Sustaining the Family Enterprise
The Intersection of the Family Business & the Family Office

REPORT OF FINDINGS
Foreword

The Sustaining the Family Enterprise Study is the first global study to compare and contrast the family business and the family office on a myriad of issues, including demographics, sustainability, entrepreneurial orientation and governance. The purpose of the study was to identify the governance practices, decision-making strategies, entrepreneurial orientation¹ and the impact of these practices on sustaining the family enterprise and the family office.

We are pleased to present a culmination of findings from a study that has been ongoing for the last four years. The study explores the relationship of the family business to the family office from a perspective that has never been researched: examining the entrepreneurial orientation and governance practices and perceptions on sustainability of the business and the wealth. As the world continues to get back to pre-2008 footing, understanding the keys to family enterprise sustainability is critical. If we are going to propagate successful family enterprises, understanding their ability to innovate, remain autonomous, take risks, be proactive, and initiate competition is of upmost importance. Further, to understand the process, approach, and key stakeholders who make decisions, the manner in which governance structures compliment strategic goals and implement strategy is also paramount. Thank you for reading the Report of Findings that follows.

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1.1 About this Report

This report is organized to illustrate the comparative results of the family business and the family office findings from the *Sustaining the Family Enterprise Study (SFES)*. The Executive Summary captures significant highlights, and each section reveals detailed findings by each topic in the study. Throughout the report, key highlights are identified in *blue*. Stories of personal experiences from those interviewed are *italicized* throughout the report. [The report was originally published in 2012.]

1.2 Background

Family enterprise is not only the backbone of the United States economy, but also the global economy. Family enterprises generate the majority of global GDP (79–90%) annually; in the United States, the greatest concentration of wealth is connected to the family business. One third of Fortune 500 companies (35%) and more than half (60%) of all publicly-held U.S. companies are family controlled. The wealth generated by family enterprise is significant and a major driver of economic growth and prosperity now and into the future. In order to sustain and perpetuate this economic engine, a deeper and broader understanding of the critical contributors to longevity and survivability are at the center of this study. It is not merely good enough to be entrepreneurial in the family business; rather, families increasingly need to find ways to diversify and innovate in all aspects of their family enterprise and with their wealth.

The *SFES* is based on a pilot study conducted in 2009–2010 that explored the foundational relationship of the family business to the family’s wealth or family office. This report reveals detailed findings from phase II of the study that specifically explored sustainability, entrepreneurial orientation (EO), and governance practices of families who have or had a family business and also have a family office.
The SFES was conducted in 2011 using a sample that included participants from around the globe. The study methodology involved a survey and follow-up interviews conducted by phone. The survey was provided in both English and Spanish; the overall response rate was approximately 10%, with over 885 invited and 93 completes. The purpose of the SFES was to more deeply explore how/if EO and governance are perceived to impact sustainability of the business and wealth. The need to understand these factors is critical to understanding what constitutes best practices in the family business and family office that provide keys to sustainability and longevity.

1.2.1 Acknowledgments
A number of organizations and supporters were instrumental in making this research study a success. These individuals and organizations aided the researchers to engage a broad, diverse, global representation of family enterprise. In particular, we would like to extend our appreciation to Judy Green at the Family Firm Institute (FFI) (www.FFI.org), Sara Hamilton at Family Office Exchange (FOX) (www.foxexchange.com), Ann Kinkade of Family Enterprise USA, (www.familyenterpriseusa.org), John Benevides of the Young Presidents Organization (www.YPO.org), Ann Connelly of Attorneys for Family-Held Enterprise (AFHE) (www.afhe.com), Nancy Block Reid of TIGER 21 (www.tiger21.com), Andrew Keyt and the members of the Family Business Network (FBN) (www.fbn-i.org), and Paul Mudde and Kevin McCurren and the Family Owned Business Institute (FOBI) at Grand Valley State University (www.gvsu.edu/fobi) who awarded the research an FOBI award in 2011.

A special thank you is also extended to all those individuals who were instrumental in advising throughout the development and deployment of the study and/or connected us to participating families: Kathy Baker, Allen Bettis, Ira Bryck, Kenneth Daly, Ann Dugen, Sharna Goldseker, Hania Hammoud, Katherine Hayes, Debra Houden, Frank Hoy, Linda Mack, Thomas Mayes, Greg McCann, Karen Rush, Susan Schierstedt, Tom Schwarz, Paul Sessions, Sylvia Shepard, and Ritch Sorenson.

1.3 Study Researchers
The research team is inter-disciplinary and international including leading researchers from North America and Europe.

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1.4 Study Sponsors

The SFES was an international collaborative research effort sponsored by GenSpring Family Offices and the University of North Carolina at Greensboro (UNCG), the educational sponsor of the study.

1.4.1 About GenSpring Family Offices

Founded in 1989, GenSpring Family Offices, an affiliate of SunTrust Banks Inc. (NYSE: STI), is a leading wealth management firm for ultra-high net worth families. Once limited to a few of the world's wealthiest families, the benefits of the family office are rapidly becoming known to a wider circle of ultra-high net worth clients.

With over $19 billion in assets under advisement, GenSpring, including its affiliate GenSpring Family Offices International, is trusted by some of the world's wealthiest families across 23 countries to oversee or manage important aspects of their financial lives.

GenSpring is headquartered in Jupiter, Florida and has 14 family offices in Atlanta, Charlotte, Costa Mesa, Denver, Greenwich, New York City, Miami, Nashville, Orlando, Palm Beach, Phoenix, Tampa Bay, Sarasota, and Washington, D.C. GenSpring was named 2012 Best Overall Multi-Family Office by Private Asset Management magazine, ranked #1 on Forbes' 2011 list of Top Fee-Only Advisors, and was most recently ranked #1 on Financial Planning magazine's Top 50 RIAs. For more information, please visit GenSpring.com.

1.4.2 About The Bryan School of Business & Economics at The University of North Carolina at Greensboro

The Bryan School of Business & Economics at The University of North Carolina at Greensboro has over 3,000 undergraduate and graduate students and more than 100 full- and part-time faculty members housed in six departments and programs. Accredited in both business and accounting by AACSB, The Bryan School is the recipient of many honors and accolades. The Entrepreneurship program has 40 cross-disciplinary courses in 20 departments/programs and has won three national awards: The U.S. Association of Small Business & Entrepreneurship's Outstanding Emerging Entrepreneurship Award in 2012, the Small Business Institute's Best Practices Award in 2011, and the Global Consortium of Entrepreneurship Center's Excellence across the Curriculum Award. A family business course at the undergraduate and graduate level is part of the award-winning curriculum. Dr. Dianne Welsh is the architect and founder of the program. More information is available at: http://entrepreneurship.uncg.edu.

