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THE WEALTH CREATOR. A RESEARCH AGENDA.

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Área temática propuesta
Empresa Familiar

Área temática alternativa
Organización de Empresas

The Wealth Creator. A Research Agenda.

1. Introduction.

Family businesses represented 89% of the Spanish business fabric, generated 67% of employment and 57% of GDP in 2014 (Instituto de Empresa Familiar, 2015). This fact was repeated in most countries and geographical areas of the world. It was estimated that, in the European Union, there were 14 million companies that were family-owned and that generated more than 60 million jobs in the private sector in the same year (Instituto de Empresa Familiar, 2015). According to this same institution, in the United States family businesses accounted for 80% of the business fabric and generate between 40% and 60% of GDP and 50% of the country's jobs. In Asia, the definition of a family business varied in terms of structure from country to country and between cultures, but they held a dominant position in all developed economies, except for China (Davis, 1997). Most Latin American economies were dominated by large cosmopolitan family businesses referred to as *Grupos*[1], the first form of private property in most industrial sectors (Lansberg and Perrow, 1991). Thus, family businesses generated most of the world's wealth in 2018, which gave them a fundamental role in global economic development (EY, 2019).

The main problem that family businesses present is overcoming the third generation (Astrachan, 2010). This causes an erosion of wealth both for the business families and for the countries' economies. Therefore, establishing the profile of the figure, belonging to this third or subsequent generation, capable of keeping the family wealth over time should be of the interest of companies and society.

In relation to this profile, Davis (1997; 2015) proposed the figure of the wealth creator (WeC) as the person that makes the family wealth last over time. Indeed, the recurrence and recognition of this figure also appears in the wealth management literature, a field closely linked to the family business and wealth management ones (Morgan Stanley, 2019; Withersworldwide, 2020). All this suggests that the WeC is a fundamental factor in achieving, not only the transfer of the family business, but also the maintenance of the family wealth over time (Davis, 2014).

Moreover, the fulfillment of the succession in family business has been of the interest of academia in the recent years (Short et al., 2016). This succession is based on three key pillars: the preparation of the successor, the family unit and the growth of the assets in the family business (Davis, 2020). Hence, the figure of the WeC can become the vehicle in which family wealth travels over time.

The overarching aim of this paper is to bring forth the findings of the academic research on the figure of the WeC. Also, we intend to suggest future research avenues, among which the following would be of special interest: the traits, forms of performance, qualities or tasks of the so-called or potential WeC.

2. Literature review

[1] "Grupos" structures are unique to this area of the world (Cortés, 2016).

2.1. Uniqueness of family businesses

Academic research in the field of family business and, therefore, in that of family wealth, dates tothe sixties and seventies (Davis, 1997). Reasonably and logically, the transfer of the business is a research field almost exclusively belonging to the family business research and almost inexistent in nonfamily business research (Sharma, 2004). The need to make family wealth last over time is what makes family businesses unique (Chrisman, Chua and Sharma, 2003). According to Davis, Hampton and Lansberg (1997), the main ideas commonly underlying the studies about the transfer of the business and the perdurability over time of the family wealth are: (1) the need of transferring the business across generations (Morris et al., 1997), (2) the need of taking perspective to strategically manage the business (Mazzola et al., 2008) and (3) the growth of the assets comprising the family wealth (Rivo-López et al., 2020).

Transferring business across generations. The first generation, that of the founder, is the one during which the business fails or persists and begins to grow (Gedajlovic et al., 2004) The second generation covers the period during which the business gains in scale and volume (Sreihet al., 2019). Once the first and the second generation are overcome, the third generation hasthree options, namely (Davis and Tsai, 2020):

- Keep on investing in the core business to continue growing (Sirmon et al., 2003)
- Allocate part of the capital generated to invest in other businesses (Casey and Livergood, 2016).
- Create a diversified portfolio to preserve wealth (Isaac, 2014).

Perspective taking. In the last decades there has been a change of mentality regarding the management of business families (Jaffe, 2004). Family members involved in the company management have moved from identifying family success with family business success to identifying it with the growth of the family wealth portfolio over time, and eventually unrelated to the original business (Davis, 2014).

Indeed, the measure of success should be based on how well the family manages to maintain and grow its family wealth over time (Botha, 2019). This implies taking a step back from the main family business and look objectively at family wealth from a perspective that allows the WeC to develop strategies for growing family wealth (Davis, 2015). This implies managing family wealth strategicallyto ensure its durability and growth over time, with the original business being the main part or not ofthe said wealth.

