

The Wealth Creator and Family Business. A perspective article.

Carmen Nebot

ESADE Business School, Barcelona, Spain.

Javier Morales Mediano (corresponding author)

Universidad Pontificia Comillas, Madrid Spain

jmorales@comillas.edu

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Abstract

Approach: This perspective paper adopts a comprehensive approach to examine the multifaceted role of the wealth creator in the context of family businesses. It reviews the last decades of research that resulted in the identification of this role within family business and proposes future research avenues to further address their characterization and importance.

Purpose: The principal objective of this study is to identify and recommend auspicious research directions within the field of family business research, with a specific focus on the wealth creator. In conjunction with these research trajectories, the paper also aims to elucidate the potential implications of cultivating these lines of inquiry on the existing family business literature.

Findings: Investigating the wealth creator's attributes can provide insights into their role, the importance of timely identification, and its preparatory elements. Furthermore, this exploration can shed light on the dynamics of inter-family relationships within family businesses and enrich the literature on power transition and continuity in family enterprises. Additionally, the maturation of the wealth creator concept may significantly impact the management of wealth portfolios, facilitating smoother wealth transfer, strategic portfolio management, and the preservation of multi-generational wealth.

Value: This research offers a diverse understanding of the role of the wealth creator in family businesses. The findings also enhance our comprehension of family business dynamics, enriching the literature on succession. Lastly, the offered research avenues contribute to addressing the challenges of sustaining family wealth and ensuring the continuity of family businesses across generations.

Keywords: Wealth creator, family unit, succession planning, family wealth, family legacy

Introduction

Family businesses constitute a substantial segment of the business landscape and play a vital role in fostering the global economy (Ratten *et al.*, 2021). However, sustaining family wealth beyond the third generation poses a risk of erosion for both business families and economies (Astrachan, 2010). Hence, identifying individuals in these subsequent generations capable of preserving family wealth is essential. To address this issue, Davis *et al.* (1997) introduced the concept of the wealth creator (WeC), emphasizing their role in ensuring the long-term continuity of family wealth. The WeC not only facilitates the transition of the family business but also becomes the conduit through which family wealth endures over time (Davis, 2018).

Therefore, drawing upon recent decades of research, the primary objective of this study is to examine the emergence and acknowledgment of the wealth creator's role in family businesses. Central to this

study is also the aim to spotlight and advocate for promising research trajectories in the realm of family business studies, particularly accentuating the wealth creator. Parallel to outlining these research vectors, this paper endeavors to shed light on the potential ramifications of pursuing these research directions on the prevailing corpus of family business scholarship.

The wealth creator in the past years

Academic research within the domain of family business and family wealth significantly evolved in the last century (Gedajlovic et al., 2004). What sets family businesses apart is their distinct obligation to ensure the enduring legacy of family wealth (Chrisman *et al.*, 2003). The fundamental tenets underlying the long-term sustainability of family wealth and business succession includes: (1) the necessity for intergenerational business transfer (Morris *et al.*, 1997), (2) the adoption of a strategic, forward-looking business management (Mazzola et al., 2008), and (3) the expansion of assets encompassing family wealth (Rivo-López et al., 2020).

Notably, there has been a perceptible shift in mindset concerning the management of business families in recent decades (Jaffe and Lane, 2004). Family members engaged in corporate governance have transitioned from focusing solely on business accomplishments to emphasizing the expansion of the family's wealth portfolio over time (Moreno-Gené and Gallizo, 2021). To ensure this continuous augmentation of assets across generations, it is a requisite the nurturing of talents from within the family (Adil *et al.*, 2017). The individual embodying this talent must grasp the industry's intricacies, acquire the essential competencies for orchestrating family wealth's growth, and take into account the preferences of other family members (Davis, 2018). This underscores the need for at least one family member from each generation to evolve into a WeC, entrusted with stewarding family wealth and crafting a strategy for enhancing its assets.

Tagiuri and Davis (1996) posited that the WeC inevitably occupies the intersection among family members, business employees, and business owners. It is the WeC the linchpin of the family business,

rather than a mere successor (Davis, 2018). A distinct set of attributes and qualities are deemed requisite for successors in family businesses, such as, humility, forgiveness, empathy, curiosity, critical thinking, innovativeness, qualifications, and experience (Bentall, 2020; Schlepphorst and Moog, 2014; Soto Maciel *et al.*, 2015). However, Davis (2018) postulated that the WeC's distinct trait lies in their capacity to act as a change agent, remaining abreast of evolving times, maintaining familial unity, and managing family wealth accordingly. Without the WeC's pivotal role, the erosion of family wealth in the long-term is a distinct possibility.

Researching the wealth creator in the future

Given the research background elucidated, future investigations can pursue various trajectories within the domain of the WeC and family business management. Primarily, an essential stride involves a thorough and holistic exploration of the WeC's attributes. Such an inquiry holds the promise of unraveling the WeC's role, offering invaluable insights into the construction of this figure's profile, the significance of timely identification, and its preparatory aspects for family business sustainability. Subsequently, delving into the attributes of the WeC could have reverberations on ownership and control models within family businesses, as well as the dynamics of inter-family relationships. Thirdly, there is a compelling case for scholars to scrutinize the influence of the WeC and their attributes on the unique facets of family businesses. This includes the intergenerational transfer of the business, strategic management, and asset growth. Furthermore, it is noteworthy that although distinctions between the WeC and the successor exist in the literature, both draw from research on transitions in family enterprises (Tang and Hussin, 2020). A deeper exploration of WeC studies can illuminate the transition from founder to family firm and the sustainable continuity of family businesses, thereby enriching the literature on succession and successors.

Additionally, the maturation of the WeC concept stands to significantly impact the management of wealth portfolios and the transmission of wealth within family enterprises. This encompasses the

transmission of both economic wealth and socioemotional wealth. Such investigations can facilitate smoother wealth transfer, strategic portfolio management, and the preservation of multi-generational wealth in family businesses. Moreover, it can empower family offices to extend their purview from preservation into growth and transformation, ensuring a lasting legacy of wealth across generations.

Conclusion

In conclusion, delving deeply into the figure of the wealth creator, their attributes, and their potential impact on ownership and control models within family businesses would illuminate their main objective of perpetuating the family legacy and wealth across generations. This would provide a novel perspective on the predominant challenge faced by family businesses and, consequently, the economies underpinned by them.

Table I. Summary of proposed research avenues and potential outcomes.

Research avenue	Potential outcome
Exploration of WeC attributes	To reveal the WeC's role, insights into profile construction, the importance of identification, and the preparatory elements.
Impact on ownership and control models	To shed light on the dynamics of inter-family relationships.
Influence on unique family business aspects	To enrich the literature on power transition and continuity in family enterprises
Wealth portfolio management and transmission	To enhance wealth transfer, portfolio management, and multi-generational wealth preservation.

Source: Authors own creation

Arguably, these suggested research avenues (see table 1 for a summary) merit thorough and extensive exploration, recognizing that various approaches may yield diverse outcomes. Indeed, all of these paths offer significant value to family business research, ushering in new lines of inquiry for enhancing our comprehension of this field. The pursuit of answers to this array of research proposals undeniably holds the potential to address many unresolved aspects of family businesses.

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