wealth.

3.3 Common Fairness Challenges and Practical Responses

This section draws on recent qualitative research by the author to highlight some of the main ways that business-owning families practically respond to three common fairness challenges that can arise within inter-generational ownership and wealth transfer situations.

Challenge 1 – Balancing equality among family members alongside perceptions of merit – for example, situations where there are different levels of involvement in the business among family members.

A practical response to this challenge could be to split up ownership structures to allow for both merit and membership-based ownership transfer options; for example,

"I've already given half of the company, half is already gone [to leadership siblings], and my half has still got to come, so he (employee only son) will have equal shares in that company." (Retired Founder, SME Sibling Partnership)

Another response to the challenge could be to look at ways of managing uncertainty in next generation business entry: for example, freezing share value and re-issuing new shares to reflect individual family member contributions, as illustrated in the following excerpt from an interview with the leader of a 4th generation family business:

"My daughter is at university. I don't think she will come into the business… I have got a plan to perhaps freeze the share value of the business at a certain date, then re-issue another class of shares in (daughter's name) and therefore any growth after that date, which will be off his (son) work will benefit him, but anything that I've achieved prior can then be split between the two." (4th Generation, Family Business Leader)

A third possible response to this challenge could be to create non-business wealth transfer options for non-involved children – diverting profits to create non-share wealth and investment transfer inheritance; for example,

"The plan that we've come up with is: one child will own one business; another child will own another business and [for] the third child, who isn't particularly interested in being involved in the business, [they] will take a profit share from those two businesses, put them into an investment fund that will effectively look after the financial security of my third child." (Founder, High-Net-Worth Family)

Challenge 2 – The second challenge arises in situations where there are unspoken expectations between family members and a lack of explicit agreement between family members.

A practical response to this challenge might be to introduce dividend sharing agreements, as share ownership may not reflect the leadership contributions of the current generation of family members. Retired owners may still need income (dividends) from their shares, but this may need to be limited rather than being reflective of a family member's shareholding. As one 2nd generation family business leader put it,

"I don't really take [money]… for the hours I put in… So, I was like, 'I think we need to have an agreement where you [retired parent] take that much out and then you have a percentage of the profit, but it is capped'." (2nd Generation, Family Business Leader)

Challenge 3 – The third challenge is to decide who has the right in each generation to be family owner and what ownership freedom will be given to the next generation of family owners.

Each generation of family owners decides the extent to which they will pass their shares with or without restrictions, leading to next generation owners having full or only partial business control freedom. The two quotes below highlight two approaches. The first is to gift shares without any governance and ownership restrictions on the next generation of shareholders. The second quote highlights the introduction of new ownership restrictions to financially protect the family business from excessive spending by the next generation of family owners.

Full freedom – *"I don't want to be God, dictating what the grandchildren should do, which is why I believe the model where my children have complete control of the destiny of their decisions, then they can make the best decisions for their children."* (Founder, High-Net-Worth Family)

Partial freedom – *"We've known poverty… My son, he stops in 5* hotels and eats at Michelin star restaurants… So we are bringing in a business constitution so that the lifestyle [in the 3rd generation] doesn't get to where they have a yacht! The company can't sustain it."* (2nd Generation, Ethnic Minority High-Net-Worth Family)

4. Fairness Issues Checklist

The following Fairness Issues Checklist is for business-owning families, and especially family owners who intend to transfer their business shares and wealth to the next generation of family members. It provides a set of key questions that arise in ownership and wealth transfer contexts and need responding to by business-owning families, often in conjunction with professional advisors.

Ownership And Wealth Transfers – Key Fairness Issues Checklist

A. Inheritance – Addressing the following questions may help to identify family members' assumptions and expectations

Transferor Generation Questions

Family shareholders who are considering how, and who, to pass on their shares should consider the following questions.

- [ ] Do your children want or prefer to inherit business shares or non-business wealth?
- [ ] What assumptions have you made about the next generation's desire to continue the business family legacy – via existing business(es) or new business ventures?
- [ ] Have you had conversations with all your children about their life goals and ambitions and what relationship they want with the business(es) – in your lifetime and after your death?

Transferee Generation Questions

Family members expecting to inherit or be gifted family business shares should consider the following questions.

- [ ] Have you made assumptions about how your parents will leave their business shares and wealth?
- [ ] Have you had conversations with your parents about what is in their wills and how they intend to bequeath their business shares and wealth? When did these take place and these conversations need re-visiting?
- [ ] Have you and any siblings (other family inheritors) had conversations to ensure you are explicit and aligned in relation to your parent-child shares and wealth transfer preferences?

B. Succession Context – Addressing these questions may help to uncover potential obstacles to succession decisions and ways to overcome them

Succession Option Questions

It is important that each family member is clear about the likely family business leadership and ownership succession context and its implications for their own share and wealth transfer decisions. The following questions may aid business families.