The key reason why it is necessary to move the focus away from the main business is becausethe durability of it depends on many factors such as the industry, the business cycle, the competitive position and, above all, whether the next generation will be able to successfully lead the business (Carr, Chrisman, Chua and Steier, 2016). So, it is necessary to gain objectivity when managing family wealth and that is only achieved with distance.

Growth of assets. Davis (2015) identified some hinders of growth of family wealth from one generation to another such as (1) lack of an optimal strategy to allocate resources, (2) lack of abilityto make decisions, and (3) longer life expectancy and exponential number of family members that increases consumption of the family wealth. To avoid this, ideally, the assets that make up the family wealth should grow faster than the family (Stalk and Foley, 2012). In addition, their consumption should slow down. Excessive consumption is given by (1) failed investments in assetsor new business in which large amounts of money are lost very quickly, (2) divisions in property and in the family and (3) the lifestyle of family members (Davis and Tsai, 2020; Edgington and Hughes,no date).

To counteract this gradual dilution of family wealth, the solution is, firstly, to grow assets generation after generation, secondly, to maintain family unity and, finally, to develop the necessary talent within (or outside) of the family to carry out the first and second points (Davis, 2015).

The person who embodies this talent must be able to understand the reality of the industry, developthe necessary skills to manage the growth of family wealth and consider the wishes of other family members (Davis, 2014). On the part of the family, it is necessary to know and understand what is being done and what needs to be done to make the right decisions (Davis, 2014). This means that at least one member of the family from each generation becomes a wealth creator, a steward of the family wealth, with the aim of developing and implementing a growth strategy for the assets that comprise it.

2.2. The Three Circle Model

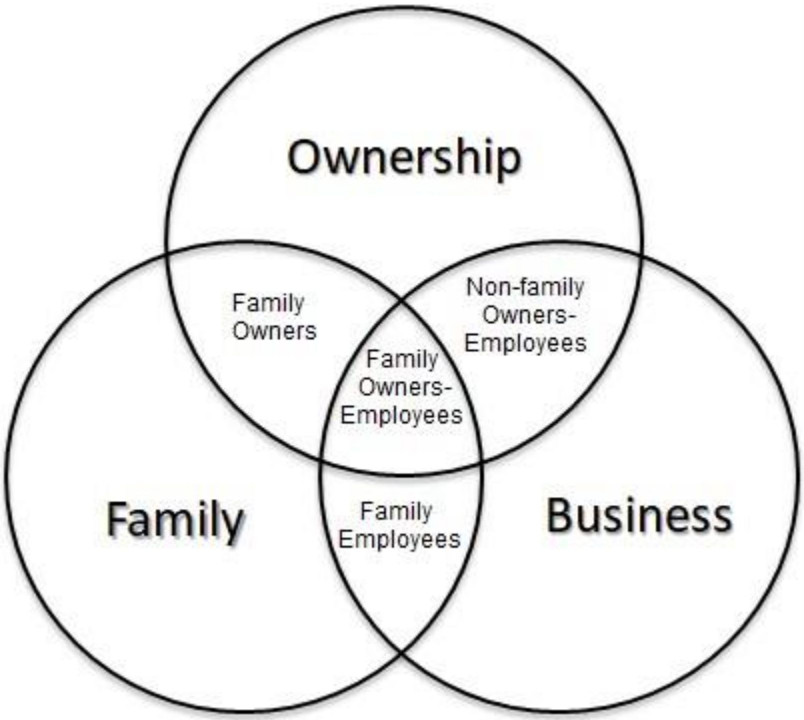

Figure 1: The Three Circle Model. Source: Based on Davis, Hampton and Lansberg (1997).

We consider that another important aspect of family business in relation to the figure of the WeC is the coexistence of three groups that maintain an intricate relationship amongst them, namely: family members, business employees, and business owners. The WeC will necessarily belong to the intersection of the three groups. Tagiuri and Davis (1996) identified this and other intersections between these three groups and devised the Three Circle model (3CM) torepresent them (see figure 1).

The 3CM explains (Bentall, 2020), trough the interdependence of the three entities in play, the source of most of the challenges and problems that the family business faces. Most of the obstaclesand disputes they confront are rooted in either the family or the business. However, the challenges are not related to either field, but emanate from the relationship between the ownership or shareholders of the company.

