

# Moving from vision to action

A step-by-step approach to generational transition



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**E**VERY wealthy family faces the challenge of generational transition on a regular basis, regardless of the scale of its wealth, the number of generations it has been wealthy, and the complexities of its own unique history, culture, structure and individual members. How the family handles those transitions is critical for the continuing success of the family and its family enterprise, which is broadly defined as its businesses, liquid wealth, philanthropic endeavours, political or social roles, traditions and values, and all the other important assets and activities – formal and informal, tangible and intangible – for which the family is responsible.

## How to

Although the framework for generational transitions is set out in more detail below, the step-by-step approach would be as follows:

- Clarify the context and the concept of the initiative
- Define the questions you want to answer and the issues you want to address (including the individual, relationship and cultural issues in the “family system”)
- Specify the proposed approach: both process and content
- Select and allocate the required resources for each step
- Start strong
- Ensure progress, adapt as necessary
- Document the process and content

## No easy task

Research, experience and history in this area are not universally encouraging.

Far too often, families underestimate the complexity and importance of the task of transitions across generations, resulting in a lack of full preparation and an increased risk of underperformance, if not outright failure. Many families do not have a strategy at all to deal with the transition, or have focused only on the financial aspect of inheritance, tax and estate plan-

ning, and a structured succession at the top of a family business.

Best practices in this area, as developed by those few families who have proven their ability to remain “successfully wealthy” over time and across multiple generational transitions, often share a number of elements in a thoughtful approach to generational transition.

A brief summary of their approaches would find common ground in preparing well in advance of a transition and also ensuring follow-up after the actual transition has been effected; addressing the family as a whole, thinking through the human, holistic and “soft” aspects of the family and in the transition – history, culture, individuals and relationships – as well as the business, financial and philanthropic issues; accepting that there will be some inevitable turbulence in transitioning from steady state A (current generation in leadership roles) to steady state B (next generation in full control), because that is the nature of substantial change in any dynamic system.

Part of the success in managing a transition is to predict, understand and act to minimise that inevitable turbulence in order to get from point A to point B as efficiently and as effectively as possible, minimising turbulence and managing risks before they ripen into fully fledged problems for the transition process or for the family in the longer term.

Most importantly, these successful families invest the time, effort and personal engagement to develop and implement a strategy for the transition. As the old aphorism reminds us: “Hope is not a strategy.” There is no substitute for a thoughtful, practical and shared plan of insight and action for an upcoming family transition which specifies the “why, what, how, when and who” to make the impending change into a positive step forward for the legacy family and its members.

## Inspiration and initiative for change

There are many reasons why families and their leaders undertake programmes of generational transition. Governance terms, age, individual decision, retirement, death or disability (expected or unanticipated), changes in a major part of the family enterprise (of which the sale of the family business may be a key part), or issues arising



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## A family statement of purpose (an example)

It is our shared purpose to work together as a united and harmonious family, creating a strong and supportive family, an enduring family business enterprise and a philanthropic foundation to improve the lives of those families less fortunate than ours. In so doing we aim to create something greater than our individual selves and have a lasting positive impact on all of those who engage with our collective family and its individual members.

This will require all members of our family to commit to:

- Put the family first, living by the shared values which have guided our family successfully in the past, working towards a “family first” ethos, developing ourselves to contribute to both family and business

interests, and acting in a manner at all times to strengthen the bonds between family members

- Learn how to be effective entrepreneurs in every generation and good owners of our business interests
- Be practical and commercial in our investments and operating businesses, leading to demonstrably superior results and creating long-term value for all of our stakeholders
- Aspire to create something significant and good in the philanthropic area which is greater than anything we could accomplish alone
- Carry forward the traditions and values of a name worthy of respect

within or around the family can all play the role of catalyst in triggering the need for a transition.

In some cases there is a “burning platform” in which change needs to be rapid, deep and visible. In other cases, where there is a more stable and positive context, generational change initiatives can play out across a number of years and be pursued with greater confidentiality and discretion.

Much of the process described may also be undertaken without an immediate or impending generational transition as its focus.

## A thought on leadership

In a book entitled *Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times*, successful leadership

can be sometimes defined as: “Leading from the heart of the family, not the head of the table”.

For most transitional programmes, a combination of thinking, learning and planning about business, tax and trust issues can be very well balanced by equal attention being paid to the emotions, dreams, aspirations, unique personalities, relationships, shared history and culture of the members of both the immediate and greater family. ▣

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