Cracking the Code on Wealth Preservation: It is not about Money

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CRACKING THE CODE ON WEALTH PRESERVATION: IT IS NOT ABOUT MONEY

A study of wealth preservation in enterprise families who share ownership of multiple assets and multiple entities across multiple generations

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A study of wealth preservation in enterprise families who share ownership of multiple assets and multiple entities across multiple generations

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Geboren te Amsterdam

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FOREWORD BY DAVID ROCKEFELLER, Jr.

Maarten de Groot has written an important book on the subject of the longevity and cohesion of wealthy "enterprise families," as he calls them. And I hope it will be read by thousands of family leaders who are searching for the "secret sauce" which enables entrepreneurial families to sustain businesses, family wealth and family cohesion over multiple generations.

Clearly, the successful maintenance of a family business and the success of a family itself are very different matters. In fact, there are well known stories of families which are torn apart as a result of a core family business in which the business leadership fails to listen to family concerns or fails to engage the best family talent in the business. Too often, in my view, concern for the economic success of the family business causes the family business leaders to forget the human side of the equation and the long term health of the family system.

In the case of our Family, the wealth creator, John D. Rockefeller, had two Family members very close to him who early on advocated for the business success of the Standard Oil Companies to be balanced by thoughtful philanthropy and good public deeds. Those two were his wife Laura Spelman Rockefeller and his son, John D. Rockefeller, Jr. Fortunately for his heirs (I am member of the fourth generation), John Sr. listened attentively to his wife and son and made contributions as early as the 1880's to Spelman College in Atlanta, Georgia, for the purpose of educating young black women. Later on, at the urging of son John, John Sr. established the Rockefeller Foundation and gave early support to Chicago University, Rockefeller University and to an array of other universities which many would say established the field of Public Health.

While none of these actions directly improved the results of the Standard Oil Companies, they did lead to a more positive public view of the Rockefeller Family over all (something that great wealth often creates the opposite) and gave opportunities for subsequent generations of the Family to engage in the governance and support of enterprises which were created by Rockefeller philanthropy. Some leading examples would be Colonial Williamsburg, the Museum of Modern Art, and the China Medical Board.

My personal theory about the success of our Family in retaining social cohesion and financial well-being over nearly seven generations is that it takes deliberate and visionary leadership by members of the Family – who may or may not be the business leaders – to create both wealth management and social structures which strengthen Family bonds and minimize the risk financially of – shall we say – the wrong horses running away with the cart!

John Jr. was particularly adept at both of these, but so were his five sons and daughter. It was the latter group which created the Rockefeller Brothers Fund (another philanthropic foundation), built up the Family estate near New York City into an appealing gathering place for all Family members, and established the habit of regular gatherings of the generations at Christmas and at mid-year.

The Family Office seems to have become a staple among newly wealthy families in the U.S. and elsewhere, and – under the right leadership – of course they can be both transformative and stabilizing. In our case, our so-called Family Office at the beginning managed almost everything. It provided legal advice, investment advice and philanthropic advice to the oncoming generations. At one point, it even included a travel office and a ticket agency for Broadway attractions. And not unimportantly, it arranged the Christmas parties and kept up to date information on individual Family contacts.

Over time, these functions were separated, partly as a result of changing regulations and partly as a result of the different components requiring different skill sets if not different cultures. As a result, there is an independent for-profit enterprise today called Rockefeller Philanthropy Advisors which counsels our Family and many others on effective philanthropic giving. There is a growing financial services business called Rockefeller Capital Management. And there is a small Family Office which focuses on family communication, family solidarity and family leadership.

Maarten's book represents a scan of hundreds of Enterprise Families - both the failures and the successes - and attempts to extract lessons from the aggregated information thus derived. When our family was getting itself organized, I doubt that there was any comparable compendium of helpful tips, so we had to learn from our own mistakes rather than the experience of others. Where were you, when we needed you, Maarten?

I'm sure you will enjoy and be edified by this fine book.

David Rockefeller, Jr.

December, 2020

New York City

CHAPTER 1

Introduction

1.1 INTRODUCTION

"I feel like I am put over my father's knee, being spanked with one hand and being fed cake with the other hand"

(Rising generation enterprise family member)

"I do not know if he is going to be president, or in prison"

(Fifth-generation enterprise family council member)

"Family talent will show, but idiots will be idiots"

(Family office key executive, non-family member)

These quotes by three enterprise family insiders represent different viewpoints relating to the arduous preparation of the family offspring for their future role in the family enterprise. Rising generation preparedness is only one of the many wealth preservation moving parts. This PhD dissertation focuses on the concepts of family governance and family social capital and the role of the family office in relation to enterprise family wealth preservation. Many enterprise families have the objective of sustaining themselves for multiple generations into the future. They have to respond to environments filled with volatility, uncertainty, complexity, and ambiguity while remaining successful in preserving the family wealth, over generations. In this context, the ensuing question relates to the process of navigating challenges and embracing change. People often assess exemplary enterprise families and endeavor to reverse engineer successful results, without realizing that even successful families that simply navigated a number of generational transitions had made the best of what was thrown at them over time. In addition, enterprise families are altogether dissimilar and awash with different personality types, aspirations, interests, legacies, skills, gloomy episodes, and a multitude of other characteristics.

Keeping all family members happy, aligned, and committed to a common goal indeed comes with many challenges. To name a few factors, achieving such a state requires an ever-growing and dispersing family network to be able to make decisions together and work through the inevitable conflicts, engage in constructive debate, develop a common vision for the future, and create opportunities for family members to be involved in the enterprise (Hamilton, 2018; Jaffe, 2018). With the growth of the family, younger generations and more family members tap into the family wealth. Without some form of ardent action, the progeny can no longer pursue their dreams at some point in time (Gray, 2008). In addition, among enterprise families, the failure rate of pushing the family wealth beyond the next generation, regardless of country, tax laws, or economic cycle, is 70% (Williams & Preisser, 2003). This raises the question of why some enterprise families succeed when so many fail. My research strongly suggests that important root causes rest within the family system. Although the literature has heavily focused on the business unit, it has neglected the family level as a source of transgenerational continuity (Suess-Reyes, 2017). Therefore, I aim to open the drapes on a highly secretive unit of analysis.

1.2 UNIT OF ANALYSIS

For the purposes of my dissertation research, I define the enterprise family as an extended family group with a decision premise to maintain the family's control over the family enterprise across generations (transgenerational intention) (Franks, Mayer, Volpin, & Wagner, 2012; Suess-Reyes, 2017); furthermore, group members of such an enterprise family may not only share ownership of none, one, or several businesses but also manage significant investments, property, the family office, or a family foundation together

(Hamilton, 2018; Jaffe, 2018). My research responds to a call from Zellweger et al. (2019) who suggest “to move beyond the monolithic view of the family” (p. 210) by distinguishing between different types of families, as processes are likely to substantially vary between owner-manager, sibling partnership, and cousin consortium-type family enterprises (Zellweger, Chrisman, Chua, & Steier, 2019). I posit in my research that enterprise families are a more adequate concept to investigate the family level of analysis than a focus on entrepreneurship in business families (Dyer & Dyer, 2009) to explain the unusual phenomenon of wealth preservation.

A long list of people have asserted that the family as unit of analysis has been neglected (e.g., Astrachan, 2010; Dyer & Dyer, 2009; Heck, Hoy, Poutziouris, & Steier, 2008; Jennings, Breitkreuz, & James, 2014; Suess-Reyes, 2017; Zellweger & Dehlen, 2012). The early family business literature did focus on the family, however, mostly involved storytelling and anecdotal evidence with limited theory application or building. Contributions include perspectives on the impact of family norms on the business (Lansberg, 1983) or the influence of life stage of different family members for working together (Davis & Tagiuri, 1989) and the three stages of ownership (founder, siblings, cousins) and family business prosperity (Ward, 1987). In the mid-1980s to mid-1990s, the will to understand the role the family played in the performance of the family business was one of the key drivers behind the start of family business research (Aronoff, 2004; Davis & Tagiuri, 1989; Lansberg, 1983; Ward, 1987). However, scholarly attention to the family behind the business has declined with the integration of the field into organizational science (James, Jennings, & Breitkreuz, 2012). We witness a paucity of research that focuses on the enterprise family versus the family firm (Zachary, 2011).

The 2018 Family Enterprise Research Conference in Mexico revealed an interesting finding: academics who have been most influential in the field tended not to publish academic articles, concentrating their efforts on books and practitioners' articles instead. Thus leaving the role of the family and the family members understudied in academic circles. Research also points to other explanations: The dominance of management scholars in the field and their unfamiliarity with the subject (Dyer & Sánchez, 1998; Jaskiewicz & Dyer, 2017), the tendency of the time to conceptualize entrepreneurship on the individual level of analysis rather than as embedded in entrepreneurial families (Zachary, 2011), and an inclination to view 'family' and 'business' as separate spheres with different logics that should accordingly be treated separately (Aldrich & Cliff, 2003; Heck et al., 2008). While family business scholars drew heavily on a system approach and the three circle model (Tagiuri & Davis, 1996) the family business system, not the enterprise family system, received most attention.

One of the characteristics of enterprise families in this study is that their members share considerable wealth together. The public narrative about the wealthy has become deeply polarized in recent years. The wealthy have been placed at the center of discussion and have been criticized heavily (McCloskey, 2014; Moriarty, 2012; Piketty, 2014). Research has indicated that such families derive most of their wealth from the active ownership of family enterprises, and they do not reflect the stereotypical rich and famous of the popular lists (Carney & Nason, 2016).

In effect, enterprise families have a major impact on our society (Habbershon & Pistrui, 2002): they significantly contribute to global economic growth (White, 2017), employment (Shanker & Astrachan, 1996; White, 2017; Zahra, 2005), philanthropic capital (Boris & Wolpert, 2001), start-up finance (Steier, 2001), technological innovation (Zahra, Hayton, & Salvato, 2004), and even capital market performance (Anderson & Reeb, 2003; Caspar, Dias, & Elstrodt, 2010). In addition, those enterprise families with a transgenerational orientation are likely to perform better on the above benefits to society and the economy (White, 2017). Given the importance of enterprise families, a seemingly counterintuitive idea is that in the field of family business research, where the family is the crucial variable that theoretically distinguishes family businesses from other firms (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Suess-Reyes, 2017), the literature has thus far overwhelmingly focused on the business system and has neglected the family itself as a unit of analysis (Astrachan, 2010; Dyer & Dyer, 2009; Zellweger, Nason, & Nordqvist, 2012).

I acknowledge that family wealth preservation is a choice and not a prerequisite (Lowenhaupt, 2008). Several enterprise families joined the Giving Pledge and vowed to donate vast amounts of money while still preserving their ample wealth. The Giving Pledge initiative, which was created by Bill Gates and Warren Buffet, invites enterprise families around the world to donate a sizeable portion of their wealth to philanthropic causes or charitable organizations during their lifetime or in their will. However, the focus of my research is on enterprise families with the established objective of preserving family wealth for multiple generations. I have not examined the extent to which the enterprise families in my study donate their wealth to charitable causes. My research interest is in the mechanisms by which family governance family social capital, and the family office ameliorate multigenerational enterprise family wealth preservation (see Figure 1.1).

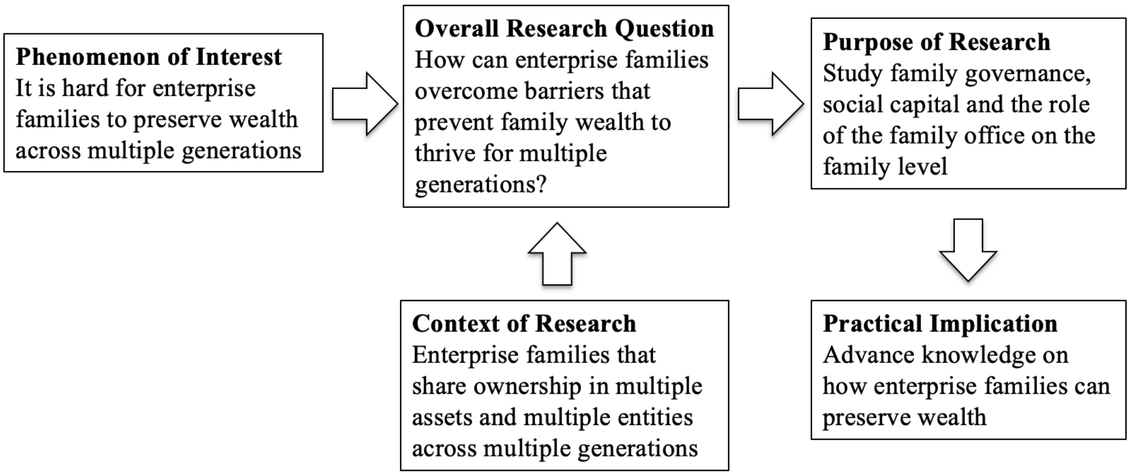

Figure 1.1 ***Research interest, research question, research purpose, research context, and practical implication***

1.3 CONCEPTUAL BACKGROUND

The general problem statement of this dissertation relates to the limited understanding of how enterprise families, with diverging and unique geographical, situational, historical, and cultural contexts, can overcome the barriers that prevent the family wealth from thriving for multiple generations. Growing enterprise families with increasing progeny and diminishing social capital due to loosening family ties typically encounter barriers to communication and the preparation of the next-generation members toward achieving the aim of transgenerational wealth preservation (Williams & Preisser, 2003). Wealth preservation refers to the goal of the extended family to secure monetary prosperity for successive generations. Less than 15% of the enterprise families in the Forbes 400 were still listed one generation later (Zaharoff, 2004). Such high failure rates may be due to the fact that wealth preservation comes with a different set of challenges from those associated with establishing and growing a prosperous family business. The successful preservation of family wealth over multiple generations is difficult. Business historians have pertained to such phenomenon as the "Buddenbrooks syndrome". The term is derived from

Buddenbrooks, the 1901 novel by the German writer and Nobel laureate Thomas Mann about the rise and fall of his merchant family over multiple generations.

Practitioner literature acknowledges "a mismatch between families' good intentions and actual dynamism toward ensuring family wealth success" (Gray, 2011a, p. 9). Transgenerational entrepreneurship research has suggested that families need an entrepreneurial skill set and the transmission of an entrepreneurial legacy to maintain family wealth (Jaskiewicz, Combs, & Rau, 2014; Jayawarna, Jones, & Macpherson, 2014). Transgenerational orientation refers to the will of the family to ensure the survival of the family enterprise into the future. More specifically, it represents "a decision premise that frames decisions regarding the long-term survival and success of the business (or in our case the enterprise as a whole) and intra-family succession" (Frank, Kessler, Rusch, Suess-Reyes, & Weismeier-Sammer, 2016, p. 22). In other words, families with a transgenerational orientation make decisions that consider long-term sustainability and the impact that they will have on future generations. Such long-term considerations are evidently a prerequisite for preserving wealth over multiple generations; nonetheless, a transgenerational orientation should not be assumed as a given: family members may decide to harvest profits, sell the business and go their separate ways, or individually pursue investments (Berent-Braun & Uhlaner, 2012; Lambrecht & Lievens, 2008).

Moreover, Zellweger et al. (2012) argue that the ultimate measure of success is a family's ability to generate wealth rather than the longevity of a particular business. The literature may have overestimated the number of family enterprise failures, considering that an exit from the original single business may in fact be the beginning of an enterprise family with a portfolio of businesses, investments, and other corporate assets such as trusts (Zellweger & Kammerlander, 2015; Zellweger et al., 2012). Hence, my focus on the enterprise family context encompasses families with a single-family business, a portfolio of business, or without any businesses, yet share ownership in investments, property, a family office, or a foundation. My research indicates that challenges for these transgenerational enterprise families relate to the retention of trust and ensuring collective family action to preserve wealth by developing sound decision-making capabilities through family governance and by creating high-quality and close family relationships via family social capital. After all, sustaining a family enterprise and preserving wealth over multiple generations require a functioning family system.

In the next sections, and to further reveal micro-foundations rather than macro-level business outcomes, I focus on the concepts of family governance and family social capital. An emphasis on the mechanisms operating at the micro level allows for "reducing the use of explanatory black boxes" (De Massis & Foss, 2018; Shepherd & Suddaby, 2017), thus moving the field forward. The "family" arguably constitutes such a black box in the literature (Zellweger et al., 2019). As the family office entity has not received much attention in the literature in general, contributions to the family governance literature have dismissed the family office as a money management entity and therefore irrelevant to the family system and its governance (Suess, 2014). By contrast, practitioners observed that enterprise families place particular value on soft services (Rosplock & Hauser, 2014) and that family offices are at least as much concerned with wealth preservation and mediation of social relations as with family investments (Glucksberg & Burrows, 2016). Thus, I include the role of the family office in my analysis and conclude this section with a conceptual background on the family office.

1.3.1 Family Governance

The family governance system is a set of principles, policies, and practices that are followed by the family members and define how an enterprise family makes decisions

(Angus, 2005). Family governance facilitates sustainability over time through decision-making aimed at adapting to changes (Capasso, Gallucci, & Rossi, 2015). The most common family governance practices are the family meeting, family council, and family constitution (Suess, 2014). Family governance is not simply about financial decisions and business control but is also pertinent to decisions on how to prepare the next generation and how to convene family activities to improve the family's social capital. Family governance provides the structural settings in which interactions between family members transpire (Suess-Reyes, 2017; Sundaramurthy, 2008). From a certain level of complexity onwards, enterprise families require more formal mechanisms for organizing these interactions (Mustakallio, Autio, & Zahra, 2002).

We lack theoretically based insights into the benefits and effects of governance at the family level, as well as the processes and conditions that make governance effective. In other words, we recognize that family governance mechanisms are important organizing tools for multigenerational families; however, given the prevalence of anecdotal or quantitative approaches (Suess, 2014), we do not know how they work at the family level (Zachary, 2011). Some scholars aim to achieve this goal by integrating theories from family science into the literature (Dyer & Dyer, 2009; Jaskiewicz, Combs, Shanine, & Kacmar, 2017; Jennings, Breitkreuz, & James, 2014), whereas others have begun to explore the effects of self-organization within the family on family business success (e.g., Berent-Braun & Uhlaner, 2012; Blumentritt, Keyt, & Astrachan, 2007; Brenes et al., 2011; Martin, 2001; Mustakallio et al., 2002; Poza et al., 2004).

Governance incorporates both formal control and social control aspects (Mustakallio et al., 2002). Formal governance structures provide not only a communication forum that strengthens relational social capital but also formal rules that allow for transparency, procedural fairness, and predictability, which in turn reinforce interpersonal bonds (Sundaramurthy, 2008). Trust is a relational social capital dimension; in particular, interpersonal trust can be fostered or impeded by the organizational context. Research has suggested that trust is critical to the effectiveness of work teams such as family councils, generational groups, and family committees (De Jong & Elfring, 2010). Governance impedes trust if trustworthy actions are ignored (Puranam & Vanneste, 2009). Evidence suggests that only a few individuals demonstrate unconditional trust and cooperation (Ostrom & Ahn, 2003). In large and extended enterprise families, people are unlikely to trust each other blindly, no matter how high the stakes. This aspect precisely explains why governance brings some guarantees to family members regarding collaborative behavior.

Thus far, the literature seems to have taken for granted that family governance leads to family social capital; furthermore, it has not clarified how one influences the other. Hence, instead of employing quantitative methodologies to take the mere existence of family governance practices as a proxy for measuring how they correlate with hypothesized effects, researchers should “document and identify” (Mustakallio et al., 2002: p. 220), “use indicators of family processes” (Gudmunson & Danes, 2013: p. 400), and “consider the actual usage” (Suess-Reyes, 2017: p. 770) of family governance practices. Family governance is positively associated with family unity (Brenes et al., 2011; Jaffe & Lane, 2004; Koeberle-Schmid, Kenyon-Rouvinez, & Poza, 2014; Martin, 2001) and family dynamics (Suess, 2014). Building on these ideas, my research reveals *how* and *when* family governance practices hold significant potential to enhance family social capital by improving a family’s ability to deal with unavoidable tensions in expanding enterprise families and unlock resources that influence exchange.

1.3.2 Family Social Capital

The basic assumption in social capital theory is that social relations create unique resources and that the goodwill of individuals toward each other is valuable (Adler & Kwon, 2002; Pearson et al., 2008). Social capital is an umbrella concept, which contains all the resources that reside within relationships, such as trust, cohesion, or shared norms and the will to consider the goals of the group as much as individual goals (e.g., Coleman, 1988; Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998; Pearson, Carr, & Shaw, 2008). *Family* social capital is a variation of bonding social capital because of kinship ties, longstanding relationships since childhood, and the shared history of the family enterprise (Herrero, 2018). In my research, I refer to family social capital as the goodwill between family members and the mechanism through which they access or create beneficial relational resources that translate into capabilities such as collective action and problem solving. Additionally, family social capital is a capacity for resilience, which enables families to deal with inevitable tensions, giving them a capability for effective problem solving (Gudmunson & Danes, 2013).

Enterprise families confront particular challenges in this regard, especially with families in the third generation or beyond (cousin consortium), given weakening family ties and dispersion, as well as the fact that family members will not automatically all know each other anymore. Wealth creation is unlikely to outpace the dilution of wealth when the number of family members rapidly multiplies, with new generations and rivalries eating into the family wealth. This drop in family social capital accelerates the process, while simultaneously reducing the ability to generate new sources of wealth. The higher the family complexity, the more the quality of relationships require strong family social capital for the purpose of collective action toward common goals.

In family business research, an ample amount of attention has been given to the conceptual properties of social capital (e.g., Arregle et al., 2007; Herrero, 2018; Pearson et al., 2008) or its outcomes in terms of performance (e.g., Carr, Cole, Ring, & Blettner, 2011; Herrero & Hughes, 2019), family cohesiveness (Salvato & Melin, 2008), or transgenerational orientation (Suess-Reyes, 2017). Recent studies have emphasized the need to identify the family-based origins of social capital, thus opening the black box of within-family relationships (Zellweger et al., 2019), and to boost the understanding of mechanisms such as modeling, rituals, and stories (Kammerlander, Dessì, Bird, Floris, & Murru, 2015; Le Breton-Miller & Miller, 2015). In other words, the concept of how family social capital is maintained within enterprise families is not well understood because social capital formation has been insufficiently examined at the family level of analysis.

In my research, I address this gap and contribute to the already rich social capital literature by explaining how enterprise families can enhance their social capital. I further posit that family social capital deficiencies may partly explain the high failure rates in wealth preservation. Success in family business may well be dependent on social capital created by relationships with the outside world (Stam, Arzlanian, & Elfring, 2014). However, in case of wealth preservation, I argue that success is dependent on social capital created by relationships between family members. This factor also differentiates one family from the other. Wealth preservation success depends on maintaining those relationships.

1.3.3 Family Office

In general terms, enterprise families create family offices, with the main goal of managing and preserving family wealth and coordinating personal services. In the literature, family offices are an under-researched phenomenon and labelled "mysterious entities" (Glucksberg & Burrows, 2016, p. 4). The family office sector has undergone a remarkable growth in recent years, and scholars have only begun to explore the subject and provide only very general accounts (e.g., Decker & Lange, 2013; Glucksberg & Burrows, 2016) yet rarely embed family offices into a theoretical framework. Unsurprisingly, insights into the question of how these dedicated entities relate to the enterprise family are scant. The family office is responsible for managing family wealth that consists of both financial capital and non-financial capital (e.g., Collier, 2003; Gray, 2008; Wessel, Decker, Lange, & Hack, 2014). A universal definition is difficult to provide because of many different types of family offices (Bierl & Kammerlander, 2019). Most definitions emphasize the administrative and wealth management activities of the family office (e.g., Decker & Lange, 2013; Fernández-Moya & Castro-Balaguer, 2011; Glucksberg & Burrows, 2016; Jaffe & Lane, 2004; Suess, 2014; Welsh, Memili, Rosplock, Roure, & Segurado, 2013; Wessel et al., 2014) (see Table 1.1).

The literature tends to distinguish between single family offices, multi-family offices, and institutional family offices (Decker & Lange, 2013; Wessel, 2013). In my research, I focus on enterprise families with *single* family offices, as multi-family offices serve multiple families and single family offices act as a sole access point for the family (Decker & Lange, 2013; Gray, 2011b; Hauser, 2001; Newton, 2002; Zeuner, Lagomasino, & Ulloa, 2014). Adding to the confusion - and unjustly devaluing family office to a trend word - are the institutional actors such as professional wealth managers, calling themselves a family office but not being one in the "true" sense of the term "family" (Fernández-Moya & Castro-Balaguer, 2011; Hauser, 2001; Newton, 2002; Rosplock & Hauser, 2014; Wessel et al., 2014; Zeuner et al., 2014).

Table 1.1. ***Definitions of Family Office***

Author	Definition	Form	Purpose	Non-Fin.
Decker et al., 2013	*Administrative body that exercises control over complex financial and personal issues. It provides advice to one or more families over several generations.* (p.298)	administra-tive body	control & advice on financial and personal issues,	no
Hauser, 2001	*Entity with a strong family relationship which is fully dedicated to its needs, provides personal care and integrates all financial aspects of personal wealth into a single institution.* (p.15)	entity	dedicated, personal care, integrating financial aspects	yes
Glucksberg et al., 2016	*Serve as a unifying force keeping the money intact as the families have moved out of the entrepreneurial risk-taking business that formed the basis of their wealth.* (p.6)	unifying force	money management, create dynasties	yes
Gray, 2011	*The flow-through entity that facilitates the (flow) of strategic directives from the family governance system and support for materializing the dreams of family members from the family business system back to the family.* (p.42)	flow through entity	implementation of strategic directives	yes
Jaffe et al., 2004	*Administrative structure that provides services to family members and monitors family investments.* (p.95)	administra-tive structure	monitoring, servicing, money management	no
Fernández-Moya et al., 2011	*Private office for managing and preserving the wealth of the proprietor family.* (p.84)	private office	managing & preserving wealth	no
Suess, 2014	*Manages wealth, provides professional advice for management and the shareholders meeting as well as a family foundation that collaborates with the family office.* (p.139)	manages wealth, advice	managing wealth, advice	no
Welsh et al., 2013	*Unique business that is created to provide tailored wealth management solutions in an integrated fashion while promoting and preserving the identity and value of the family.* (p.213)	unique business	wealth management, preserving identity	yes
Wessel et al., 2014	*Dedicated to the preservation of entrepreneurial families' fortunes and the provision of tailored services for family members.* (p.37)	dedicated	wealth preservation, tailored services	yes
Zellweger et al., 2015	*Separate legal entity placed between the family and its assets that is solely devoted to the management of the affairs of a single family.* (p.1290)	seperate legal entity	management of family affairs	yes

The origin of the single family office can be traced back to the 19th century, when the first institutions were established to help families in managing their patrimony (Fernández-Moya & Castro-Balaguer, 2011). The key function of single family offices (i.e., money management) has remained the same over time; on the contrary, modern family offices have acquired new non-financial tasks (i.e., education of family members and philanthropy) and have undergone a process of professionalization. Several decades ago, practitioners began to recognize wealth preservation in addition to wealth creation as the main goals of the single family office (e.g., Gray, 2007; Hauser, 2002; Jaffe & Lane, 2004; Martin, 2001).

The scarce literature has started to analyze family offices from an agency and stewardship perspective (Wessel, 2013; Zellweger & Kammerlander, 2015) as well as their role in transgenerational entrepreneurship (Bierl & Kammerlander, 2019). However, an ambiguous aspect is the role of single family offices in providing the non-financial services that both render the governance system more effective and generate social capital within the family. A division exists between two related yet largely separate bodies of literature regarding the family office's precise achievement of its wealth preservation objective. On the one hand, the first body of literature argues that the family office primarily offers financial services, with an emphasis on money or wealth management (e.g., Amit, Raphael & Liechtenstein, 2009; Fernández-Moya & Castro-Balaguer, 2011; Newton, 2002; Suess, 2014). The financial services provided by family offices typically include investment management, bill payment, tax, insurance, succession planning, accounting, and reporting. On the other hand, the second body of literature focuses on the qualitative, rather than the quantitative, nature of the most important functions of the family office, similarly underscoring its non-financial goals (e.g., Decker & Lange, 2013; Glucksberg & Burrows, 2016; Welsh et al., 2013; Wessel et al., 2014).

The non-financial services provided by family offices normally range from educating the next generation enterprise owners, counseling, conflict management, philanthropy, and security, to travel and occasionally even concierge services. A main limitation of the first perspective is that it treats the family office as finance managers; furthermore, it disregards the fact that the practitioner literature stresses that soft services such as education and having the family connection represent the real assets of family offices, not investment management (e.g., Gray, 2011; Hauser, 2001; Lowenhaupt, 2008; Rosplock & Hauser, 2014; Zeuner et al., 2014). Research also indicates that only two out of 10 families exclusively attribute financial priorities to the family office, whereas the remaining eight are characterized by balancing priorities between financial and non-financial objectives (Wessel, 2013).

Enterprise families are unique, and each single family office is distinct in terms of its structure and the services it provides, both of which reflect the objectives of the enterprise family (Decker & Lange, 2013; Wessel et al., 2014) and its particular context (Fernández-Moya & Castro-Balaguer, 2011; Gray, 2011b). For example, the number of generations and family branches, geographic spread, and diversity in characters and education will determine the governance structure and strength of the family social capital as well as the format and activities of the family office (Gray, 2011b; Suess, 2014). The extant literature acknowledges the investment management task of the family office, but a focus on money management alone does not engender family wealth preservation (Williams & Preisser, 2003). The relational resources of family governance and social capital contribute to wealth preservation as much as investment management does. The family office is eminent in equilibrating the financial with the non-financial considerations of the enterprise family.

Table 1.2 ***Core Concepts in this Dissertation***

Concept of Study	Employed Definition
Enterprise Family	The extended family group with a decision premise to maintain the family's control over their family enterprise across generations (transgenerational intention) (Franks, Mayer, Volpin, & Wagner, 2012; Suess-Reyes, 2017), and where group members may not only share ownership of none, one or several businesses but also manage significant investments, property, the family office or a family foundation together (Hamilton, 2018; Jaffe, 2018).
Family Enterprise	Family controlled organization that may include none, one, or more family businesses, in addition to shared property, investments, a family foundation and/or the family office (Hamilton, 2018; Jaffe, 2018).
Wealth Preservation	The goal of the extended family to secure monetary prosperity for successive generations.
Family Governance	The set of principles, policies and practices that are followed by family members and define how an enterprise family makes decisions (Angus, 2005; Strike, 2012) that facilitate sustainability over time through decision making aimed at adapting to changes (Capasso, Gallucci, & Rossi, 2015).
Family Social Capital	The goodwill between family members and the mechanism by which they access or create beneficial relational resources that translate into capabilities such as collective action and problem solving (Adler & Kwon, 2002; Pearson et al., 2008; Gudmunson & Danes, 2013).
(Single) Family Office	Family dedicated entity with the main goal to manage and preserve family wealth, which consists of both financial capital and non-financial capital, and coordinate personal services.
Cousin Consortium	The extended family at a later generational stage (i.e., third generation and beyond).
Organizational Structures	The combination of fundamental principles, based on informal rules and guidelines, and representative bodies (such as family councils and committees), which are used to coordinate the joint activities of the enterprise family by defining principles and responsibilities as well as by allocating and dividing tasks.
Family Learning	The efforts of the enterprise family itself to transfer knowledge, skills and values to the younger generation (i.e., not learning acquired at school or university).
Family Identity	The individual family members' perceptions of belonging to the family social group (Ashforth & Mael, 1989).
Family Grounding	The physical places or properties that have been in the family for multiple generations and that the family collectively owns.

1.4 RESEARCH QUESTIONS AND APPROACH

Earlier research leaves a number of important questions open with regard to the roles of family governance, family social capital, and the family office in the context of enterprise families striving for wealth preservation. How do enterprise families make efficient use of family governance? How do they built and maintain family social capital? What are the antecedents of the latter? How are family governance and family social capital related and what is the role of the family office in this relationship? Can the use of governance help explain why some enterprise families show higher social capital than others?

The primary aim of this dissertation is to gain useful insights into answering such questions and to enhance the understanding of the secretive and difficult-to-access enterprise family unit of analysis by shifting from the family enterprise to the family behind these enterprises (Zellweger et al., 2012). The additional goal of the current research is to advance family business literature by helping to unpack the black box of building and maintaining family relationships (Zellweger et al., 2019) by advancing the understanding of how family governance affects social capital and recognizing the effect of ownership on social capital. Table 1.2 presents an overview of the concepts used in this dissertation.

The ultimate objective of this dissertation is to explore the concepts of family governance, family social capital, and family office and to examine the relationships in empirical research. In this dissertation, I address the following general problem statement:

How can enterprise families, with diverging and unique geographical, situational, historical, and cultural contexts, overcome the barriers that prevent the family wealth from thriving for multiple generations?

My research journey commenced by using the broad and overarching general problem statement to frame the conceptual and empirical investigation of the dissertation. I raise and answer three specific research questions (RQs) in Chapters 2, 3, and 4, respectively. First, to identify the analytical boundaries of academic fields that follow a wealth preservation perspective, we need to know: *How do the enterprise family resources of family governance, family social capital, and family office facilitate high-quality decision-making and close family relationships, which can enhance collective family action toward wealth preservation?* (RQ1). Second, to address family social capital antecedents and understand how successful and complex multigenerational enterprise families engage in developing and using principles, programs, and entities to enhance social capital, I posit this question: *How do enterprise family cousin consortiums enhance social capital to preserve family wealth?* (RQ2). Third, to boost the understanding of the role of family governance in relation to family social capital, I explore this question: *How and when (i.e., under what conditions) does family governance enhance enterprise family social capital?* (RQ3). These research questions are answered on the basis of a conceptual framework and both qualitative and quantitative empirical studies. See Table 1.3 for an overview of the research questions and contributions per study.