- [ ] Do you know what wider business succession option (see Exhibit 6) your own ownership and wealth transfer is likely to fall under, and its implications for how, who and when business shares will be transferred?
- [ ] Are there any barriers to agreeing the succession option and when these will be resolved e.g. waiting on next generation business entry decisions?
- [ ] Do you know if you are gifting or selling some/all of your shares in your lifetime, or only after death?
- [ ] If you are holding some/all of your shares until death, what are your reasons for this and what risks does this pose for you, the share inheritors, other family members, the business(es)?
- [ ] If you are selling, is this to a family member or external buyer?
- [ ] Have you considered the tax consequences of selling shares prior to death?

Fairness Agreement Questions

Whatever the succession context, the following questions may aid business families to communicate, and agree on key fairness issues.

- [ ] Is it just family shareholders who will decide whether to sell a family business or businesses to non-family members? Will other non-shareholding family members have the right to shape or influence this decision?
- [ ] If the business(es) is/are to be sold to non-family members, how will wealth from the business sale be distributed within the business family? Will minority/non-shareholding family members be compensated for their business involvement?
- [ ] Will family members receive a discounted share sale price, and, if so, will there be any conditions attached to this i.e. not able to sell shares for x number of years?
- [ ] Will other family members be compensated within a family member discounted shares succession option?
- [ ] If gifting shares only to involved family members, how will other non-involved family members be compensated?
- [ ] Who will be involved in any share gifting or selling decision-making process? Is this a one-off event or is this a regularly re-visited process to ensure circumstances and family consensus remain aligned with past share and wealth transfer decisions?

C. Ownership and Wealth Timeline – Reflecting on these questions may help business families to ensure ownership and wealth transfer choices can be implemented in a planned way

Whatever the ownership and wealth decisions, their success will, in part, be based on the time needed to implement these. The following questions are intended to help business families consider the likely timelines needed for ownership and wealth transfers to be enacted.

- [ ] How does your ownership and wealth transfer timeline relate to the family business leadership succession timeline? Is it immediate, 1-2 years, 3-5 years, longer or uncertain?
- [ ] Do you have sufficient time to enact your chosen share/wealth transfer within the wider succession option e.g. family internal, transfer to employees, sale to non-family outsider investors/strategic buyer?
- [ ] Do you know who your intended buyer is and whether they want to buy the shares?
- [ ] Does your chosen ownership transfer process involve any financing (debt, loans, equity stake), or any involvement of professionals e.g. accountants, lawyers etc.?

D. Ownership and Wealth Governance – questions to consider when reviewing of existing governance structures or the introduction of new governance structures

A key part of ownership and wealth transfers is to revisit existing family and business governance structures and the need for any amendment or new governance introduction.

- [ ] Have you reviewed your existing governance structures and assessed whether it still fits with your intended ownership and wealth transfer? Is there a need to bring in new governance mechanisms e.g. trusts, family constitutions, business constitutions etc.?
- [ ] When did you last review the family and business governance structures and mechanisms? How has the family and the business changed since the last review?
- [ ] Are the governance structures and mechanisms fit for purpose and do they support ownership and wealth transfers within the business family?
- [ ] Do all family shareholders have an up-to-date will and are their contents transparent in relation to share transfer? Are there any restrictions placed on bequeathing shares?
- [ ] Do shareholders have other documents such as power of attorney and key person cover insurance in place that would need to be considered?

5. Further Resources and Practice Guidance

This section identifies reports, books and resources for business-owning families to support them in their ownership and wealth transfer planning.

5.1 Support Organisations, Websites and Podcasts

Institute for Family Business (IFB), which includes the Family Business Podcast
www.ifb.org.uk/resources

Society for Trustees and Estate Planners: Special Interest Group – Business Families
www.step.org/special-interest-groups/business-families-global-special-interest-group

Family Firm Institute's FFI Practitioner
www.ffipractitioner.org

Family Business Network
www.fambiznet.co.uk

Family Business United
www.familybusinessunited.com

5.2 Articles and Reports

Business Family Governance 2.0: Leveraging Business Family Governance for Family Business Continuity
Dr Claudia Binz Astrachan and Prof. Dr. Isabel C. Botero, published by IFB Research Foundation www.ifb.org.uk/ifb-research-foundation/news/business-family-governance-20

This report from the IFBRF takes an in-depth look at family governance practices in business-owning families in the UK and internationally. The report argues for shared values, common purpose and trust-based family relationships to develop and implement effective and sustainable family governance systems.

Generation Next and the Great Wealth Transfer
Elliot Wilson (2020), published by Euromoney (available at: www.euromoney.com/article/b1n0rl4jwqpvx8/generation-next-and-the-great-wealth-transfer)

This article discusses the Great Wealth Transfer, and some of the common pitfalls. It focuses on ultra-high net worth and high net worth families and the obstacles they face to successfully transfer large amounts of wealth to younger generational groups, and within different cultural contexts.