Each system (family, business and property) has its own priorities, preferences and members and, in turn, each interrelates and competes with the other systems. Being a member of each of the systems is determined by being a member of the family, an employee in the family business and/or one of the owners. The overlapping of systems reflects the links, and potential tensions, between the different groups.

We consider that observing and analyzing the family business through this prism has its advantages. On the one hand, it shows who has the responsibility in each arena. Not all family members are part of the business nor are they all part of the property, just as not all owners are family members and not all owners who are family members are directly related to the business. On the other hand, it sets the limits for the members of each system, that is, a family member who is not part of the business directly or is not a shareholder, should not influence purely business decisions nor should they go to shareholders meetings. This is an example of the origin of the tensions that can be generated between the members of the three systems.

The use of this model helps to analyze the relationships between the members, but also to discern which topics are specific to each group and who should be involved in decision-making in each of the spheres. In other words, it helps to draw lines of authority and behavior clearly for family members, employees, and owners. In short, it helps to establish who has a voice and vote in each area (Bentall, 2020).

Thus, we can assert that the person who will become the WeC should consider the additional complexity of running a family business compared to a non-family business (Kachaner, Stalk and Bloch (2012) in which these interactions do not occur or, at least, not between all systems anymore.

2.3 The traits of the WeC

We suggest that the attributes of a conventional manager are insufficient to deal with this complexity and simultaneously make the family wealth endure. That is why Davis (Davis, 2015) pointed at the WeC as the person in each generation that becomes the center of gravity of the family business, rather than a simple successor.

Furthermore, Davis (2015) speculated that one of the traits of the WeC is the ability to be a change agent, someone who stays up-to-date and can manage family wealth according to the times in which they live. In any case, what matters is, on one hand, the capability of keeping the family together in its objectives and, on the other hand, that the family supports the wealth generator since, without that center of gravity that the WeC represents, there is a high probability that the family wealth will be eroded. Thus, Davis (Davis, 2015) concluded that a wealth generator is needed and that the family needs to support this WeC, above all in making difficult and risky decisions. However, to the best of our knowledge, no one has ever worked on a detailed elaboration of a wealth creator model.

Not in vain, there are some traits that the successors of family businesses should have (Bentall, 2020), namely: humility, curiosity, creativity, listening skills, empathy, forgiveness, gratitude, critical thinking, patience and happiness (see table 1). According to Bentall (2020), they are useful traits when running a family business. Indeed, some of them were already identified by previous authors, such as humility (Tabor et al. 2020), empathy (Schlepphorst and Moog. 2014), and patience (Cater et al. 2010).

However, none of them established a relationship between these traits and the maintenance of the family heritage over time, which is the goal of the wealth creator.

Bentall (2020) also considered other attributes as relevant for a successor in the family business environment. On the one hand, high-level education, understanding high-level such as university and later as an MBA or a PhD in business management in prominent schools in the field. This allowed the successor to think out of the box and be open to other ways of thinking outside of those known inthe family business, which contributed to grow in areas as important to business as, for example, innovation. On the other hand, he pointed out the importance of having had relevant experience outside the family business, which contributed to the business competitiveness, by having a knowledge of the target market and the ability to adapt.

Traits	Benefits for the Successor
Humility	Open sharing => Mutual respect and Employee loyalty => Conflict resolution => Better teamwork => New ideas => Innovation => Competitive advantage
Curiosity	Stimulate learning => Deepen relationships => Uncover opportunities => Encourage entrepreneurship => Develop leadership
Listening	Establishes curiosity => Enables learning => Creates awareness => Builds respect =>Better negotiators => Create consensus
Empathy	Recognize the needs of others => People love it => It improves culture => It motivates employees => Corporate performance is enhanced
Forgiveness	Lower business tension => Encourage rational behavior => Discourage conflict => Clear up perspectives => Incite agreement
Gratitude	Make people appreciative => Improve communication => Enhance relationships =>Give up perspective => Change people
Critical thinking	Analytical instead of iconoclastic => Innovative instead of judgmental => Creative instead of negative
Patience	Empower people => Foster creativity => Build trust => Incremental change =>Preserve relationships => Manage succession process
Contentment	Help to focus => Enable to accept reality => Help to face changes => Reducesconflict=> Achieve better performing
Training	Hard work and self-discipline => Responsibility => Compete successfully => Engagement
Experience	Adapt to changing environment => Embrace innovation and change => Developleadership => Gain confidence => Gain trust from others

Table 1: Traits and benefits for the successor. Source: Bentall (2020)

Aside from having listed and analyzed each trait, as far as we know, they have never been consideredas a whole and neither dived into the ensemble as an entity.