To address research question one (RQ1), I developed a conceptual model that captures the links between family governance mechanisms and internal social capital plus the role of the family office in mobilizing them. The qualitative empirical study covers research question two (RQ2), whereas the quantitative empirical study addresses research question three (RQ3). Subsequent to the development of the conceptual model that demonstrates a bi-directional relationship between family governance and social capital,

Table 1.3 ***Research Questions and Contributions***

Research Question	Contributions
RQ1: How do enterprise families, with diverging and unique geographical, situational, historical and cultural contexts, preserve wealth over multiple generations?	Family governance and internal social capital are essential for wealth preservation, and we conceptualize a bidirectional mechanism that drives preservation success. We integrate the family into the family business literature. The role of the single family office in wealth preservation is to manage family governance mechanisms and support family relationships.
RQ2: How do enterprise family cousin consortiums enhance social capital to preserve family wealth?	We suggest a model that captures how family social capital is enhanced and we shift the level of analysis from the family firm to the enterprise family. We help to unpack the black box of building and maintaining family relationships by identifying four aggregate dimensions that enhance family social capital.
RQ3: How and when (i.e., under what conditions) does family governance enhance enterprise family social capital?	Family governance can help to explain why some enterprise families show higher social capital than others. Family governance can help to enhance family social capital by instigating enterprise families to build up (1) family learning and (2) family identity. We advance understanding on the effect of ownership on social capital, and contribute to prior research by considering when (i.e., under what conditions) family governance practices are most effective in enhancing family social capital.

I realized that I could write at least two dissertations: one on the relationship between family governance and social capital, and another one on the reversed relationship. I focus on the former because family business research has devoted considerable time and energy to the conceptual properties of social capital (e.g., Arregle et al., 2007; Herrero, 2018; Pearson et al., 2008) but far less to the family-based origins of social capital (Zellweger et al., 2019). In other words, the process of maintaining family social capital within enterprise families is not well understood because social capital formation is insufficiently examined at the family level of analysis. By emphasizing the antecedents of family social capital and the nature of the relationship between family governance and family social capital, I can cross two "Ts" with one stroke of the pen (Timely Thesis).

Table 1.4 ***Research Approaches***

	Chapter 2	Chapter 3	Chapter 4
Title	Preserving family wealth: the roles of governance, social capital and the family office	Enterprise families: toward a theory of family social capital in the cousin consortium	Governance and social capital in enterprise families: a moderated mediation framework
Research focus	Conceptualization of bidirectional relationship family governance and social capital Moderating role of family office in relationship between family governance and social capital	Antecedents and mechanism of family social capital enhancement in cousin consortiums Development of four aggregate dimensions	Mediators and moderators of family governance and social capital relationship in enterprise families
Level of analysis	Enterprise families Family offices	Enterprise families	Enterprise families
Research method	Conceptual	Qualitative Multiple-case study Gioia method, with three levels of abstractions based on in-depth interview and complementary data	Quantitative Survey based study Multiple ordinary least squares regressions to test moderated mediation model
Sample	n/a (conceptual paper)	25 interviews 22 informants across seven cases	175 survey responses from key family members and family office executives
Data collection	n/a (conceptual paper)	Semi-structured interviews	Survey
Method of analysis	Theoretical development of seven propositions	Inductive	Deductive
Theoretical framework	Social capital theory Trust	Social capital theory	Social capital theory

To answer the research questions in this dissertation, I adopted a multi-method and multi-source research design. For nascent and intermediate researched areas, Edmonson and McManus (2007) argue that qualitative research provides an opportunity to observe and explore. Thus, I employed an inductive multiple-case research design to investigate the antecedents of social capital in enterprise families based on semi-structured interviews. To improve the understanding of the role of family governance in its relationship with family social capital, I employed a deductive hypothesis testing research design based on surveys (see Table 1.4).

DATA COLLECTION AND ANALYSIS

This section describes the sampling and collection of data and the methods used in analyzing these data. First, the extensive nature of this research was only possible because of my prior experience and network in the realm of global transgenerational enterprise families. Gathering data was difficult (access), intrusive (privacy), and costly (travel). With the assistance of the Global Enterprise Families Institute, the knowledge center of Family Office Exchange, I was able to contact many more enterprise families otherwise left beyond my reach.

The results reported in Chapter 3 were based on empirical data that had been collected through the purposive sampling of multiple cases of successful enterprise family cousin consortiums from the United States and Europe, which exemplified the unusual phenomenon of transgenerational enterprise family wealth preservation over at least four generations. I conducted 25 one-on-one interviews with the informants, in some cases multiple interviews. The interviews typically ranged from 50 to 100 minutes. The informants operate at the core of the family enterprise and demonstrate a broad and deep understanding of the family dynamics and relationships. The seven cases in the study represented enterprise families with legacies going back more than 100 years, families ranging from several dozen to 300 family members, and with net assets in the order of hundreds of millions to many billions of dollars. To obtain both the individual cases' background information and some contextual insights, I attended family board, office, and social gatherings, utilized family archives, and collected published information and observational data. Data collection occurred between May 2018 and February 2019. To analyze the data, I performed within-case and cross-case analyses with no a priori hypotheses and applied the Gioia methodology comprising three different levels of abstraction (first-order codes, second-order themes, aggregate dimensions) (Gioia, Corley, & Hamilton, 2012).

The research presented in Chapter 4 was conducted on a random sample of wealthy enterprise families with roots in North America, Europe, Latin America, Asia-Pacific, the Middle East, and Africa. In total 1,020 enterprise families around the world were contacted in my network and that of the Global Enterprise Families Institute, and the response rate was close to 22%. The deletion of incomplete responses reduced the final sample to 175. The oldest family enterprise in the sample dates back to the early 1700s, representing 12 generations. The largest family spans 12 branches, with some families comprising more than 1,000 members. The survey was launched and completed from May 2019 to October 2019. To examine the data, I used SPSS Statistics to conduct construct validity and reliability analysis, exploratory factor analysis, bivariate correlation calculations, common method bias tests using Harman's one factor test, multicollinearity tests using variance inflation factor assessment, ordinary least squares regressions, and bootstrapping.

The specific methodological approaches and considerations for each empirical study in this dissertation are outlined in their respective chapters (Chapters 3 and 4).

1.5 DISSERTATION OUTLINE

The dissertation consists of five chapters and Figure 1.2 depicts the structure of my dissertation. This section presents an overview of each chapter. Chapter 1 provided a brief introduction on wealth preservation, family governance, and family social capital as well as the role of the family office. It also described the motivation for this dissertation, in particular with respect to the topic of enterprise family wealth preservation. Furthermore, Chapter 1 outlined the research questions and described the data and empirical analysis, concluding with an overview of the remaining chapters.

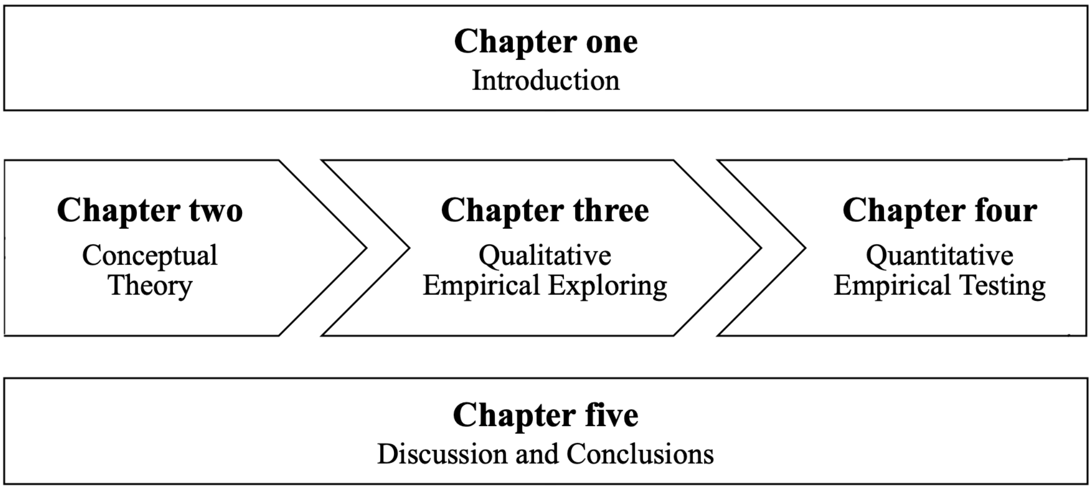

Figure 1.2 ***Structure of the Dissertation***

In Chapter 2, I address the growing number of calls to integrate the family as unit of analysis in the family business literature. By focusing on wealth preservation in enterprise families, I develop a conceptual framework in the family rather than the business system. I conceptualize family governance, family social capital, and family office as family resources and argue that their interactions drive wealth preservation. Specifically, I illustrate how these three resources facilitate high-quality decision-making and close family relationships, which can enhance collective family action toward wealth preservation. In addition, I contribute to the debate on the role of the family office and argue that the family office serves a moderating role in the relationship between family governance and social capital on the one hand, and wealth preservation on the other hand.

In Chapter 3, I tackle the recent calls to uncover the origins of family social capital. Employing a multiple case study method, I offer an in-depth understanding of how family social capital is enhanced by exploring transgenerational enterprise family cousin consortiums. This study advances the knowledge of this secretive and difficult-to-access unit of analysis by analyzing seven cases where the enterprise family has maintained monetary prosperity for multiple generations. This inductive qualitative study implies that enterprise family social capital appears to be enhanced by organizational structures, family learning, family identity, and family grounding. With these aggregate dimensions, I distinguish my analysis from other studies in the literature on wealth creation through business venturing.

In Chapter 4, I argue that although family business research has considerably focused on the benefits of family social capital, an understanding of how enterprise families build and maintain social capital is still lacking. I theorize and quantitatively test both issues of how and when family governance practices enhance social capital by considering family learning and family identity as mediators and both generational ownership and business ownership as important contingencies. I test the moderated mediation framework using data from 175 enterprise families from around the world. My findings suggest that family learning and family identity have a positive relationship with family social capital. The study further indicates a first-stage positive moderating role of generational ownership, and a second-stage negative moderating role of business ownership in these indirect relationships. Figure 1.3 schematically describes the overarching framework for the dissertation and can function as a map of the research.

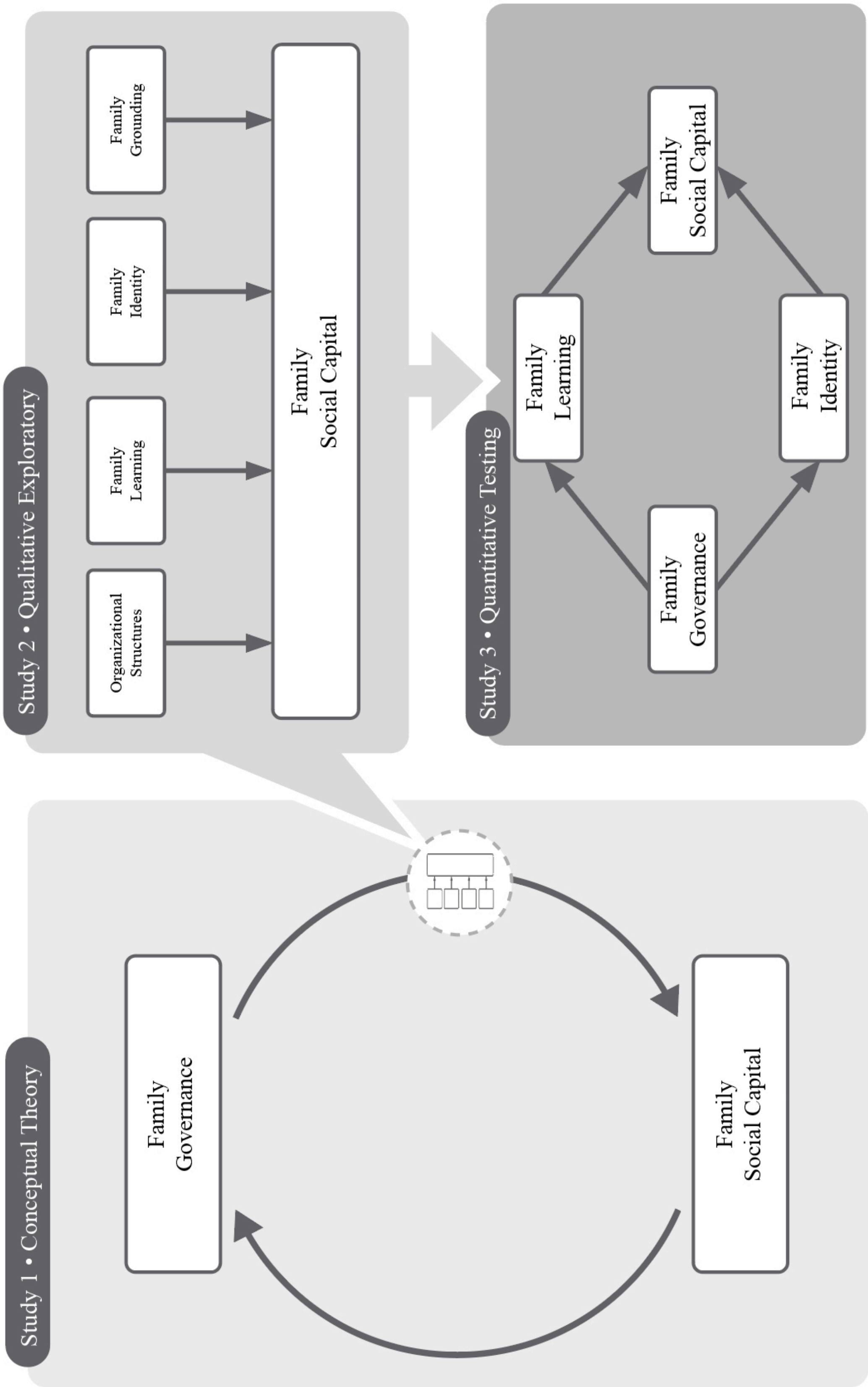

Figure 1.3 ***Overarching Framework of the Dissertation***

In Chapter 5, I provide a summary of the key findings from the studies. I discuss the general theoretical implications of my research and explain how this dissertation may be positioned within the field of family business literature by underscoring its relationship with social capital theory. I subsequently identify the limitations of the research, provide suggestions for future investigations into this area, and discuss the practical implications of this research. Chapters 2 to 4 are each structured as an individual research paper with their own abstract, introduction, theoretical framework, development of propositions or hypotheses, methods, findings, and discussion section. Due to the nature of the studies, some overlap of theoretical issues is unavoidable. In this dissertation, I alternate between "I" and "we." The papers presented in Chapters 2 to 4 were written in close cooperation with my promotor and co-promotor. I use "we" to refer to the collaborative work of these studies.

The study in Chapter 3 has been presented at the Academy of Management Conference 2020; meanwhile, the study in Chapter 4 is under review with Family Business Review. The studies in Chapters 2 and 3 have been presented at practitioners conferences with enterprise family leadership at the Global Enterprise Family Conferences in Milan 2018, Madrid 2019 and London 2020 (online). These studies will also be submitted to academic journals in the near future.

CHAPTER 2

Preserving Family Wealth: The Roles of Governance, Social Capital and the Family Office

Abstract.

Our study addresses the growing number of calls to integrate the family as unit of analysis in the family business literature. We focus on wealth preservation in enterprise families to develop our conceptual framework in the family rather than the business system. We argue that the underlying reason for difficulties in preserving family wealth over multiple generations is a breakdown of trust within or across family generations that hinders collective family action. We conceptualize family governance, family social capital and the family office, as family resources and argue that their interactions drive wealth preservation. Specifically, we illustrate how these three resources facilitate high-quality decision-making and close family relationships, which can enhance collective family action toward wealth preservation. In addition, we contribute to the debate on the role of the family office and argue it serves a moderating role in the relationship between family governance and social capital on the one hand, and wealth preservation on the other hand.

Keywords: family governance, social capital, family office, trust, wealth preservation.

2.1. INTRODUCTION

There is a 70% failure rate among enterprise families to push the family wealth beyond the next generation, regardless of country, tax laws, or economic cycle (Williams & Preisser, 2003). Such high failure rates may be due to the fact that wealth preservation comes with a different set of challenges from those associated with establishing and growing a prosperous family business. Although most families fail to preserve wealth over multiple generations (e.g., the Vanderbilt family, which failed after the third generation), there are some families that are able to do so (e.g., the Rothschild family, now in its eight generation). So, how do enterprise families, with diverging and unique geographical, situational, historical and cultural contexts, preserve wealth over multiple generations?

Existing research fails to explain the role that families play in preserving their attained wealth over multiple generations (Astrachan, 2010; Dyer & Dyer, 2009; Pearson et al., 2008; Zellweger & Kammerlander, 2015; Zellweger, Nason, & Nordqvist, 2012). Research shows family functionality and relationships are held to be key factors of both family business success as well as wealth preservation (Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007; Hoffman, Hoelscher, & Sorenson, 2006; Kidwell, Kellermanns, & Eddleston, 2012; Lubatkin, Schulze, Ling, & Dino, 2005; Pearson et al., 2008). While family governance mechanisms are associated in literature with improved outcomes in strategic decision-making (Mustakallio et al., 2002), business financial performance (Berent-Braun & Uhlaner, 2012) as well as the development of a transgenerational orientation (Suess-Reyes, 2017), we lack theoretically-based insights into the benefits and effects of governance on the family level as well as the processes and conditions which make them effective.

We deliberately focus on wealth preservation in enterprise families in order to firmly root our framework in the family rather than the business level of analysis. Enterprise families share ownership in multiple entities and multiple assets and aim do so for multiple generations. In such families the degree of attachment to a particular business may vary significantly (Zellweger & Kammerlander, 2015; Zellweger et al., 2012). The concept of enterprise families shifts the attention from a single business to the whole range of activities of the family unit. In extended enterprise families it will be neither a given that family members will know each other, nor will they all have a connection to the business anymore. In and of itself, this constitutes a meaningful challenge to wealth preservation. We thus establish wealth preservation as a valuable theoretical angle to study how enterprise families enhance family governance whilst also boost family social capital.

As the family business literature overwhelmingly focusses on the business system it neglects the family itself as a unit of analysis. The field has seen a growing number of calls to integrate the family into the family business literature (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Wessel, Decker, Lange, & Hack, 2014; Zellweger, Nason, & Nordqvist, 2012; Astrachan, 2010). Some scholars started to integrate theories from family science into the literature (e.g., Dyer & Dyer, 2009; Jaskiewicz, Combs, Shanine, & Kacmar, 2017; Jennings, Breitkreuz, & James, 2014) and others have begun to focus on family governance in order to explore the effects of self-organization within the family on the business system (Berent-Braun & Uhlaner, 2012; Zellweger & Kammerlander, 2015) and to explain drivers of multigenerational continuity such as a transgenerational orientation (Suess-Reyes, 2017).

This paper aims to advance research on transgenerational wealth preservation by developing a conceptual model that captures the links between different governance mechanisms and internal social capital plus the role of the family office in mobilizing them. First, we propose that family governance and internal social capital are essential for wealth preservation. Family social capital is a form of internal social capital (Carr et al., 2011; Nahapiet & Ghoshal, 1998; Pearson et al., 2008), alludes to the goodwill between family members (Adler & Kwon, 2002) and refers to the functionality of a family with regard to the quality of interpersonal relationships, common understandings and a shared purpose (Adler & Kwon, 2002; Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998). The family governance system is a set of voluntary principles, policies and practices such as family meetings, councils or constitutions. The family commits to these mechanisms in order to manage increasing family complexity in later generations and organize relationships between members as well as between the family and the business (Angus, 2005; Suess, 2014). We conceptualize the role of family governance and social capital as a 'bidirectional mechanism' (Suess, 2014, p. 149) that drives preservation success: family governance helps to nurture family social capital, which itself facilitates the establishment of family governance. Specifically, we present a framework of relationships and attributes that captures the two-way relationship between family governance, which develops the family's decision-making capabilities, and family social capital, which strengthens family relationships. By doing this we take forward research on the importance of governance (Amit & Liechtenstein, 2009), the value of social capital for performance (Mani & Lakhal, 2015; Stam et al., 2014) and also on the relationship between social capital and governance (Berent-Braun & Uhlaner, 2012; Mustakallio et al., 2002; Suess-Reyes, 2017).

Second, our study addresses the growing number of calls to integrate the family into the family business literature (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Wessel, Decker, Lange, & Hack, 2014; Zellweger, Nason, & Nordqvist, 2012; Astrachan, 2010). We connect governance mechanisms to social capital attributes and hypothesize on the sources and management of such relationships on the family level in extended multigenerational families. While enterprise families constitute an extreme example, we provide insight into the mechanisms and dynamics of failure and success, thus contributing to integrating the family into the family business literature (Eisenhardt, 1989a).

Third, we expand the conceptualization of the role of single family offices in wealth preservation by theorizing its function of managing family governance mechanisms and supporting family relationships. Single family offices are dedicated entities whose central task is to support the family goal of managing the family wealth (Glucksberg & Burrows, 2016). This wealth consists of both financial capital and non-financial capital (e.g. Collier, 2003; Gray, 2008; Wessel, Decker, Lange, & Hack, 2014). Although the family office sector has seen a remarkable growth in recent years, scholars have only just begun to explore the subject (Decker & Lange, 2013; Glucksberg & Burrows, 2016) and the family governance literature has dismissed them as money management tools and therefore irrelevant to the family system and its governance (Suess, 2014). Contrary to the current view in the literature however, we propose that the single family office is instrumental in mobilizing family governance and family social capital by aiding the formalization of processes within the family as well as supporting communication channels and conflict resolution. Thus, we contribute to the debate on the role of the family office (Glucksberg & Burrows, 2016; Rosplock & Hauser, 2014; Wessel et al., 2014) and argue that it serves as a moderator in our model.

We present our arguments as follows. We conceptualize wealth preservation and explain the relevance of family governance and draw on social capital theory to show the significance of family ties that produce unique relational resources and goodwill. We then develop a specific model that includes the bidirectional relationship between family governance and family social capital, both of which are important antecedent resources to wealth preservation. Next, we provide a brief overview of research on the family office, discussing the ways in which the family office can contribute to the relationship between family governance, social capital and wealth preservation. Based on insights and limitations from this research, we conclude with suggestions for future scholarship in this area.

2.2 CONCEPTUALIZING FAMILY WEALTH PRESERVATION

Family wealth preservation refers to the goal of the extended family to secure monetary prosperity for multiple generations as a group. The latter is not a given considering that families may also opt to harvest family assets or prune the family tree (Berent-Braun & Uhlaner, 2012; Jaffe, 2018). However, for many enterprise families, successful wealth preservation is often as important as wealth creation through entrepreneurship. The objective of those enterprise families is multigenerational survival (Decker & Lange, 2013; Wessel, 2013) and successful families grow their assets at equal or faster rate than they consume them. Thus, managing the family capital is paramount (Hughes, 2004; Kammerlander, Sieger, Voordeckers, & Zellweger, 2015; Lowenhaupt, 2008). However, only a minority of family enterprises are able to survive beyond the third generation (Napolitano, Marino, & Ojala, 2015). While unsuccessful wealth preservation might seem at first glance to be due to financial reversals arising from: “taxes, losses, economic downturns, missed market opportunities, litigation expenses, foolish expenditures, bad investments, mismanagement, inattention, incompetence or family feuding” (Williams & Preisser, 2003, p. 15), the reasons are actually much more complex as they are connected to how enterprise families navigate life events (such as birth, marriage, divorce and death) and family dynamics (interaction and relationships) (Jaffe & Lane, 2004).

We argue that the underlying reason for difficulties in preserving family wealth over multiple generations is a breakdown of trust within or across family generations that hinders collective family action. Trust involves a “willingness to be vulnerable” (Mayer, Davis, & Schoorman, 1995, p. 712; Schnackenberg & Tomlinson, 2014, p. 14), and scholars agree that trust brings a level of risk for the trustor (Jeffries & Reed, 2000; Mayer et al., 1995; Ostrom & Ahn, 2003; Puranam & Vanneste, 2009; Schoorman et al., 2007; Skinner, Dietz, & Weibel, 2014; Steier, 2001; Welter, 2012). In Figure 2.1, we present root causes of failure to preserve enterprise family wealth. Financial considerations such as a focus on tax optimization, investment return or financial planning suggest that future financial gains should be the key objective. However, focusing on non-financial considerations, namely *putting the family first*, increases the likelihood of the family business being transferred successfully to the forthcoming generations (Zellweger et al., 2012). Nevertheless, a non-financial focus may also lead the family to make decisions that are not driven by economic rationale and that are thus detrimental to family enterprise success (Berrone, Cruz, & Goméz-Mejia, 2012). Therefore, concentrating solely on either financial or non-financial considerations is not sufficient: both need to be taken into account (Gómez-Mejia, Patel, & Zellweger, 2018). This tension between financial and non-financial considerations contributes to the breakdown of trust. Disagreement between family members over whether financial interests or family interests should take precedence erodes trust. This leads to a lack of collective family action, as there is growing skepticism among family members, no consensus on what should be done, and a general lack of alignment.

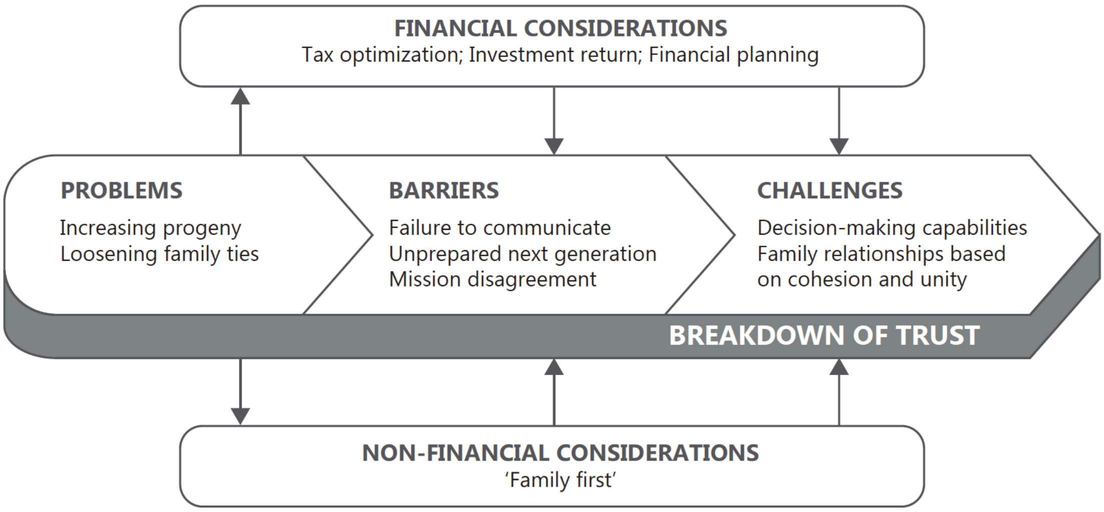

Figure 2.1 *The Root Causes of Enterprise Family Wealth Preservation Failure*

Money means different things to different people and influences their feelings and behaviors in different ways. Money has affective (e.g., can be seen as good, important, evil), symbolic (e.g., power, status, freedom) and behavioral (e.g., saving, investing) components (Mitchell & Mickel, 1999). Individuals may have dissimilar goals and "there is clearly a good-bad dimension, a power and prestige dimension, and a money management dimension." (ibid, p. 574). Whether wealth undermines or builds trust depends on people's attitudes to it and the individual goals for which it is used. In short, some people are just more trusting than others: "People differ in their inherent propensity to trust" or their "general willingness to trust others." (Mayer et al., 1995, p. 715). While the relationship between children and their parents is most likely one of unconditional trust, even in branches of the family that are close, people are unlikely to have blind faith in everything that their family members do. Collective action problems emerge whenever individuals prioritize their own interests to the detriment of the interests of the group as a whole (Ostrom & Ahn, 2003). Characteristically, when there is uncertainty, groups fail to achieve the optimal outcome (i.e., wealth preservation) because of a breakdown of trust that makes collective action more difficult.

One of the main problems associated with maintaining family wealth over multiple generations are the increased numbers of progeny and the loosening of family ties (Zellweger & Kammerlander, 2015). The growth in family members over time is likely to result in "increasing complexity" and the "divergence of financial and non-financial interests potentially leading to conflict" (ibid, p. 1281). Significant additional pressure is created by the next generation not having been adequately prepared, and by rivalries between different branches of the family (Jaffe & Lane, 2004). Given all of these factors, for an evolving dynasty which lacks family cohesion, making the difficult choices required becomes increasingly challenging. In other words, "the family wants to sustain connection with more and more members having less and less of a common foundation" but with "vastly different perceptions and desires" (Jaffe & Lane, 2004, p. 82). Keeping the family together, connected and aligned around a common purpose and vision, becomes very difficult. A large-scale longitudinal study of North American families shows there to be three fundamental barriers to wealth preservation: Failure of communication between family members (60%), an unprepared next generation (25%), and disagreement over family mission (10%) account for nearly all inimical wealth transitions (Williams & Preisser, 2003). In other words, this suggests that, underneath the obvious and tangible financial dimensions, intra-family relations and capabilities are the fundamental barriers to successful wealth preservation.

To ensure they can preserve their wealth and can take collective family action over a number of generations, enterprise families have two key challenges: They have to develop sound decision-making capabilities and to build strong family relationships. Families that do not succeed typically have insufficient family involvement and lack integrated processes for communication, consensus-building, accountability, mission and shared values (Williams & Preisser, 2003). Insufficient trust will cause a family to lack cohesion and unity. The increased numbers of progeny and looser family ties between different generations are also directly linked to an absence of strong relationships and a decline in trust. Inadequate consensus-building competences and limited accountability both hinder effective decision-making. In addition, disagreements over mission and an unprepared next generation only add to the difficulties of making sound decisions. Interpersonal trust helps interactions in unstable institutional and organizational environments (Welter, 2012) such as in a period of transition. Frequent social interaction and interdependence between family members creates resilient trust (Arregle et al., 2007; Pearson et al., 2008), which facilitates cooperation and helps groups to function effectively (Sundaramurthy, 2008). In addition it gives family members a much needed sense of security (Lumpkin, Martin, & Vaughn, 2008). It also allows them to rely on each other (Hoffman et al., 2006) to ensure the continuity of the family business (Le Breton-Miller & Miller, 2009). Trust represents a significant source of competitive advantage for enterprise families (Sundaramurthy, 2008). This leads us to our first proposition.

> ***Proposition 1****: If enterprise families exhibit high levels of trust they are more likely to engage in collective family action toward wealth preservation over multiple generations.*

2.3 FAMILY GOVERNANCE AND SOCIAL CAPITAL

Next, we outline family governance and social capital to explain the significance for enterprise families. The family governance system is a set of principles, policies and practices that are followed by the family members (Angus, 2005). Family governance facilitates sustainability over time through decision-making aimed at adapting to changes

(Capasso et al., 2015). The most important family governance practices are the family meeting, family council and family constitution (Suess, 2014). Family meetings are gatherings of family members where matters of importance are discussed (Habbershon & Astrachan, 1997). The family council consists of selected and elected representatives from different branches and generations of the family, who develop strategy and take decisions together (Berent-Braun & Uhlaner, 2012). The family constitution is a jointly designed charter of principles and guidelines on how the family should organize itself (ibid).

Family governance is positively associated with family unity (Brenes et al., 2011; Jaffe & Lane, 2004; Koeberle-Schmid et al., 2014; Martin, 2001). The function of family governance is to assist families in establishing priorities (Kammerlander, Sieger, et al., 2015), to facilitate open communication and mitigate conflict (Brenes et al., 2011; Martin, 2001; Suess, 2014), to help the family disseminate information (Martin, 2001), to manage the transmission of family values and vision (Botero, Goméz Betancourt, Betancourt Ramirez, & Lopez Vergara, 2015; Habbershon & Astrachan, 1997), to develop trust and a shared sense of purpose (Gilding, 2000; Jaffe & Lane, 2004; Lowenhaupt, 2008), and to cultivate cohesion and togetherness in the family (Gray, 2007; Hauser, 2002; Poza et al., 2004).

Importantly, the literature suggests that the mere presence of family governance mechanisms may not be sufficient to ensure the family functions effectively. Rather, family governance mechanisms need to have meaning to family members in order to serve their function (Gray, 2007; Martin, 2001; Suess-Reyes, 2017). The aim of family governance is to contain the "centrifugal force" that undermines continuity and that becomes more apparent, when changes occur within the family (Gilding, 2000, p. 247). There is a conflicting view that suggests that because family governance requires effort to implement, it does not produce trust but is rather the *outcome* of trust or a substitute for it (Martin, 2001; Puranam & Vanneste, 2009). Trust could thus be an antecedent, correlate or outcome of family governance and the direction of causality is unclear (Suess, 2014). Given that the enterprise family is embedded in multiple social systems, the relationship between trust and governance in family businesses is profound (Eddleston & Morgan, 2014). This leads us to our second proposition.