UNCG, one of the sixteen campuses in the University of North Carolina system, is engaged in a major campus expansion. Classified as a high research activity university, UNCG is also committed to high quality teaching to its more than 18,000 students in six colleges and schools. Another point of pride is that UNCG has the most ethnically and racially diverse student population in the UNC system.

For further information regarding the study, please contact Michael Woocher, Head of Client Development at GenSpring Family Offices at 866.506.1989 or Michael.Woocher@GenSpring.com
2.1 Executive Summary

Why do some families have the uncanny ability to sustain their wealth and/or enterprise across multiple generations? Although some families claim good fortune and favorable luck, strategic planning and goal setting are significant contributors to successful business and wealth transfer. Other criteria play a part as well, such as how families make their decisions (governance), and how they are able to innovate, adapt, and compete (entrepreneurial orientation). Do enterprises with a higher incidence of entrepreneurial orientation from one generation to the next have a greater likelihood of sustaining the family enterprise to the third generation and beyond? Does governance really make a difference in terms of sustaining the family enterprise? How does entrepreneurial orientation and governance impact overall sustainability of the business and wealth, and what is the perception of the family members on their importance? These questions will be more broadly discussed in this report. We begin with highlights from the key findings of the SFES.

2.1.1 Key Findings

Although the study uncovered a number of novel and interesting insights, we have presented the key highlights from the sustainability, entrepreneurial orientation, and governance findings. Sustainability refers to how the family business and the family office are able to endure over successive generations. Entrepreneurial orientation (EO) refers to how the family business or family office is able to function autonomously, innovate and take risks, initiate competition, and be proactive in the marketplace. Governance refers to the practices, processes, and structures that families employ to make decisions in their family business and the family office. The researchers posit that EO and governance play an instrumental role in how families are able to sustain their businesses and their family office across generations.
**Sustainability**

- The majority of families (eight in ten) indicated that it is important to perpetuate the family wealth to successive generations.
- Sustaining the family wealth is more important to those who have worked with a business consultant or family business advisor, have a family office, and/or reside outside the United States.
- Six in ten indicated the importance of perpetuating the family business to successive generations.
- Those who currently own and operate a business place greater importance on sustaining the family business. These participants typically have a household net worth of $50M or less and did not have a financial increase last year.

**Entrepreneurial Orientation**

- Family business tends to be more proactive in terms of launching new products or services and initiating action with competitors than the family office.
- There is a high locus of control in the family business and the family office and the CEO/president plays a significant role in identifying opportunities and strategy.
- Family offices are innovative in terms of investment opportunities; however, they are less likely to take on a competitive business posture with other family offices.
- Participants indicated that they are more likely to take risk within their family business than with their wealth and the family office. Participants described exploring gradual and incremental change in the family office, preferring a “wait-and-see” posture with their wealth as opposed to being early-adopters.

**Governance**

- Most family businesses (66%) have a formal family business board or advisory committee, whereas less than half (48%) of family offices have a board or advisory board.
- Boards mostly consist of family members (four out of seven on average for the family business and four out of five for the family office).
- Most families host regular shareholder meetings (68%) and eight in ten (84%) host family meetings around their wealth.
- Approximately half (56%) have a shareholder agreement for their family business and approximately one third (35%) have a family mission statement for their family office.
3.1 Participant Profile
The SFES engaged family members from around the globe, with over half (54%) of participants from the United States, nearly one fourth (21%) from Europe and the Middle East (20%), and the remainder from Asia (5%). The level of seniority and status was revealed by participants’ titles, as most identified as being the CEO, President or Chairman (61%), General Management/Deputy GM, Director/Managing Director (20%), or CFO/Treasurer/Investments VP/Executive VP/VP (16%), indicating that respondents were at the highest level of the organization. Most participants were between the ages of 40 and 60 (54%), with approximately one fourth (24%) under the age of 40 or over the age of 60 (22%). The average age of respondents was 49. Most participants were men (71%), of which 83% indicated they were involved with the business, whereas only 16% of women indicated they were involved with the business.
3.2 Family Enterprise Timeline

The tenure of family enterprises was impressive, with the average family founding its business in 1937. Three in ten family businesses (30%) were founded before 1920. More than half (55%) were founded from 1940 until now. In the United States, the average firm was founded in 1927; the average non-U.S. family business was formed in 1950. **Most families (77%) continue to own and operate their family business today.**

For those who no longer operate the business, the average year the family business was sold was 1998, with four in ten of these businesses being sold before 2000. The average year the family office was founded was 1993, with approximately a third (35%) founded prior to 1995. (See Figure 3.2). Since 1990, only 6% of family businesses were founded as compared to 76% of family offices.

![Figure 3.2 - Family Enterprise Timeline](image)

1937
Average Year Primary Business was Founded

1993
Average Year Family Office was Founded

1998
Average Year Primary Business was Sold

3.3 Family Business Profile

Participants who indicated they had an operating business were connected in a myriad of ways—as owner, manager, and/or employee with different levels of involvement. More than half of the participants indicated they are family (88%) who are owners (58%) and involved in the day-to-day operations of their family business (67%). Only one in ten indicated they were a non-family member, and one-third (33%) are not involved in the day-to-day business (See Figure 3.3a).

![Figure 3.3a - Respondent Connection to Family Business](image)
The size and scale of the family businesses were significant. On average, 4,500 are employed; the family businesses in the United States employ, on average, 6,700 people; non-U.S. firms employ, on average, 1,975 people. The estimated average total operating assets of the business are US$670 million with US$949 million in revenue, compared to €536 million average operating assets and €391 million average revenues for European firms (see Figure 3.3b). The family enterprises generally operate in a number of different business sectors, including Manufacturing, Plastics and Materials (19%), Retail (19%), Wholesale/Distribution (15%), and Real Estate/Brokerage (13%), among other sectors such as healthcare/pharmaceutical, food processing/service, agriculture/paper/forestry, and construction.

