GL08

# GENERATIONAL TRANSITIONS

## Key Takeaways

- “If we want things to stay the same, things will have to change”
- The family itself is at the center of the legacy strategy framework
- Starting with defining the family itself and understanding its past will carry forward into the future
- How can the past be used to a family’s advantage rather than typical negative trends?
- Families and in particular legacy families never stand still
- Evolution to an extent is predictable
- In the first generation you tend to get a patriarch and matriarch or couple who have made substantial wealth and that is all managed essentially as one unit
- Members of the second generation have a common background, but different set of challenges from their parents, they are best managed by creating a “sibling partnership”
- The third generation is likely to be more diverse and managed more loosely as a “cousins consortium”
- Looking at the challenges generation by generation, looking at the opportunities and risks for all those different activities and pulling that together into a coherent strategy is the key to success

## Guidance

Legacy families do not stand still. A lot of families undergo change at a rapid rate, and evolve over time. This change is relatively predictable, and therefore can be managed effectively. The challenges faced by different generations are shaped by the way families evolve. First generations tend to begin by an individual or small group managing wealth and business directly.

In the second generation, the different facets of the family business tend to be managed separately, often by a set of siblings. Second generations are often fearful of making mistakes and not living up to their parents, and have to face challenges associated with simplifying asset structures, finding a proper role, being an active owner, sharing ownership and/or control with siblings, inheriting or living with financial complexity, simplifying operational structures, and overall making their predecessors’ business more functional to them.

Third generations can see a vast influx of outside influence to a family business. While second generations can be run by siblings, third generations are often run by consortiums of cousins. Third generations can be challenged by living up to two generations of family legacy, collaborating over long distances, developing long-term visions, find systems of family unity, balancing nuclear and legacy families, finding meaning in privilege, and developing multi-generational thinking.

When preparing for and considering generational transitions, pulling together opportunities, risks, and challenges into a coherent strategy is the key to success.