How Family Businesses Can Navigate the Greatest Wealth Transfer in Human History
Andrew Weinburg (2020), published by Forbes (available at: www.forbes.com/sites/andrewweinberg/2020/09/10/how-family-businesses-can-navigate-the-greatest-wealth-transfer-in-human-history/?sh=724f31854ca6).

Discusses three fundamental options in ownership and wealth transfers to ensure family and business goals are/remained aligned.

The Impact of a Global Crisis on Family Business Transitions: Some Scenarios
Ken McCracken (2020), published by Family Firms Institute Practitioner (available at: www.ffipractitioner.org/the-impact-of-a-global-crisis-on-family-business-transitions-some-scenarios/).

Considers Covid-19 as a major environmental event and considers how it may trigger inter-generational change in many family businesses.

Control of the Dead Hand: A Case Study
Ashvini Chopra (2018), published by Family Firms Institute Practitioner (available at: www.ffipractitioner.org/control-of-the-dead-hand-a-case-study/).

Provides a case study of how the actions of the older generation to control the future family businesses after they die can have unintended and negative consequences.

21st Century Trustees
Patricia Angus (2016), published by Family Firms Institute Practitioner (available at: www.ffipractitioner.org/21st-century-trustees/).

Focuses on trusts and trustees and the role they play as family enterprise owners, when family ownership goes beyond the founding generation. Provides guidance on how trustees can play a positive role in the future of family businesses.

White Paper – The Great Global Wealth Transfer
Steve Sokic (2020), published by IQEQ (and available at: www.info.iqeq.com/global-wealth-white-paper).

This report was created by IQEQ, a leading investor services group, in partnership with Barton, a consulting business specialising in luxury and prestige sections, and Wealth-X, a leader in wealth information and insight. It looks at the global wealth transfer and high net worth families that are in transition.

Global Wealth and Family Ties: A worldwide study of how fortunes are founded, managed and passed on
Bruce Rodgers *et al*, published by Forbes Insights in Association with Societe Generale Private Banking (available at: www.images.forbes.com/forbesinsights/StudyPDFs/SocGenFamWealth_English.pdf)

Based on research on the 1,253 biggest businesses in 12 countries. This report reveals that roughly half of the world's top fortunes are managed with the help of family members. Looks at the role of family ties, or their absence, in the management and sharing of fortunes and its links to regional economic history and wealth generation trends.

Governance in Family Businesses: Evidence and Implications
Carole Howarth and Martin Kemp (2019), published by IFB Research Foundation (available at: www.ifb.org.uk/media/4133/governance-in-family-businesses-evidence-and-implications_web.pdf).

This report presents a review and synthesis of academic studies, national guidance and codes relating to governance of family businesses. It provides the practical implications of research and insights for governance practices in family firms are provided. It also reveals that few studies have examined governance of UK family firms specifically.

5.3 Books

Every Family's Business: 12 Common Sense Questions to Protect Your Wealth
Thomas William Dean Ph.D., published by Détente Financial Press, 3rd Edition (2014).

The author uses hypothetical narrative to espouse some of the challenges business owners face when considering how to exit their businesses and pass it on the next generation of family members. It finishes with 12 questions all business families ought to be asking themselves and each other on a regular basis.

Willing Wisdom: 7 Questions Successful Families Ask
Thomas William Dean Ph.D., published by Détente Financial Press, 2nd Edition (2014).

The author uses hypothetical narrative to consider why so many people die either without a Will or an outdated Will. It considers the family barriers to open communication by business owning family members in their bequest choices. It finishes with seven questions relating to Wills that all business families ought to be asking and discussing between themselves on a regular basis.

Interdependent Wealth: How Family Systems Illuminates Successful Intergenerational Wealth Transitions
Steve Legler, published by TSI Heritage, Montreal, Quebec (2019).

The author also has a family business support website: shiftyourfamilybusiness.com. He considers wealth transition issues from the perspective of family member connectivity using family systems theory. The book considers the role of professional advisors, and how they affect the family system, and the limitations of outside support. It finally considers the inter-generational perpetuation of family systems and its implications for inter-generational wealth transfer.

Justice: What's the Right Thing to Do?
Michael J. Sandel, published by the Penguin Group, London (2009).

There is also an accompanying website that covers much of the material in the book (available at: justiceharvard.org). The author is a Harvard professor of politics and specialises in the discussion of justice. He provides a grounding in the main justice philosophies and principles.

Notes

1 References to the Great Wealth Transfer are increasing in the media and in online articles e.g. - Forbes, Financial Times, Barclays etc. It is unclear where the term originated but it refers to the record amount of wealth that will be transferred across generations, within developed economies, over next 20 to 30 years.

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16 According to the Oxford English Dictionary, the term 'primogeniture' refers to the right of succession belonging to the firstborn child, usually the firstborn son, to inherit the whole estate.

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The Family Business Challenges series includes 19 guides:

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The IFB Research Foundation was established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face. The Research Foundation's vision is to be the UK's centre of excellence for practitioner-oriented family business research. ifb.org.uk/research

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