3.4 Family Office Profile

More than two-thirds (65%) of families collectively manage their wealth, and over 52% of families have a single family office. When a family office is not the means of wealth management, families directly invest through a bank or financial institution (35%), multi-family office (26%), trust company (14%), broker dealer (9%), or invest on their own (9%). When families indicated that they have a family office, the office typically serves three generations of family members, 9 households, 18 adults, and 13 minors. The estimated average household net worth of the families surveyed is $364 million, with $451 million in total assets under management by the family office. In Europe, the average household net worth was €217 million and assets under management by the family office of €127 million. The combined net worth of all families who participated exceeds $20 billion (see Figure 3.4a).
The family office invests in a variety of assets, including real estate and direct investments in companies, which are most frequently handled in-house. **Real estate is the largest portion of most family office’s asset allocation.** The family office most often outsources hedge funds (48%), fixed income (44%), and equities (38%) (see Figure 3.4b).

<table>
<thead>
<tr>
<th>Total Asset Allocation</th>
<th>Assets Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Average %)</td>
<td>(Average %)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>23%</td>
</tr>
<tr>
<td>Direct Investments in Companies</td>
<td>21%</td>
</tr>
<tr>
<td>Equities</td>
<td>17%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>13%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>5%</td>
</tr>
<tr>
<td>Individually Managed Investments by Family Members</td>
<td>4%</td>
</tr>
<tr>
<td>Art and/or Collectibles</td>
<td>2%</td>
</tr>
</tbody>
</table>

The family office is managed by approximately seven professionals with credentials such as Certified Financial Analyst, Certified Financial Planner, Certified Public Accountant, and attorney, among other professional designations. **Most family offices are headed by a family member (70%) who has a decade or more of experience working for the family office.** Other key positions held in the family office are the Investment and Relationship Advisor (78%) and Chief Investment Officer (45%). One third of the time, a family member holds the Chief Investment Officer position (see Figure 3.4c).

<table>
<thead>
<tr>
<th>% With One</th>
<th>% Family Members</th>
<th>Average Years Working for FO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Family Office</td>
<td>100%</td>
<td>70%</td>
</tr>
<tr>
<td>Investment/Relationship Advisor</td>
<td>78%</td>
<td>10%</td>
</tr>
<tr>
<td>Chief Investment Officer</td>
<td>45%</td>
<td>33%</td>
</tr>
</tbody>
</table>
The family office may manage a wide variety of services. There are certain services that family offices prefer to manage in-house, and those that they prefer to outsource. When it comes to which services are managed internally by the family office, most family offices indicated investment management and asset allocation (78%). More often, family offices outsourced services such as insurance (49%), legal and compliance (49%), and tax planning (42%) (see Figure 3.4d).

<table>
<thead>
<tr>
<th>Service</th>
<th>% Performed by the Family Office</th>
<th>% Outsourced by the Family Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Management and Asset Allocation</td>
<td>78%</td>
<td>24%</td>
</tr>
<tr>
<td>Financial Reporting to the Family</td>
<td>44%</td>
<td>15%</td>
</tr>
<tr>
<td>Accounting Services</td>
<td>42%</td>
<td>24%</td>
</tr>
<tr>
<td>Estate Planning</td>
<td>38%</td>
<td>17%</td>
</tr>
<tr>
<td>Tax Planning</td>
<td>36%</td>
<td>42%</td>
</tr>
<tr>
<td>Legal/Compliance</td>
<td>20%</td>
<td>49%</td>
</tr>
<tr>
<td>Family Member Education</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Family Meeting Facilitation</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Budgeting and Lifestyle Planning</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Concierge Services and Security</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Governance Advisement</td>
<td>4%</td>
<td>22%</td>
</tr>
<tr>
<td>Insurance Management and Advice</td>
<td>2%</td>
<td>49%</td>
</tr>
</tbody>
</table>
4.1 Longevity of the Family Enterprise

The pursuit by families to sustain their enterprise and wealth beyond one or two generations is a widely-known goal and aspiration of most enterprising families. The perpetuation of the business provides: 1) an engine for growth and prosperity for future generations of the family; 2) a potential avenue for employment for family and in-laws; 3) an opportunity to deploy family and financial capital in a strategic manner; and 4) a means to connect family to one another and build continuity through a shared operating asset. The preservation of wealth and continuance across generations provides future generations: 1) a safety net, particularly in unfortunate situations where there is illness or some unforeseen hardship; 2) capital that may fund a new business venture, advanced degree, or lifestyle needs; 3) financial security to allow family members to pursue their passions and careers; and 4) the opportunity to lead a life focused on giving, volunteerism, charity, and/or philanthropy, among other opportunities.

By sustaining the business and wealth, the family not only creates tremendous potential opportunities for immediate family members, but also for the communities in which they reside.

When asked to assess the importance of sustaining the business as opposed to sustaining the family's wealth, participants more often indicated the importance to sustain the family wealth to future generations (83%) rather than the family business (60%).

<table>
<thead>
<tr>
<th>Figure 4.1 - Who Desires to Sustain the Family Wealth and the Family Business?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustaining the family wealth is more important to those…</strong></td>
</tr>
<tr>
<td>• Who have worked with a business consultant for their family business</td>
</tr>
<tr>
<td>• Who have a single family office</td>
</tr>
<tr>
<td>• Who reside outside of the United States</td>
</tr>
<tr>
<td><strong>Sustaining the family business is more important to those…</strong></td>
</tr>
<tr>
<td>• Still in business</td>
</tr>
<tr>
<td>• With less than $50M in household net worth</td>
</tr>
<tr>
<td>• Who did not have a financial increase last year</td>
</tr>
</tbody>
</table>
Although the survey findings indicate a slight preference to sustain the wealth more so than the business, participants interviewed indicated that having an “entrepreneurial tradition” was very important to sustainability. One interviewee shared:

“**I feel like [an] entrepreneurial tradition is more important than maintaining family wealth because wealth can be lost anytime due to some external reasons, but only essential counter elements of your family tradition can you maintain from generation to generation.**”

Others interviewed expanded on the impermanence of wealth and how important it is to have entrepreneurial values and grooming in the family so that, if need be, family members can “pull themselves up by the bootstraps.” Just over half (52%) perceive that EO impacts sustainability of the business and only 30% perceive that EO impacts the family office. One family member described the almost symbiotic relationship of their family office to the family business:

“The operating business leverages off long-term knowledge and long-term planning and acquisitions of raw land and takes it through all the planning processes to get it to the point where it’s marketable as a block of land that you could build a house on. And housing is an adjunct to the land. We are really land developers even though we have a very strong housing business. The housing business is really a product that goes onto the land. In terms of the family office, the thinking is pretty similar. We have long-term goals for the family office and some of our wealth is tied up for the next ten years. Investments have been set up for the next generation. Strategy has been to add value to [our] portfolio by incorporating shopping centers to have other income streams.”

