

Setting the plan in motion

A guide to implementing generational transition strategy



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IN my last column (August issue), I proposed a framework for generational transition for wealthy families. Most successful families invest time, effort and personal engagement to implement a strategy for the transition. Here is a guide into the step-by-step process.

1. Clarify the context and concept of the initiative. This requires an understanding of the history, current status and likely evolution of the family and background on the proposed transition.

This will require a family to:

- Describe the context, reason for the initiative and provide a broad outline of the proposed approach
- Think through how success is defined and any significant risks to its achievement
- Confirm the reporting line and approval process to legitimise the process and outcome (via the family council, trustees, family business, or a collection of family members, or combination)
- Obtain buy-in for the initiative and approach from key individuals and constituencies (branch, generations, etc) within the family, soliciting input and requesting support

2. Define the questions and issues you want addressed, including the individual, relationship and cultural issues in the “family system”.

It is unlikely that we will get the right answers on a generational transition initiative if we do not ask the right questions. Given that so much of a family’s future is defined by the “soft issues” in its past, taking a holistic approach to defining and answering questions is essential.

Thus the first step here needs to be inclusive and very honest in its preparation. Leaving sensitive issues unaddressed may postpone a dispute or crisis, which may eventually be magnified due to the failure to address it earlier.

3. Specify the proposed approach – both the process and content. Getting the right approach and putting in place the required resources will be a big step forward in achieving a successful outcome.

A pair of questions usually require answering at an early stage of the process:

- One key question will be whether there is a single group or committee overseeing



the effort, perhaps a Family Council or sub-set of its members, or an oversight group or committee (often deemed the Steering Committee) which is supported by a number of other sub-committees.

The advantage of a single group is the ability to focus and move fast. This may work well with smaller families with a high degree of shared ethos and objectives, which can lead to a narrower agenda of issues to address and a shorter and more focused process.

On the other hand, moving too swiftly may leave many people behind in a larger, older and more complex family. Going more slowly, and with more people involved, may have short-term costs but lead to greater long-term benefits that far outweigh the costs of a more thorough and inclusive process.

- **External resource:** A second key question is whether the family proceeds with the programme entirely on its own, or uses outside resource to help guide and support them through the process.

Key advisers may provide either specific expertise (for example on tax matters, business strategy or the dynamics of family relationships) or play an integrating and oversight role to ensure the process takes into account best practices from other families and is on course to achieve its own objectives on a timely basis. Outside expert advisers can also play a role as “honest brokers” when differences of views emerge among family members on important issues.

4. Select and allocate the required resources for each step. This will ensure that the initiative benefits from the right combination of efforts and investments from the family, its internal resources and external advisers, all contributing to the de-

sign and implementation of the transition plan.

Getting the right family members involved in the best possible way can require playing to strengths, benefiting from and building on proven capabilities and relationships. Ensuring a balanced approach (and avoiding unnecessary conflict) will require an understanding of the relevant experience, capability, interest and operating approach of each member.

Some far-sighted families who value objective assessment include individual interviews of family members – both qualitative and quantitative – by a third party to understand better their individual goals and priorities. These interviews also can include a self-assessment of individual skills, operating strengths and weaknesses, and teamwork capabilities.

This information can lead to a more thoughtful allocation of individuals to specific jobs and teams; it can also feed into longer-term development plans.

5. Start strong. In many cases, the process begins with a two-day family retreat with an ambitious agenda to agree on the context and concept of the generational transition initiative, confirm the approach, outline the work plan, allocate responsibilities, begin to make inroads on a statement of family purpose and values, and to move as far as possible in making progress in various other selected initiatives as time allows.

This type of retreat can often start with a high-level presentation and discussion of the successes and failures of past families, well known to everyone, which can serve to underscore the wide range of potential outcomes history demonstrates, and begin to raise the issues of an individual family’s plans in a useful general context.

This kind of introduction, followed by a first step of defining a family’s higher-level purpose and individual aspirations, can enhance the understanding of the why, the what, and the how of a successful generational transition.

By sharing a sense of purpose and allowing all participants to contribute from the beginning on an intensive and practical basis, the initiative is far more likely to lead to real engagement by those present and thus far more likely to achieve its objectives as well.

6. To ensure progress, adapt as necessary. Getting the job done will require effective engagement of the oversight group and the various supporting initiatives. The process itself can have instructive value for the family if pursued with the highest standards of professionalism and with the most thoughtful process possible.

By setting an example of professionalism – each meeting with an agenda, discussions and decisions minuted (sometimes by members of the Next Gen in attendance), prompt response to e-mails and calls, high-quality presentations, completion of all obligations on a timely basis, etc – the process can both underscore the importance of the initiative and teach younger family members how such a project can be well run, serving as an example for other initiatives throughout the family enterprise.

7. Document the process and content. Throughout the entire process, it is important to draft and circulate for consideration (to an appropriate group) a clear and concise summary document on the process, progress, decisions and actions.

Obviously, the programme as set out above is an approach well-suited to a large multi-generational family looking to involve as many people as possible in a collective effort. The time to complete this process would range from 18 to 24 months for some of these families, meeting every other month to review progress and make decisions.

Some of the approaches as set out above would be too slow and onerous for a smaller family, one with a different kind of culture, or one with a more focused set of family activities. Each family will need to set process and content to achieve its own objectives in its own way. **W**

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