> ***Proposition 2****: If enterprise families exhibit effective family governance they are more likely to engage in collective family action toward wealth preservation over multiple generations.*

In social capital theory, family relations are viewed as a resource that can have an influence on family business strategy and performance (Pearson et al., 2008). The more complex the family (in terms of generations and of wealth), the more its cohesiveness and quality of relationships will depend upon producing and maintaining social capital in order to facilitate common action towards collective goals. The basic assumption in social capital theory is that social relations constitute unique resources and that the goodwill of individuals towards each other is of value (Adler & Kwon, 2002; Pearson et al., 2008). Thus, social capital is a resource that translates into a capability, which then leads to a potential advantage (Nahapiet & Ghoshal, 1998; Sanchez-Famoso, Maseda, & Iturralde, 2014).

Attributes of social capital, such as commitment, common purpose and vision, are most likely to emerge in systems that are enduring (time-stable), where there is frequent interaction (i.e., governance), where members are interdependent (e.g., through the wealth of the family), and where members all know each other and understand themselves as a group (closed network) (Arregle et al., 2007; Nahapiet & Ghoshal, 1998; Pearson et al., 2008). In such systems members can sanction or reward each other more easily if there is a deviation from the norm (Coleman, 1988). Network closure is key to the emergence and maintenance of common norms and to the proliferation of trust, and this in turn facilitates collective action (Adler & Kwon, 2002; Coleman, 1988). Trust is regarded as important foundation in the family social capital literature. Trust is identified as a source of social capital (Putnam, 1993) or a form of social capital (e.g., Coleman, 1988), and scholars argue that "trust lubricates cooperation, and cooperation itself breeds trust" (Nahapiet & Ghoshal, 1998, p. 255). Close-knit relationships and trust have been identified in the literature as critical to family enterprise success and longevity (Gilding, 2000). This leads us to our third proposition.

> ***Proposition 3****: If enterprise families exhibit high levels of social capital they are more likely to engage in collective family action toward wealth preservation over multiple generations.*

2.4 COLLECTIVE FAMILY ACTION

As also depicted in Figure 2.1, it thus appears that much may be gained from family governance, given that it helps to create sound decision-making capabilities, and also from family social capital as it helps to develop high-quality relationships within enterprise families. Both affect the family's potential for collective action and thus the likelihood that its wealth will be preserved. The family office can help by providing a formal structure for family governance and by building functional relationships needed for social capital.

The crucial point here is that the effectiveness of family governance is driven by communication, common norms and identification that positively influence family relationships and thus social capital. Moreover, the strength of family social capital is defined by family cohesion and unity that positively influence decision-making capabilities and thus governance. The family office enhances the relationship of both family governance and family social capital with wealth preservation (see Figure 2.2). The role of the family office within this relationship is that of a “flow through” function, not of a “governing” body (Gray, 2011, p. 42). The family office acts as facilitator, service unit and coordinator. The family office’s “chief purpose is to empower the family” (ibid, p. 53).

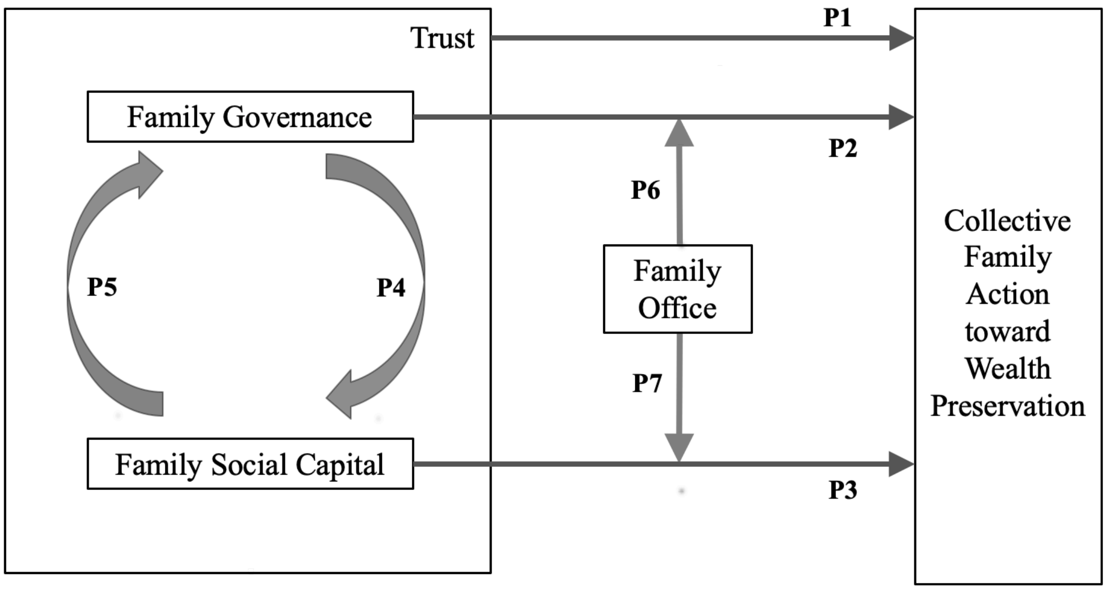

Figure 2.2 ***Conceptual Model: Collective Family Action toward Wealth Preservation***

We argue that the barriers to wealth preservation (failure to communicate, an unprepared next generation and disagreement over mission) caused by the key problems, namely loosening family ties and increasing numbers progeny (see also Figure 2.1), can be addressed by recognizing a bidirectional relationship between family governance and social capital. In other words, by establishing effective family governance and strong family social capital that nurture trust, enterprise families can increase the likelihood of achieving wealth preservation through collective family action. Yet how can the enterprise family enhance communication, common norms and identification whilst also boosting cohesion and unity? And how can the family enterprise entity in charge of wealth management – the family office – contribute to this objective? In the next sections we first explore how enterprise families can enhance family governance whilst also boost family social capital. In addition, we introduce propositions that shed light on the role of the family office in the relationship between family governance and social capital on the one hand, and collective family action toward wealth preservation on the other hand.

2.5 BIDIRECTIONAL RELATIONSHIP BETWEEN FAMILY GOVERNANCE AND SOCIAL CAPITAL

Multigenerational enterprise families with multiple branches are not automatically closed systems in which trust and close bonds exist naturally. In more closed systems, it is easier for collective family action to be taken because members identify with the group. Common norms and identification may develop through frequent interactions (and sanctions) in the inner family. Extended families do not naturally interact frequently. In this sense, the assumption in the literature that the family is a natural source of social capital (Bublotz, 2001; Sanchez-Famoso et al., 2014) does not apply. This is supported by Shi et al. (2015), who show that levels and sources of trust decrease with growing kinship distance. Therefore, these families require a support mechanism to help them create social capital. Also, controlling the dark side of social capital (free riding, counterproductive altruism) requires rules. Explicit rules decrease perceptions of unfair treatment and diminish the likelihood of negatively feeding into social capital (e.g., resulting in lower trust, identification and willingness to provide support). Family governance nurtures the emergence of trust and codifies family social capital. In addition, extended enterprise families with a high level of social capital will be able to strengthen their family governance by capitalizing on the strong relationships between family members and their resilience and understanding. Social capital turns these latent, intangible resources into capabilities that families can more easily use and leverage, namely effective problem solving and collective family action.

In Figure 2.3 we present a framework of relationships and attributes of family governance and social capital. A bidirectional relationship is apparent in that family governance creates social capital and social capital strengthens family governance. We capture this two-way connection firstly from the *content perspective* by drawing on the structural, cognitive and relational dimensions developed by Nahapiet and Ghoshal (1998). These dimensions reflect the attributes of social capital and the effects on a group's ability to pursue common goals. Secondly, we take a *process perspective* and draw on the four dynamic factors proposed by Arregle et al. (2007), because it is important to understand not only what social capital consists of but also the mechanisms by which it is translated into family governance. The dynamic factors time and stability, interaction, interdependence and network closure represent processes by which family governance and social capital evolve and are implemented and maintained over time.

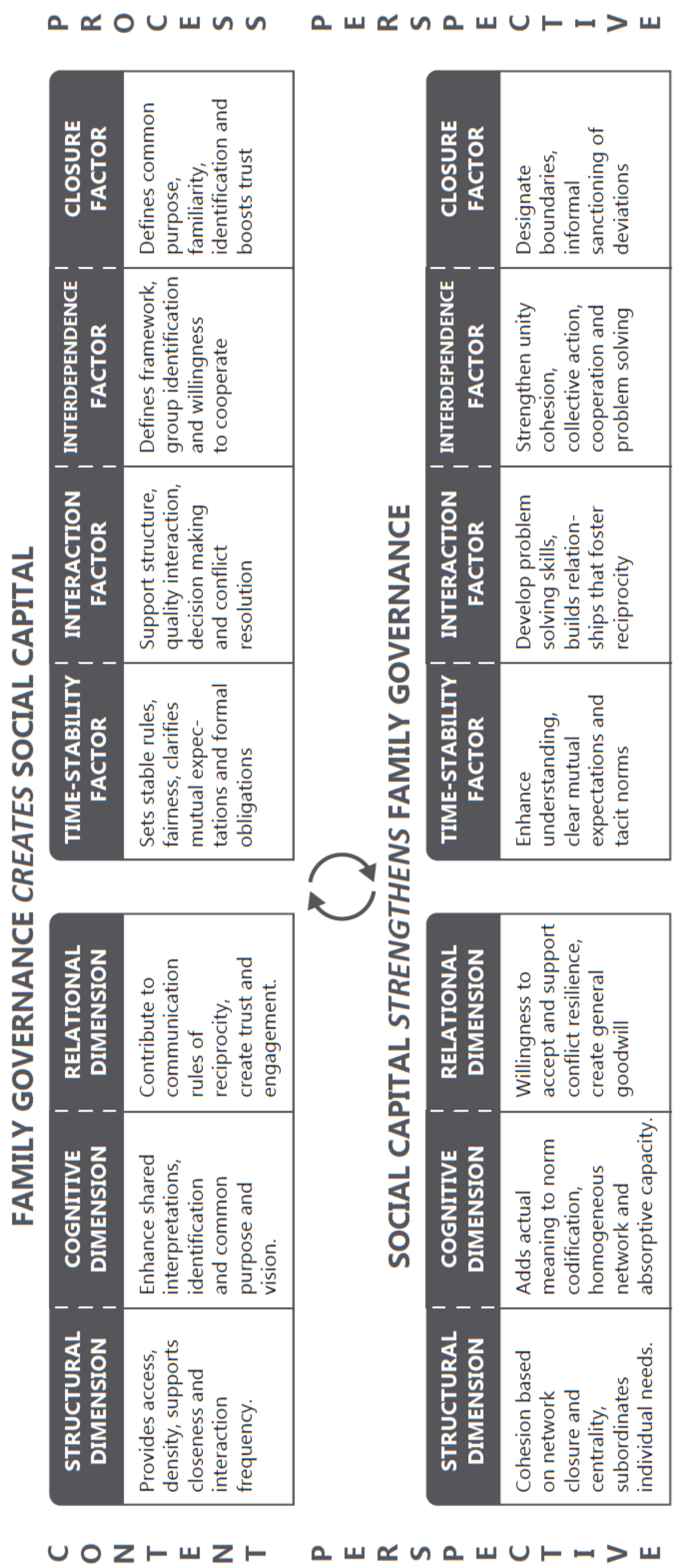

Figure 2.3 ***Framework of Family Governance and Social Capital Relationships and Attributes***

2.5.1 Creating Social Capital and Strengthening Family Governance

Enterprise families may not have all family governance practices (family meetings, family council and family constitution) in place in a meaningful way. Nevertheless, family governance practices address the practical challenges of family dynamics and provide communication channels designed to bring family members closer (Gilding, 2005). While inclusion and representation of the wider family is essential to create an atmosphere of trust, transparency and unity, family governance needs to be effective and viable in the long-term. Family governance contributes to the development of social capital by making the prospective actions of family members more predictable (Ostrom & Ahn, 2003), building interpersonal relationships through interaction, and providing transparent rules. This then encourages trusting behavior.

We refer to the framework of family governance and social capital relationships and attributes in Figure 2.3 and capture, from a *content perspective,* how social capital is created (Nahapiet & Ghoshal, 1998) by family governance, drawing on three social capital dimensions (structural, cognitive and relational). With regard to the structural dimension, the family meeting and family council governance practices both provide access to the family network thus helping to build closeness and defining the frequency of interaction, both of which are codified in the family constitution. In addition, the family council's important task of generating and rotating family leadership emphasizes the significance of network density. With regard to the cognitive dimension, family meetings guided by the family council create opportunities to enhance shared interpretations, a sense of common purpose, vision and general identification. Lastly, in terms of the relational dimension, the family meetings, the family council and the family constitution support social interaction, and all reflect a shared history and have an influence on the family affairs. These family governance practices contribute to communication, help to support the formalization and invoking of rules of reciprocity, and to create trust by devising the rules of family engagement.

To capture the creation of social capital by family governance from a *process perspective* (Arregle et al., 2007), we draw on four dynamic factors or drivers of social capital (time-stability, interaction, interdependence and closure); see also the framework in Figure 2.3. Family governance sets rules that are stable over time and adds to fairness by clarifying mutual expectations and obligations to family members (time-stability factor). Family governance improves the quality of interaction and provides structure for decision-making and assistance with conflict resolution (interaction factor). Family governance defines the framework for mutual reliance, thereby adding to group identification, and provides a general willingness to cooperate (interdependence factor). Lastly, it also boosts trust and identification by defining common purpose and creating familiarity (closure factor).

In other words, family governance practices contribute to the quality and closeness of family relationships by providing sound decision-making capabilities based on improved communication (Brenes et al., 2011; Martin, 2001; Suess-Reyes, 2017; Suess, 2014), common norms (Berent-Braun & Uhlaner, 2012; Gray, 2007) and identification (Mustakallio et al., 2002; Suess, 2014). This implies that family governance can be conceptualized both as a formal decision-making or problem-solving mechanism as well as a contribution to the social capital mass of the enterprise family. This leads us to our fourth proposition.

> ***Proposition 4****: Family governance that is founded on rules, representation, inclusion and meaning has a positive influence on enterprise family social capital by providing decision-making capabilities based on communication, common norms and identification.*

Critically, trust can be sustained when it develops in an environment in which relationships are stable over time. An individual's reputation and behavior in past relationships will influence confidence in these relationships going forward. Trustworthy behavior will be reciprocated in future relationships. A common vision and identification with a family mission make it easier for family members to accept controversial decisions. The existence of common norms and a family identity signify that what is codified in family governance practices has real meaning (Gray, 2007). In other words, while in the example of the family constitution it is not onerous just to set out the family principles and guidelines in a document, this only becomes effective in practice if what is written down actually has meaning for all family members.

Family social capital sustains effective governance as it provides family members with a willingness to work productively with each other. The family social capital provides the family with the resilience to successfully deal with tensions which emerge in the governance context, i.e., through problem solving and decision-making (Gudmunson & Danes, 2013). While family unity and cohesion are at risk if individual needs are ignored (Lowenhaupt, 2008), unity and cohesion can be created if family interests come first (Angus, 2005; Martin, 2001). Strong family social capital builds resilience (Gudmunson & Danes, 2013) and the flexibility to deal with problems arising from family dynamics. This might mean, for instance, taking seriously family members who are complaining about financial distributions, not excluding individuals from the process, or dealing with family members who have got into difficulties.

The general idea that social capital facilitates access to resources through relationships based on cohesion and unity is well understood (e.g., Arregle et al., 2007; Pearson et al., 2008; Sanchez-Famoso, Akhter, Iturralde, Chirico, & Maseda, 2015). Trust translates "formal and complex transactional relations into flexible and informal bonds"

(Shi et al., 2015, p. 815). Trust in relationships facilitates collective action (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Pearson et al., 2008) and is a key antecedent of cooperation (Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2015). It also facilitates reciprocity (Uzzi, 1996), which in turn helps to resolve issues (Adler & Kwon, 2002). Working together as a family towards a common goal, such as wealth preservation, clearly strengthens levels of trust, and vice versa (Nahapiet & Ghoshal, 1998).

In the framework shown in Figure 2.3, we capture the strengthening of family governance by social capital from a *content perspective* (Nahapiet & Ghoshal, 1998) by drawing on the structural, cognitive and relational dimensions of social capital. With regard to the structural dimension, the family social capital attributes of closure and network centrality reinforce family cohesion and the subordination of individual needs, aiding decision-making. Regarding the cognitive dimension, family social capital adds meaning to norm codification, and contributes to a more homogeneous network, thus improving family members' absorptive capacity. Lastly, with reference to the relational dimension, stronger family social capital increases the willingness of family members to accept and support family decisions on matters of importance, thus improving conflict resilience and general goodwill.

To capture the strengthening of family governance by social capital from a *process perspective* (Arregle et al., 2007), we draw on the four dynamic factors time-stability, interaction, interdependence and closure shown in Figure 2.3. Solid family relationships enhance understanding of family values and tacit norms. In addition, if family relationships are stable over time, mutual expectations and obligations are clearer to family members (time-stability factor). Interaction is likely to build relationships that foster reciprocity, enhancing decision-making capabilities and problem-solving skills (interaction factor). Interdependence is likely to strengthen unity and cohesion, which stimulate collective family action and cooperation. This in turn creates problem-solving capabilities (interdependence factor). Social capital delineates the boundaries of the family, or who is in and who is out of the family. The arena within which family members pursue common goals has an important influence on whether informal sanctioning of deviant behavior is effective (closure factor).

In other words, family social capital strengthens decision-making capabilities within enterprise families by establishing close relationships based on cohesiveness and homogeneous networks (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998), strong ties that foster collective action (Adler & Kwon, 2002; Pearson et al., 2008), and trust that builds reciprocity and creates a willingness to be supportive (Cabrera-Suárez et al., 2015; Gudmunson & Danes, 2013). Trust promotes exchange between family members and a willingness to help other members, thus acting as relational governance mechanism (Uzzi, 1996). The social capital attributes unity and cohesion (Strike, 2013), as well as shared vision (Mustakallio et al., 2002), improve the quality of decisions. Family social capital is a soft problem-solving mechanism (Gudmunson & Danes, 2013) that affects family governance and therefore the decision-making capabilities of enterprise families. This leads us to our fifth proposition.

> ***Proposition 5****: By creating relationships based on cohesion and unity, a higher level of family social capital has a positive influence on the effectiveness of family governance as it helps to create sound decision-making capabilities in enterprise families.*

2.6 NON-FINANCIAL ROLE OF THE FAMILY OFFICE

Given that research on family offices is generally in a nascent stage, we describe the concept and provide a brief overview, discussing its role and position in enterprise families. In many cases the family office entity originates from within the family business, and handles finance, administration and compliance affairs for family members, thus separating business assets and affairs from family assets and affairs, further enhancing privacy and family business compliance. Enterprise families may also set up a family office because of a need to manage wealth following a liquidity event, such as the sale of the family business. As there are many different types of family offices, a universal definition is difficult. Most definitions emphasize the administrative and wealth management activities of the family office (e.g., Decker & Lange, 2013; Fernández-Moya & Castro-Balaguer, 2011; Glucksberg & Burrows, 2016; Jaffe & Lane, 2004; Suess, 2014; Welsh, Memili, Rosplock, Roure, & Segurado, 2013; Wessel et al., 2014).

With regard to ownership, family offices are either controlled by one single family, multiple families (multi-family office) or by institutions (professional family offices). In and of themselves these types differ widely in terms of their organizational structure and functions. In our study we focus specifically on the single family office and their role in enterprise family governance and social capital. A key advantage of the single family office is that its services are tailored to the specific needs of a single family (Hauser, 2001) and that they provide a high degree of confidentiality (Fernández-Moya & Castro-Balaguer, 2011)

There is a lack of clarity in the literature regarding the position of the family office in the family business system. Some see it as a money management entity (Amit & Liechtenstein, 2009; Jaffe & Lane, 2004; Newton, 2002; Suess, 2014) and others as a governance mechanism (e.g., Gilding, 2005; Gray, 2005; Martin, 2001; Zellweger & Kammerlander, 2015). Some also claim that family offices improve the governance of the family business (Decker & Lange, 2013). Although these are all valuable perspectives, they do not tell us the full story. We argue in our conceptual model that the single family office 'soft' functions should not be overlooked, as it ameliorates the effectiveness of family governance and supports social capital maintenance.

Enterprise families may be spread over multiple countries, and involve multiple generations, branches and cultures. The various generations will all have different preferences, perspectives and needs, and this then adds to the complexity. Thus, especially in times when the family dynamics need to be managed, making decisions together is challenging, if not impossible, without some kind of formal structure. The family office contributes to the formal structure and decision-making capabilities by establishing and nurturing three family governance practices: family meetings, a family council and a family constitution. With reference to Figure 2.1, a key barrier to sound decision-making in extended families is a failure to communicate. Formal and organized communication can encourage the open exchange and expression of different points of view (Mustakallio et al., 2002; Sundaramurthy, 2008), thus putting the family in a position to handle problems that might arise. When more family members participate in the decision-making process the outcomes will be more democratic and more likely to be accepted.

The family office can moderate the relationship between family governance and collective action toward wealth preservation by providing non-financial services that support the decision-making and conflict resolution capabilities of the enterprise family. First, as the 'unit of expertise' the family office is able to provide valuable insights and share knowledge. Second, the family office is the entity that does most of the 'homework' in preparation for actual decision-making, gathering, analyzing and preparing financial and other information. Third, the support function of the family office administers, handles and organizes the physical aspects of the family governance practices. Transparent and well-organized governance practices can help to compensate for a lack of interpersonal trust or assist in building that trust (Sundaramurthy, 2008). Hence the work done by the family office in supplying information, reporting progress, doing research, preparing the agenda, organizing events and generally providing a structure for the exchange of ideas is central to running the family meetings. One of the main responsibilities of the family council is to develop strategy and arrive at a common view on the family and ownership level (Koeberle-Schmid et al., 2014). The family office can aid the family council by offering an arm's-length business perspective on socio-emotional issues, sharing insights, hosting council meetings, preparing minutes, following up agenda items, reporting developments, and generally providing a structure for strategic decision-making. The purpose of the family constitution is to connect all members of the enterprise family in a unified code of practice. Drawing up the family constitution typically takes time and maturation. The family office can facilitate the development and maintenance of the family constitution by helping to articulate the family mission and values, offering intelligence, and generally monitoring and supporting progress.

In other words, the family office can be a facilitator of family governance in that it contributes to the formal structure by ensuring inclusion, clarity and participation, which should then help family members to trust one another and engage in collective action toward wealth preservation. Adding various non-financial activities such as facilitating effective family governance to the duties of the family office can provide some critical advantages. This leads us to our sixth proposition.

***Proposition 6**: The greater the family office's emphasis on non-financial services which contribute to formal structure, the more effective the family governance will be in enhancing collective family action toward wealth preservation.*

In addition, and by definition, the family office is close to the enterprise family and therefore in a primary position to give it advice and guidance. The family office can be designed to manage the financial aspects of enterprise families, as well as contribute to the non-financial elements that pervade the lives and relationships of the wealthy. The family office can moderate the relationship between family social capital and collective action toward wealth preservation in three ways. First, it contributes to family unity (Amit & Liechtenstein, 2009) by helping to ensure there is cohesion between family members (Decker & Lange, 2013; Fernández-Moya & Castro-Balaguer, 2011; Hauser, 2001; Wessel, 2013). Essentially, the family office can provide non-financial services focused on communication between family members, resulting in stronger and more trusting family relationships. Communication is important both for creating a perception of fairness and for building interpersonal trust (Sundaramurthy, 2008). The family office may help to build understanding and communication by providing a platform – in some cases digital – that the family can use to organize meetings and share ideas.

Second, the family office can add value by assisting with conflict management (Decker & Lange, 2013; Rosplock & Hauser, 2014). Every family has its tensions and rivalries that can potentially destroy family alignment. The family office can help defuse these, either by resolving them itself or by engaging mediators or facilitators. In addition, it can help to prevent possible discord and animosity by acknowledging the concerns of family members and explaining or clarifying various financial or other matters to them. Third, family offices can help to ensure that the family functions well and that social capital is built across generations by educating younger family members and preparing them to participate in the family operation, giving them a sense of how they fit in to the family operation in terms of their roles and responsibilities. This might be done, for example, by having them participate in the family philanthropic activities which allow family members to share their views on the family legacy and to learn about their heritage, how the family operates, and how its rules should be used.

What all well-functioning families need to know is “who they are and how to be a family together” (Glucksberg & Burrows, 2016, p. 12). As shown in Figure 2.1, a key barrier to cohesion and unity in family relationships is an unprepared next generation. Enterprise families need to “prepare the money for the children” but also to “prepare the children for the money” (ibid, p. 16). One of the more important problems with regard to wealth preservation is a lack of education of those who will own that wealth next (Gray, 2011b; Hughes, 2004). Training and preparing the heirs to take on the responsibilities associated with controlling wealth will contribute to general family functionality through stronger and trusting relationships between siblings, cousins and generations.

In other words, the family office can advance family social capital in that it contributes to the functionality of the enterprise family and engage them into collective action toward wealth preservation. Giving sound advice is an important task for the family office, and some authors suggest that when such advice is given and taken, this leads to increased family unity, less conflict, better relationships and increased trust among family members (Jaffe & Lane, 2004; Poza et al., 2004). This leads us to our seventh and final proposition.

> ***Proposition** 7: The greater the family office’s emphasis on non-financial services which contribute to family functionality, the more effective the family social capital will be in enhancing collective family action toward wealth preservation.*

2.7 DISCUSSION

In this study, we develop theory on enterprise family wealth preservation that highlights the importance of preventing a breakdown of trust for sustaining collective family action.

To gain a better understanding of enterprise families' ability to preserve wealth across multiple generations, we shift the analysis from the family business, via the family level, to the family office. We argue that effective family governance and a high level of social capital are necessary in addition to money management to secure monetary prosperity for multiple generations. We next discuss the implications for theory on wealth preservation, the family office, family governance and family social capital. This study contributes to the field of family business research in at least five ways.

A first theoretical contribution of this study is that it advances the understanding of how a breakdown of trust affects collective family action capabilities, in particular toward preserving wealth over multiple generations. Despite the high failure rate in wealth transfer and the low level of success in preserving family wealth, little is written about wealth preservation per se. Rather, the literature focuses on the relationship between social capital and various aspects of business performance (Mani & Lakhal, 2015; Shi et al., 2015; Stam et al., 2014). Most studies of practitioners link the process of enterprise family wealth preservation to investment performance and asset management. However, equating wealth preservation with investment management overemphasizes the importance of banks and money managers and overlooks the role of family governance and family social capital. Our model in Figure 2.1 resolves the tension between financial and non-financial considerations, which is a major issue in the breakdown of trust. In this way, our study provides a more integrative understanding of how enterprise families can take formal measures to preserve their wealth.

The implications of our proposition that the breakdown of trust is a key impediment to collective family action has implications, not only for enterprise families, but also for business families more widely. Business families that wish to pass on the family business and legacy across generations face the same key problems (see Figure

2.1) of increasing progeny and loosening family ties. The effectiveness of family governance has a positive influence on social capital and thus relationships within business families. Likewise, a high level of social capital also has a positive influence on the effectiveness of family governance and thus the decision-making capabilities of business families. While not all business families have a family office, an arachnid-type entity (or virtual entity) consisting of family business leaders and the business office, including the family's trusted advisors, might take the coaction role of the family office in influencing family governance and social capital.

A second implication of our study relates to our framework of family governance and social capital relationships and attributes (see Figure 2.3). Our study adds to theory on governance and social capital by moving away from the predominant treatment of this relationship as one-directional, as we develop it as a two-way relationship. We propose that, in the context of the enterprise family, high levels of family social capital lead to effective family governance and this capability then feeds back into and reinforces another valuable resource, family social capital. Together they enhance collective family action and the ability to preserve wealth.

The studies that do focus on family governance only identify the relationship between governance and social capital but do not explain this relationship and how one influences the other. For instance, while Mustakallio et al. (2002) explicitly embed family governance practices in a social capital framework and conceptualize social capital as an informal governance mechanism, they do not make a distinction between different family governance practices. Similarly, Berent-Braun and Uhlaner (2012, p. 107) view family governance practices as 'precursors' to the development of social capital, but do not explain how governance is connected to social capital attributes. Also, existing research on family business governance has predominantly focused on contractual governance (especially board structure) rather than relational governance (identification and communication) (Suess-Reyes, 2017). We complement previous studies that single out individual attributes of social capital theory by integrating the different dimensions and attributes of family governance and social capital. To this end, we propose that family governance and family social capital are distinct and separate concepts and we theorize about the relationship between them.

Third, our study contributes to family business research as it theorizes on what makes family governance effective for enterprise family wealth preservation. The literature currently offers no real understanding of how effective family governance works, since the studies are typically quantitative and the statistical correlations they present reveal little about the processes involved (Gudmunson & Danes, 2013; Mustakallio et al., 2002; Suess-Reyes, 2017). In other publications, the discussion is generally descriptive, though these articles clearly recognize the importance of family governance (Berent-Braun & Uhlaner, 2012; Blumentritt et al., 2007; Brenes et al., 2011; Martin, 2001; Mustakallio et al., 2002; Poza et al., 2004).

Our study answers previous calls for a better understanding of the actual content of family governance practices that makes them effective and complements empirical studies that are limited to indicators of governance structure (Gudmunson & Danes, 2013). We do so by proposing that inclusion and representation of the wider family is essential in order to create meaning that is founded on cohesion and unity. We complement previous research suggesting that family governance practices need to have meaning to family members (Gray, 2007; Martin, 2001; Suess-Reyes, 2017) by proposing that effective family governance that is powered by meaning is based on explicit rules defining how decisions are made and is driven by representation and inclusion of all family members. In addition, the key attributes of effective family governance are common norms, identification and a shared vision.

Fourth, we propose that it would be valuable for family business research to focus more on the family office. Enterprise families and their businesses contribute to society through job creation (Shanker & Astrachan, 1996), impact investing, philanthropy and by stimulating social entrepreneurship and economic growth (Carney & Nason, 2016). Family offices play an important role in driving intergenerational wealth preservation; however, the nature of family office business is highly private, which explains why academic research is limited (Decker & Lange, 2013; Fernández-Moya & Castro-Balaguer, 2011; Glucksberg & Burrows, 2016; Suess, 2014; Welsh et al., 2013; Wessel et al., 2014).

To date, only some studies point to the family office's role in supporting family governance, typically only by mentioning that family offices engage in these practices. In addition, the social capital attributes unity and cohesion are rarely mentioned in relation to the role of the family office in nurturing family social capital (Decker & Lange, 2013; Glucksberg & Burrows, 2016). Others argue, however that the family office has little to do with family governance or family social capital (e.g., Suess, 2014). The present literature is fragmented, and we have developed a model in which the family office has a clear position and role beyond money management. We add to the literature by explaining the relationship between the family office, family governance, and family social capital with regard to the problem of wealth preservation failure and low wealth preservation success, and by highlighting the importance of the non-financial services of the family office. In developing our model, we show not only the important coaction role of the family office but also how it influences social capital and family governance. Thus, we believe that our study highlights how the services provided by the family office in the enterprise family system offers significant potential for theory development and empirical research.

Fifth, our study advances family business literature by shifting the unit of analysis from the family business to the family level. A prominent argument in this literature is that family firms derive their uniqueness, and thus a potential sustained competitive advantage, from family involvement (Chrisman, Chua, & Steier, 2005; Habbershon & Williams, 1999; Weismeier-Sammer & von Schlippe, 2013; Zellweger, Eddleston, & Kellermanns, 2010). In line with this perspective, this academic field has been concerned with establishing the family business as a type of organization that is theoretically distinct from the non-family business, for example, because of the existence of patient capital (Sirmon & Hitt, 2003), the importance of non-financial goals and socio-emotional wealth (Berrone et al., 2012), the transgenerational orientation (Lumpkin & Brigham, 2011; Suess-Reyes, 2017) and entrepreneurship (Zellweger & Kammerlander, 2015). Also, the potential downsides of family involvement such as succession issues, nepotism, or dysfunctional family relationships have played an important role in the literature (Kellermanns, Eddleston, & Zellweger, 2012; Schulze, Lubatkin, Dino, & Buchholtz, 2001). As Suess-Reyes (2017) points out, much of the uniqueness of family firms, and many of the challenges of family involvement, thus originate in the family rather than in the business system.

This study answers calls for the family to be brought into family business research (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Zellweger & Kammerlander, 2015; Zellweger, Nason, & Nordqvist, 2012). Shifting the analysis to this level, rather than a sole focus on the family business, can help ascertain the balance between financial and non-financial goals and gain a better understanding of enterprise families' ability to preserve wealth across multiple generations. In this way, our study proposes that it is at the family level of analysis, with its governance system and social capital structure, where the preferences of family owners in multigenerational dynasties are negotiated and determined.

2.7.1 Future Research

Future research could address the underlying mechanisms of the bidirectional relationship between family governance and social capital in other contexts than transgenerational enterprise family's wealth. More thought needs to be given to whether it is appropriate to view both family governance and social capital as a form of relational governance (Mustakallio et al., 2002), rather than making a distinction between the two. Future research could further respond to calls for more studies on the effectiveness of family governance by investigating, using case studies, both the context and content of family governance practices (Gudmunson & Danes, 2013; Mustakallio et al., 2002; Suess-Reyes, 2017). Future researchers could also make an important contribution to our understanding of how resources are created by using social capital theory to analyze the production of unique resources at the family level, and capturing the micro-foundations and antecedents (Arregle et al., 2007; Pearson et al., 2008; Salvato & Melin, 2008). In particular, the approach would allow the social relationships within a family to be analyzed to gain insights into how a family develops and maintains the unique set of resources that allow family members to pursue common goals and develop a shared vision.