This interviewee describes how the business goals are long-term, strategic, and complimentary to the portfolio construction and asset allocation of the family office assets.
In another interviewee’s case, the needs of the family business were outweighed by the needs of the family and the family office. He described how the sustainability of the family fabric hung largely in the balance after a major liquidity event in his family. He was forced to make a decision to either stay in the business as a board member or to step down and focus on how the family should collectively manage its wealth. He chose the latter, making the choice that would help his family build consensus, cohesion, and continuity in the family. In the interview he shared:

“I was running the family office at the time and I wanted to see the family pool all those funds together and form maybe a private trust company or a group. [However], too much distrust in my [family] prevented that. I fought so hard. I just thought and I still think it is a big opportunity lost. About a year ago I set up an investment company myself. . .and I opened it up to people in my generation and anyone who wanted to invest in it. We didn’t force anyone. All of my [siblings] and their children did, all of my uncle’s children did; [however], my other uncle’s [children] did not. I stopped being an employee [in the family business], I needed something to do. I could have worked for a number of companies or I could try to do something to keep glue within my family. And I’m glad I chose the latter.”

This situation, echoed by other interviewees, is just one example of a critical turning point in the family’s business evolution in which a family member placed the needs of the family ahead of personal needs. This stewardship principle was a consistent theme of many of the longer-tenured family enterprises, in which one or more family members described personal sacrifice in order to help the broader needs of the family.
4.2 Contributing Factors to Sustainability
Finding ways to foster family togetherness and cohesion is not as seamless and straightforward in large, complex families with enterprises. However, the study did identify a series of best practices that many families believe enhance a family’s ability to sustain the enterprise and the wealth. Participants were asked to rank the best practices that most contributed to sustaining the family’s wealth. The areas that were noted of particular importance included:

<table>
<thead>
<tr>
<th>Figure 4.2 - Contributing Factors to Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Promoting family unity and consensus (87%)</td>
</tr>
<tr>
<td>• Fostering family wealth protection and management (86%)</td>
</tr>
<tr>
<td>• Promoting shared values and the family's legacy (87%)</td>
</tr>
<tr>
<td>• Managing tax, accounting, and compliance requirements of wealth affairs (76%)</td>
</tr>
<tr>
<td>• Addressing governance needs and family meeting facilitation (74%)</td>
</tr>
<tr>
<td>• Promoting financial education of family members (71%)</td>
</tr>
</tbody>
</table>

Families in their first and second generations of wealth are more likely to feel that family unity and consensus, promoting shared values and legacy, as well as managing tax, accounting, and compliance and addressing governance and educational needs are most critical. Family members interviewed described the importance of family harmony in conjunction with wealth preservation and management. Building that consensus and “togetherness” was fostered through family retreats and gatherings, education and mentoring, and building enduring bonds between family members that extended beyond the confines of the boardroom.

4.3 Future Challenges with Family Wealth
There are significant challenges to those who are endeavoring to manage wealth over successive generations. The most significant challenges to sustaining family wealth identified by respondents included:

<table>
<thead>
<tr>
<th>Figure 4.3 - Challenges to Sustaining Wealth</th>
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</thead>
<tbody>
<tr>
<td>Challenges to Sustaining Wealth</td>
</tr>
<tr>
<td>• Improving/generating family education to be responsible stewards (64%)</td>
</tr>
<tr>
<td>• Improving governance of the family enterprise (60%)</td>
</tr>
<tr>
<td>• Having in place effective processes for budgeting, saving, and planning (59%)</td>
</tr>
<tr>
<td>• Facilitating legacy and wealth transfer planning (57%)</td>
</tr>
<tr>
<td>• Improving reporting systems (56%)</td>
</tr>
<tr>
<td>• Devising an effective investment policy (56%)</td>
</tr>
</tbody>
</table>
These challenges were also described during the follow-up interviews. One of the respondents in the second generation of a family business described how the family business evolved under the leadership of his father, a serial entrepreneur and venture capitalist. As the business expanded, it became clear that one of the greatest challenges was the lack of clarity around the family business history and business model as it continually morphed and changed under the patriarch’s leadership. The interviewee shared:

“I like to use two examples [of the diversity of our family business holdings]. We had a pasta manufacturer in [the northeast] and a semiconductor firm [on the west coast], and everything in between.”

For the family, it was difficult to articulate and clearly communicate the family business to the third generation and encourage them to get involved. Because of the wide age range in the third generation, there is no strong bond involving members from both generations in a discussion about why, if, and how they should sustain the family business and wealth.

A clear understanding of the family business operations and legacy is paramount, as enfranchising future family involvement often stems from how family members become initially engaged, involved in, and educated about the business. If the family has difficulties articulating the underlying business to future generations, this can be an impediment to building cohesion and interest from one generation to the next. In the governance section that follows, engagement of family members and fostering a legacy is more broadly discussed.

Another fourth-generation family member interviewee shared the challenge of how the family embraces and undertakes getting the family on the same page when there are different levels of interest, knowledge, availability, and commitment. This interviewee shared:

“It is a governance program or something of this nature that helps us stay business-focused without letting our personal lives get in the way...or our egos or our personalities get in the way. Because we all have the same goal, that's clear as we all want to be very, very successful, the finest in our industry. But the reality is there are just different levels of interest and commitment [by family members] and trying to get that consistency is something we haven't really gotten yet.”

Families may all have the same goals and intentions of being very successful with the business; however, varying levels of commitment, involvement, and communication regarding the business can be detrimental to building cohesion, consensus, and ultimately, continuity.
Summary

Many families have a desire to perpetuate their business and wealth to succeeding generations; however, few have truly contemplated what are the contributing factors to sustainability and those challenges that inhibit attaining this goal. The research reveals that a higher importance is placed on sustaining the wealth, particularly with those who have sold all or part of the business, than sustaining the business. With that said, respondents emphasize the importance of having entrepreneurial values and work ethic in order to achieve this goal. Further, families identified the importance of keeping the family united and building consensus in order to foster harmony, mitigate conflict, and enhance the likelihood of staying together as owners of the business and/or the management of the wealth. Having a strong family identity, sense of shared purpose and mission, and a stewardship principle were other critical factors that enhanced sustainability.
A series of dimensions were examined around the construct of Entrepreneurial Orientation (EO) to determine perceptions of risk-taking, innovation, proactiveness, autonomy, and competitive aggressiveness in both the operating family business and the family office.