3. Future research avenues and proposals

Provided the research background presented, future studies could be conducted following different directions within the area of family business management research.

Firstly, studying the traits of the WeC as a whole and in depth would be a necessary first step to continue the research in the field. Such investigation would eventually help to unpack the role of the WeC. Its contribution would be very valuable in trying to develop and clarify the profile of this figure, the importance of its identification and its preparation in time for the survival of the family business, which is one of the objectives of the WeC and, by extension, of the family businesses. This research opportunity could be summarized as follows:

> Research proposal 1: identifying and studying the main characteristics and role of the WeC within family business.

Next, investigating the traits of the WeC could have relevant influence on ownership models and control systems in the family business, as well as the inter-family relationships that influence family businesses. This would open a promising research avenue in relation to the 3CM model. As suggested by Tagiuri and Davis (1992) the interrelationship amongst the three groups can be the origin of conflicts affecting the family firm. Therefore, we here suggest the following research proposal:

> Research proposal 2: exploring the role of the WeC in relation to the three groups comprising the 3CM family business model.

This could assist, therefore, filling in Davis's 3CM and help to go in detail about how to manage it or, even, adding a new angle or approach.

Thirdly, the reviewed literature has shown the importance for family business to accomplish three key objectives, namely, transferring the business among generations, managing it strategically, and making their assets grow. These are the features that make family business unique, as well as the figure of the WeC. Thus, it should be of the interest of academics and practitioners to research the impact of the WeC and their traits on these aspects. Consequently, the following research path can be stated:

> Research proposal 3: establishing the relationship between the traits of the WeC and the general objectives of family business.

Moreover, in the literature we find differences between the WeC and the successor, but both are fed by research on the transfer of power and the study of transition in family businesses. Delving into the studies on the WeC could light up the transition from founder to family firm and the sustainability of family firms over time. Literature on succession and successors in family businesses would benefit from exploring the figure of the wealth creator.

> Research proposal 4: exploring how the profile of the WeC could ease the transfers of power and the business in family firms.

Besides, further research on the profile of the WeC as the backbone of the family business could be included in strategy when talking about concepts such as growth, transformation, innovation, resource management and entrepreneurship, which are part of the heart of Business Management research and fields where decision taking depends almost entirely on the figurehead of the business. It could also assist in explaining differences in decision taking in family businesses concerning, for instance, going international. Additionally, with reference to Behavioral studies, going in depth in the study of the figure of the WeC could lead in widening the knowledge of the effects of family dynamics on business strategy and behavior through learning about the mindset of the wealth creator.

> Research proposal 5: explaining the decisions taken by the WeC concerning corporate strategy and determining the impact of the behavior of the WeC when taking decisions at a corporate level.

Also, intergenerational wealth transfer in family firms is an important dimension of the family business research domain. Hence, one of the areas that would be directly and positively affected by the development of the figure of the WeC is that on wealth portfolio management and the transmission of wealth within family businesses. This includes, of course, the transmission of economic wealth, but also the transmission of socioemotional wealth, understood as the social capital and emotional heritage. This could help to ease wealth transfer, strategic portfolio management, multigenerational wealth preservation in family business and could let family offices shift beyond preservation into growth and transformation,lasting legacy of wealth across generations.

> Research proposal 6: analyzing the process of transgenerational wealth transfer in family business (and the role of the WeC within it) in order to diminish the risk of failure.

Finally, a comparison between countries or geographical areas or even among emerging countries, on the figure of the WeC in family businesses could provide relevant insights to compare results and performance of family businesses in different cultures and, perhaps, explain variables that, otherwise, remain unsolved. This brings up our last research proposal

> Research proposal 7: studying the profile of the WeC across countries and cultures in order to assess its evolution, contribution to society, and institutional relationships.

Arguably, these research avenues need to be explored thoroughly and profoundly, since different approaches can lead to different results but all of them providing value to family business management research and widening or even opening new paths to improve our knowledge on the field. Looking for answers emanating from this series of research proposals should undoubtedly help to explain many aspects of family businesses still to be resolved.

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