Also, in the context of enterprise families, future research could address trust as an aspect of relational social capital (operationalized as quality of relationships among owning group members) versus cognitive social capital (operationalized by shared vision). There is a dark side to trust that can lead to opportunism and complacency (e.g., Kellermanns, Eddleston, & Zellweger, 2012; Steier, 2001; Sundaramurthy, 2008).

Scholars may find that, given a natural erosion of trust over time, "too much trust" is only temporary, especially for large and extended enterprise families where life events continuously erode trust. Trust might not be as much of a problem for enterprise families as it would be in a business alliance. In addition, the field could be further advanced by studies that use a qualitative methodology and draw on our propositions to distinguish between different family governance practices and relate them to different attributes of social capital. This would help to throw light on the effects of individual practices, and would validate our conceptual propositions.

2.7.2 Conclusion

Wealth preservation over multiple generations represents a formidable challenge to enterprise families. While some successful multigenerational enterprise families like the Rockefellers have managed to preserve wealth across several generations, many other enterprise families have been much less successful in doing this. We theorize that the key driver of family wealth preservation is relational, rather than purely financial. Breakdown of trust is the main cause of failure in wealth preservation. Family governance, family social capital and the family office are family resources that influence trust; the interaction between these family resources drives collective family action toward wealth preservation. We hope that our study sets the stage for continuing and more focused conversation on family wealth preservation.

CHAPTER 3

Enterprise Families: Toward a Theory of Family Social Capital in the Cousin Consortium

ABSTRACT

Enterprise families grow in size with new generations and sustaining family social capital becomes more difficult due to rivalries eating into the family wealth. Decaying family social capital is a primary cause of wealth loss over generations. Enterprise families share ownership of multiple entities and multiple assets and many have a transgenerational intention. With this study we answer recent calls to uncover the origins of family social capital. Employing a multiple case study method, we offer a deeper understanding how family social capital is enhanced by studying transgenerational enterprise family cousin consortiums. We advance understanding of this secretive and hard-to-access unit of analysis by studying seven cases where the enterprise family have maintained monetary prosperity for more than one hundred years and have wealth averaging billions of dollars, shared by hundreds of family members. Our inductive qualitative study finds that enterprise family social capital appears to be enhanced by organizational structures, family learning, family identity and family grounding. By using these aggregate dimensions, we distinguish our analysis from other literature on wealth creation through business venturing. Furthermore, our findings pave the way for future research on family social capital.

Keywords: enterprise family, family social capital, cousin consortium, family office

3.1 INTRODUCTION

"I think the biggest hurdles, the biggest threats to family wealth preservation, are not external, they are not financial, they are internal. Management and governance issues and how we relate to one another and how we are able to stay on the same page about working forward towards the same goals with goodwill and a lack of animosity." (informant B-1)

As enterprise families grow older and bigger there is a growing likelihood that conflicting interests will emerge due to sibling rivalries, misalignment of goals, and dispersion of ownership. At the same time natural close bonds with the potential to overcome conflicting interests decrease with family size (Lim, Lubatkin, & Wiseman, 2010). That is, it becomes difficult to sustain family social capital due to the multiplication of interests. Family social capital alludes to the goodwill between family members (Adler & Kwon, 2002) and refers to the functionality of a family in terms of the quality of interpersonal relationships, common understandings and a shared purpose (Adler & Kwon, 2002; Arregle et al., 2007; Kwon & Adler, 2014; Mustakallio et al., 2002; Nahapiet & Ghoshal, 1998). Family social capital is a form of internal social capital (Carr et al., 2011; Nahapiet & Ghoshal, 1998; Pearson et al., 2008) and a mechanism by which enterprise families access or create beneficial relational resources that translate into family cohesion and capabilities such as collective action and problem solving.

The collective activities of the enterprise family grow gradually over time beyond the boundaries of the original business, the family enterprise becomes more complex and involves much more than financial or business resources alone (Hamilton, 2018; Jaffe, 2018). The enterprise family refers to the extended family group with a transgenerational intention (Franks et al., 2012; Suess-Reyes, 2017), where group members may not only share ownership of one or several businesses but also manage significant investments, property, the family office or a family foundation together (Hamilton, 2018; Jaffe, 2018). For instance, such families (e.g., Rothschild family) share enterprise ownership, may form a foundation to manage their philanthropic goals, and may share legacy property among cousins. The cousin consortium, is an ownership stage within a family enterprise (Gersick, Davis, Hampton, & Lansberg, 1997; Lansberg, 1983). Sibling partnerships are formed when founders, counted as the first generation, hand the reins of the enterprise to the second generation, their children. A cousin consortium emerges when the enterprise ownership is passed down further to the third generation and onwards. In that stage, cousins no longer share similar childhood experiences, are typically geographically and age-wise dispersed and may, for instance, posess varying degrees of experience, schooling, culture and ethical values (Gersick et al., 1997).

How do enterprise family cousin consortiums, with diverging and unique situational, familial and cultural contexts, preserve enterprise wealth over multiple generations? The family business literature suggests that family social capital is a particularly potent variety of bonding social capital because of childhood relationships, family ties and a shared enterprise legacy (Herrero, 2018). Scholars have identified family social capital as an antecedent to familiness (Pearson et al., 2008), to the development of a transgenerational orientation (Suess-Reyes, 2017) and to firm performance (Carr et al., 2011; Herrero & Hughes, 2019). However, there is currently a gap in our understanding on the mechanisms that enhance family social capital. Previous research on networks and social capital in the context of family business focusses mostly on the benefits of the family connection and increased trust and deeper bonds (Arregle et al., 2007; Pearson et al., 2008). While social capital research has been slow in assessing the impact of individual dimensions (Herrero & Hughes, 2019) and how its outcomes are mediated (Andrews, 2010), the elements that impact the development of family social capital remain largely uncharted territory (De Massis & Foss, 2018; Long, 2011; Schmidts & Shepherd, 2015). There is increasing recognition however that investigating the antecedents of social capital is important, as managers, entrepreneurs and family businesses (De Massis & Foss, 2018; Long, 2011; Schmidts & Shepherd, 2015; Zellweger et al., 2019) plus families (Zellweger et al., 2019) have agency over how it is created (Ahuja, Soda, & Zaheer, 2012).

We deliberately use the concept of enterprise families, rather than business entrepreneurial or enterprising families, to distinguish our analysis of wealth *preservation* from the literature on wealth *creation* through business venturing (Habbershon & Pistrui, 2002; Habbershon, Williams, & MacMillan, 2003). The prevailing line of thinking in family business literature is that transgenerational wealth requires wealth creation, which is only possible through business entrepreneurship (e.g., Habbershon, Nordqvist, & Zellweger, 2010; Habbershon & Pistrui, 2002; Nordqvist & Melin, 2010). By focusing, over and above, on cousin consortiums that have shown wealth preservation success and have secured monetary prosperity for successive generations, we further root our framework firmly in the family rather than the business level of analysis.

We offer two main contributions. First, we suggest a model that captures how family social capital is enhanced and we shift the level of analysis from the family firm to the enterprise family (Chrisman, Chua, De Massis, Minola, & Vismara, 2016; Michael-Tsabari, Labaki, & Zachary, 2014). Such families engage in business- and non-business-related activity together. Our access to data and method allowed us to address the calls for greater focus on the micro foundations of social capital creation (De Massis & Foss, 2018), and seeks to advance theoretical understanding by capturing the relationships between actors, practices and tools at the family level (Shepherd & Suddaby, 2017). Our inductive study acknowledges that family social capital is created in family business

(Pearson et al., 2008), yet shows that social capital is enhanced through non-business-related activities that enterprise families engage in collectively to maintain wealth across generations. Notably, and for example, we find that enterprise family members play a key role in educating the rising generation, thus preparing them to be responsible enterprise owners in the future. Second, we uncover how mechanisms actuate family social capital resources, thereby helping to unpack the black box of building and maintaining family relationships (Zellweger et al., 2019). We identified that family relationships emerged through concrete mechanisms enlivened by enterprise families. Our study unfolded four aggregate dimensions that all enhance family social capital: Organizational structures, family learning, family identity and family grounding.

To answer the research question 'How do enterprise family cousin consortiums enhance social capital to preserve family wealth?' we have developed a unique dataset based on interviews with enterprise family leaders and key family office executives from seven transgenerational families, with a net worth of several hundred million up to billions of dollars, which has been shared for over a century with dozens to hundreds of family members. Studying these families is meaningful given their economic impact (Boris & Wolpert, 2001; Habbershon & Pistrui, 2002; Pistrui, Welsch, & Roberts, 1997; Shanker & Astrachan, 1996; Steier, 2001; White, 2017; Zahra, 2005; Zahra et al., 2004) and the fact that so far they have been little studied (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Wessel, Decker, Lange, & Hack, 2014; Zellweger, Nason, & Nordqvist, 2012; Astrachan, 2010). The interviews covered many aspects of family social capital and the potential mechanisms used to enhance social capital. Although data of this kind is normally hard to access, the data we collected revealed how these families enhance social capital and thus increase their chances of preserving their wealth.

In the next section we problematize the fundamentals of wealth preservation and social capital in enterprise families. We then outline the context, method and results of our study. From this, we develop a conceptual framework and four propositions on the enhancers of family social capital. Next we discuss the limitations of our study and offer suggestions for future scholarship in this area. We close by discussing the implications of our findings for practice.

3.2 ENTERPRISE FAMILY COUSIN CONSORTIUM WEALTH PRESERVATION

Wealth preservation refers to the goal of the enterprise family to ensure financial prosperity for successive generations of the family. Transgenerational entrepreneurship literature postulates that wealth preservation is not possible without wealth creation (Habbershon & Pistrui, 2002) and is achieved through entrepreneurship (e.g., Habbershon, Nordqvist, & Zellweger, 2010; Habbershon & Pistrui, 2002; Nordqvist & Melin, 2010). Wealth creation and wealth preservation are flip sides of the same coin. If a family enterprise cannot continue to create wealth, this becomes simply an issue of inheritance and the initial family wealth will probably disappear after dividing it among family members across generations. The best approach for an enterprise family to remain wealthy for generations is to continue to create wealth. In other words, wealth preservation and wealth creation are not independent from each other, yet involve different processes.

It is widely recognized in the entrepreneurship literature that families are the generators of entrepreneurial capabilities. Different from *enterprise* families, *enterprising* or business *entrepreneurial* families are referred to as business-owning families with a focus on business value creation and on growing family wealth together, as a group (e.g., Berent-Braun & Uhlaner, 2012; Habbershon & Pistrui, 2002; Nordqvist & Melin, 2010; Zellweger & Sieger, 2012). Those who take the business entrepreneurial family angle argue that entrepreneurship is *the* building block for transgenerational wealth (see Table 3.1). They also argue that the family ownership group is the appropriate level of analysis for determining what constitutes success, failure and performance.

Table 3.1 ***Key Characteristics***

	Business Entrepreneurial Families	**Enterprise Families**
Authors (e.g.)	Habbershon & Pistrui (2002); Habbershon, Nordqvist & Zellweger (2010)	Hamilton (2018); Jaffe (2018)
Focus (transgenerational)	Wealth creation	Wealth preservation
Performance goals	Financial, through business entrepreneurship	Maintaining social ties, through business & non-business activities
Shared ownership	Wealth creating assets	Multiple entities and assets regardless of wealth producing potential
- In business together	Yes	Not necessarily
- Multiple business	Yes	Possible
- Philantropy	N/A	Yes
- Family Office	N/A	Yes
- Investments & property	Possible	Yes

Business survival alone is an insufficient measure of value creation by enterprise families across time, and it has been suggested that to capture long-term value creation the level of analysis should be shifted from family businesses to business families

(Zellweger et al., 2012). We should "follow the money" to the family (Habbershon & Pistrui, 2002: 224). Proponents of this view tend to either reject the relevance of non-business-related family activity for wealth creation (Habbershon & Pistrui, 2002; Habbershon et al., 2003) or to see it as important only in terms of supporting entrepreneurial performance through synergistic effects (Habbershon et al., 2010). The singular focus on business survival means that key dimensions of value creation are neglected.

The ultimate measure of success is the family's ability to retain wealth rather than to ensure the longevity of a particular business (Zellweger & Kammerlander, 2015; Zellweger et al., 2012). While family business longevity is typically conceptualized at the business level (e.g., in terms of performance), the preservation of wealth in enterprise family cousin consortiums requires the extended family to be intent on pursuing common goals as a group and on preserving its wealth for subsequent generations (Berent-Braun & Uhlaner, 2012; Decker & Lange, 2013; Suess-Reyes, 2017; Wessel, 2013). As the family is dispersed (in terms of relations, wealth, residence) and has less connection to the founding enterprise family cohesion decreases (Gersick et al., 1997) and problems of passive ownership arise. The latter have a greater tendency to see the enterprise as a 'cash cow' (Sciascia, Mazzola, & Kellermanns, 2014) but can also be easily taken advantage of by active owners due to family information asymmetries (Siebels & Zu Knyphausen-Aufseß, 2012). Hence, the ownership structure of cousin consortiums has consequences for family cohesion as well as the contours of family social capital.

Thus, we explore our research question in the context of transgenerational enterprise family cousin consortiums because it allows us to consider the role of the family behind the business or portfolio of businesses. The concept of an enterprise family cousin consortium captures the entire range of a family's business and non-business activities and is better suited to explaining the family's commitment to transgenerational success. We purposely focus on family wealth preservation rather than business longevity in such families in order to root our framework firmly in the family rather than the business level of analysis. In such families the degree of attachment to the business or portfolio of businesses may vary significantly, and some family members may only be involved as investors (Zellweger & Kammerlander, 2015; Zellweger et al., 2012), but the desire to preserve the family wealth is de facto universal in our sample transgenerational enterprise family cousin consortiums.

3.2.1 Family Social Capital

Extended transgenerational enterprise families with multiple branches and generations (the cousin consortium) have a hard time building and maintaining social capital and thus need structural support mechanisms to help them do this. Family social capital within the enterprise family is important to support the production and maintenance of unique family resources that allow family members to pursue common goals and develop a shared vision (e.g., Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998; Pearson, Carr, & Shaw, 2008). Social capital is an umbrella concept, covering all the resources that reside within relationships, such as trust, cohesion or shared norms (Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998). According to the literature, these resources facilitate the pursuit of common goals for groups (Adler & Kwon, 2002; Pearson et al., 2008) and better decision-making (Mustakallio et al., 2002). Social capital resources are typically attributed to the kinship ties in the family that are formed from birth and through a common history (Arregle et al., 2007; Herrero, 2018; Zellweger et al., 2019).

In family business research much attention has been paid to the conceptual properties of social capital (e.g., Arregle et al., 2007; Herrero, 2018; Pearson et al., 2008), its outcomes in terms of performance (e.g., Carr, Cole, Ring, & Blettner, 2011; Herrero & Hughes, 2019), transgenerational orientation (Suess-Reyes, 2017), intangible resources or family cohesiveness (Salvato & Melin, 2008). The general neglect of the family level of analysis in family business research (Jaskiewicz & Dyer, 2017) makes it hard to identify the family-based origins of social capital. However, family business studies are not alone in this respect, given that the general social capital literature has tended to prioritize effects over origins (Fine, 2010; Furstenberg, 2005). In relation to transgenerational enterprise families, recent studies have highlighted the need for a better understanding of the "black box of within-family relationships (…) and the mechanisms through which norms, values and beliefs are communicated between generations" (Zellweger, Chrisman, Chua, & Steier, 2019, p. 211), including mechanisms such as stories, rituals or modeling (Kammerlander, Dessì, et al., 2015; Le Breton-Miller & Miller, 2015).

In other words, it is not well understood how family social capital ties are maintained within transgenerational enterprise families, because the inner workings of social capital creation have not been adequately explored. We address this gap and contribute to the already rich social capital literature by explaining how some enterprise families enhance their social capital.

3.3 METHODS

In light of the fact that there is insufficient theory on how enterprise families enhance social capital, we employed an inductive, multiple-case research design (Eisenhardt, 1989b). Multiple cases allow the use of replication reasoning, which allows conjectures to be confirmed or dismissed (Yin, 2003). This method typically provides more generalizable, parsimonious and robust theory than single-case research designs (Eisenhardt & Graebner, 2007). Furthermore, our embedded design, in which we use various units of analysis (i.e., transgenerational enterprise family and their family office), is more likely to generate rich, accurate theory (Yin, 2003).

3.3.1 Research Context and Data Collection

The research setting is enterprise families who have been successful in preserving their wealth across multiple generations. Our empirical data comes from transgenerational enterprise families from America and Europe. Our families have their origins in these industrialized countries, but their progeny have spread to multiple continents around the world. These are families with considerable wealth, with net assets ranging from hundreds of millions to many billions of dollars, and representing four to eight generations of significant wealth spanning up to 150 years. The families in our study range from several dozen to three hundred family members and have rich histories.

Studying transgenerational enterprise families that have maintained monetary prosperity over multiple generations is valuable for several reasons. First, extreme cases, such as successful transgenerational enterprise families, provide pertinent insights into mechanisms and dynamics, thus contributing to theory building (Eisenhardt, 1989b; Pettigrew, 1990). Second, very little has been written about the highly private but economically important actions and affairs of affluent families that are pursuing transgenerational wealth preservation, because gaining access to these families is extremely difficult. Third, transgenerational enterprise families with a family office represent a special case and provide transparency, because their financial and non-financial considerations are made visible through the activities of the family office and do not reside solely in the heads of the family members.

Data was collected through purposive sampling of multiple cases of successful enterprise family cousin consortiums in order to elucidate the unusual phenomenon of transgenerational enterprise family wealth preservation over at least four generations. We selected our cases on the basis of their "suitability for illuminating and extending relationships and logic among the constructs" (Eisenhardt & Graebner, 2007, p. 27). Our criteria included the presence of a family office plus a willingness to grant us interviews with key family member leadership, ideally from different generations, and with those in charge of the family office. The informants in this second group were tasked with managing the wealth and affairs of the family. This further narrowed the selection to the seven transgenerational enterprise families shown in Table 3.2. Gathering data from transgenerational enterprise families and their family offices is difficult (access), intrusive (privacy) and costly (travel). The first author's 25 years professional experience as strategist, board member and chief executive officer in the wealth management and ultra-high net worth banking sector enabled him to gain access to successful transgenerational enterprise families via his own network. His present position as an executive PhD student and co-chair of a global research institute convinced the informants of his analytical instead of a commercial objective. More importantly, it enabled him to engage with the informants and to evoke open, honest, in-depth responses. We ascertained that all informants were operating at the core of the family enterprise and had wide and deep understanding of the family dynamics and relationships. The informants were cooperative and enthusiastic about the prospect of contributing to academic research, asking many questions of themselves at the end of the interviews.

Table 3.2 ***Description of Selected Cases***

Case	Region of Origin	Generations	Family Size	Family Branches	Wealth Source	Active in original FB	In business together	Number of Interviews	Origin of Informants
ALPHA	USA	7	290	8	Energy	no	no	5	G5, G6, FO, PF
BRAVO	USA	6	240	5	Transport	no	no	5	G5, G6, FO
CHARLIE	USA	6	170	9	Retail	yes	yes	3	G5, FB, FO
DELTA	USA	7	200	6	Industrial	no	yes	3	G4, G5, FB, FO
ECHO	Europe	4	45	4	Pharma	yes	yes	3	G3, G4, FB, FO, PF
FOXTROT	Europe	8	300	5	Financial	yes	yes	3	G5, FB, FO
GOLF	Europe	6	240	5	Shipping	yes	yes	3	G4, G5, FB, FO, PF

G5 = fifth generation; FB = Family Business; FO = Family Office; PF = Philanthropic Foundation

Table 3.2 provides details of the seven cases we selected. We agreed to provide anonymity to all informants and to treat the family information as confidential. All but two of the enterprise families are still active in one or more businesses, and in four cases are still operating the founding family business. In all the cases, the family business (FB) informant is a family member in a controlling position. In the case of enterprises Alpha, Echo and Golf, at least one informant was actively involved with the family philanthropic foundation (PF). In the case of Bravo, Charlie and Delta, the family office (FO) key executive informant was a family member. The 25 interviews were conducted in 15 cities in seven countries, with 22 informants in their late thirties to seventies, half of whom were from the fifth generation of the family (G5).

Data collection took place between May 2018 and February 2019. We started by arranging eight semi-structured exploratory interviews with four enterprise families of considerable wealth. These families did not necessarily show success in transgenerational wealth preservation (yet). However, we tried to ensure that interviews were conducted with representatives from multiple generations within the one family. During this phase the focus of our research moved to family social capital. These exploratory interviews provided guidance for formulating the open-ended semi-structured interview protocol (see Appendix 1).

The interviewer asked all the informants a standard set of open questions but kept open the option of exploring particular topics further in order to obtain a richer understanding of the informant's experience, feelings and knowledge. The primary method for our investigation was one-on-one interviews with the informants, in some cases multiple interviews. The interviews typically ranged from 50 to 100 minutes. All interviews were recorded and transcribed, and observational notes were taken after the meeting. Given the high level of trust between the first author and the enterprise families, he was provided with sensitive details and invited to attend family council assemblies, family business meetings, family office meetings, family gatherings and dinners. The roughly 30 hours spent attending family board, office or social gatherings provided further insight into family dynamics and relationships. Use of family archives, including books, private letters, family office documentation and biographies, provided additional background information on each case. We also collected published information and observational data to gain contextual insights, which all helped in interpreting the interviews. Lastly, data from the internet and other public records were used to obtain a broader perspective. The first author also attended several enterprise family conferences in Amsterdam, Chicago, London and Milan, where various family members exchanged their thoughts on family enterprise developments and wealth preservation.

3.3.2 Data Analysis

Following the guidelines provided by Lincoln and Guba (1985), and to reduce the chance of precedent views being projected on to the research material, the authors engaged in comprehensive discussions in which the first author's knowledge and experience was counterbalanced by the second author's methodological expertise and an outside perspective. In line with guidance on theory building using multiple cases (Eisenhardt, 1989b; Eisenhardt & Graebner, 2007), we employed within-case and cross-case analysis with no a priori hypotheses. To analyze our data, we applied the Gioia methodology, comprising three different levels of abstraction (Gioia et al., 2012). We proceeded in four stages. The first stage involved a thorough reading of the collected material (interview transcripts, field notes, archival data, documentation and published information) across the seven cases. We wrote down key words and concepts and delved into the social capital literature to understand the emergent themes.

In the second stage, we engaged in open coding of interviews, fragmenting data into specific acts, ideas or events (Locke, 2003). We searched for portions of text that related to how and why social capital was being enhanced to preserve wealth. We stayed close to what the informants had told us and continued to move iteratively between the data and the emerging theory, formulating quotes into first-order codes (ibid). A large number of first-order codes ensued, pointing to relevant factors or mechanisms (e.g., shared purpose) (Gioia et al., 2012). We then revisited the data to evaluate the fit of the codes, sometimes leading to a code being revised or discarded. We then combined some codes in order to avoid redundancy. We regularly made links between data, both within and across the transgenerational enterprise families (Weiss, 1994) by comparing the separate coding structures and discussing divergence; this was subsequently followed by infrequent recoding of data, which enabled us to establish ratiocinative first-order codes.

In the third stage, we searched for patterns and relationships between and within the first-order categories and the case studies, using second-order coding (Strauss & Corbin, 1998). For example, we summarized first-order codes about family constitution, customs, norms and informal rules into the second-order code 'fundamental principles.' We analyzed each case separately with respect to the emergent second-order themes and compared their evaluation across cases. This evaluation of second-order themes fed into the fourth and final stage.

In the fourth stage, we applied the emerging concepts back to our seven cases in order to determine how enterprise families enhance social capital when striving for transgenerational wealth preservation. Table 3.3 shows our process of openly coding and classifying the interview samples into sample codes of a higher aggregate level and the emergent theoretical categories. As further illustration of each theme, we included interview quotes in the tables. The quotes in the tables and text are coded with anonymized interview numbers (for example, case Alpha, informant 1 = A-1).

Table 3.3 ***Aggregate Dimensions***

Interview Sample	First-Order Concepts	Second-Order Theme	Aggregate Dimension
Since it is our ambition to keep as many family members involved, you need to create fitting governance: a constitution and appropriate learning environment. We did both. (G-3)	Fitting family constitution	Fundamental Principles	Organizational Structures
There is rhetoric in the constitution around remaining independent and working together. (C-3)	Rhetoric on remaining independent and working together	Fundamental Principles	Organizational Structures
We have different rules around philanthropies. It has its set of governance. We have created governance around our family office and around our family business. (D-1)	Different rules around different entities	Fundamental Principles	Organizational Structures
You'll never ever agree but a succesful family has the communication and the systems that allow individuals to be themselves, but also keep that connective tissue of being a family. (A-1)	Systems maintain connective tissue	Fundamental Principles	Organizational Structures
There is the cousins organization and they have a president. There is a fifth- and sixth-generation organization and they have a president and a vice president and a secretary. And they have different kinds of meetings to discuss things that are common to their generation. (A-4)	Discuss common topics in generational groups	Representative Bodies	Organizational Structures
The main objective of our family council is to involve the family and engage family members in the enterprise. (G-2)	Family council objective is to involve family members	Representative Bodies	Organizational Structures
There is a process of you have to come to a certain number of meetings, serve on a committee for a couple of years before you qualify as a family council member. (D-1)	Serve on committee before able to become family council member	Representative Bodies	Organizational Structures
On the back of the commitee work we created new opportunities for people to get involved. Things like major gifts committee, so a bit of philanthropic engagement, which is where our cousins get to know the leadership team better. (C-2)	Commitee work created new opportunities to get involved	Representative Bodies	Organizational Structures
In all our boards and committees we keep 'listener places' for selected next gen family members. They can thus listen, observe and learn how matters are dealt with. (G-3)	Listener places on boards and committees	Modeling Behavior	Family Learning
So some of those things you can write down, but it is really the experience of watching, having role models and mentors. (A-1)	Experience of watching, role models	Modeling Behavior	Family Learning

Table 3.3 (Continued) ***Aggregate Dimensions***

Interview Sample	First-Order Concepts	Second-Order Theme	Aggregate Dimension
I encourage them to come out with me and be a part of some of these discussions, and hear how other people have been successful in leading the families to fourth, fifth and sixth generations. (D-1)	Hear how other people have been successful	Modeling Behavior	Family Learning
Really spending time and going through things together. And of course witnessing a lot of arguments and disputes. But that kind of de-escalated 30 minutes later and it's hugs and laughs again. (E-2)	Witnessing de-escalation of conflict	Modeling Behavior	Family Learning
Our values have not been written down but they came down through stories. (D-1)	Values came through stories	Value Transmission	Family Learning
In the next-gen family academy two thirds is content and one third is fun. Topics include family history, values, business and governance. (G-2)	Next-gen family academy topics include values	Value Transmission	Family Learning
Respect and generational respect. Because they see us also respecting the previous generation. (F-3)	Respect between generations	Value Transmission	Family Learning
The overall goal of the training program is how to make them a good family member and a good owner. Again, our goal is not to make them executives in the family business. It is to make them good owners, responsible shareholders and good family members. (E-2)	Training program for responsible ownership	Value Transmission	Family Learning
The family connection in storytelling: the origin of the family in a very simple and friendly way. (E-1)	Storytelling the origin of the family	Common Legacy	Family Identity
We have a family museum, and a family movie. History is important in uniting us. (G-1)	Family history unites	Common Legacy	Family Identity
It has instilled in me a sense of respect for family history. And the founder himself was intensely interested in history and his forbears. We are very proud of this family history. (B-1)	Pride and respect for family history	Common Legacy	Family Identity
We got really creative with the sixth generation: ice cream parties, coloring books, special tours. We have created much better internships for them. (C-1)	Next-generation creative activities	Contemporary Practices	Family Identity
Family meetings are not necessarily about business activities. Family members have fun together. Some are equipped and ready to fight on the board amongst themselves because they experienced the way they can be friends. (F-1)	Family meetings are fun together, fight together	Contemporary Practices	Family Identity

Table 3.3 (Continued) ***Aggregate Dimensions***

Interview Sample	First-Order Concepts	Second-Order Theme	Aggregate Dimension
There is a whole way in which they share key family milestones and where the person is able to come up before everybody else, talk about anything that is on their mind. What this moment might mean to them, memories they have, really anything. (A-3)	Sharing key family milestones	Contemporary Practices	Family Identity
Stewardship towards our objective to make sure our great great grand children still want to be part of our shared history. (G-3)	Objective to be part of shared history	Shared Future	Family Identity
A loving family supports each other and learns from each other; that we would be giving support to the next generation; that we can make another generational transfer. Supporting the needs of these younger family members. (A-1)	Support next generation and make another generational transfer	Shared Future	Family Identity
We think extra long-term because our products have such long life cycles - when you are selling brands that were founded in the 1800s, typically most of our brands were - then it gives you that extra-long perspective. (C-3)	Long life cycle brands makes you think long term	Shared Future	Family Identity
And I bought my father's farmhouse upstate partly as a way to have a place where all family can still meet. (A-2)	Place where all the family meet	Practical Location	Family Grounding
For reasons of tradition we have a big estate. The family will open the house for gatherings, for social events. (F-3)	Big estate for social events	Practical Location	Family Grounding
The family headquarters hosts the family heritage museum. (G-2)	Family heritage museum in family	Practical Location	Family Grounding
There is bonding because they are all residing in the same location in the summer. Or sometimes all year round. And so it is proximity and neighbours and age (B-2)	Bonding through residing in the same place	Practical Location	Family Grounding
The family estate is a symbol, it's a place, it is tangible. It's not just symbolic, it is tangible to the family. (A-1)	Estate is symbolic and tangible	Place of Affective Attachment	Family Grounding
We have done things together here. We have played together. I have spent many holidays and weekends with my uncles' families. (E-3)	Spending holidays and weekends together	Place of Affective Attachment	Family Grounding
The estate, I have been on it so many times. It's got a kind of a magical quality. This is a place where history has happened. (A-1)	Magical place where history happened	Place of Affective Attachment	Family Grounding
Then there are for certain branches family properties like castles which do inspire the spirit of the family. (F-1)	Castles advocate the family spirit	Place of Affective Attachment	Family Grounding

3.4 FINDINGS

Our data revealed a number of consistent themes. We found evidence to suggest that enterprise families use various mechanisms to enhance their social capital. For example, organizational structures help to create process clarity, while family learning helps in the development of responsible shared ownership. Family identity gives signification to family members, and, lastly, family grounding provides tangible common experiences. As a result, we establish how enterprise families enhance social capital. Figure 3.1 provides a graphic representation of our inductive reasoning process; it shows how we moved from our first-order codes, via second-order themes, to a set of aggregate dimensions that reflect the key factors influencing family social capital, which in turn determines the likelihood of successful wealth preservation.

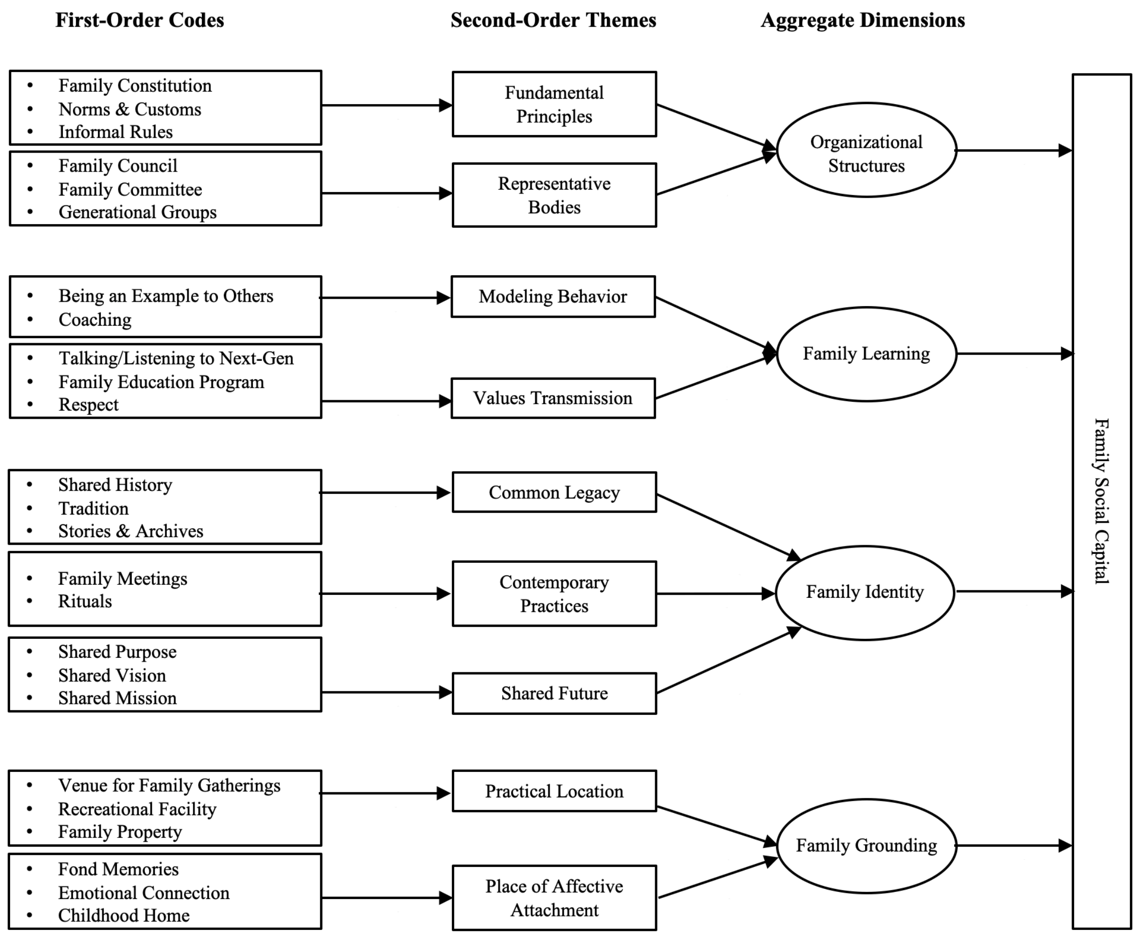

Figure 3.1 ***Data Structure***

3.4.1 Organizational Structures

We first describe the organizational structures of transgenerational enterprise families in order to understand more about why they influence social capital (see Table 3.3). Organizational structures appear to be a combination of fundamental principles, based on informal rules and guidelines, and representative bodies (such as family councils and committees), which are used to coordinate the joint activities of the enterprise family by defining principles and responsibilities as well as by allocating and dividing tasks. The aim is to provide clarity to family members regarding the processes by which the family pursues its collective endeavors.