### 5.1 Comparing the Family Business and Family Office

#### 5.1.1 Risk Taking

Participants were asked to rate a series of questions about how their family business and their family office takes risks. For example, do the projects undertaken by the family business or family office tend to be projects that are lower risk with more certain types or returns or high risk with less certainty and higher volatility in returns? Does the family business or family office seek out incremental and gradual changes or do they assert bold actions to achieve business objectives? Is the family business or family office more inclined to take a “wait-and-see” posture, looking to follow others in the marketplace or do they prefer to be an “early adopter” and first-to-market with products and/or services?

Families are more inclined to take risk in their family business than their family office. There is a comfort level with taking risks and risking loss in the family business. Many family business members described how their family businesses had to continue to innovate and adapt in order to grow and thrive. “Taking risks is just a natural part of doing business,” was shared by one respondent. In the family office, on the other hand, a more conservative posture was described. In many cases, there was more of an emphasis on not risking principal. From the interviews, a theme emerged that families have greater confidence in taking risks to generate new wealth with their business ventures rather than risking established wealth on high risk and high return investments.
5.1.2 Innovativeness

Families were asked to rate the level of innovation in their family businesses versus their family office. Innovation was defined as focusing on research and development, and using technology and innovative leadership to launch and offer many new types of products or services as opposed to promoting tried and true products or services. Are the types of changes in the products and services mostly minor and modest or are they radical and expansive? Families tend to perceive more innovation in the family business than in their family office; however, 44% of family offices perceive high levels of innovation as it relates to seeking out many new investment and business opportunities.

Innovation is exemplified in one fourth-generation family business by the family’s great-grandfather. A machinist, he was approached by a physician to make medical instruments. Unfortunately, the doctor died unexpectedly only a year after the venture began. The machinist, however, kept the business and moving forward. The company he formed exhibited incredible innovation capabilities by sometimes straying from the core business of developing medical devices to produce other complimentary products, such as light bulbs in the 1950s and fiber optics in the 1960s, both of which were critical to the development of the company’s medical devices. These two complimentary sub-businesses grew and evolved in the 1970s and 1980s, and in 1999, the company was spun out of the core family business holdings. In 2007, the company was eventually sold for $400 million.

This is just one example of family business innovation described by an interviewee. Other innovations were spawned over generations of this family enterprise; one example of radical innovation was the development of the first camera on the end of a scope for routine procedures such as an endoscopy.

“A whole bunch of [innovations occurred]...the entrepreneurial spirit that my dad’s generation had, and how we innovate internally and then at the right point of time hopefully spin out the venture. [For example], we did the same thing with video endoscopes. We invented the world’s first video endoscope, colonoscopy, gastroscopy, and sigmoidoscopies. We invented those and then we spun that business out...[Our family has] a nice history of innovation that goes back to my parents and my granddad and really my great granddad who started things..."
In general, family offices were not described as being very innovative in terms of technology, reporting, or research and development. This posture seems consistent with the mindset of family members who described a higher level and intention for innovativeness and entrepreneurial tendencies in the family business than in the family office.

5.1.3 Proactiveness

Proactiveness refers to the family business or family office posture to initiate action in the marketplace. Is the family business or family office responding to actions taken by other competitors in their field, or are they leading with new ideas, services and products that others are trying to imitate? In the family office, are they taking advantage of many new types of investment opportunities or are they more inclined to “wait-and-see” and be tentative when it comes to new investment opportunities? In the family business, are they taking on an “undo-the-competitor” posture and looking to initiate clashes or do they avoid conflict and prefer to take a “live-and-let-live” posture when it comes to competitors?

In regard to proactiveness, we noted the greatest differences between the family business and the family office, with the family business exhibiting stronger proactive characteristics than the family office. Nearly 4 in 10 family businesses (39%) indicated initiating many new lines of products and services for their family business.

Family businesses were much more likely to initiate actions with competitors and launch new products and services. Unlike the family business, respondents with a family office tended to view other family offices as peers rather than competitors. For single family offices whose primary purpose is to serve the needs of a family group, there is little, if any, competition; they are focused on doing the best for their family. Instead, family offices are more likely to relate to other family offices collegially and may even be willing to share and exchange ideas through professional peer organizations such as Family Office Exchange (FOX), Institute for Private Investors (IPI), and TIGER 21, among others.
5.1.4 Autonomy

Autonomy refers to the nature of leadership in the family business and the family office, and whether employees have a high reliance on the direction, guidance, and management of leadership, or if they are more inclined to act independently or autonomously. Study findings revealed that family leadership and control remains strong in setting the direction of the family business and the family office. In fact, 49% of family business CEOs play a direct role in identifying new opportunities.

One family described how the innovation and adaption of the business evolved under the leadership of each generation. Their family had a business for four generations that essentially changed with each generation; each generation changed what the business produced. For many years they were in the wholesale dry goods business, distributing clothing and textiles to department stores. The wholesale business continued through the 1970s until it began to wind down. At that time, the father started a children’s clothing retail business. In the 1980s, the business changed to a children’s clothing catalog business, which the family sold in the early 1990s. The leadership exhibited by each generation took the business in a new direction and was credited for how the family business evolved and adapted to an ever-changing competitive landscape. Although the employees were central in implementing the family’s vision, it was clear that the strong presence of family leadership was a guiding force for change in the evolving business. The interviewee shared:

“Our family has had a business for four generations but each generation has changed what the business is... For years we were in the wholesale business, the dry goods business, distributing clothing and textiles to department stores. And that business continued through the 1970s and then we wound it down. My father, he was working in that wholesale business and then he wound it down and started up a retail business. So he wasn’t an entrepreneur who started in the children’s clothing business, [rather] in the late 70s and then in the late 80s he morphed a retail business into a catalog business of children’s clothing.”

<table>
<thead>
<tr>
<th>Autonomy</th>
<th>Family Business</th>
<th>Family Office</th>
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<tbody>
<tr>
<td>High</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Medium</td>
<td>92%</td>
<td>88%</td>
</tr>
<tr>
<td>Low</td>
<td>7%</td>
<td>8%</td>
</tr>
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![Figure 5.1.4 - Autonomy](image-url)
The leadership in the family office was similarly described as having a lower degree of autonomy and higher dependence to take direction and guidance from leadership. **Seven in ten family offices identified a family member as the CEO or President.** Further, the majority of board members in the family office was comprised of family members (four out of five). The interviews confirmed that family plays a central role in the management and direction of the family office operations. For some family members, the higher locus of control was a function of the desire to “protect the fruits of their labor.” In other words, they worked hard to create the wealth from the business, and as a result are highly involved in overseeing its management in order to protect it. Further, the lower levels of autonomy in the family office and family business also coincide with family leaders feeling tremendous responsibility to take care of the family’s well-being and legacy.

### 5.1.5 Competitive Aggressiveness

Competitive aggressiveness refers to the level that a firm or family office takes on other businesses or family offices within their space. During the family business interviews, we learned from one family business in its fifth generation about the importance of competitive aggressiveness required to adapt and change in order to continue to compete. This family business was started by the great-great grandfather as a woodworking supply shop, where he searched for a better abrasive for sandpaper. Garnet was identified as a superior abrasive source, so he bought a garnet mine and began mining. He not only sold the garnet grain to other sandpaper manufacturers, he started his own sandpaper company.

This family business originated its mine in 1878. When sandpaper started using manmade materials as the abrasive, they sold the sandpaper company and looked for other ways to use garnet. They started micronizing the garnet into pounders and used it to polish glass. Plastic eventually replaced glass, eliminating the need for polishing. With the invention of color televisions, however, the family began using their garnet powders to polish the faceplate in a captive ray tube, and a new customer base emerged; their powders were used by all of the major television companies. When flat screen televisions replaced captive ray tube televisions, the powders were once again not needed, so in the mid-1980s, the family worked with a company to develop an abrasive for water jet machines. This family business story exemplifies how the family enterprise maintained a strong competitive aggressiveness by continually reinventing a core asset to bring new products to market in order to evolve, adapt, and innovate.
Family offices were asked about their investment strategy related to competitive aggressiveness and whether their strategy was geared towards growth or wealth preservation. Family offices often have an investment posture that is conservative and focused on wealth preservation, with 34% of family offices indicating that they take a wealth preservation posture with their wealth. What does this reveal about the difference between the family business and the family office as it relates to competitive aggressiveness? Family businesses tend to be more competitively aggressive with other businesses in their sectors, but family offices tend to have a “live-and-let-live” posture toward other family offices, with little or no competitive aggressiveness among family offices.

5.2 The Importance of EO in Sustaining the Family Enterprise

How strongly do families believe that EO influences the sustainability of the family business, compared to the family office or the family wealth? Over half of respondents (52%) indicated that EO influences the sustainability of the family business. More than one third (35%) believe that EO impacts the pursuance of investment and business opportunities on the family office. Slightly less (30%) believe that EO impacts the sustainability of the family office. In other words, family members believe that innovation, proactiveness, risk taking, autonomy, and competitive aggressiveness to be more influential in the sustainability of the business as opposed to the wealth in the family office. In the family office, there is a consistent theme of being more conservative and mindful of wealth preservation. Change is more incremental and gradual; there is less perception of competition among other family offices and a greater priority to preserve wealth rather than grow it. As a result, families place greater emphasis on EO in the sustainability of the business than the family office.

Summary

The differences of perception of EO in the family business and the family office have often been observed anecdotally; however, no research, until now, has been able to support the higher levels of EO in the family business compared to the family office. Specifically, families are more inclined to take risks, be proactive, innovative and act competitively aggressive in their family business than their family office. There is a greater sense of confidence and assertion that EO in the family business is critical to grow, compete and adapt to the ever changing business climate. The family office, on the other hand, evolves through innovation of new investment opportunities, however is rarely described as “first-to-market” or in competition with other family offices. Instead, the family office typically has a “live-and-let-live” business posture, explores change gradually and incrementally over time and is more focused on wealth preservation than wealth accumulation.
6.1 Comparing Governance in the Family Business and the Family Office

Governance is the process by which families make decisions for their wealth in the business and/or in the family office. The purpose of studying governance is to determine to what degree families are implementing a governance strategy with the business, wealth, and family. Specifically, we sought to identify which types of structures and decision-making vehicles (boards, councils, committees, and the like) are most widely adopted and to what degree families perceive governance as making a difference with how they are sustaining their business and/or wealth. What processes and strategies are affecting longevity and sustainability of the family enterprise? The following sections discuss our findings on how families make decisions in their business, family office, and for their wealth.

6.1.1 Governance Boards, Councils, and Committees

The decision-making process is typically guided by various structures and decision-making bodies such as boards, councils, and committees in the family business and the family office. Some governance aspects (corporate governance, for example) may pertain solely to the business; some (family council or family advisory board) may pertain to the dynamics of the family; and some may overlap in both areas.

Governance is a pervasive organizing form within the family business and the family office. Specifically, families indicated that they have advisory boards or board of directors in both the family business (66%) and in the family office (48%). When asked about how the family business board allocates its time, respondents indicated the board monitors and reviews family business performance (45%), strategic planning (32%), and provides oversight to the leadership (21%). Family business boards are often comprised of family members. On average, four out of seven board members are family, which reveals the important involvement of family in the board leadership. One individual shared the process of formalizing their family board to include in industry experts in exchange for family members. He identified this as a critical development in the governance of the business. He characterized the initial board as
a “rubber stamp,” going along with the advice and direction of management. He went on to describe how the board evolved as the board leadership changed to include outside professionals and executives who could challenge and make management and leadership accountable in ways family board members could not.

By formalizing the professional tenure and experience of board members, families described a more streamlined and organized decision-making process. Not all families, however, believe that formalizing the process and procedures of decision-making is a positive move. Some said it can encumber and bureaucratize the process. A different family business member discussed the benefits of being nimble, flexible, and free to execute decisions as key family owners see fit. Interestingly, family businesses outside the United States and those who have worked with a family business advisor or consultant are more likely to have a board. An audit committee (6%) and financial investment committee (6%) were other governance structures also noted in the family business.