Fundamental Principles. Once the enterprise family reaches a certain size, structures need to be formalized to ensure communication. Informants emphasized the importance of having a family constitution document that outlines fundamental guidelines in a normative manner (Suess-Reyes, 2017). It relates to decision-making as well as to representation (e.g., family branches or generations) and provides an opportunity for involvement and inclusion if the family members draft it together. As one informant put it:

> *The family constitution is a very important document for us but mainly because we created it together and it helped us to talk about each of the concepts that are written in there. The most important thing about the constitution is that it has helped us talk about everything. (E-3)*

Importantly, there is growing awareness that as many family members as possible should be involved in the drafting of the constitution. Although it may seem hard to reach agreement, the inclusion of family members does create the opportunity for all to stay connected without losing their individuality. When asked why 'everybody' needs to be involved, informants talked of "leaving room in the constitution" so that family members are incentivized to connect with one another and cooperate:

> *We leave room for the cultural aspect, the human aspect; things do not necessarily need to be well defined, because if you define everything, you'll miss the social interaction. You'll miss the exchange; you'll miss the dialogue and the debate. (F-1)*

The guiding character of fundamental principles became apparent when talking with the informants about the scope of the constitution. The most significant decisions in an enterprise family are not necessarily made by individual leaders but may be driven by ancestral influence. All the families stated that their constitution is revised every few years, but especially around the time of a generational transition. Newer versions will include many components from previous versions. The fifth-generation chairman of a family council clarified how the constitution, which was mainly drafted by his ancestor, still guides the family generations later:

> *I just don't think that a big dispersed group that we have wants to think that somebody is leading them. So, it is easier for me to say "I'm not trying to lead you anywhere. It is our great-grandfather who is leading us. I'm just trying to help us all fulfill his dream and to keep the trains running on time and deal with the issues that have to be dealt with." (B-1)*

We thus introduce the concept of fundamental principles in the context of enterprise families and their organizational structures. We find that fundamental principles may enhance interaction and collaboration in these families.

Representative Bodies. Transgenerational enterprise families often set up several entities that perform an internal governance role and help steer the enterprise family toward better and more inclusive behavior. We found the family council, family committee and generational group to be examples of such entities, and each consisted only of family members. One fifth-generation informant described some of the benefits of such entities:

> *Almost no decisions are made by the whole family, because that would imply a kind of hierarchy that we don't have. Every once in a while, an issue is of such importance from, for instance, a public relations point of view that the family at least discusses the matter. But mostly decisions are made by the entities that have the responsibility for that. (A-2)*

Asked about decision-making in large families, one informant explained that having roughly 300 family members in five branches across several continents makes it impossible to reach any decision unless there is a formal structure in place:

> *If you have eight people around the table, or when you have 20 people around the table or 200 people around the table, obviously the process, the decision-making process, the communication process, the organization, the definition, the process has to be formalized and has to be defined. (F-3)*

Another informant from the same family described the advantage of creating representative bodies in terms of making processes more transparent. Widespread inclusion guarantees that as many ideas and opinions as possible are taken into consideration and ensures that family members are being heard:

> *The family council is a place where all parties are expressing their points of view and interests. The key is to blend alpha people and beta people, male and female, to blend countries and continents, to blend generations – new and old generations. So, the council is like the yin and the yang. (F-1)*

One other observation we could make from talking to these enterprise families was that representative bodies also play an important role in cultivating the rising generation.

Inviting younger family members to participate in representative bodies enables them to witness what these entities are about and how they perform their tasks. It also gives the family another opportunity to match potential talent to future positions within the family governance structure. The following informant explains why younger family members, in this case shareholders in the family business, are put to work and to the test:

> *We try to put the younger members, shareholders, on a committee. See how they do on a committee. So, they learn how to function on a committee and participate on a committee. And if they perform well on the committee and they show up at the meetings, they contribute in a thoughtful way, they produce a work product, then they might chair the committee and be asked to be a board member. (B-2)*

So, we present the concept of representative bodies in the context of enterprise families and their organizational structures. We find that representative bodies may contribute to inclusion and involvement.

3.4.2 Organizational structures enhance family social capital

In the family business literature, the practices most often referred to are the family constitution (normative outline of family guidelines), family meeting (recurrent gatherings, formal or informal, of family members) and family council (forum of family member representatives) (Suess, 2014). Theory suggests that organizational structures are about procedures and rules that specify different levels of authority (Ranson, Hinings, & Greenwood, 1980).

We find various fundamental principles, such as the desire to "promote the family's culture of working together through challenges" and "maintain connections within the family" (A-1). Smart rules, like the non-solicitation rule in the Alpha family constitution that prohibits family members from asking one another for funds to sponsor their personal charities, also help to create process clarity and, in this case, ensure freedom from guilt. We also find that representative bodies are basically assemblies "where cousins get to know each other better" (C-2). These thus prove to be structured avenues for communication and inclusion in the form of intergenerational dialogues, for example, or discussion groups based around people's interests. In these extended transgenerational families, getting to know each other is a meaningful byproduct that enhances social capital. Transgenerational enterprise families seem to make a concerted effort to include family members in their governance, through organizational structures. As an example, during one of the interviews, we were shown a chart of the Charlie family tree, and all the names on it were of the family members. After practically every name was an asterisk, indicating an active role on one or more boards, committees or groups.

In other words, organizational structures can provide process clarity to family members and form a connective tissue, which helps the enterprise family to succeed transgenerationally. This aggregate dimension is more concerned with openness and communication than with determining which particular governance forms will be most efficient. Rather, it is remarkable that these structures exist at all: These are elements by which transgenerational enterprise families strive to enhance their social capital and to achieve a degree of self-organization, which 'ordinary' families clearly do not need, and which thus distinguishes them. To summarize:

> ***Proposition 1:*** *Organizational structures that draw on fundamental principles and include representative bodies can help enhance the social capital of transgenerational enterprise family cousin consortiums.*

3.4.3 Family Learning

All of our case families recognized the importance of family learning and had decided to establish distinct programs to assist with this. Family learning is founded both on modeling behavior by elder generations being an example and coaching the next generation, and on values transmission through personal engagement and verbal interaction with the rising family members (see Table 3.3). These families make a conscious effort to teach their children to preserve their wealth. It seems their greatest fear is that their offspring might take their wealth for granted and grow up spoiled and arrogant. The family learning dimension refers to the efforts of the family itself to transfer knowledge, skills and values to the younger generation (i.e., not learning acquired at school or university). For example, the Golf 'family academy' curriculum included scholarly modules, teaching material and family tutors covering a range of topics, including family values, finance, business, governance and personal skills development.

Modeling Behavior. The modeling behavior of family members and mentoring are framed as important in the data, particularly with regard to older family members counseling younger ones. Our informants indicated that it is not only the parents' obligation to educate their descendants, but also the responsibility of other members of the wider family. One informant acknowledged that some issues are better covered outside the parent–child bond, but still within the family:

> *The family coaching activity is where the existing generation is helping the new generation. Not to be able to take decisions but how the decisions were taken, the style, the culture. And it is something that usually every child learned from his parents but sometimes it is good to have somebody else than your parent telling you things, like an uncle or aunt. (F-1)*

This statement is interesting, because it challenges the idea that modeling behavior should be about imitating or replicating. This notion is also contested by other informants who see the focal point of learning as being how to make decisions together, as is corroborated by the personal childhood experience of this fifth-generation family member:

> *When you are young, coaching can be really helpful to make sure that there is help in working through those different interactions and that you make the right decisions and that you think it through. (C-3)*

It appears from the data that these enterprise families model their actions and behaviors on those of their family predecessors. There seems to be a telling exemplary role to be played by older generations. Speaking of his grandfather, and how he was an example for the family and employees alike, this fourth-generation family council chairman explained that the attentive and unassuming disposition that was characteristic of so many family members essentially originated from his grandfather's behavior:

> *My grandfather was a man of few words, and when he spoke, people listened. He was always present with his employees. He was never too important. People respected him because he was like everybody else. That always seemed important to me. That is why I said a characteristic of the family is humbleness. (D-2)*

We thus introduce the concept of modeling behavior in the context of family learning inside enterprise families. We find that modeling behavior may contribute to a common understanding among family members.

Values Transmission. The importance of values transmission in transgenerational enterprise families became apparent when all cases reflected on the importance of conveying their family’s collective ideals and beliefs across generations. A council leader in a 150-year-old enterprise family, with nine family branches, illustrated the advantage of having shared family values, in light of the inevitable family dilution:

> *The biology gets cut in half every generation. And the culture can even get morphed by religion. But if you have a powerful founding story, with values that are plain to see, I do think that that can be a bulwark against cultural destruction in later generations. (C-1)*

Enterprise families feel strongly about engaging the rising generation, and careful thought goes into how values are communicated and passed on to the next generation. The Echo family informant responsible for the family learning program declared that the youngest generation, the so-called millennials, "do not read any more." She explained how audiovisual storytelling was used to make the topic of values more tangible for these younger family members.

> *'Video capsules,' we call them. Ten-minute videos, and each video is about one of the values of the family; all of the areas. What we create is a repository of information in which we convey particular values and the history of the family to the next generation. (E-2)*

Importantly, many informants emphasized the role played by their charitable foundations in values transmission. When those in the rising generation are actively involved in the enterprise family's charitable work, they are exposed to the family's values in a way that is both rewarding and informational.

> *Values are brought to the next generation through the philanthropy. Through the discussions that we have there. (D-2)*

Educating and reaching out to the younger generation seemed important to all our case families. The principle aim of making them "good owners and good family members" (E-2) appears to be aligned closely with the universal values of the enterprise families we researched (e.g., honesty, modesty, responsibility, respect, hard work). When talking about shared ownership in an extended family, the following informant emphasized the importance of individual accomplishments within the larger scheme of the family's ambition:

> *There will be a twofold purpose for the family education program. One is to get the family together as a family. It is just to create another connection point. So that implies online learning is not enough. And then the other objective is to support family members, again I've said that many times, in the goals that the family members wish to achieve individually. (A-3)*

So, we present the concept of values transmission in the context of enterprise families and their family learning. We find that values transmission is likely to contribute to common norms.

3.4.4 Family learning enhances social capital

Our findings indicate that family members place particular emphasis on mentoring younger family members to educate them about the culture of the family and on transmitting family values through interaction. Whereas the relationship between learning and bridging social capital has been explored in literature (Li, Chen, Liu, & Peng, 2014), the communities of practice framework allows for conceptualizing learning in the context of bonding social capital (Hamilton, 2011). A community of practice is "a group of people who share a concern or a passion for something they do and learn how to do it better as they interact" (Wenger, 1998, p. 4). Importantly, this literature conceptualizes learning not in terms of the acquisition of 'hard' factual knowledge. Rather, learning refers to the acquisition of the social and cultural skills that allow individuals to function as members of a community (Brown & Duguid, 1991). Seen through this lens, learning is based on interaction rather than on top-down acquisition of hard knowledge, and thus it involves the development of common understandings and common norms, as well as of “a shared repertoire of communal resources – language, routines, sensibilities, artefacts, tools, etc.” (Wenger, 2000). Learners acquire competence in these implicit cultural aspects of their group through interaction with other community members. This conception of learning is closely related to social capital (Nahapiet & Ghoshal, 1998) and indeed captures the process through which culture is transmitted and social capital enhanced. Thus, the family develops common understandings and common norms through modeling behavior and values transmission.

The transgenerational enterprise families we researched considered it important to engage in values transmission in order to create common norms and shared understanding of what the family is about. It is conceivable from our data that values transmission mitigates the potential for conflict and that a set of common values facilitates collaboration. Really spending time together, being shown how decisions are made, witnessing arguments, disputes, fights and understanding which behaviors are considered appropriate within the family, are all at the core of family learning, and this is particularly true of modeling behavior. This was observed by one of the authors while he was a guest of the Bravo family, during a family meeting at the Bravo office plus dinner at the family’s main residence. Multiple branches and generations from all over the country were actively contributing to the social fabric of the transgenerational enterprise family by sharing viewpoints, listening carefully to each other, and mentoring next-generation family members to do the same, while at the same time weaving family values into their arguments.

In other words, although mentoring requires social capital to be successful, it also strengthens the family social capital. Ultimately our data shows that modeling behavior is associated with the opportunity to be connected and leads to deeper family relationships. These enterprise families seem to demonstrate cross-generational modeling behavior and values transmission in an effort to deal with the potential struggles to collaborate or with the inevitable conflicts. The aim is to enhance family learning and prepare the younger generation for responsible shared ownership. Based on these considerations we develop our second proposition:

> ***Proposition 2:*** *Family learning based on modeling behavior and values transmission can help enhance social capital in transgenerational enterprise family cousin consortiums.*

3.4.5 Family Identity

Family identity is concerned with individual family members' perceptions of belonging to the family social group (Ashforth & Mael, 1989). More specifically, it captures a family member's perception of belonging to an extended family. The dimension is about how family members develop a sense of being part of a unique group through their recollections of a shared past, through undertaking present-day activities together, and through their belief in a common future (see Table 3.3).

Common Legacy. One of the first questions we asked informants in each interview was about their family history. All informants were able to share detailed stories about their common past, including dates, names, places, successes and failures. It became apparent these families tend to think in generations, not in years. In the following excerpt from a conversation with a Bravo family member, a connection is made between legacy, archival material, stories and the personal sense of pride in being part of the Bravo family:

We have forbears who were fighting in the revolution and prior to that. And we commissioned the writing of the family genealogy. So, we have a big thick book that traces our roots back to England in the late 1500s and how the family came over to this country in the early 1700s. You had two family members fighting at Bunker Hill, and all those things were important. And then more specifically there is a lot to be proud of about what our founder did in building the company and his foresight and his ethic. So, all those things are part of who we are and there are things that I am proud to be part of. (B-1)

With regard to remembering the past, we found family members preserving old family films, photos and books going back multiple generations. They also treasured the fact that several generations had sat on the board of a family foundation and framed this as an opportunity to be part of the family legacy. One of the interviews was with the Alpha family historian, and several enterprise family museums were visited by the first author. The mere fact that an archive exists, and that a historian is charged with reviewing whether historical documents should be released, suggests a cherishing of the past. This was evident in a statement made by one or our informants:

To us that shared sense of history as family is so powerful. I mean, you have a bond with third cousins. Ninety-nine percent of my friends don't know a single third cousin but because we are united as family, we are close to our second cousins, our third cousins and different generations. (C-3)

Hence, we explain the concept of common legacy in the context of enterprise families and their identity. We find that common legacy may enhance the sense of historical continuity.

Contemporary Practices. It became clear through our research that rituals and family meetings are popular contemporary practices within transgenerational enterprise families. Although we were unable to observe such family rituals personally, a Foxtrot family informant clearly described a kind of initiation rite for family members on reaching adolescence. This ritual brings the family member into the larger group and provides a jumpstart to 'full' membership of the enterprise family:

> *When a next gen is eighteen, usually there is a little donation, which is done to open up an account in the family office. And that is a way for the new member to start entering practically and understanding the system. So, it is an introductory process which is almost a ritual because everybody gives a donation at that moment in time. (F-2)*

Family meetings can be formal or informal, but in all cases they are recurring gatherings of enterprise family members at which they have fun together and discuss issues that are relevant to the extended family. Topics could include family business matters (e.g., dividend policy), family constitutional issues (e.g., are unmarried partners 'in' or 'out' of the family?) or family development (e.g., should we provide financial support for individual family member entrepreneurship?). Having witnessed family meetings of Alpha, Bravo and Delta, we can relate to the following statement from the Alpha family office senior executive:

> *Essentially what we do is support family connection, family engagement, family cohesion, and we do that by planning certain events such as the family meetings which have taken place twice a year every year since World War II in some fashion. (A-3)*

We thus introduce the concept of contemporary practices in the context of enterprise families and their identity. Practices such as holding regular family meetings and celebratory rituals seem to give a sense of belonging and signification to family members.

Shared Future. Our data suggests that transgenerational enterprise families express a shared future by formulating a common purpose and vision, which is then translated into a shared family mission. An example of a shared vision that is common in our cases is the aim of remaining transgenerational. One informant described this as follows:

> *It is an obligation to get in one more generation. Well, hopefully many more generations but this was a gift, and by God you better take care of the gift and pass it on in better shape than when you got it. Otherwise you have failed. (B-2)*

Staying together as a family group, not breaking up the wealth and distributing it to different family branches, is regarded as important for these enterprise families. The notion of 'family first' (as in placing family interests above the interests of individual members) is apparently a primary purpose. The following fourth-generation family member realized that this message has been disseminated to his generation. If successful, a next generation will preserve the enterprise family transgenerationally:

> *Whatever the dispute is, regardless of the matter - if it is a matter of business, money, whatever - we will always stay together, and we will always love each other. And I think this is instilled into our generation. And I think that we all believe in that: OK, family first, and sometimes we have to make personal sacrifices for the benefit of the unity and the harmony of the group. (E-2)*

So, we present the concept of shared future in the context of enterprise families and their identity. We find that a sense of shared future contributes to a common commitment to maintaining the family group.

3.4.6 Family identity enhances social capital

In general, the creation of a common identity is critically dependent upon group communication (Suess-Reyes, 2017; Sundaramurthy, 2008). Family identity embeds family members in the transtemporal narrative of the family group and is about a family member's perception of belonging to an extended family. The notion of family identity draws on a rich literature on the construction of identities. Remembering the past and having a common historical legacy creates signification for an individual in terms of being a member of a group (Hammond, Pearson, & Holt, 2016; Lowenthal, 2015). Looking to the past creates meaning by situating individuals in a larger historical narrative of the group (Ashworth & Graham, 2016). The purpose of remembrance is to create a bridge between the past and the present (ibid). Storytelling and also traditions are frequent mechanisms by which groups remember and celebrate the past (Fivush, Jennifer, & Duke, 2008; Hobsbawn & Ranger, 2000; Liu & Hilton, 2005). The belief in a shared future is a defining feature of identities, as is evidenced in the literature. Smith (1992), for example, emphasizes that, in the context of cultural identities, connecting the past to the future serves to create a sense of historical continuity in the group's existence.

All seven case families seem to be egalitarian in their actions and highly respected in their communities, regions or countries, but were extended families. For instance, Foxtrot has five branches of family members, speaking three different languages, and Charlie has nine branches spread around the globe, also speaking multiple languages. In other words, family identity can help to give members of the transgenerational family enterprise a stronger sense of belonging to a distinct group that shares a common legacy, engages in contemporary practices, and believes in a shared future. Family identity may thus lead to "functional closeness," since "you do not choose your family members to be your friends" (G-2). To summarize:

Proposition 3: *Family identity founded on a common legacy, contemporary practices and a shared future can help enhance the social capital of transgenerational enterprise family cousin consortiums.*

3.4.7 Family grounding

Family grounding refers to physical places or properties that have been in the family for multiple generations and that the family collectively owns. Family grounding has a practical component, in that these places serve as venues at which the family can meet and enjoy leisure time together; it also has an emotional component, in that family members exhibit an affective attachment to these places or properties (see Table 3.3). Except in the case of Alpha and Bravo, and as far as we were able to ascertain from archival data and conversations, the initial purchase of the estate, place or property seemed disconnected from any family grounding perspective.

Practical Location. A member of the Bravo family explained in some detail how the family property can be used by families from different generations, branches or geographical locations. In our research we observed different parts of this family living relatively close to one another, seemingly harmoniously, on a large wooded estate, where there were multiple family mansions and holiday homes:

The purpose was to provide this property to the family and anybody who's interested in enjoying it; by being there you had the ability to participate. And participating means leasing a plot, which is allocated according to family branches, and then one would build a home there, pay the dues and then be a part of the heritage. You don't have to build a home there. I mean, there are enough homes there. I don't have a *home out there… but my parents do, and I feel very connected to the property without having a home. (B-1)*

Another family shared ownership of a number of grounding assets, such as landmark buildings, parks, mansions and also a private family burial ground. However, as one informant explained, the home of the founder was considered the primary property:

So, the House is where the family gathers as a family twice a year. The family is able to use it for recreational purposes. The founder paid for it. He paid for the upkeep; he paid for the grounds, all of the staff. It was a costly undertaking, but he did it to keep the family connected. So, during the year they use it as a recreational facility. (A-3)

We thus introduce the concept of practical location in the context of enterprise families and their family grounding. We find that physical locations may be one of the roots of family connection.

Place of Affective Attachment. Our research revealed that these transgenerational enterprise families have a strong emotional connection to their family properties. Many informants were able to share fond memories from their childhood, which in itself expressed an affective attachment to place. As one informant recalled:

Geez, I can remember being taught how to swim there and playing golf, and I just loved it as a kid and I want my grandchildren to have the same opportunity and it's so historic, memories of grandparents and great-grandparents, and so on. (A-4)

All three Delta family informants shared a similar story of there being four identical properties on a row, which were built for the use of four siblings directly descended from the founder:

Similar homes were built. This was the 1930s. And they all had the same maple tree in their front yard, and when one got bigger than the rest, she (their grandmother) would go and chop a little piece down so they would all stay similar. I think that place has more meaning for me than that next jump to a much larger estate where my grandfather went thereafter. (D-1)

Another informant spoke with great happiness about his childhood memories visiting the family camp. He referred to this annual family holiday, a tradition which still continues, as being a sort of ceremony that brings all the family together:

The family co-owns a kind of a summer fishing camp. And has run that for 60 years or so. And that is a ritualistic summer holiday retreat area that brings all the family together. (C-3)

So, we present the concept of place of affective attachment in the context of enterprise families and their family grounding. We find that places of affective attachment can become a strong symbol of the family collective.

3.4.8 Family grounding enhances social capital

In general, attachment to place has its roots in attachment theory, which stems from psychology and refers to the positive emotional connection of the individual to a special place (Hildago & Hernandez, 2001). A place can represent an individual's personal history (Scannell & Gifford, 2010) and can serve as a physical depiction of the essence of important occurrences (Twigger-Ross & Uzzell, 1996). In the sociological tradition the emphasis is on how places have no inherent meaning other than the meaning individuals give to them (Easthope, 2004; Milligan, 1998). Our cases show whole extended families that experience the family grounding asset as a place of affective attachment, which brings family members together through shared memories and emotional connections. This is in addition to the functional benefits of holding social gatherings and the recreational use of the family grounding asset, and in one case providing an opportunity for the extended family to live close to each other.

Transgenerational enterprise families make a conscious decision and effort to maintain the key family property, which proves to serve a practical purpose as well as being a place of affective attachment for them. It seems likely that this family asset acquired its family grounding status over time. In the Bravo case, however, the authors had access to a letter written by the founder at the beginning of the last century, instructing the generations to come never to sell the estate but to maintain it for the benefit of the entire family. Not surprisingly, all the Bravo informants mentioned their estate as one of the most important factors in keeping the family together. Such collective responsibilities create an opportunity for 'working together' (A-1) and for 'mutual learning' (B-3).

In other words, family grounding relates to family places in which shared experiences occur and which then become tangible symbols of those common experiences. Attachment occurs not because of the place itself but because of the meaningfulness of the interactions that take place at the family property. Over the decades, and in transgenerational enterprise families, the family place becomes a symbolic physical manifestation of the family experiences and relationships. We therefore derive the following proposition:

> ***Proposition 4:*** *Family grounding, derived from practical locations and places of affective attachment, can help enhance the social capital of transgenerational enterprise family cousin consortiums.*

Overall, our findings suggest that organizational structures can provide process clarity and may form connective tissue between transgenerational enterprise family members; that family learning can prepare these family members for responsible ownership; that family identity can give signification to family members by enabling them to recognize a common legacy; and that family grounding can lead to tangible common experiences among family members. We identified these four aggregate dimensions that can enhance family social capital, and our conceptual framework provides a novel perspective on the origins of enterprise family social capital.

3.5 DISCUSSION

The results of our study suggest that the transgenerational enterprise family cousin consortiums in our research developed and used a distinct and intricate set of principles, programs and entities; these relate to behavior, procedures and the formation of structures. While the open communication, collective decision-making and family closeness seemed to be common to all seven cases, each transgenerational family developed its own particular patterns.

Success in such families may well be dependent on social capital created through relationships with the outside world (Stam et al., 2014). In the case of wealth preservation, however, we argue that success is dependent on social capital created through relationships between family members. This is also what differentiates one family from another. Wealth preservation success depends on maintaining those relationships. Family relationships are an enduring influence with regard to accumulation of wealth, succession and inheritance.

The relative lack of understanding regarding the origins of social capital in enterprise families means that the actual processes and practices that enhance family social capital remain largely unknown. Our qualitative approach has allowed us to identify organizational structures, family learning, family identity and family grounding and to conceptualize the ways in which these mechanisms enhance family social capital.

3.5.1 Theoretical Implications

This study has three main theoretical implications. First and foremost, we contribute to the social capital literature by opening the black box of relationships in transgenerational enterprise families. We thus respond to the call for further research on how such families form, manage and maintain their social relationships (Zellweger et al., 2019). From the data it emerges that the main driving factors in keeping the family together appear to be collective experiences, which frame the family as a group that is about more than the money itself: "being part of something larger than yourself" (A-1). These can revolve around a common experience of places, a common interest in philanthropic endeavors through various organizations, the opportunity for individuals to be involved in governing a family organization, the common experience of being associated with a name ('brand'), or the shared experience of traditions and rituals.

In all four of our aggregate dimensions, social capital emerged through concrete mechanisms. In line with the emerging conceptual literature on family legacies we find, for example, that objects attain meaning through the social interactions in which they play a part (Hammond et al., 2016). In the context of transgenerational enterprise families, our analysis suggests, however, that legacy objects are particularly potent for creating shared meanings if they serve as a bridge between the past and the present (Ashworth & Graham, 2016). Family grounding was framed as a key element in transgenerational families, and we found that places owned by the family constituted shared symbols of pride and tangible symbols of a family's historical legacy. Family estates also functioned as practical meeting places. In this sense, legacy objects constitute both shared symbols of the past while also providing opportunities to participate in activities that will preserve or add to that legacy.

Studies have shown that stories serve as a vehicle for passing on entrepreneurial legacies (Jaskiewicz et al., 2014) and imprinting organizational paths (Kammerlander, Dessì, et al., 2015). We found that they played an important role in transmitting family identity by creating a sense of historical pride. Similarly, they also captured family values (Parada & Viladás, 2010). These values were further transmitted and negotiated by working together on the family constitution (organizational structures), which allowed families to have a dialogue and develop shared meanings (Habbershon & Astrachan, 1997). Lastly, social capital was enhanced through role modeling (learning dimension) aimed not at telling the younger generation *what* to do but *how* to do it in keeping with the family's culture. We find empirical support for the argument that family members play an important role in educating the younger generation (Le Breton-Miller & Miller, 2015), both in terms of cultural transmission and of developing personal skills. Organizational structures such as committees serve not only as organizing devices but also as a way to teach young family members how to function within the family enterprise system.

Second, we find social capital can be developed outside the family business. We expand the discussion to enterprise families and identify other ways in which these families can enhance social capital that are not connected to the business. A family business brings a sense of purpose to the family, but notably a family's philanthropic activities, for instance, serve a similar function (Feliu & Botero, 2016). The business longevity literature has focused to a very large extent on the firm as the unit of analysis. We advance the dialogue that recommends shifting the unit of analysis to the family behind these enterprises (Zellweger et al., 2012) and more recently the call to distinguish between different types of families (Jaskiewicz & Dyer, 2017; Zellweger et al., 2019). While we concur with the view that this would help capture the multitude of business activities in later-generation families, we suggest broadening the scope to enterprise families to include families of impact that may share interests in businesses, but also in significant assets, philanthropy or perhaps a family office (Wessel, 2013).

In many cases, but not all, it seems that wealth creation through entrepreneurial business venturing is important to sustain wealth (Habbershon & Pistrui, 2002). Nonetheless, one cannot expect the majority of family members to enter the family business, or even to care about it, and to thus share a sense of purpose by pursuing a career or taking on a governing role in that business or businesses. However, we show examples of enterprise families (Alpha and Bravo) that have not been in business together for decades but have nevertheless preserved (and even increased) the family wealth. These families have managed to do so by living off the proceeds of the assets or by simply investing wisely and reaping the fruits of their labor. Thus, studying the enterprise family adds to our understanding of the drivers of social capital and wealth preservation.

A third theoretical contribution of our study is that it advances understanding of how family governance affects social capital. Family governance is a concept that includes the facilitation of social interaction, communication, involvement and conflict mitigation (Suess, 2014), articulation of purpose (Botero et al., 2015), and an increase in social interactions between family members, leading to higher levels of shared vision (Mustakallio et al., 2002). Our study confirms that family governance is better understood as a communication system (Suess-Reyes, 2017; Sundaramurthy, 2008) rather than a decision-making and organizing device (Angus, 2005; Brenes et al., 2011). Family governance provides a formal structure within which interaction takes place.

Rules are not enough in themselves; they will only work effectively if individuals learn how to use them and ensure that they are understood and accepted by all. Family learning supports this through modeling behavior and values transmission, which is not an automatic process but requires trust and the will to listen to each other (Le Breton-Miller & Miller, 2015). Stability over time and repeated interaction with regard to the development of trust (Ostrom & Ahn, 2003) can be established by using organizational structures such as representative bodies and their meetings, plus fundamental principles that provide informal rules for assemblies. Family governance practices assist this process; they boost trust both by creating rules and enabling family members to get to know each other better (Sundaramurthy, 2008; Van der Heyden, Blondel, & Carlock, 2005), thus reducing the potential for conflict.

In sum, family governance enhances social capital by increasing the predictability of behavior for the future. While rules do not eliminate the possibility of defection, they nevertheless provide a certain level of security to individuals.

3.5.2 Limitations and Future Research

Our study has a number of limitations. As is the case with qualitative work in general, this includes claims of generalizability. Our study assumes enterprise families share the objective of passing on their wealth across multiple generations. Furthermore, this study has focused on enterprise family cousin consortiums that are large and share considerable wealth. Not all aggregate dimensions may be equally relevant in smaller or less affluent families. Especially, the formalization of structures through representative bodies may be irrelevant in small families. We encourage scholars to engage in quantitative testing of these propositions, which would allow their generalizability to be checked in other geographical or cultural contexts. A further limitation is that we have not distinguished between enterprise families with or without a family business (Zellweger et al., 2012).

A lot of valuable research has been conducted on various facets of social capital. Social capital can be conceptualized along three dimensions: structural, relational and cognitive (Nahapiet & Ghoshal, 1998). The relational and cognitive social capital dimensions in particular are key to incorporating a sense of purpose and shared values into our model. Future research might examine how the origins of social capital may vary in each of these three dimensions.

Social capital theory has maintained that while providing benefits for individual actors, social capital also has some dark sides (e.g., Chirico & Nordqvist, 2010; Coleman, 1988; Herrero & Hughes, 2019; Kidwell et al., 2018; Portes, 1998). It is conceivable that certain traditional family values and principles may limit choices and reduce flexibility for enterprise family members. Also, organizational structures can be a double-edged sword for enterprise families. For example, a centralized structure can increase efficiency but also create politics and power struggles (Andrews, 2010). We encourage future scholars to research the dark side of family social capital in enterprise families.

We also have not examined the dynamics between different family subgroups such as branches or generations, or between individuals within the family system. Research on this might illuminate how branches and generations negotiate adaptive change at the family level and show to what degree the family structure supports or impedes family interactions, internal power dynamics and relationships.

3.5.3 Practical Implications

We believe that our study has practical implications for both enterprise families and enterprising or entrepreneurial families. Many of these families strive for transgenerational wealth. Holding the family, the assets and the enterprises together and under family control is an underlying objective for many families that are or have been in business together. Our research identifies four key ways in which families can shape or enhance their family social capital. First, they can develop and maintain organizational structures that provide process clarity to family members by defining a shared set of fundamental principles and they can set up representative bodies. Second, by focusing on family learning they can prepare family members for responsible shared ownership, using modeling behavior and transmission of values. Third, nurturing family identity can be used to give signification to family members, and this can be done by emphasizing the sharing of a common legacy, participation in current practices, and a commitment to a shared future. Finally, they should also recognize the importance of family grounding, where particular family locations provide tangible shared experiences for family members by being used both for practical purposes and as places that elicit an affective attachment.

In other words, our study contributes to understanding of how families can mobilize social capital resources to maintain wealth across generations, using diverse relational mechanisms to do this. In addition, enterprise family members individually may want to recognize their personal potential and important contribution to the forging of family social capital.