![Figure 6.1.1 - Governance Mechanisms and Structures](image)

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<tr>
<th>% With One</th>
<th>Average Number of...</th>
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<tbody>
<tr>
<td></td>
<td>Members</td>
</tr>
<tr>
<td><strong>Family Business</strong></td>
<td></td>
</tr>
<tr>
<td>Board / Advisory Board</td>
<td>66%</td>
</tr>
<tr>
<td>Audit</td>
<td>6%</td>
</tr>
<tr>
<td>Financial Investment</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Family Office</strong></td>
<td></td>
</tr>
<tr>
<td>Board / Advisory Board</td>
<td>48%</td>
</tr>
<tr>
<td>Family Council</td>
<td>44%</td>
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<tr>
<td>Investment Management Committee</td>
<td>32%</td>
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In the family office, just under half (48%) have a board of directors or advisory board; 44% have a family council; and 32% have an investment management committee. The family office board focused most of their time on the monitoring and reviewing of financial portfolios (23%), asset allocation strategy (20%), financial reporting to the family (18%), and convening family meetings/retreats, family member education, and mentoring family members (28%). Board composition in the family office on average included five members, four of whom were family members. Other important governance committees noted in the family office included a family council (44%) and an investment management committee (32%). More family offices have a board or family council if the family business also has a board, so there is a link in the professionalization of governance in the family business with that of the family office.
The interviews described how family councils typically originated as a way to represent minority family shareholder interests. As family shareholder bases grew and family business board of directors were professionalized over time, the family could consolidate information through designated family leadership represented on their family council. One interviewee described the important role that the formation of their family council played to address leadership concerns, defuse decision-making debates, and fix a faltering strategic direction of the company. Each council member represented a branch of the family and acted as both a conduit of information from their respective families to the other branch leaders and served as a sounding board to the leadership on company issues that had direct impact on family owners. One effective means for the family council to garner feedback from family members was to systematically survey and/or interview family members for their opinions and concerns on a number of business and ownership issues. The first survey enabled a new chairman of the board to revitalize the board, as family members tended to stay on the board for 10+ years. The results of the 50-question survey showed that the family did not have confidence in this board. Due to its significance when presented to the board, one of the non-family board members who had been on the board the longest said, “we take this survey as a vote of no confidence in the board, and we’re ready to step down.” As a result, they were able to effect significant change in the leadership of the board and remove a number of less effective board members.

It was critical for this family to have a revitalized board and it made a tremendous difference in their ability to sustain their business. While there was resistance to a follow-up survey, it was vital to get input from the family shareholders because there was a major strategic plan that the board had developed with no input from family shareholders. Getting buy-in from the shareholders would prove positive for the growth initiative. Results of the second survey showed that the shareholders not only supported the growth initiative, they were willing to forego liquidity events, dividend increases, and take on more risk, thus providing the platform to move forward with the initiative. This interview provides deep insight into how engaged owners can make a dramatic impact on management and leadership, particularly when there is a lack of family management at the helm. Further, it revealed that family can often take a “patient capital” position when circumstances require.

Although this interview highlights a specific example of how informed and empowered family shareholders can be engaged via a family council, the survey revealed that **more than one fourth (26%) of family businesses have no formal governance structures (board, council, or committee) and two in ten family offices do not have any governance structures in place.** Families without defined governance practices were typically in the first or second generation of ownership of their family enterprise. Clearly, when put into place with experienced leadership, the board and family council can greatly enhance the information exchange, transparency, and strategic direction of both the family business and the family office.
6.1.2 Family Meetings, Mission Statements, and Family Constitutions

The manners in which families convene, share, and disseminate information related to the business are important governance practices in both the family office and the family business. **Most families host regular shareholder meetings (68%); 58% have annual shareholder meetings; and 27% have quarterly shareholder meetings.** Over half (56%) have devised a shareholders’ agreement that outlines the relationship and terms of ownership of the family business. The importance of consistent family shareholder meetings cannot be understated. Interviewees described the criticality of providing shareholders with timely information and updates on the financial health of the business as well as its strategic direction. Others described the importance of building family bonds and community, particularly if they were passive owners of the family business.

Similar to family shareholder meetings for the business, most (84%) families indicated the importance of regular meetings for the family office to discuss and plan the family’s wealth. In fact, four in ten families (41%) indicated that their family has created a family constitution, a document that outlines policies and procedures ranging from resolving family conflicts to managing the family’s name and reputation in public. **Families are more likely to have a family constitution if they reside outside of the United States, have a family business board, and worked with a family business advisor or consultant.** In addition to a family constitution, over one third (35%) of families indicated they had created a family mission statement for their wealth. The family mission statement was often described as a statement of shared family values and a purpose statement for how wealth is to be viewed and used. The mission was also described as a mechanism to provide a shared belief statement for the wealth and to build a collective identity for the family around its wealth.
6.2 Role of Outside Advisors

6.2.1 Influence of Family Business Advisors or Consultants

Families increasingly look to outside family business advisors, particularly on governance issues. Nearly half (46%) surveyed indicated they have worked with a business advisor or consultant in their family business and just over one fourth (27%) have worked with one in their family office. Thirty-seven percent indicated they had worked with a family business consultant in both their business and their family office (see Figure 6.2.1a). While some interviewees spoke in general of utilizing advisors, others mentioned specific influences and advice from notable family business advisors and leading business schools.

![Figure 6.2.1a - Percentage of Families who Work with a Family Business Consultant or Advisor](image)

Although the majority of participants were family members, one interview was conducted with an advisor who works primarily in the wine industry, advising clients about how to maintain ownership and control of the business as time passes, adjusting for transitions in both the business and the family. The interviewee placed emphasis on a strong transition plan that includes the following key components: a decent governance system, significant family involvement as managers or knowledgeable owners, patience, a willingness to defer gratification and planning for transfer taxes. Survey responses support the interview findings that the greatest influence of family business advisors or consultants are often related to governance practices, agreements, and structures.

![Figure 6.2.1b - Family Business vs. Family Office](image)

<table>
<thead>
<tr>
<th>Consultants or Advisors’ greatest contribution on sustainability of...</th>
<th>Family Business</th>
<th>Family Office</th>
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<tr>
<td></td>
<td>Governance practice</td>
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<td></td>
<td>Family agreements/protocols</td>
<td>Family agreements/protocols</td>
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<td></td>
<td>Business structure</td>
<td>Family investments</td>
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<td></td>
<td>Succession planning</td>
<td>Strategic planning</td>
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</table>
6.2.2 The Importance of Governance in Sustaining the Family Business and the Family Office
Although most survey participants viewed governance as enhancing their ability to make decisions and advocate for family ownership in relation to business objectives, only half (49%) indicated that governance impacted the ability to sustain the family business. One family member who believed that strong governance was an asset to the family business operations shared:

“I see it as enhancing the family enterprise. Our two outside directors can be a real thorn in my side, but that’s good because they challenge us.”

His description reaffirms that enacting governance strategies and processes may have challenges but the ultimate result is making sure that appropriate actions are being taken and good decisions are being made.

As related to wealth, fewer families (32%) indicate that governance practices enhance their ability to sustain the financial means of the family. Again, the interviews were counter to the survey findings, as interviewees expressed positive impressions of governance enhancing the communication, organization, and transparency around the family wealth. One interviewee noted how governance helped her family strategize and build policies for events that could be divisive to family cohesiveness. Governance was more often described as a helpful way to bridge leadership, build consensus, and enhance continuity across generations in both the family business and the family office.

Summary
Governance practices provide deeper insight into the complexity of the family enterprise. Some families desire to formalize and codify who, when, and how decisions are made. Structures such as a family constitution, family councils and boards of directors become increasingly important organizing bodies for a family to implement in order to effectively and strategically make decisions. Other families prefer to limit rules and structure to afford flexibility and freedom. These families are typically less encumbered by a large family tree and/or a complex ownership structure. Families who build in structure and governance processes as the number of family members increases and the complexity of ownership evolves may be able to strike a balance between structure and flexibility that enhances their ability to sustain the enterprise.
7 Conclusion

7.1 Key Takeaways

The findings from the SFES provide us a first glimpse into the incredibly complex and interconnected nature of families with operating businesses and/or family offices by looking at governance, entrepreneurial orientation, and ultimately, sustainability. Most respondents feel it is important to sustain the family wealth to future generations (83%) more so than the family business (60%). Families identify the importance of promoting family unity and consensus (87%), promoting shared values and the family legacy (87%), fostering family wealth protection and management (86%), managing tax, accounting, and compliance requirements of wealth affairs (76%), and addressing governance needs and family meeting facilitation (74%) as contributing to wealth sustainability.

Entrepreneurial orientation in the family business is more predominant than the family office. Families indicated that they are more likely to take risk within their family business than with their wealth and the family office. Typically, the family business is more proactive and innovative in terms of launching new products or services, initiating action with competitors and embracing radical change than the family office. Family offices tend to be more focused on wealth preservation and less likely to take on a competitive business posture with other family offices. Instead, innovation in the family office occurs with the exploration of many new investment and business opportunities. Participants described exploring gradual and incremental change in the family office, preferring a “wait-and-see” posture with their wealth as opposed to being early-adopters as in their family business. Both the family business and family office have a high locus of control in the leadership, and the CEO/president plays a significant role in identifying opportunities and strategy.

Outside advisors are instrumental in advising and consulting to families with their business and family office. Nearly half (46%) have worked with a family business advisor/consultant in their business; one fourth (27%) have worked with an advisor/consultant in the family office; and 37% have worked with a family business advisor in both realms. The greatest contribution for business and wealth sustainability that consultants/advisors offer is governance advice
including consulting on family agreements, protocols, and strategic/succession planning. Approximately half (52%) of participants perceive that EO impacts the sustainability of the business more than the family office (30%). As one interviewee shared:

“I feel like [an] entrepreneurial tradition is more important than maintaining family wealth because wealth can be lost anytime due to some external reasons, but only essential counter elements of your family tradition can be maintained from generation to generation.”

Almost half (49%) perceive that governance practices impact the sustainability of the business more so than managing the family's wealth (32%). As one interviewee shared in support of governance practices enhancing sustainability in their business:

“[Governance has] given us structure as a family and it’s been huge. It's forced us to develop policies before the need. I think that the trustees and the family have done a good job of saying, ‘We don’t have a structure or a policy for this. We sure do need one before it’s a problem because we could see how it could be a situation down the line.’ ”

There is still so much we have to learn about the inner workings of the family enterprise and the keys to sustainability. The role of EO enhances a family’s ability to adapt, innovate and compete, as does the pursuit of governance structures and processes to augment a family’s ability to make strategic and timely decisions. We thank all the families who generously donated their time and the family advisors who so willingly connected us with these extraordinary families.
7.2 Methodology
In 2009–2010, a pilot study was conducted that more broadly examined the relationship of the family business to understand how families manage their wealth, investments, and other services. Based on the pilot findings, a mixed method study was developed to explore EO and governance practices of families who have or had a family business and also have a family office. Upon completion of the quantitative study, respondents were invited to participate in a follow-up interview to provide further insight and share family experiences.

In total, 93 individuals participated in an online survey and 15 took part in a follow-up interview. The study garnered a 10% response rate, with 885 invitations and 93 completes. Further descriptions of the survey questions as well as the academic scales utilized may be requested.

Criteria for Involvement
In order to participate, respondents had to be a current owner of a family business of $50+ million in revenue or a former owner of a family run-businesses with a personal net worth of $20+ million.

Privacy & Confidentiality
The researchers and sponsors undertook a number of measures in order to protect the identities of those who participated; unique usernames and passwords were used in the online survey. Survey data was analyzed in aggregate in descriptive statistics, and any personally identifying information from the interviews was removed prior to analysis. In many instances, respected professionals, professional organizations, and executives in the family office industry invited family members to participate in order to provide anonymity. The researchers were not aware of participants’ identity in every case.

7.2.1 Limitations
This study attempts to report a diverse international sample. It is important to recognize that the pool of respondents totaled 93. Therefore, these findings are not generalizable or reliable due to the small sample size; however, they provide an important first glimpse at relatively broad cross-sections of larger family enterprises of which 77% still maintain the central operating business and over half (52%) have a single family office. Although GenSpring was the primary sponsor, less than 1% of its clients participated in the study, which would not in any way bias the results. Finally, the sample may be considered a sample of convenience, as the highly specific criteria to participate in the study limited the ability to use any mainstream databases and/or commercial lists. In fact, less than 1% of the global population would likely meet both criteria to be involved in the study.
8.1 Entrepreneurial Orientation Defined
Although academics have defined entrepreneurial orientation in a myriad of ways, for the purpose of this study, we use the following definition: *The key dimensions that characterize entrepreneurial orientation (EO) include a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities*” (Lumpkin and Dess, 1996). This definition is reflective of the numerous underlying criteria by which the family business and the family office were measured, including innovativeness, proactiveness, risk taking, autonomy, and competitive aggressiveness. Each individual was asked to rate a series of statements related to these categories.

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