3.5.4 Conclusion

In our study we have focused on the question of how social capital is enhanced in some transgenerational enterprise family cousin consortiums. We have answered recent calls to use the family unit of analysis to uncover the origins of social capital. We know from what happens in practice that many enterprise families seek to preserve their wealth, and that only some of them succeed in doing this across multiple generations. It seems that these families are associated with strong family social capital. We found four aggregate dimensions that enhance social capital in enterprise families that showed transgenerational success. Overall, we hope that our study and contributions will set the stage for further focused conversation on the provenance of social capital and wealth preservation.

CHAPTER 4

Governance and Social Capital in Enterprise Families: A Moderated Mediation Framework

ABSTRACT

Although family business research has paid a great deal of attention to the benefits of family social capital, we still lack an understanding of how enterprise families build and maintain social capital. We theorized and tested both how and when family governance practices enhance social capital by considering family learning and family identity as mediators and two elements of ownership (i.e., generational ownership and business ownership) as important contingencies. We test our moderated mediation framework using data from 175 enterprise families from around the world. Our findings suggest that family learning and family identity have a positive relationship with family social capital. We also find generational ownership to have a first-stage positive moderating role and business ownership a second-stage negative moderating role in these indirect relationships.

Key words: social capital, family governance, enterprise family, family learning, family identity, ownership

4.1 INTRODUCTION

"I expect our modus operandi will continue harmoniously through this next generation." (Jay Pritzker, third generation, stepping down as family leader in 1995)

"It's not money…It's just this personal, vicious anger they have…It is so emotional, you can't believe it. It's what hate does." (Close friend of the Pritzker family, in 2003)

The multibillion-dollar Pritzker family empire, which was started from scratch in the early 1900s, broke up spectacularly over a decade ago. Employing multiple lawyers to keep the family fight in closed courtrooms away from the public gaze, the heirs to the Pritzker fortune sued each other after allegations of plundering of family trust funds and mismanagement of the family's vast portfolio of companies, including the Hyatt hotel chain, several cruise lines and interests in the tobacco industry (Andrews, 2003; Chandler & Bergen, 2005; Das, 2013). Diverging interests and failure to communicate had led to splits within the family and eroded trust between the various members and there was very little family social capital in this enterprise family.

Enterprise families are families that share ownership of multiple assets (e.g., investments or real estate) and multiple entities (e.g., a family business, family office and/or family philanthropic foundations) across multiple generations. Family social capital refers to the goodwill between family members (Adler & Kwon, 2002) and the mechanism by which they access or create beneficial relational resources that translate into capabilities such as problem solving and the ability to take collective action. Growing families with an increasing number of offspring and diminishing social capital because of looser family ties will encounter barriers to communication and family learning aimed at preparing the next generation (Williams & Preisser, 2003). Sustaining a family enterprise and preserving wealth over multiple generations requires a functioning family system. It is no secret that keeping all family members happy, aligned and committed to a common goal presents many challenges.

For instance, a family with an ever-growing and dispersed network of members needs to be able to make decisions together and work through the inevitable conflicts (Hamilton, 2018; Jaffe, 2018). How enterprise families make decisions is defined in the family governance system, which is a set of principles, policies and rules that are followed by family members and that outline how various activities should be conducted in order to achieve the goals of the extended enterprise family (Angus, 2005; Berent-Braun & Uhlaner, 2012; Brenes et al., 2011; Kammerlander, Sieger, et al., 2015). Although empirical research at this point remains limited, existing studies suggest that family governance improves the "functionality of the family" (Suess, 2014, p. 140). Family social capital refers to this family functionality in terms of the quality of interpersonal relationships, common understandings and a shared purpose (Adler & Kwon, 2002; Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998). While previous research shows that family governance (Mustakallio et al., 2002), collaborative dialogue and shared ethical norms help to build family social capital (Sorenson, Goodpaster, Hedberg, & Yu, 2009), within family business research considerably more attention has been paid to the benefits of family social capital, rather than to the mechanisms that generate it (De Massis & Foss, 2018; Long, 2011; Schmidts & Shepherd, 2015). Notably, we lack understanding of the mechanism through which family governance enhances family social capital, and under what conditions this happens. That is, we need to open the black box of the governance – social capital relationship.

The aim of this study is to examine whether family governance can help to explain why some enterprise families show more social capital than others. In large and dispersed enterprise families, governance provides the formal structure within which much of the interaction takes place. We help to provide a novel understanding of the importance of governance for social capital in enterprise families. Our resulting moderated mediation framework considers both *how* and *when* family governance practices enhance family social capital (see Figure 4.1).

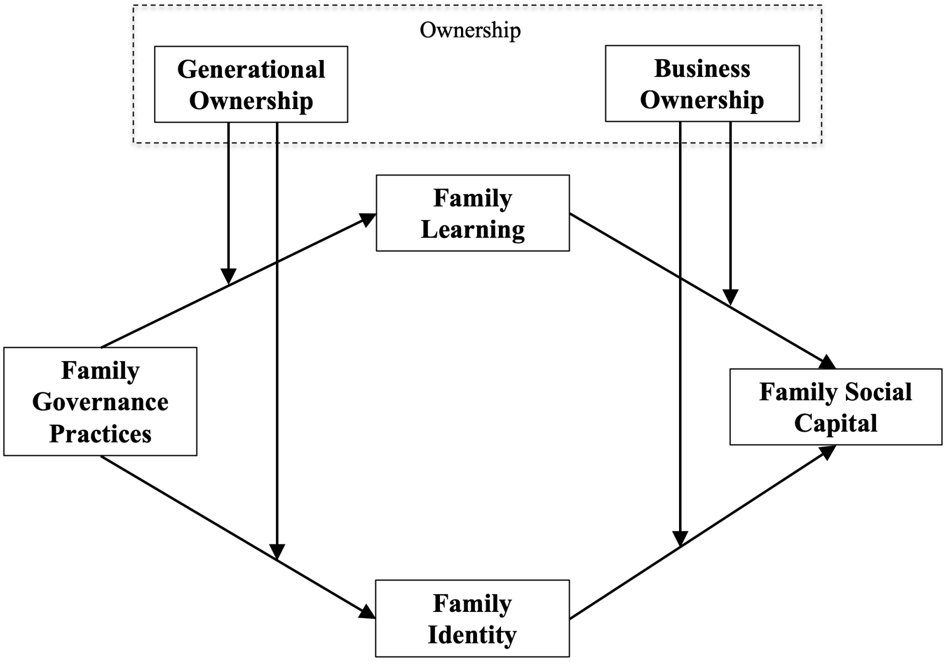

Figure 4.1 ***The Conceptual Model: A Moderated Mediation Framework***

We show that family learning and family identity are mediators that explain *how* family governance enhances family social capital, and generational ownership and business ownership are moderators that explain *when* this occurs. Relatively few studies on family governance use the family as the unit of analysis (Berent-Braun & Uhlaner, 2012; Gersick & Feliu, 2014; Suess-Reyes, 2017; Suess, 2014). Our study contributes to this line of research by proposing that family governance can help to enhance family social capital by prompting enterprise families to strengthen (1) family learning (Brown & Duguid, 1991; Le Breton-Miller & Miller, 2015) and (2) family identity (Kramer, 2009; Zellweger, Nason, Nordqvist, & Brush, 2013). Thus, by considering the mediating mechanisms both theoretically and empirically, we also contribute to research on strategic entrepreneurship, social capital and family governance, as we explain *how* governance affects social capital in enterprise families.

Furthermore, we advance understanding of the effect of ownership on social capital. While previous studies have shown the influence of family firm ownership on organizational learning (Zahra, 2012), the role of generational ownership (the number of generations that share ownership of the enterprise) has been less well explored (Eddleston, Otondo, & Kellermanns, 2008). Our understanding of how family governance and ownership jointly determine family social capital remains limited (Gersick & Feliu, 2014; Suess-Reyes, 2017). We add to prior research by considering *when* (i.e., under what conditions) family governance practices are most effective in enhancing social capital. We make a distinction between generational ownership and business ownership as moderating variables in the relationship between family governance practices and family social capital. We argue that generational ownership affects the extent to which family governance practices promote family learning through its role as a first-stage moderator. We also argue that business ownership affects the extent to which family identity promotes family social capital through its role as a second-stage moderator. In that way generational ownership and business ownership qualify the indirect effects of family governance practices on family social capital. By analysing the contingency role played by ownership, our study answers a call for more research to open the black box of building and maintaining family relationships (Zellweger et al., 2019).

Overall, we test the proposed relationships on proprietary data from a sample of 175 enterprise families with wealth in excess of U$ 30 million, from 27 countries on five continents. We find empirical support for the notion that family governance practices can enhance family social capital. Also, our empirical results suggest family learning and family identity mediate this relationship. In addition, we find that the mediating effect of family learning is stronger in enterprise families with higher generational ownership, and that the mediating effect of family identity is weaker in enterprise families with higher business ownership. However, we do not find empirical evidence to support the notion that generational ownership plays a moderating role in the mediating relationship of family identity, or evidence of the moderating role of business ownership on the mediating relationship of family learning. Ergo, we underscore the importance of considering both mediating and moderating effects to enhance understanding of how enterprise families may reinforce their social capital and thus break the three-generation 'rule' suggested by the Scottish proverb, 'shirtsleeves to shirtsleeves in three generations'.

4.2 THEORY AND HYPOTHESIS DEVELOPMENT

4.2.1 Family governance and social capital

Once a multigenerational enterprise family reaches a certain level of complexity, more formal mechanisms are required to organize family interactions as well as the family's relationship with the enterprise (Mustakallio et al., 2002). Formalized structures play a crucial part in the development of social capital (Ostrom & Ahn, 2003; Schnackenberg & Tomlinson, 2014; Sundaramurthy, 2008). Family governance practices are voluntarily mechanisms instituted at the family level, which provide the structural settings in which these interactions can take place (Suess-Reyes, 2017; Sundaramurthy, 2008). They are mechanisms used to manage the transmission of family values and vision (Berent-Braun & Uhlaner, 2012; Botero et al., 2015; Zellweger & Kammerlander, 2015) and to facilitate a transgenerational orientation (Suess-Reyes, 2017), with decision-making aimed at adapting to change (Capasso et al., 2015). The most common family governance practices are family meetings, the family council and the family constitution. Family meetings are recurrent formal or informal gatherings of family members where important matters relating to the enterprise are discussed (Habbershon & Astrachan, 1997) but which also provide an opportunity for social interaction. A family council consists of selected and elected representatives from different branches and generations of the family, who develop an enterprise strategy and take decisions together (Berent-Braun & Uhlaner, 2012). A family constitution is a jointly designed charter of principles and guidelines in which the family sets out rules, rights and obligations (ibid) as well as (in many cases) articulating its collective values (Botero et al., 2015).

The primary function of these family governance practices is to enable ongoing communication in the family (Suess-Reyes, 2017; Sundaramurthy, 2008), relationship building (Mustakallio et al., 2002), the development and articulation of a common purpose (Botero et al., 2015), information exchange and procedural transparency (Sundaramurthy, 2008; Van der Heyden et al., 2005). In terms of outcomes, family governance has been linked in the literature to the development of a common vision (Habbershon & Astrachan, 1997; Mustakallio et al., 2002), a transgenerational orientation (Suess-Reyes, 2017) and the development of interpersonal trust through interaction between family members (Arregle, Hitt, Sirmon, & Very, 2007; Sundaramurthy, 2008), as well as to perceptions of fair process (Sundaramurthy, 2008; Van der Heyden et al., 2005). We propose that by instituting voluntary principles, policies and practices that define how an enterprise family makes decisions, family governance practices hold great potential to enhance family social capital.

Social capital generally refers to “the goodwill available to individuals or groups. Its source lies in the structure and content of the actors’ social relations” (Adler & Kwon, 2002, p. 23). As an umbrella concept it covers all the resources that reside within relationships, including trust, cohesion, shared meanings and norms (Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998); these in turn facilitate the pursuit of common goals (Adler & Kwon, 2002; Pearson et al., 2008) or indeed strengthen the will of the group to pursue common goals in the first place (Suess-Reyes, 2017). Scholars argue that social capital is advantageous as it generates specific resources, reduces transaction costs, and facilitates knowledge sharing as well as transmission of tacit knowledge (Nahapiet & Ghoshal, 1998; Pearson et al., 2008). Family business literature suggests that family social capital is a distinct and especially potent form of bonding social capital because of kinship ties, longstanding relationships going back to childhood, and the family enterprise’s shared history (Herrero, 2018). The concept is particularly relevant in the context of the family business literature, as it has been suggested to be a source of distinctive familiness (Pearson et al., 2008) and of a transgenerational orientation (Suess-Reyes, 2017).

We propose that family governance practices hold great potential to help enterprise families to unlock resources that will influence exchange, since family governance is positively associated with family unity (Brenes et al., 2011; Jaffe & Lane, 2004; Koeberle-Schmid et al., 2014; Martin, 2001) and good family dynamics (Suess, 2014). Building on these ideas, we posit that family governance practices can enhance family social capital by improving a family’s ability to deal with unavoidable tensions as the family and enterprise expand.

4.2.2 The mediating role of family learning and family identity

Family governance practices can enhance family social capital because they promote family learning within enterprise families. Family learning refers to the efforts made by the family itself to transfer knowledge and skills to the whole family and particularly to the younger generation (Le Breton-Miller & Miller, 2015) – for example, through mentorship and role-modelling. It thus extends beyond formal education and the acquisition of abstract knowledge, as the emphasis is on the processes by which knowledge is acquired and transferred (Konopaski, Jack, & Hamilton, 2015). Frequent interaction between different generations enables the younger generation to learn values, norms and practices from older family members (Konopaski et al., 2015). In extended multigenerational enterprise families, family governance serves as the forum within which learning processes take place (Suess-Reyes, 2017) and provides ongoing opportunities for participation. Prior studies argue that regular family meetings have been shown to be important in terms of allowing interaction, intergenerational dialogue and participation (i.e., experimental learning) (Le Breton-Miller & Miller, 2015), and family constitutions enable a common vision to be developed and common values to be identified (i.e., institutional learning) (Botero et al., 2015).

In the communities of practice literature, learning is conceptualized as the acquisition of social and cultural understanding that allows individuals to function as members of a group (Brown & Duguid, 1991). While this literature is primarily concerned with the social conditions in which learning occurs rather than its outcomes, it nevertheless captures the generation of cognitive social capital through its focus on the ways in which individuals learn to speak the language of the group and are socialized into its shared understanding (ibid). In a similar vein, Le Breton-Miller and Miller (2015) suggest that family learning generates social capital particularly through experimental (‘learning by doing’), interactive (‘learning through interaction’), and institutional (‘transmission of values and ethics’) learning. They argue that these types of learning foster cohesion and develop stewardship attitudes that originate from the family itself.

In other words, learning programs, internships, and offering junior positions on committees and other opportunities for participation can be a way of strengthening the bonds between family members, and learning how to work together and to manage conflict. They can help instill a sense of participation and commitment to the family enterprise. Therefore, family governance practices can enhance social capital by promoting family learning, thus enabling knowledge, skills and values to be transferred to the rising generation. This leads us to our first hypothesis:

> ***Hypothesis 1***: *Family learning mediates the positive relationship between family governance practices and family social capital.*

Family governance practices can also enhance family social capital by encouraging enterprise families to develop their family identity. To understand how family social capital develops, one needs to examine the family’s identification with the enterprise and how family governance practices can contribute positively to the enterprise family’s identity. At its core, the concept of identity is about ‘who we are’ as a group and the meaning that individuals assign to their membership of that group (Albert & Whetten, 1985, p. 220). With specific regard to family identity, this is based on a shared sense of the family’s endurance and stability over time and on perceptions of its central characteristics (Zellweger et al., 2013). Family identity is directly linked to shared meanings, interpretations and behavioral norms (Nahapiet & Ghoshal, 1998; Suess-Reyes, 2017); collective identities rely inherently on shared understandings, which are improved by family governance practices that promote the exchange of information and individual views.

It is argued in the literature that perceptions of a family's central character and distinctiveness are largely rooted in its unique history and are expressed through stories, places, artefacts and other forms of symbolism (Zellweger et al., 2013) that connect the past to the present and the future (Ashworth & Graham, 2016). Such family real estate, artefacts and legacy objects are typically managed in the family governance system through committees and family meetings. Thus, governance practices are highly relevant, because they provide coordination in extended families and serve as a communication forum that allows these families to maintain themselves as a group.

Moreover, the literature suggests that a shared sense of identity has a positive effect on the level of trust between group members, creating a positive cognitive relationship between individuals, and making it less likely that they will engage in opportunistic and selfish behavior (Kramer, 2009). A common identity has been found to be a direct antecedent of enterprise families' will to pursue common goals (Suess-Reyes, 2017). We acknowledge that in most studies identity itself is categorized as a form of internal social capital (e.g., Nahapiet & Ghoshal, 1998; Pearson et al., 2008), given that group identities are inherently relational (Ashforth, Harrison, & Corley, 2008). Indeed, identifying with a group on the basis of its uniqueness and endurance has been shown to have a positive influence on an individual's willingness to contribute to the collective (Kramer, 2009). Nevertheless, we posit that family identity can be an antecedent to social capital such as participation, commitment, and perceptions of trustworthiness (Kramer, 2009; Schmidts & Shepherd, 2015).

In other words, identity refers to a group's conception of its essence in terms of its values and core beliefs. Family governance practices support the development and maintenance of family identity as they provide the setting in which communication takes place (Suess-Reyes, 2017; Sundaramurthy, 2008), and collective identities facilitate collaboration. These arguments lead us to the following hypothesis:

> ***Hypothesis 2***: *Family identity mediates the positive relationship between family governance practices and family social capital.*

4.2.3 The moderating role of ownership

Family businesses are the predominant form of enterprise organization, and the family business system can be characterized in a framework of three overlapping circles, representing the family, the business and the ownership systems (Tagiuri & Davis, 1996). With regard to ownership, Gersick et al. (1997) distinguish between ownership controlled by one individual (e.g., first generation), a sibling partnership in which ownership resides in the hands of daughters and sons (e.g., second generation), and a cousin consortium, where control effectively resides with many individual family members across several family branches (e.g., third generation and onwards). These ownership structures do not represent an automatic evolution and do not necessarily coincide with the generational stage (Gersick et al., 1997), given that some structures may take a hybrid form or can indeed change back and forth during times of transition. In general, however, ownership tends to become more diluted over time (Le Breton-Miller & Miller, 2013; Nordqvist, Sharma, & Chirico, 2014).

Members of enterprise families may share ownership of a family business, but the evolution of the family can also lead it to sell the original business and acquire ownership of a portfolio of investments and perhaps other non-family businesses. Also, enterprise families may choose to keep the ownership in one generation, perhaps the founding generation, but may then decide at some point to transfer parts of the ownership to the rising generation and to other generations beyond that. Generational ownership in family enterprises refers to the ownership being held within one or more family generations at the same time (Eddleston et al., 2008). Having or not having a family business, and sharing or not sharing ownership with multiple family generations, has implications for the degree to which family learning and family identity impact social capital.

Next, we argue that generational ownership affects the extent to which family governance practices promote family learning and family identity, and we argue that business ownership affects the extent to which family learning and family identity enhance social capital. That is, by acting as a first-stage moderator in our moderated mediation framework (as presented in Figure 4.1), generational ownership shapes the effectiveness of family governance practices in enhancing family social capital. In addition, by acting as a second-stage moderator in our moderated mediation framework, business ownership shapes the effectiveness of family governance practices in enhancing family social capital.

The moderating role of generational ownership

Later-generation family businesses are likely to have a large dispersed ownership group with multiple branches, and the family enterprise is larger and more complex than in earlier generations (Jaffe & Lane, 2004; Le Breton-Miller & Miller, 2013; Nordqvist et al., 2014). Scholars argue that the interests of individual family member increasingly diverge, while at the same time family bonds and commitment to the family enterprise decrease (Le Breton-Miller & Miller, 2013). Family branches increasingly prioritize their own interests rather than those of the family or the enterprise as a whole (Sciascia et al., 2014). Kellermanns and Eddleston (2007) show that cognitive conflict – disagreement about goals and strategies – in a family is negatively associated with family business performance, and Eddleston et al. (2008) find generational ownership to be associated with relationship conflict. Therefore, we argue that the relationship between family governance practices, which mitigate such conflict, and family learning may be influenced by how many family members actually participate in the ownership structure. When more generations share ownership and take part in the family governance system, communication and exchange of information is likely to increase. In other words, the effect of family governance practices on family learning should be stronger when there is more generational ownership, because it provides opportunities for participation. Participation opportunities created in the family governance system familiarize younger family members with the workings of a complex enterprise, leading to increased family learning.

In addition, higher levels of generational ownership will also enhance the influence of family governance practices on family identity as they will increase solidarity. Intergenerational solidarity theory argues that bonds between family members across generations contribute to familism, a social structure in which family norms or expectations eclipse those of individual family members (Bengtson & Roberts, 1991), effectively enhancing the identity of the family as a social group. While the first and second generation of a family enterprises can rely on natural bonds in the nuclear family and more frequent interaction, later generations of the family require a salient family identity as an overarching mechanism to create associability and maintain shared meanings (Berent-Braun & Uhlaner, 2012; Suess-Reyes, 2017). With wider generational ownership comes less opportunism among active family owners at the expense of those who are more passive (Siebels & Zu Knyphausen-Aufseß, 2012). In other words, family communication, positively influenced by family governance practices, and multigenerational attention affect identification with the family enterprise (Cabrera-Suárez et al., 2015). Considering that generational ownership affects the extent to which family governance practices promote family learning and family identity (i.e., is a first-stage moderator), we propose the following indirect relationships:

> ***Hypothesis 3****: Generational ownership moderates the indirect relationships between family governance practices and family social capital in such a way that: (a) the indirect effect through family learning is stronger and (b) the indirect effect through family identity is stronger for higher levels of generational ownership.*

The moderating role of business ownership

Conversely, business ownership may make enterprise family learning and family identity less effective in enhancing family social capital. Enterprise families either retain ownership control of their core family business or sell the original firm and diversify into a financial family with a portfolio of investments and business interests (Hamilton, 2018; Jaffe & Lane, 2004). Enterprise families that do share ownership in a family business and have not yet divested their interests may run into blockholder conflicts as a result of a divergence of ownership and interests between majority- and minority-owners (Miller & Le Breton-Miller, 2006; Zellweger & Kammerlander, 2015). Some studies have drawn on agency theory to highlight how the interests and objectives of active manager-owners may differ from those of the growing number of passive owners from later generations, and how this might be reflected in information asymmetries between them (Sciascia et al., 2014). We argue that the relationship between family learning and social capital is weaker in families with a family business. That is because there is greater potential for agency conflict and owner-to-owner conflicts, which increase information asymmetry and impede family learning. Ideally, information, knowledge and skills are transferred to the whole enterprise family, not just to those members who are active family business owners (Le Breton-Miller & Miller, 2013). It stands to reason that there will be a negative effect on family cohesion and social capital. Accordingly, the potential for family learning to have an impact on relational and cognitive social capital may be greater in families without a family business than in those that have a family business with shared ownership.

In addition, business ownership may also weaken the effect of family identity in enhancing family social capital because of blockholder conflicts among owners that erode trust in enterprise families. The influence of family identity on family businesses has been explored extensively in the literature (e.g., Berrone, Cruz, Gómez-Mejia, & Larraza-Kintana, 2010; Dyer & Dyer, 2009; Whetten, Foreman, & Dyer, 2014). In many cases the family business is seen as an extension of the family itself (Berrone, Cruz, & Gómez-Mejia, 2012). However, in later generations of enterprise families the family business is more likely to influence family identity than vice versa (Wielsma & Brunninge, 2019). The original business provides a common foundation for the family's identity that families with portfolio investments have to compensate for, and often do, through a family office, philanthropic foundation or legacy assets. These shared entities and assets may lead to less damaging conflict among family members. Business ownership increases the potential for conflict because of power asymmetries and divergence of interests and expectations among owners (e.g., business as a cash cow versus business as a transgenerational dream) (Kellermanns & Eddleston, 2008). Strong social relations require stability and evolve over time (Arregle et al., 2007). However, studies show that in later generations, as the number of passive owners grows, the business functions less and less as a common point of identification (Gómez-Mejia, Cruz, Berrone, & De Castro, 2011). Moreover, psychodynamic effects such as dispersion of business ownership and identity conflict (Berrone et al., 2012; Schulze et al., 2001) make it more difficult for family members to fulfil both family and business expectations (Gersick et al., 1997).

In other words, families with a business automatically have a common basis for identification, but in later generations that effect diminishes. Given that power in enterprise families that share ownership of a family business is likely to be more unequally distributed between passive and active owners as a result of information asymmetries, there is greater potential for conflict that will eat into the family's social capital. From these arguments, we therefore suggest that business ownership plays a second-stage moderating role in the indirect relationship between family governance practices and family social capital, leading us to our fourth hypothesis:

> ***Hypothesis 4***: *Business ownership moderates the indirect relationships between family governance practices and family social capital in such a way that: (a) the indirect effect of family learning is weaker and (b) the indirect effect of family identity is weaker for higher levels of business ownership.*

4.3 METHODS

4.3.1 Data collection and sample description

For our empirical analysis, we chose to look at wealthy enterprise families across the globe, because such families are difficult to access and there have been insufficient studies using the family as a unit of analysis. Family businesses account for 70% of GDP in the global economy (White, 2017) and 60% of global employment (Shanker & Astrachan, 1996; White, 2017; Zahra, 2005). These families are "the most significant pool of philanthropic capital (Boris & Wolpert, 2001), the largest single source of start-up capital (Steier, 2001), and the most enduring institution for entrepreneurial activity in emergent economies (Pistrui et al., 1997)" (Habbershon & Pistrui, 2002, p. 223). Also, although the contributions of these families are of great importance for technological innovation and economic progress in general (Zahra et al., 2004), the businesses they run tend to be less entrepreneurial than non-family firms (Jaskiewicz et al., 2014) but tend to perform better on the capital markets (Anderson & Reeb, 2003; Caspar, Dias, & Elstrodt, 2010). Moreover, transgenerational successful families are likely to perform even better on above benefits to the economy that are described above (White, 2017).

We contacted 1,020 enterprise families around the world through our own network and with the help of the Global Enterprise Families Institute, the knowledge centre and think tank of Family Office Exchange. In order to specify the sample for analysis, an enterprise family was defined as a family with a transgenerational intention, wealth in excess of US$ 30 million, and shared ownership of multiple entities and assets. We asked the most prominent and knowledgeable family leaders or the chief executive of their single family office via email to respond to our online Qualtrics survey, and the response rate was close to 22%. Non-respondents proved to be a random selection of the universe of invitees when looking at the enterprise family characteristics such as generations, size, branches, location or wealth. After deleting incomplete or fatuitous responses, we were left with a total of 175 observations in the final sample. The high number of respondents was singular, considering that the challenge of getting enterprise families to share details of their social capital is an Augean one. The number is also higher than in other studies on family social capital (Herrero & Hughes, 2019; Mani & Lakhal, 2015) and sufficient for the purpose of our analysis.

The fieldwork was completed from May to October 2019. We conducted a pilot test of the survey instrument by approaching three enterprise families in our own network. The results of this pilot were used to modify the questionnaire to obtain the final survey in English. It became clear to us that words such as ‘legacy’ and ‘destiny’ did not resonate as well with our respondents as ‘vision’ and ‘heritage’: the word ‘legacy’ is associated with “what you have to become”, and the word ‘destiny’ is associated with “what you are stuck with”. We revised the survey to eliminate ambiguities in our questions and add some additional questions. The survey contains six blocks of questions: respondent and enterprise family information, family relationships, family governance, family learning, family continuity, and values and goals (see Appendix 2).

Our sample comprises families with roots in North America (52%), Europe (23%), Latin America (15%), Asia-Pacific (7%) and the Middle East and Africa (3%). The oldest family enterprise in our sample dated back to the early 1700s, representing 12 generations. The largest family spanned 12 branches, and some families were made up of more than 1,000 members. In our sample about a third were billionaire enterprise families and the average wealth was in excess of US$ 250 million. The family enterprises within the sample had been controlled by the family for one generation (17%), two generations (23%), three generations (25%), four generations (11%), five generations (11%), six generations (8%), or more (5%). In our sample, on average two generations of the enterprise families controlled one or more family businesses (82%), a family office (82%), or a philanthropic foundation (77%). However, 17% of the families who owned family businesses did *not* have a family office to manage their investments and personal affairs.

4.3.2 Measurement and construct validation

The dependent variable we used in our study was family social capital. We measured family social capital with a validated twelve-item scale, adapted from Carr et al. (2011) to reflect the enterprise family context. All items were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). This internal social capital scale is based on aggregating four items each for the three dimensions of social capital: structural, cognitive, and relational (Nahapiet & Ghoshal, 1998). Reliability analysis indicates that the scale has good internal consistency, with a Cronbach's alpha of 0.92.

The independent variable we used in our study was family governance practices. We adapted the scale from questionnaires that measure family governance (Berent-Braun & Uhlaner, 2012; Mustakallio et al., 2002; Suess-Reyes, 2017) to reflect the enterprise family context. The scale uses four items and measures the extent to which families use four family governance practices: family constitution, family code of conduct, family council, and family gatherings. All items were measured using a five-point Likert scale ranging from 1 (do not know), 2 (not considered at this time), 3 (in discussion), 4 (under development) to 5 (already in use). Reliability analysis indicates the scale is internally consistent, with a Cronbach's alpha of 0.70.

The first mediator variable we used was family learning. From our interviews with seven enterprise families we found that family learning was determined by two dimensions that capture different facets of the concept: social (interpersonal) learning and structural learning (Le Breton-Miller & Miller, 2015). Based on this qualitative data we formulated eight items, and we discussed content validity intensively with a group of PhD students and their professor (Anderson & Gerbing, 1991; Schriesheim, Powers, Scandura, Gardiner, & Lankau, 1993). In addition, we checked the clarity of all the items with the three enterprise families in our pilot study and the founder of Family Office Exchange.

See Appendix 2 for information about the items included in the survey questionnaire. All items were measured using a five-point Likert scale ranging from 1 (not at all) to 5 (a great deal). Exploratory factor analysis shows construct validity and reliability analysis indicates that the scale has good internal consistency, with a Cronbach's alpha of 0.87.

The second mediator variable we used was family identity. We measured this using six items drawn from scales that measure business family identity (Berrone et al., 2012; Debicki, Kellermanns, Chrisman, & Pearson, 2016; Frank et al., 2016; Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016). We adapted the scale to reflect the enterprise family context. All items were measured using a five-point Likert scale ranging from 1 (not at all) to 5 (a great deal). Exploratory factor analysis shows construct validity, and reliability analysis indicates the scale has good internal consistency, with a Cronbach's alpha of 0.86.

We used two moderator variables: generational ownership and business ownership. We measured generational ownership by asking how many generations held a share of ownership in the family enterprise (including the family business, family office, investments, and foundation). This moderator variable was operationalized as a categorical variable ranging from one to three generations, referring to ownership by grandparents, parents, or grandchildren. The moderator variable business ownership was measured dichotomously by asking whether the enterprise family held ownership of one or more operating family businesses (yes/no).

Multiple control variables were used to ensure a correct model specification, including various characteristics of the enterprise family (family generations, family size, family branches, and region of origin). To measure the longevity of the family enterprise we asked respondents to indicate for how many *family generations* the enterprise had been owned. *Family size* was measured by asking the total number of family members (including spouses) that the family comprised. *Family branches* was measured by asking the number of families that were part of the extended enterprise family group. The *region* was determined by asking the location of the enterprise family headquarters. As our final control variables, we asked the enterprise family whether they operated a *family office,* or had a *family philanthropic foundation*. The detailed operationalization of all variables can be found in the Appendix 2.

4.4 ANALYSIS AND RESULTS

4.4.1 Descriptive statistics

Table 4.1 reports the bivariate correlation coefficients for all variables included in the analysis, as well as the mean and standard deviation for each variable. Reliabilities for the variables, constructed from multiple items, are reported on the diagonal in Table 4.1. Across the sample as a whole, the average number of generations of the family enterprise is 3.25, the size of the family is below 75 members, and there are around four family branches. Social capital shows a low but positive correlation with family governance practices (r = 0.27, p < 0.01), and a moderate and positive correlation with both family learning (r = 0.47, p < 0.01) and family identity (r = 0.44, p < 0.01). Family identity shows moderate positive correlation with both family governance practices (r = 0.47, p < 0.01) and family learning (r = 0.52, p < 0.01). In addition, family governance practices shows a low and positive correlation with family learning (r = 0.35, p < 0.01) and with generational ownership (r = 0.16, p < 0.05). The moderator variable generational ownership shows a low and positive correlation with the independent variable family governance principles (r = 0.20, p < 0.01).

Table 4.1 ***Descriptive Statistics***

	M	*SD*	*Min.*	*Max.*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Family Social Capital	3.90	0.63	2.1	5.0	(0.92)α															
2. Family Governance Practices	4.00	0.87	1.8	5.0	0.27**	(0.70)α														
3. Family Learning	2.89	0.87	1.0	5.0	0.47**	0.35**	(0.87)α													
4. Family Identity	3.94	0.68	1.7	5.0	0.44**	0.47**	0.52**	(0.86)α												
5. Generational Ownership	2.06	0.81	1.0	3.0	0.05	0.20**	0.05	0.08	1											
6. Business Ownership	0.82	0.38	0.0	1.0	-0.01	0.13	-0.01	0.08	0.11	1										
Control Variables																				
7. Family Generations	3.25	1.89	1.0	10.0	0.03	0.19*	0.02	0.21**	0.39**	0.02	1									
8. Family Size	1.80	1.24	1.0	6.0	0.02	0.21**	0.05	0.16*	0.40**	0.11	0.53**	1								
9. Family Branches	3.73	2.69	1.0	12.0	0.01	0.21**	0.03	0.10	0.29**	0.04	0.31**	0.54**	1							
10. Region North America	0.53	0.50	0.0	1.0	-0.11	-0.22**	-0.15*	-0.14	0.26**	-0.14	0.03	-0.07	0.03	1						
11. Region Europe	0.23	0.42	0.0	1.0	0.15*	0.19*	0.28**	0.05	-0.06	0.11	0.07	0.15*	-0.04	-0.57**	1					
12. Region Latin America	0.15	0.36	0.0	1.0	-0.09	0.09	-0.08	0.08	-0.09	0.15*	-0.11	-0.05	0.01	-0.44**	-0.23**	1				
13. Region Asia-Pacific	0.07	0.25	0.0	1.0	0.02	0.02	0.01	0.12	-0.16*	-0.05	-0.04	0.03	0.01	-0.29**	-0.15	-0.11	1			
14. Region Middle East & Africa	0.03	0.17	0.0	1.0	0.10	-0.05	-0.09	-0.05	-0.18*	-0.10	0.03	-0.11	-0.01	-0.18*	-0.09	-0.07	-0.05	1		
15. Family Office	0.82	0.38	0.0	1.0	-0.05	0.09	0.05	0.11	0.11	-0.06	0.07	0.05	-0.11	0.04	0.07	-0.06	-0.11	-0.01	1	
16. Family Philanthropy	0.77	0.42	0.0	1.0	-0.10	0.22**	0.10	0.07	0.16*	0.10	0.06	0.15*	0.06	0.03	0.13	-0.00	-0.23**	-0.07	0.21**	1

Note: n = 175

** Correlation is significant at the 0.01 level (two-tailed).

* Correlation is significant at the 0.05 level (two-tailed).

α Cronbach's alpha reliability coefficient on diagonal.

With reference to the control variables used in our model, the correlation table indicates that generational ownership is positively correlated with family generations ($r = 0.39$, $p < 0.01$), family size ($r = 0.40$, $p < 0.01$), family branches ($r = 0.29$, $p < 0.01$), and the North America region ($r = 0.26$, $p < 0.01$). Family generations is positively correlated with family identity ($r = 0.21$, $p < 0.01$). Family size is positively correlated with family governance practices ($r = 0.21$, $p < 0.01$) and with family generations ($r = 0.53$, $p < 0.01$). In addition, family branches is positively correlated with family governance practices ($r = 0.21$, $p < 0.01$), family generations ($r = 0.31$, $p < 0.01$) and family size ($r = 0.54$, $p < 0.01$). The table of correlation coefficients also shows that enterprise families in North America show low and *negative* correlations with our model variables family governance practices ($r = -0.22$, $p < 0.01$) and family learning ($r = -0.15$, $p < 0.05$). European enterprise families show low and *positive* correlations with these model variables: family governance practices ($r = 0.19$, $p < 0.05$) and family learning ($r = 0.28$, $p < 0.01$). Lastly, there is a positive correlation between family philanthropy and family governance practices ($r = 0.22$, $p < 0.01$).

We test for the possibility of common method bias using a Harman's one-factor test (Podsakoff & Organ, 1986), because all data was gathered using the same survey questionnaire. We included all items of the variables in our model in an unrotated factor analysis and evaluated the number of factors emerging from the data. A single factor with an Eigenfactor value greater than 1.0 was extracted. This factor explained 30.8% of variance. Since this is much lower than the cut-off value of 50%, this indicated that there was no common method bias.

Because of moderate independent variable correlations, we did not expect multicollinearity problems. However, we assessed the variance inflation factors (VIF) for the variables in our model. The VIF scores are between 1.01 and 1.42, and well below the generally used cut-off value of 10 (Kutner, Nachtsheim, Neter, & Li, 2005), thus suggesting that the independent variables included in our analysis are robust against multicollinearity problems. In terms of potential social desirability bias, all respondents were assured absolute confidentiality, which increases the probability of obtaining conscientious and true answers (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

4.4.2 Hypothesis testing

The results of our analysis for the empirical testing of Hypotheses 1, 2, 3a, 3b, 4a and 4b are reported in Table 4.2. We test the proposed moderated mediation framework first by using the procedure outlined by Baron and Kenny (1986). We then quantify the indirect effects and confidence intervals using a bootstrapping approach (Preacher & Hayes, 2008).

We use multiple ordinary least squares regressions to check for compliance with Baron and Kenny's (1986) four requirements for mediation: (1) the independent variable significantly predicts the dependent variable; (2) the independent variable significantly predicts the mediating variable; (3) the mediating variable significantly predicts the dependent variable; and (4) when the mediating variable is introduced, the effect of the independent variable on the dependent variable is significantly reduced, and the mediating variable significantly accounts for variability in the dependent variable. Model 1 shows the effects of the control variables and in Model 2 we add the main effects of the moderating variables. In Model 3 we test the first mediation requirement. Models 4 and 5 represent the second requirement of the mediation analysis, and Models 6 and 7 represent the third requirement. In Models 8 to 10 we test our moderation variables.

Table 4.2 *Regression Models*

	Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*	*Model 10*	*Model 11*
Independant variables	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls
			FGP	FGP	FGP	FGP	FGP	FGP	FGP	FL	EFI
Mediator variables						FL					
							EFI				
Moderator variables								GO	GO		
										BO	BO
Dependent variable	FSC	FSC	FSC	FL	EFI	FSC	FSC	FL	EFI	FSC	FSC
	Beta values	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*	*Beta values*
Controls											
Family Generations	0.01	-0.02	-0.05	-0.05	0.15	-0.03	-0.12	-0.07	0.14	-0.01	-0.13
Family Size	0.01	-0.02	0.00	-0.04	0.03	0.02	-0.01	-0.02	0.04	0.01	-0.00
Family Branches	0.01	-0.00	-0.05	0.00	-0.04	-0.06	-0.04	0.01	-0.03	-0.04	0.00
Region Europe	0.17*	0.20*	0.12	0.22**	-0.04	0.03	0.14	0.18*	-0.06	0.05	0.16*
Region Latin America	-0.04	-0.02	-0.08	-0.06	0.05	-0.06	-0.10	-0.07	0.05	-0.02	-0.10
Region Asia-Pacific	0.02	0.04	-0.00	0.03	0.11	-0.02	-0.05	0.04	0.11	0.00	-0.06
Region Middle East / Africa	0.11	0.14	0.13	-0.06	-0.04	0.15*	0.14*	-0.06	-0.04	0.16*	0.12
Family Office	-0.04	-0.05	-0.07	0.00	0.09	-0.07	-0.11	0.03	0.10	-0.06	-0.10
Family Philanthropy	-0.10	-0.11	-0.16*	0.01	-0.02	-0.17*	-0.15*	0.02	-0.02	0.08	-0.13
Generational Ownership		0.13	0.08	0.03	-0.06	0.07	0.11	0.02	-0.07	0.10	0.11
Business Ownership		-0.01	-0.03	-0.08	0.03	0.00	-0.04	-0.07	0.03	0.01	-0.06
Main effect											
Family Governance Practices			0.31***	0.33***	0.45***	0.17*	0.11	0.36***	0.46***	0.48***	0.51***
Mediating effects											
Family Learning						0.43***					
Enterprise Family Identity							0.45***				
Moderating effects											
Family governance practices X Generational Ownership								0.18*	0.10		
Family Learning X Business Ownership										0.04	
Family Identity X Business Ownership											-0.14*
R^2	0.05	0.06	0.14***	0.19***	0.26***	0.29***	0.29***	0.22*	0.27	0.27	0.30*
Adjusted R^2	0.00	0.00	0.08***	0.13***	0.21***	0.24***	0.24***	0.16*	0.21	0.22	0.25*
F	1.03	1.03	2.25*	3.11***	4.82***	5.13***	5.12***	3.46***	4.64***	4.67***	5.37***

$n = 175$; Standardized coefficients are reported; *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

We first regress the dependent variable on to the control variables by considering standardized regression coefficients (β) and the significance of these weights (Model 1). None of the control variables, except for the Europe region (β = 0.17, $p < 0.05$), prove to be significant. Adding our moderator variables as controls in Model 2 again shows only Europe (β = 0.20, $p < 0.05$) to be significant and positive.

Testing for mediating effects

Assessing the standardized regression coefficient and the significance of this weight in Model 3, we conclude that the independent variable family governance practices (β = 0.31, $p < 0.001$) has a highly significant and positive effect on the dependent variable family social capital. The results suggest that family governance practices explain about 8% of variation in family social capital ($p < .001$); the ANOVA shows F = 2.25, with $p < 0.05$.

In Models 4 and 5 we test the effect of family governance practices on the mediating variables family learning and family identity. In Model 4, only the control variable Europe region is significant (β = 0.22, $p < 0.01$). No control variables are significant in Model 5. Family governance practices is positively and highly significantly related both to family learning (β = 0.33, $p < 0.001$) and to family identity (β = 0.45, $p < 0.001$).

In Models 6 and 7 we assess how family learning and family identity mediate the relationship between family governance practices and family social capital. Following the advice of Kenny (2018) to enter mediators in separate regressions when they are highly correlated, and because of the significant correlation between family learning and family identity ($r = 0.52$, $p < .01$), we analyse the mediating effects separately. We find that the effect of family governance practices on family social capital becomes less significant when family learning is included in the regression as a mediating variable (β = 0.18, $p < 0.05$). However, the relationship between family learning and family social capital is positive and highly significant (β = 0.43, $p < 0.001$). We also find that the effect of family governance practices on family social capital ceases to be significant when family identity is included in the regression as a mediating variable (β = 0.11, $p > 0.10$). However, the relationship between family identity and family social capital is positive and highly significant (β = 0.45, $p < 0.001$).

The findings in Models 3, 4, 5, 6 and 7 provide confirmation of all four requirements of mediation for both family learning and family identity. We accept Hypothesis 1 and find partial mediation of family learning supported by the regression analysis. We also accept Hypothesis 2 and find complete mediation of family identity supported by the regression analysis. To test for the significance of the mediating effects of family learning and family identity, we carry out a bootstrapping procedure (Preacher, Rucker, & Hayes, 2007), including control variables as covariates. The results confirm the significance of the indirect effects of family governance practices on family social capital via family learning ($p < 0.01$) and family identity ($p < 0.01$) at the 95% confidence intervals for these effects. The direct effect of family governance practices on family social capital is not statistically significant ($p > 0.01$). Hence, the results of the bootstrapping approach indicate support for Hypotheses 1 and 2.

Testing for moderating effects

In Models 8 and 9 we test the moderating role of generational ownership. The results of Model 8 show that the interaction term between family governance practices and generational ownership has a positive and significant effect on family learning (β = 0.18, $p < 0.05$). This finding supports the notion that generational ownership has a moderating role for the indirect effect through family learning, as proposed in Hypothesis 3a. Model 9 suggests Hypothesis 3b is rejected, as the coefficient of the interaction between family governance practices and generational ownership does not have a statistically significant effect on family identity ($\beta = 0.10$, $p > 0.10$).

In Models 10 and 11 we test the moderating role of business ownership. The empirical results for Model 10 indicate that Hypothesis 4a is also rejected, since the interaction between family learning and business ownership does not have a statistically significant effect on family social capital ($\beta = 0.04$, $p > 0.10$). Model 11 shows that the interaction term between family identity and business ownership has a negative and significant effect on family social capital ($\beta = -0.14$, $p < 0.05$). This finding supports the notion that business ownership has a moderating role for the indirect effect through family identity, as proposed in Hypothesis 4b.

To gain further insight into how the indirect effects differ depending on the generational and business ownership, we used a bootstrapping procedure (Preacher et al., 2007), including control variables as covariates, to quantify the indirect effects at the 16^{th}, 50^{th}, and 84^{th} percentile levels of generational and business ownership. The index of moderated mediation (Hayes, 2018) showed statistically significant results for both the conditional effects of family governance practices on family social capital at different values of generational ownership (index = 0.07, $p < 0.01$) and business ownership (index = -0.13, $p < 0.01$).

Table 4.3 reports the indirect effects at values of generational ownership and the 95% confidence intervals for these effects. Since the confidence interval for the low value of the moderator contains a zero, we conclude that this indirect effect is not statistically significant. However, the medium and high values do *not* contain a zero. We therefore conclude that at medium and high values of generational ownership the indirect effects are statistically significant ($p < 0.01$). In line with Hypothesis 3a, we can observe that the indirect effect of family governance practices on family social capital is stronger at higher levels of generational ownership. The coefficient grows from 0.04 (low, $p > 0.01$) and 0.11 (medium, $p < 0.01$) to 0.18 (high generational ownership, $p < 0.01$).

Table 4.3 ***Conditional Indirect Effects***

	Conditional indirect effect of family governance practices on family social capital			
	Moderator	*Effect* *	*LLCI 95%*	*ULCI 95%*
	Generational Ownership			
Family Learning	1.0	0.04 (0.04)	-0.04	0.12
Family Learning	2.0	0.11 (0.03)	0.06	0.17
Family Learning	3.0	0.18 (0.04)	0.10	0.27
	Business Ownership			
Family Identity	0.0	0.25 (0.07)	0.13	0.40
Family Identity	1.0	0.13 (0.03)	0.06	0.20

* Bootstrapping standard errors in parentheses.

Similarly, Table 4.3 reports the indirect effects and 95% confidence intervals at different values of business ownership. All indirect effects are positive and significant, as the null of 0 does not fall between the lower and upper limit of the 95% confidence intervals for each effect. We thus infer that business ownership significantly moderates ($p < 0.01$) the indirect effect of family governance practices on family social capital. In line with Hypothesis 4b, we can observe that the indirect effect of family governance practices on family social capital is weaker at higher levels of business ownership. The coefficient declines from 0.25 (low, $p < 0.01$) to 0.13 (high business ownership, $p < 0.01$).

4.5 DISCUSSION

Strong internal social capital is a necessary component of enterprise family longevity, given its potential to generate distinctive familiness (Pearson et al., 2008) and a collective will to preserve shared family wealth (Berent-Braun & Uhlaner, 2012), and to mitigate destructive relationship conflict (Eddleston & Kellermanns, 2007). At the same time, the family business literature has tended to focus on these outcomes or to resort to nebulous conceptualizations such as closure, interdependence and interaction (Pearson et al., 2008), rather than examining the antecedents of social capital.

Drawing on survey data from 192 family businesses in Finland, Mustakallio et al. (2002) show how family governance has a positive influence on decision-making quality through social interaction and shared vision. In their empirical analysis of 94 family businesses in 18 countries, Berent-Braun and Uhlaner (2012) find family governance practices and the mediator owner focus on shared wealth to be positively related to financial performance. Other research on a large random sample of 5,500 Austrian family businesses (Suess-Reyes, 2017) shows that both the presence of family governance mechanisms and the mediator, the business family's identity, are positively associated with a transgenerational orientation in the family business. This research supports the view that family governance influences enterprise family characteristics. An explanation is still needed as to why family governance is more effective in some families than in others (Suess-Reyes, 2017).

Since family learning and family identity are mechanisms for cultural transmission in organizations and families (Konopaski et al., 2015; Zellweger et al., 2013), these are potent concepts for specifying the relationship between family governance and social capital in enterprise families. At the same time, generational ownership and business ownership are key contingency factors when looking at how the enterprise family evolves over time. We argue that family governance practices can enhance family social capital, and we present a moderated mediation framework that considers the mediating role of family learning and family identity, plus the moderating role of generational and business ownership. As such, this study opens up important avenues for further research exploring enterprise family governance and social capital.

4.5.1 Implications for theory

We add to earlier research by showing *how* family governance enhances social capital in enterprise families. We develop theoretical argumentation, provide insights into the underlying mechanisms, and find empirical evidence to suggest that family governance practices enhance social capital by promoting family learning and family identity. This study contributes to the field of family business research and strategic entrepreneurship in at least three ways.

First, it adds to the discussion on family governance, primarily in terms of how family governance practices benefit social capital in enterprise families. Regular interaction between individuals helps to build trusting relationships (Ostrom & Ahn, 2003), familiarizes family members with each other, and fosters communication. Thus, family governance builds and strengthens interpersonal relationships through personal interaction, and provides systems trust in the form of clear rules, allowing individuals to trust each other more easily because there is greater transparency (Sundaramurthy, 2008). This in turn reduces the potential for conflict. The effects of family governance on family business performance have already been established (e.g., Berent-Braun & Uhlaner, 2012; Blumentritt, Keyt, & Astrachan, 2007; Brenes et al., 2011; Martin, 2001; Mustakallio et al., 2002; Poza, Hanlon, & Kishida, 2004), but our study advances understanding of what family governance aims to achieve in the context of extended enterprise families (Strike, 2012).

Some scholars define family governance as purely relational in the sense that it is not based on contracts (Mustakallio et al., 2002; Uzzi, 1996). A second stream of literature has explained governance as being contractual and based on a very strict set of structures (Puranam & Vanneste, 2009). However, we add to the literature by highlighting that transgenerational enterprise families strive to achieve some sort of self-regulation and that the governance structures in these enterprises are basically voluntary and require a lot of work to maintain. Essentially, they are founded on collective intentionality and are not based on law or solely on relationships. Thus, family governance in enterprise families is not contractual in nature, since it is not based on the rule of law or aimed at guarding against contractual risk. Nor is family governance in enterprise families purely relational in nature, although family trust plays an important role (Mustakallio et al., 2002). To group family governance under relational governance takes no account of the fact that these families exhibit a degree of organization that 'regular' business families do not have.

Second, we analyse *when* family governance practices are more effective at enhancing social capital. A recent study has argued that the factors that distinguish the learning environment of family enterprises from regular families include the lengthy time span of involvement and intergenerational cooperation within the enterprise, the emotional side of family interaction, and the long-term transgenerational vision, as well as the different roles that family members have; they are at the same time parents, aunts, uncles or cousins, for example, as well as being owners, managers or functionaries within the family system (Le Breton-Miller & Miller, 2015). Our results show that higher levels of generational ownership have a positive effect on the constructive indirect effect of family learning on the beneficial relationship between family governance and social capital in enterprise families. Intriguingly, our empirical results did not indicate that generational ownership has a significant impact on the indirect effect of family identity. This suggests that generational ownership may not be crucial in determining how effective family governance is in terms of enhancing family identity.

Third, group identities rely on a conception of distinctiveness and comparability to other groups (Ashforth et al., 2008). While not all group identities are necessarily positive, and some may have their dark side, research also finds that identity positively affects the levels of trust, reduces the likelihood of opportunistic behavior, and increases willingness to contribute to a group (Kramer, 2009). We found evidence of a positive mediating effect of family identity and also that business ownership had a negative moderating effect on this indirect effect. The family firm literature suggests that later generations of enterprise families experience more conflict, because family growth at each generational stage accentuates the separation of ownership and control between family firm managers and a larger and growing group of family business owners who undertake no management tasks (Le Breton-Miller & Miller, 2013). Not only is ownership more dispersed but family bonds also tend to be weaker, both between family members from the same generation and between those from different generations (Gersick et al., 1997; Schulze et al., 2001). Our results show that business ownership has a negative impact on the positive indirect effect that family identity has on the relationship between enterprise family governance and social capital. We did not find any indication that business ownership has a significant impact on the indirect effect of family learning. This suggests that business ownership may not be disadvantageous in terms of helping family learning to enhance enterprise family social capital.

Overall, we respond to the recent call for more research to open the black box of building and maintaining family relationships (Zellweger et al., 2019) by analysing the contingency role of generational ownership and business ownership to qualify the indirect effects of family learning and family identity in the relationship of family governance practices on family social capital. We do this by proposing a moderated mediation framework that considers both *how* and *when* family governance practices enhance enterprise family social capital. Our study draws attention to take into account both mediating and moderating effects in order to improve understanding of how family governance may enhance social capital in enterprise families.

4.5.2 Limitations and future research directions

This study has certain limitations, which need to be addressed in future research. First, our research does not shed light on the levels of social capital that families should attain before they can be considered a functioning group capable of pursuing common goals. It is unclear to what degree policies and practices aimed at relational work will be effective if implemented at a late stage in dysfunctional or later generations of the founding family. It is conceivable that the relationship between social capital and other enterprise family attributes is non-linear, meaning that more extensive family learning, for example, is not necessarily associated with greater social capital (Herrero & Hughes, 2019). It is likely that these measures will help to create a certain level of social capital, but it will then plateau (ibid). Future research could consider this non-linearity.

Second, an indisputable limitation of the study is that only one respondent per enterprise family was surveyed on matters that concern the whole family. Even though all respondents were active in the core of the enterprise and 'close to the fire', it could be argued that different members of the same family might have different views on the family's social capital, identity and learning. Future researchers might consider surveying multiple members of the same family to establish an average score for each family, whilst also analysing response dispersion within the family. Third, we gathered all the data using a single survey questionnaire and carefully attempted to minimize common method bias by focusing our research on items and scales that were least likely to generate social desirability in the responses. Future studies could attempt to provide longitudinal analysis in order to increase confidence in the causal claim of our model.

Fourth, we measured family governance practices as a categorical variable, which does not allow analysis of how they are used to produce effects or enable one to 'zoom in' on the content of the family governance process. Future studies of family governance could examine the "context" and "content" of family governance practices (Suess-Reyes, 2017, p. 769). Fifth, our study sample consisted of enterprise families from America, Europe, Latin America, Asia-Pacific, the Middle East and Africa. It is likely that cultural styles around the world will differ, as will the levels of social capital levels and family dynamics (Jaffe & Grubman, 2016). In future research, it would be valuable to study regional differences.

4.5.3 Implications for practice

The continuity of a family enterprise is not a matter of coincidence, but requires effective decision-making built on transparent and appropriate family governance, which needs to have meaning to family members (Gray, 2007; Jaskiewicz et al., 2014; Martin, 2001; Suess-Reyes, 2017). This meaning depends on transparency, inclusion and representation. Our study highlights how family governance practices can help to strengthen family learning and family identity, thereby enhancing family social capital.

On the informal, relational side of family learning, older family members have an important role as mentors and role models (Le Breton-Miller & Miller, 2015). This is a key function for transmitting the family's values and general culture from one generation to the next (ibid). The mentoring role of the family contributes to its cultural cohesion and modes of interaction. Overall, family learning is a critical component of family enterprise preservation, not only for passing on hard and soft skills but also for helping to build culture and family bonds. In other words, it enables families to function effectively and to proceed into the future as a cohesive group.

In addition, family identity is also central to pursuing a collective goal of transgenerational wealth preservation. This shared sense that the family enterprise has meaning beyond its financial benefits is based in a unique and valuable legacy, which provides a common frame of reference for family members and encourages stewardship. It increases the non-financial (and thus hard to measure) value of the enterprise, and makes family members more committed to preserving the family enterprise for the future.

Our findings further suggest that higher levels of generational ownership provide more opportunities to mentor and coach family members and could prove beneficial for enterprise families that are seeking to prepare the rising generation for their future roles in the family enterprise, whether as an owner, business manager, philanthropist, executive or family council member.

4.5.4 Conclusion

Our study contributes to family business and entrepreneurship literature by showing that family governance practices enhance social capital in enterprise families. The analysis was based on a dataset of 175 enterprise families from around the world. Our results indicate that family learning and family identity are directly and positively related to family social capital. In addition, they show that the indirect effect of family learning is stronger for higher levels of generational ownership, whereas the indirect effect of family identity on family social capital is weaker with business ownership. As far as we know, these results are the first to use quantitatively based research to confirm that family governance practices are beneficial for the social capital of enterprise families. They enable us to put forward a moderated mediation framework that considers both how and when family governance can enhance social capital.

CHAPTER 5

Discussion and Conclusions

5.1 INTRODUCTION

In this dissertation, I aim to study wealth preservation at enterprise families and explore why so many fail to secure monetary prosperity for multiple generations. Numerous theoretical perspectives help in understanding wealth creation through business venturing and the role of the family business. Nonetheless, very little is known about how enterprise families preserve wealth, in particular what happens at the family level.

From the study in Chapter 2 of this doctoral dissertation, the family governance concept, social capital theory, and the nascently researched family office entity have clearly emerged to explore wealth preservation. The conceptual theory study in Chapter 2 aimed to analyze the role of these concepts in transgenerational enterprise families. To achieve this aim, we advanced seven propositions (see Table 5.1) to explain how enterprise families engage in and enhance collective family action toward wealth preservation. Therefore, the ensuing qualitative and exploratory study in Chapter 3 underscored the antecedents of family social capital in enterprise families that have succeeded in preserving their wealth for four to eight generations. In that study, our empirical considerations constituted the basis for the development of four propositions (see also Table 5.1) to clarify how enterprise family cousin consortiums increase social capital to preserve family wealth.

I then set out to empirically test the four variables. Three out of the four aggregate dimensions resulting from the inductive qualitative analysis in the study in Chapter 3 effectively lent themselves for further deductive quantitative empirical analysis (i.e., organizational structures, family learning, and family identity). The fourth aggregate dimension, family grounding, relates to physical enterprise properties that have both practical and affective meanings to the enterprise families in our multiple case study.

Table 5.1 ***Propositions and Hypotheses***

Chapter Two	*Proposition 1:* If enterprise families exhibit high levels of trust they are more likely to engage in collective family action towards wealth preservation over multiple generations.
	Proposition 2: If enterprise families exhibit effective family governance they are more likely to engage in collective family action towards wealth preservation over multiple generations.
	Proposition 3: If enterprise families exhibit high levels of social capital they are more likely to engage in collective family action towards wealth preservation over multiple generations.
	Proposition 4: Family governance that is founded on rules, representation, inclusion and meaning has a positive influence on enterprise family social capital by providing decision-making capabilities based on communication, common norms and identification.
	Proposition 5: By creating relationships based on cohesion and unity, a higher level of family social capital has a positive influence on the effectiveness of family governance as it helps to create sound decision-making capabilities in enterprise families.
	Proposition 6: The greater the family office's emphasis on non-financial services which contribute to formal structure, the more effective the family governance will be in enhancing collective family action towards wealth preservation.
	Proposition 7: The greater the family office's emphasis on non-financial services which contribute to family functionality, the more effective the family social capital will be in enhancing collective family action towards wealth preservation.

Chapter Three	*Proposition 1:* Organizational structures that draw on fundamental principles and include representative bodies can help enhance the social capital of transgenerational enterprise family cousin consortiums.
	Proposition 2: Family learning based on modeling behavior and values transmission can help enhance social capital in transgenerational enterprise family cousin consortiums.
	Proposition 3: Family identity founded on a common legacy, contemporary practices and a shared future can help enhance the social capital of transgenerational enterprise family cousin consortiums.
	Proposition 4: Family grounding, derived from practical locations and places of affective attachment, can help enhance the social capital of transgenerational enterprise family cousin consortiums.

Chapter Four	*Hypothesis 1:* Family learning mediates the positive relationship between family governance practices and family social capital.
	Hypothesis 2: Family identity mediates the positive relationship between family governance practices and family social capital.
	Hypothesis 3a: Generational ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect through family learning is stronger.
	Hypothesis 3b: Generational ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect through family identity is stronger for higher levels of generational ownership.
	Hypothesis 4a: Business ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect of family learning is weaker.
	Hypothesis 4b: Business ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect of family identity is weaker for higher levels of business ownership.

Following my conversations with members and representatives at Family Office Exchange, who were a key source of introductions to prospective respondents, the difficulty of obtaining sufficient data on family grounding in a survey instrument without impairing the response rate of my survey became apparent. Hence, I made a pragmatic decision to drop the aggregate dimension of family grounding from the quantitative analysis. With reference to the first aggregate dimension, organizational structures, I concluded that it translates well into family governance practices for the purposes of my research, considering the fact that the second-order themes of organizational structures, fundamental principles, and representative bodies comprise the family governance practices of family council and family constitution. In Chapter 4, I further clarified the relationship between family governance practices, family learning, family identity, and social capital in enterprise families. Building on the theoretical argumentation, I formulated four hypotheses to explain how and when family governance enhances enterprise family social capital (see Table 5.1).

The final chapter of my dissertation presents an integration of the findings of the previous three chapters. First, I reflect on the findings for each chapter and briefly answer the general problem statement. I then describe the overall theoretical implications of this dissertation that are associated with the conceptual theoretical study in Chapter 2, the qualitative empirical study in Chapter 3, and the quantitative empirical study in Chapter 4. After the presentation of the joint contributions of this dissertation, I outline the limitations of my research and posit an outlook for future research. Finally, I introduce the practical implications of this dissertation and some concluding remarks. In the remainder of this chapter, I once again alternate between "I" and "we." I use "we" to refer to the collaborative work of the studies with my promotor and co-promotor and "I" to reflect on personal considerations that go beyond the individual chapters.

5.2 SUMMARY OF THE MAIN FINDINGS

To explore how enterprise families can preserve wealth over multiple generations, I raised three research questions. I address below the main research findings of Chapters 2, 3, and 4 of this dissertation to answer these research questions. In Chapter 2, I focused on answering the following question: How do the enterprise family resources of family governance, family social capital, and family office facilitate high-quality decision-making and close family relationships, which can enhance collective family action toward wealth preservation? In Chapter 3, I sought to answer this research question: How do enterprise family cousin consortiums enhance social capital to preserve family wealth? In Chapter 4, the question pertained to the following: *How* and *when* does family governance enhance enterprise family social capital?

Table 5.2 presents a summary of the research questions, contributions, and main findings. I acknowledge that the findings of the three studies in this dissertation can only be considered as the beginning of the exploration of enterprise family wealth preservation. I have endeavored to set the stage for continuing and more focused research on wealth preservation at the family level of analysis.

Table 5.2 ***Research Questions, Contributions and Main Findings***

Study	Contributions	Main Findings
Chapter two Preserving family wealth: The roles of family governance, social capital and the family office **RQ1:** How do enterprise families, with diverging and unique geographical, situational, historical and cultural contexts, preserve wealth over multiple generations?	First: We propose that family governance and internal social capital are essential for wealth preservation, and conceptualize a bidirectional mechanism that drives preservation success (Berent-Braun & Uhlaner, 2012; Mustakallio et al., 2002; Suess-Reyes, 2017). Second: We address the growing number of calls to integrate the family into the family business literature (Dyer & Dyer, 2009; Pearson, Carr, & Shaw, 2008; Wessel, Decker, Lange, & Hack, 2014; Zellweger, Nason, & Nordqvist, 2012; Astrachan, 2010). Third: We expand the conceptualization of the role of single family offices in wealth preservation by theorizing its function of managing family governance mechanisms and supporting family relationships (e.g. Collier, 2003; Gray, 2008; Wessel, Decker, Lange, & Hack, 2014).	High levels of trust; effective family governance; high levels of social capital, all engage collective family action toward wealth preservation. Family governance positively influences family social capital. Family social capital positively influences family governance. Family office moderates the relationship between family governance and collective action toward wealth preservation. Family office moderates the relationship between family social capital and collective action toward wealth preservation.
Chapter three Enterprise families: Toward a theory of family social capital in the cousin consortium. **RQ2:** How do enterprise family cousin consortiums enhance social capital to preserve family wealth?	First: We suggest a model that captures how family social capital is enhanced and we shift the level of analysis from the family firm to the enterprise family (Chrisman, Chua, De Massis, Minola, & Vismara, 2016; Michael-Tsabari, Labaki, & Zachary, 2014). Second: We uncover how mechanisms actuate family social capital resources, thereby helping to unpack the black box of building and maintaining family relationships (Zellweger et al., 2019).	Organizational structures can help enhance the social capital of transgenerational enterprise family cousin consortiums. Family learning can help enhance the social capital in transgenerational enterprise family cousin consortiums. Family identity can help enhance the social capital of transgenerational enterprise family cousin consortiums. Family grounding can help enhance the social capital of transgenerational enterprise family cousin consortiums.
Chapter four Governance and social capital in enterprise families: A moderated mediation framework **RQ3:** How and when (i.e., under what conditions) does family governance enhance enterprise family social capital?	First: We examine whether family governance can help to explain why some enterprise families show higher social capital than others. Second: Our study contributes to family governance research by proposing that family governance can help to enhance family social capital by instigating enterprise families to build up (1) family learning (Brown & Duguid, 1991; Le Breton-Miller & Miller, 2015) and (2) family identity (Kramer, 2009; Zellweger, Nason, Nordqvist, & Brush, 2013). Third: We advance understanding on the effect of ownership on social capital (Eddleston, Otondo, & Kellermanns, 2008), and contribute to prior research by considering when (i.e., under what conditions) family governance practices are most effective in enhancing family social capital.	Family governance practices enhance family social capital. Family learning mediates the positive relationship between family governance practices and family social capital. Family identity mediates the positive relationship between family governance practices and family social capital. Generational ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect through family learning is stronger. Business ownership moderates the indirect relationships between family governance practices and family social capital in such a way that the indirect effect of family identity is weaker for higher levels of business ownership.

5.2.1 Chapter 2: Roles of family governance, family social capital, and the family office

In Chapter 2, we used a conceptual theoretical approach for conceptualizing wealth preservation and explaining the importance of family governance, drawing upon social capital theory and identifying the role of the family office in facilitating governance and social capital. We developed a model of collective family action toward wealth preservation by theorizing how enterprise families can overcome the barriers to successful wealth preservation and can thus prosper for multiple generations. We concluded that high levels of trust, effective family governance, and high levels of social capital in enterprise families all translate into more likely engagement in collective family action toward wealth preservation over multiple generations.

We postulated a bidirectional relationship between family governance and family social capital. More specifically, family governance based on rules, representation, and inclusion positively influences social capital, and vice versa: family social capital based on cohesion and unity positively influences the effectiveness of family governance. We further conceptualized family governance as a problem-solving and decision-making mechanism as well as a contributor of family social capital. To capture the creation of social capital and strengthening of family governance, we adopted a *content* perspective by drawing upon the structural, cognitive, and relational dimensions (Nahapiet & Ghoshal, 1998) as well as a *process* perspective by relying on four dynamic factors, namely time and stability, interaction, interdependence, and network closure (Arregle, Hitt, Sirmon, & Very, 2007).

In addition, we identified the family office as a moderator in the relationship between family governance and collective action toward wealth preservation by providing non-financial services that support conflict resolution and decision-making capabilities. To conclude, we also identified the family office as a moderator in the relationship between family social capital and collective action toward wealth preservation by providing non-financial services that contribute to family functionality.

5.2.2 Chapter 3: Toward a theory of family social capital in the cousin consortium

> *"If I think about the elements that have kept us together, maybe four: One has been the wealth itself, although that can be divisive. The second is philanthropy and making philanthropic choices through foundations. The third is real property. Homestead, places that the family collectively owns or places where we meet, and the fourth has been what is now more of a social cohesion, which is our family office that is no longer the financial office."* (Informant A-2, seventh-generation enterprise family leader)

Contemplating on the clarification of why his family has been successful in preserving the family wealth for seven generations, the above informant clearly highlighted the importance of "staying together" plus several findings from our study. In Chapter 3, we used an inductive qualitative multiple case research design to explore the antecedents of family social capital in some cousin consortium enterprise families. All the families in our study seemed to be associated with strong family social capital and transgenerational success. Our data revealed several consistent first-order codes, second-order themes, and aggregate dimensions. We identified four aggregate dimensions that apparently enhance enterprise family social capital. Organizational structures that draw upon fundamental principles and include representative bodies seem to boost the family social capital. Family learning based on modeling behavior and values transmission can help to enhance family social capital. Family identity founded on a common legacy, contemporary practices, and a shared future can help in enhancing the family social capital. Finally, family grounding derived from practical locations and places of affective attachment can help to enhance the family social capital of enterprise families. Our findings imply that the transgenerational enterprise families in our study used a distinct and intricate set of principles, programs, and entities, which relate to behavior, procedures, and the formation of structures. Family social capital emerged through these mechanisms.

5.2.3 Chapter 4: A moderated mediation framework of family governance and social capital

In Chapter 4, we used a deductive quantitative survey-based research design to test our moderated mediation framework that considers both how and when family governance enhances social capital in enterprise families to verify the underlying mechanisms explored in the qualitative analysis and identify contingency factors. Our analysis revealed that family governance practices were positively related to family social capital. In addition, the indirect effects of family learning and family identity both mediated this positive relationship between family governance practices and family social capital. We further tested the moderating effects of ownership in the relationship structure of family governance, family learning, family identity, and family social capital. More specifically, we found a first-stage positive moderating role of generational ownership in the indirect relationship between family governance practices and family learning; moreover, this effect was *stronger* for higher levels of generational ownership. In addition, we found a second-stage negative moderating role of business ownership in the indirect relationship between family identity and family social capital. This effect was *weaker* for higher levels of business ownership.

Our study rejected two hypotheses. We did not find evidence of a first-stage positive moderating role of generational ownership in the indirect relationship between family governance practices and family identity. We likewise did not find any evidence of a second-stage negative moderating role of business ownership in the indirect relationship between family learning and family social capital. However, our study revealed that family governance could help to explain why some enterprise families showed higher social capital than others. We established both how and when family governance practices enhanced family social capital in a number of enterprise families, we considered family learning and family identity as mediators, and we demonstrated the effect of ownership on family social capital.

5.3 THEORETICAL IMPLICATIONS

As Chapters 2, 3, and 4 enabled me to answer the three research questions of this dissertation, I subsequently address the general theoretical implications of this research, specifically in relation to the overarching problem statement of how enterprise families can preserve wealth for multiple generations. In this section, I theorize about the dissertation as a whole. First, I contribute to family business research by shifting the analysis from the family business to the families behind enterprises (Zellweger et al., 2012). Second, I theorize that a main driver of wealth preservation is relational rather than financial, and that effective family governance, high levels of family social capital, and the family office's emphasis on non-financial services enhance collective enterprise family action toward wealth preservation. Third, I help to unpack the black box of relationships within the enterprise family and boost the understanding of the origins of family social capital (Zellweger et al., 2019), and by extension, I advance the knowledge about how and when family governance enhances family social capital. These three implications together address the overarching problem statement that I have proposed in the introduction (see Table 5.3).

Table 5.3 ***Overarching Theoretical Implications***

Overarching Theoretical Implications	
Shifting the analysis from the family business to the enterprise family	This research gains useful insights and enhances our understanding of the secretive and hard-to-access enterprise family unit of analysis by shifting from the family business to the family (Zellweger et al., 2012). This research considers the extended family in a later generational stage (i.e., enterprise family cousin consortium) rather than the individual family member as an owner.
Enhancing collective family action towards wealth preservation	I address the lack of research on how families can mobilize family governance, family social capital and the family office as resources to preserve wealth by engaging in collective action and posit that important root causes for family enterprise longevity rest in the family system. The concept of transgenerational entrepreneurship argues that diverse business activities of entrepreneurial families across generations constitute the main pillars of growth and prosperity (Habbershon & Pistrui, 2002). This research heeds to the argument of Chrisman et al. (2003) that wealth creation is too narrow as it excludes non-financial goals Move forward the dialogue in family business and entrepreneurship research on enterprise family wealth preservation and propose value in a focus on the under researched family office entity as it identifies the actions and affairs of the family behind the enterprise.
Family social capital: explaining the origins and role of family governance	Overall, the antecedents of family social capital and family relationships have not received a great deal of attention in the family business literature (De Massis & Foss, 2018; Schmidts & Shepherd, 2015; Zellweger et al., 2019) This research addresses two issues in the current conceptualization of the family social capital antecedents: (1) idea of 'family' is underspecified; (2) no accounting for family complexity or stretch beyond the nuclear family. We study direct antecedents on the family level, and thus assist in opening the black box of within-family relationships and add to the understanding of the origins of family social capital (Zellweger et al., 2019). we proposed and tested a moderated mediation framework that considered both the how and the when-question and we analysed the contingency role of generational ownership and business ownership to qualify the indirect effects of family learning and family identity in the relationship of family governance practices on family social capital.

5.3.1 Shifting the analysis to the enterprise family

Enterprise families are families that share ownership in multiple assets (e.g., investments, real estate) and multiple entities (e.g., family business, family office, and/or family philanthropic foundations) across multiple generations. Family business scholars previously focused on the difference between family and non-family firms to establish the field as a distinct area of study; however, the emphasis has shifted to the heterogeneity of family firms to account for the large variety of family businesses across the world (Neubaum, Kammerlander, & Brigham, 2019; Sanchez-Ruiz, Daspit, Holt, & Rutherford, 2019). This important development in the field helps in unfolding more advanced theory. This study contributes to the discussion in the family business literature by considering two issues in particular; first, we enhance our understanding of the secretive and difficult-to-access enterprise family unit of analysis by shifting from the family business to the family (Zellweger et al., 2012). The additional level shift to enterprise families assists our understanding in relation to family social capital and to a lesser extent socio-emotional wealth. Second, we consider the extended family in a later generational stage (i.e., enterprise family cousin consortium) rather than the individual family member as an actor of ownership. Specifically taking into account this stage, geared to later-generation families at the family level, can help to verify the applicability of the family social capital construct to cousin consortiums. By illuminating both the antecedents and the mediators in the relationship between family governance and family social capital, the level shift has allowed for specifying the conditions of family social capital enhancement in multigenerational families.

The overwhelming focus on the business level of analysis in family business literature and the general neglect of the family level of analysis (Jaskiewicz & Dyer, 2017) are challenging to understand, as one might ask this question without difficulty: "How could family business researchers neglect 'the family' given that these scholars are studying family businesses?" (Dyer & Dyer, 2009, p. 216). Moreover, the rare and inimitable family social capital resources are produced and maintained at the family level. With regard to wealth preservation, families create wealth regardless of organization type (Zellweger & Sieger, 2012), and the family is the source of economic, educative, and connective entrepreneurial skills and capabilities, or essentially the source of the antecedents to transgenerational survival (Nordqvist & Melin, 2010).

Families have been positioned as a source of heterogeneity (García-Álvarez & López-Sintas, 2001; Jaskiewicz & Dyer, 2017). Generational stage and ownership structure have been positioned as a source of heterogeneity, and they have consequences for the governance of the family and the firm (Nordqvist et al., 2014). In addition, the heterogeneity of family firms can be explained by high or low levels of familiness (Arregle et al., 2007). Therefore, heterogeneity is a critical consideration in family business research. Ignoring heterogeneity results in diverse family firms being lumped together, while family business theories and research approaches may not apply to them.

In (a) bonding social capital theory and (b) the socio-emotional wealth approach, the case seemingly involves less awareness around heterogeneity, thereby leaving room for advancing theory. The literature tends to postulate that (a) family social capital should be a particular potent form of bonding social capital, as if this was an automatic process in cousin consortiums (Herrero, 2018; Pearson et al., 2008). Clearly, this case does not automatically hold in cousin consortiums with diverging and unique situational, familial, and cultural contexts. The value of the concept of enterprise families is that it takes into account the heterogeneity of family business and conceptualizes, in my research, social capital specifically in families outside of the (theoretical) norm, such as the cousin consortium and families of great wealth. In this dissertation, I originate "enterprise family" as the concept to probe the applicability of family social capital in multigenerational families by specifying its antecedents.

Furthermore, the central argument of (b) socio-emotional wealth is that family-owners are not primarily motivated by financial output, but they derive utility from their non-financial (i.e., socio-emotional) endowments in the business, thus leading them to want to maintain control (Berrone et al., 2012). The applicability of socio-emotional wealth has been doubted at later generational stages, given that family identification with the firm decreases (Le Breton-Miller & Miller, 2013; Sciascia, Mazzola, & Kellermanns, 2014); moreover, the desire to maintain family control and protect affective endowments can have adverse outcomes for businesses, for example, in terms of innovativeness (Block, Miller, Jaskiewicz, & Spiegel, 2013), exit strategies (De Tienne & Chirico, 2013), or diversification (Goméz-Mejia, Makri, & Kintana, 2010). Hence, socio-emotional wealth is better suited to explain failure (Zellweger, 2017). After all, families will take decisions to the detriment of socio-emotional wealth if financial survival is at stake, as the business is the original source of their socio-emotional wealth (Goméz-Mejia et al., 2018).

The literature recognizes generational stage (Le Breton-Miller & Miller, 2013; Sciascia, Mazzola, & Kellermanns, 2014) as an important contingency factor. Enterprise families are a concept specifically geared to later generation families. The level shift of this dissertation allows us to view that enterprise families have more than the original business to protect (e.g., foundations, legacy assets, opportunities for rising-generation family members) and that they can derive socio-emotional utility from sources or entities other than the family firm.

5.3.2 Enhancing collective family action toward wealth preservation

This dissertation sets the stage for continuing and more focused research on family wealth preservation. I acknowledge that my research has not been designed in a way that allows for conclusively answering how enterprise families preserve wealth over multiple generations because the study approach excludes a comparative analysis of both successful and unsuccessful enterprise families. Such comparison would likely indicate higher family functioning in successful families compared to unsuccessful enterprise families. A comparative research approach would have been preferable but was unfeasible due to a lack of access and depth and breadth in data regarding enterprise families that failed to preserve wealth. Nevertheless, the present analysis allows for the conclusion that successful families do recognize and emphasize the importance of social capital for their family functioning and success. The findings also imply that collective family action is difficult to conceive without family governance and that the latter, in turn, feeds into social capital. Although the research design does not allow for a definitive answer to the question of whether family governance explains the variation in social capital between enterprise families, our findings strongly indicate that this case holds. In this study, I further theorize that the moderating role of the family office is likely to contribute to enterprise family collective action toward wealth preservation.

In this dissertation, I address the lack of research on how families can mobilize family governance, family social capital, and family office as resources to preserve wealth by engaging in collective action and posit that important root causes for family enterprise longevity rest in the family system. Overall, the difficulty lies in seeing how wealth preservation can be achieved without strong family social capital, considering that the concept touches upon the ability to function as a group and effectively pursue collective goals. I posit that wealth preservation is as essential as wealth creation through entrepreneurship (Habbershon & Pistrui, 2002). With our finding of the aggregate dimensions of organizational structures, family learning, family identity, and family grounding, we distinguish our analysis from other studies in the literature on wealth creation through business venturing. The concept of transgenerational entrepreneurship argues that the diverse business activities of entrepreneurial families across generations constitute the main pillars of growth and prosperity (Habbershon & Pistrui, 2002). I build on the argument of Chrisman et al. (2003) that wealth creation is extremely narrow because it excludes non-financial goals and feeds into social capital. Wealth preservation is not simply about preserving money and creating wealth through entrepreneurship.

The literature suggests that family governance is a vital prerequisite for wealth preservation (Angus, 2005), and only a few families succeed in establishing governance structures that keep their businesses and wealth intact over the course of several generations (Martin, 2001). Wealth seems unlikely to be preserved in an environment where distrust and suspicion prevail; thus, family governance requires communication and cohesion among family members. Therefore, many enterprise families create formal structures such as the family office, which enable the dissemination of information and bolster a culture of trust. The nascent family office literature has discussed this topic from an agency, stewardship, and transgenerational entrepreneurship perspective (Bierl & Kammerlander, 2019; Wessel, 2013; Zellweger & Kammerlander, 2015). The current dissertation has aimed to position the non-financial role of the single family office in the context of family governance and social capital theory. The support-function to both implies that single family offices fulfil a central role in enterprise family wealth preservation. We move forward the dialogue in family business and social capital research on enterprise family wealth preservation and propose value in a focus on the under-researched family office entity as it identifies the actions and affairs of the family behind the enterprise.

> *"From the Delta Family Office, you get in a very unquantifiable way: you get what our chairman likes to call stickiness, glue."*
>
> (Informant D-3, a seventh-generation enterprise family member)

5.3.3 Family social capital: explaining the origins and family governance

> *"All the enterprises that we have keep us together. The most important thing is that they keep us together because we get to work together. For instance, we get along very well. Everyone has found their role. No one wonders, 'What am I going to do here?' I mean I was like the most difficult profile. Even I myself have found my role."*
>
> (Informant E-3, a fourth-generation enterprise family member)

Overall, my research contribution relates to the examination of the antecedents of family social capital and family relationships, which have obtained inadequate attention in the family business literature (De Massis & Foss, 2018; Schmidts & Shepherd, 2015; Zellweger et al., 2019). Two frequently cited articles conceptualize the antecedents from a content perspective and through dynamic factors (Arregle et al., 2007; Pearson et al., 2008). However, both articles underspecify the concept of "family," assume a natural occurrence of kinship ties, and leave unanswered the questions through which mechanisms, for example, interaction and closure, are brought about. As the family social capital construct cannot be assumed to apply in the same way in later generational families, in the form of mechanisms and dynamics, we lack insight into how family social capital manifests itself beyond kinship and how families can leverage it. In my research, I address this gap and contribute to the already rich social capital literature by explaining how enterprise families can enhance their social capital. A key implication of the research is that in contrast to bonding social capital in younger generational families, cousin consortium family social capital depends on structural support mechanisms in the form of family governance, which leverage the mechanisms that enhance social capital while seemingly guarding against its dark side. Research confirms the relevance of family identity (Zellweger, Nason, Nordqvist, & Brush, 2013) and situated learning (Konopaski et al., 2015; Le Breton-Miller & Miller, 2015), but it also contends that these factors can only be sustained through the mechanism of governance as the key antecedent of family bonds in multigenerational families.

The equivocal nature of the social capital umbrella concept incorporates relational and cognitive resources such as trust, norms, and reciprocity. As families grow older, the likelihood of conflicting interests and goals arises. At the same time, natural close bonds with the potential to overcome conflicting interests decrease with family size. In second-generation sibling partnerships, for example, destructive conflict becomes more likely due to the misalignment of goals, ownership dispersion, and sibling rivalry (Lim et al., 2010), thereby causing collective action problems. Although everyone understands the benefits of long-term cooperation, individuals inherently have different priorities, preferences, and goals. Another collective action problem might emerge in sibling partnerships and cousin consortiums in which the incentive to prioritize the interests of the nuclear family over the ones of the collective is apparent.

The social capital literature argues that network characteristics shape the creation and development of family social capital (e.g., Arregle et al., 2007; Coleman, 1988;

Nahapiet & Ghoshal, 1998; Pearson et al., 2008). More specifically, stability over time, interaction, interdependence, and closure constitute the key antecedents of family social capital. Network stability within families might be more easily achieved because nuclear families essentially facilitate close bonds due to their actions and values (Arregle et al., 2007; Giddens, 1990; Pearson et al., 2008). This conceptualization of the family social capital antecedents leaves options for two improvements: first, the idea of family is underspecified because the idea of whether these authors refer to the nuclear or the extended family (i.e., siblings or cousins) is unclear. Second, these studies do not account for family complexity, in that the more distant relatives, those beyond the nuclear family, are unlikely to be automatic socializers to younger family members. This aspect subsequently raises the question of the mechanism through which the antecedents of strong family social capital exist in some families beyond the second generation. Hence, we need to investigate the origins of the antecedents of social capital and address two key questions: Why do some have high family social capital levels and others do not? How can family social capital be leveraged?

In other words, the antecedents of social capital in extended families have unsurprisingly remained relatively unexplored. I concur with Schmidts and Shephard (2015) and Long (2011) and argue that first, this relates to the application of an umbrella concept, with the consequence that the origins of those antecedents have been unaddressed. Second, this research concerns the identification of antecedents to a group-level phenomenon—at the group level. With this dissertation, I aim to examine the direct antecedents at the family level and thus assist in opening the black box of within-family relationships and improve the understanding of the origins of family social capital (Zellweger et al., 2019).

By extension and in addition, with this dissertation I commence answering the question on why some enterprise families demonstrate higher social capital than others. By doing so, I advance the understanding of how and when family governance affects family social capital to specify the mechanisms and boundary conditions. Our framework of family governance and social capital relationships and attributes from Chapter 2 captures the two-way connection between family governance evolving decision-making and family social capital maturing family relationships. This research supports the logic that social capital resources (e.g., cohesion and shared norms) facilitate the pursuit of common goals for groups (Adler & Kwon, 2002; Pearson et al., 2008) in line with the extant literature on social capital. However, we add to the literature on family social capital by answering the following two sub-questions: How can the enterprise family enhance communication, common norms, and identification while also boosting cohesion and unity? Furthermore, under what conditions (when) does family governance enhance social capital in enterprise families?

This dissertation aimed to clarify the processes within enterprise families by developing a conceptual model that captures the links between different governance mechanisms and internal social capital. In the inductive part of this study, we explained how family governance can be conducive, other than as a structure for policies and procedures, by contributing to the family social capital as well as being a formal decision-making and problem-solving mechanism. In the deductive part of this study, we proposed and tested a moderated mediation framework that considers both the how and the when questions; additionally, we analyzed the contingency role of generational ownership and business ownership to qualify the indirect effects of family learning and family identity in the relationship of family governance practices on family social capital.

Accordingly, this study explains the mechanisms through which family relationships are maintained and social capital is transmitted (Zellweger, Nason, Nordqvist, & Brush, 2013). In addition, we explain how family governance works at the family level and add to that literature, given the predominant quantitative approaches or anecdotal evidence (Suess, 2014). The current study broadens the field of entrepreneurship and family business literature by answering calls for governance and social capital qualitative research (Berent-Braun & Uhlaner, 2012; Brenes et al., 2011; Habbershon & Astrachan, 1997; Mustakallio et al., 2002; Suess-Reyes, 2017) and focusing on how and when family governance enhances social capital.

5.4 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This dissertation investigated the concept of wealth preservation and addressed the roles of family governance, family social capital, and the family office in the context of wealthy enterprise families. In the three studies of this dissertation, I acknowledged several limitations that unlock pathways for additional research in this area. In this section, I move beyond the specific limitations that were discussed in Chapters 2 to 4 and instead review numerous issues that span this research in its entirety and provide the basis for future studies (see Table 5.4).

The first issue relates to the idiosyncrasies of the empirical context I studied. Conceptually, wealth preservation in enterprise families was the topic of my research, but I examined the concepts of family governance, family social capital, and family office at the family level in relation to wealth preservation. Although I expect our findings to hold distinct relevance to advance our understanding of wealth preservation, the idiosyncratic nature of wealth preservation over multiple generations and the context of enterprise families should be noted here. One could question the importance of preserving wealth in

Table 5.4 ***Overarching Limitations and Directions for Future Research***

Limitations	Future Research
The idiosyncratic nature of wealth preservation over multiple generations, as well as the context of enterprise families.	Future research should examine whether and how wealth preservation holds value to the individual enterprise family and to our society at large.
The clear definition of the analytical boundary of the enterprise family context of the research in relation to existing research on enterprising and entrepreneurial families.	Future research should take into account a number of conscious decisions that were taken in this research, as they may have potentially biased the results on which this dissertation builds findings and conclusions.
Approach to data collection: (1) reliance on self-reports; (2) one time only respondents; (3) only successful enterprise families; (4) focus on bonding social capital, not on bridging social capital.	Future research is encouraged to methodically study a wider array of actors and their engagement in family social capital: e.g., future research could seek to specify the base level social capital antecedents; and, future research may study the context of enterprise families that were *unsuccessful* in preserving wealth for multiple generations
No focus in this dissertation on the possible negative impact of having too much bonding social capital, the so-called dark side of social capital.	Future research could address the theoretical premise whether bridging social capital tends to positively impact, and bonding social capital tends to negatively impact, enterprise family performance. And, explore this dark side of social capital in enterprise families.
This dissertation was unable to include aggregate dimension family grounding in the quantitative study for pragmatic reasons.	Future researchers might pick up where I left and may explore family grounding in enterprise families and how these enterprise properties, that are used for both practical purposes and as places that elicit an affective attachment, enhance family social capital.

families at all, for example, by specifically asking, "Would a redistribution of wealth not create new opportunities for family members to endeavor in society and economy in a more impactful manner?" A necessary step is to acknowledge that some families simply strive for monetary prosperity for multiple generations collectively, as an enterprise family group. This context arguably offered a sound empirical setting because it allowed me to explore specific mechanisms. Nonetheless, and as previously stated, enterprise family wealth is under major societal pressure, and policy makers and individual agents alike feel the stress of having to do something around the redistribution of wealth and power, while also being expected to undertake this effort with a positive impact on our world. In particular, future research should examine the issue of whether and how wealth preservation holds value to the individual enterprise family and to our society at large.

The second issue relates to the analytical boundary of this research. The current discourse on family business research mainly revolves around the business and not the family behind the business; hence, a clear definition of the analytical boundary of the main context of my research is essential. In this dissertation, I defined the enterprise family to include both the families that own one or more businesses and the non-business owning families (financial families). The underlying reason is my objective to deliberately focus on the family as a unit of analysis and avoid any distraction to the "business" element. A conservative interpretation of my findings is that a family business is not an imperative for the relational antecedents of wealth preservation. This aspect is worth highlighting because the academic literature has thus far focused on family businesses rather than enterprise families (Zellweger & Kammerlander, 2015). The fact that differences exist between business and financial families in terms of social capital, learning, and transgenerational orientation indicates the presence of research opportunities to explore the precise mechanisms of this variation. I acknowledge that I paid limited attention to different a priori research streams such as the theoretical archetypes of *enterprising* family or *entrepreneurial* family. My definition of this key construct rendered a clear delineation of the analytical boundary of this research and allowed me to address the under-theorized discourse in family business research at the family level; nonetheless, several conscious decisions were taken that I encourage future researchers to consider as they may have potentially biased the results on which I built my findings and conclusions.

The third issue concerns my approach to data collection. As noted, for the study in Chapter 3, I collected the qualitative empirical data mainly through face-to-face interviews with key informants who operate at the core of the family enterprise and demonstrate a deep and broad understanding of family matters and relations. As a result, I was able to study the origins of family social capital. In addition, I collected the quantitative empirical data for the study in Chapter 4 via an online survey with key respondents who are prominent and knowledgeable enterprise family leaders or their key single family office executives. Consequently, I was able to comprehensively analyze the relationship between family governance practices and family social capital.

The inherent limitations that resulted from the deliberate choices I made in data collection are fourfold. First, as is common in many studies, this research mainly relied on the self-reports of informants and respondents. Although I sought to validate the findings by carefully studying the additional background information that the informants shared with me and that I could retrieve publicly, I did not gather data that would have allowed me to explore how others in the enterprise family would have responded. Second, I was unable to interview all the informants more than once. The survey respondents were approached one time only. One could argue that the informants and respondents positively frame their answers and reflections or might not recall accurately (Barley, 1986).

The third limitation pertained to the qualitative empirical study in Chapter 3, which examined successful enterprise families with a well-established social capital. The plausibility is that social capital cannot be purposefully "engineered" from scratch and that families who decide on preserving wealth as a group already have a certain level of social capital. Future research could seek to specify the base-level social capital antecedents. In addition, future research may explore the context of enterprise families that were *unsuccessful* in preserving wealth for multiple generations to unearth the origins of failure in relation to the roles of their family governance, family social capital, and family office. Fourth, this dissertation focused on internal or bonding social capital in enterprise families, not at all on bridging social capital (Burt, 2004; Granovetter, 1973). Although this perspective offered rich insights into family social capital, it remains disconnected from possible networking mechanisms beyond the family circle. In other words, an important aspect to acknowledge is that what happens within enterprise families is connected to what transpires outside the family (Huising, 2016). Hence, I encourage future research to methodically examine a wider array of actors and their engagement in family social capital.

The fourth issue relates to the fact that I did not focus on the possible negative consequences of having an excessive bonding social capital that creates “perverse” effects such as nepotism or prioritization of family harmony over enterprise needs (Eddleston, Chrisman, Steier, & Chua, 2010; Lubatkin et al., 2005). Bonding social capital holds many benefits for groups and constitutes the foundation of cooperation; however, it also has a dark side with potentially adverse effects on the wealth preservation of enterprise families. Most notably, strong internal social capital bears the risk of creating free-riding problems (Portes, 1998), achieving network closure at the expense of bridging social capital and knowledge exchange (Herrero & Hughes, 2019; Nahapiet & Ghoshal, 1998), favoring tradition over adaptation (Chirico & Nordqvist, 2010; Herrero & Hughes, 2019; Kammerlander, Dessì, et al., 2015), and transmitting the detrimental aspects of family culture (Arregle et al., 2007; Kidwell, Eddleston, & Kellermanns, 2018). Family governance can address free-riding problems through rule setting. At the same time, research on the impact of bridging and bonding social capital is typically based at the firm level, and it tends to confirm the positive influence of bridging social capital on firm performance (Stam et al., 2014) and the adverse effects of excessively high levels of closed networks (Herrero & Hughes, 2019). Future research could address the question of whether this case holds true at the family level and explore this dark side of social capital in enterprise families.

The fifth and final issue relates to the aggregate dimension family grounding that I was unable to include in our quantitative study in Chapter 4 due to pragmatic reasons. In our study, family grounding was framed as a key element by the enterprise families by virtue of the fact that the family grounding asset had both practical and affective meanings. For example, family estates functioned as meeting places for tangible common experiences and constituted shared symbols of pride and physical symbols of a family's historical legacy. The general importance to enterprise family social capital seemed to be a surprise element in our data. Future researchers might pick up where I left off and explore family grounding in enterprise families and verify the issue of how these enterprise properties that are used for both practical purposes and as places that elicit an affective attachment enhance family social capital.

5.5 PRACTICAL IMPLICATIONS

"From shirtsleeves to shirtsleeves in three generations" (United States)

"Wealth never survives three generations" (China)

"From stalls to stars to stalls" (Italy)

"From rice paddy to rice paddy in three generations" (Japan)

"There's nobbut three generations atween a clog and clog" (Scotland)

These frequently quoted proverbs are based on the underlying, yet simplified, assumption that the business founder and wealth creator is driven by entrepreneurial passion; the second generation is focused on family and wealth consolidation; and the third generation adopts an attitude toward leisure and extracurricular activities, thereby prompting family enterprise downturn and wealth erosion. In this dissertation, I propose that enterprise families can avoid a breakdown of trust and avoid wealth preservation failure by developing a family office that establishes both family governance that helps to build decision-making capacity and family social capital that nurtures a strong family relationship, thus improving the likelihood of wealth preservation. Against this backdrop, important practical implications may be derived from the findings of this dissertation.

Over the next 20 years, the top 500 enterprise families are expected to attempt to hand over US$2.1 trillion to their heirs – a sum larger than the GDP of India, a country of 1.3 billion people (UBS/PWC, 2016). In an environment with a substantial transfer of enterprise wealth from one generation to the next, the importance of the role of the family office is unmistakable (Rosplock & Hauser, 2014; Zorloni & Willette, 2014). In this dissertation, I have not studied the family office in detail. However, the conceptual model that I have developed focuses on the family office function as a moderator and asserted that the non-financial services are critical to enhancing wealth preservation success. For example, enterprise families and their family offices could engage in high-quality family learning programs and bolster the identity of the enterprise family to enhance the family social capital. The single family office seems eminent in equilibrating the financial with the non-financial considerations of the enterprise family.

Progressively, the aim of the family office is to manage both tangible and intangible family capital (Kammerlander, Sieger, et al., 2015). Given that the research on family offices is generally in a nascent stage, an expected aspect is that the soft functions of the family office have not been extensively studied. Notwithstanding the importance of good investment management and accounting, we address this gap in the literature by conceptualizing the family office as a support system and moderator for both family governance and the maintenance of family social capital.

The enterprise family itself ultimately decides on strategic goals, whereas the family office merely implements and operationalizes decisions taken by the family. Thus, the enterprise family directly or indirectly shapes and guides both family governance as well as defines the family social capital. An important aspect to put forward at this point is my non-intention to suggest that wealth preservation requires a homogenous, inward-looking, synchronized bloc full of group-thinkers, stripped of individuality or difference. Aside from presumably being a deeply uncomfortable notion for individual family members, history has repeatedly demonstrated that such strong negative senses of identity and belonging are counterproductive in almost any group effort (Tajfel, 1982).

In other words, enterprise families with a desire to perpetuate the family enterprise for multiple generations ought to consider facing up to the challenges of maintaining strong decision-making capabilities, effective family learning, transparent family identity, and high-level family relationships. The single family office is likely to be instrumental in these endeavors.

5.6 CONCLUDING REMARKS

In this dissertation, I have examined wealth preservation in the context of enterprise families. This study focused on the roles of family governance, family social capital, and the family office, as well as their relationships with each other. I theorized that the main driver of enterprise family wealth preservation is relational, rather than financial, and answered the recent calls to uncover the origins of social capital at the family level. By drawing upon social capital theory, this study addressed the lack of research on how families can mobilize these non-financial resources to maintain wealth by exploring the family level unit of analysis. I hope that this research contributes to the literature on family business and social capital by proposing how and when family governance enhances enterprise family social capital and sets the stage for continuing and more focused research on wealth preservation.

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Appendices

APPENDIX 1: *Interview Manual*

1. Can you tell me about your family history ?
2. What roles do you personally play in the family enterprise ?
3. What does it mean for you to be a (family name) ?
4. Please elaborate on the family values and mission ? And how these are passed on to the next generation ?
5. How does the family like to be recognized or remembered ?
6. How does the family stay in touch?
7. Please tell me what matters of importance are normally discussed between family members? Can you share an example ?
8. Can you explain how the family takes decisions together ?
9. Can you give an example of a particularly difficult decision and how it has been resolved?
10. Can you describe what practices are in place to support your family governance ?
11. Do you remember the first time you heard about the practices ? please elaborate ?
12. How important or effective do you feel these practices are for your family ?
13. Which processes are in place to change governance mechanisms?
14. How would you describe the texture of the family relationships ?
15. How does the family foster collaboration ?
16. How does the family nurture the development of the younger generation family members? What educational efforts does the family engage in ?
17. Why do you think your family has successfully preserved its wealth when so many others have failed ? Can you give examples of particular actions or strategies ?
18. What do you think are the greatest challenges of multigenerational wealth preservation?
19. Can you describe the process of succession ?
20. Please describe what the background and purpose is of your family office ?
21. What are the main challenges of the family office ?
22. How has the family helped realize your personal aspirations ?
23. What would you like (to see) for the future (next 10 years) of the family ?

APPENDIX 2: *List of Variables and Measurement Scales*

Variable	*Item*	*Scale*
Family Social Capital	*Family members in this family enterprise*	
	… have no hidden agendas.	1 = strongly disagree
	… willingly share information with one another.	2 = disagree
	… take advantage of their family relationships to share information.	3 = neutral
	… have confidence in one another.	4 = agree
	… show a great deal of integrity with each other	5 = strongly agree
	… are usually considerate of each other's feelings.	
	… share a common purpose.	
	… are committed to the goals of the family enterprise.	
	… view themselves as partners in charting the family enterprise's direction.	
	… share the same vision for the future of the family enterprise.	
	Overall, family members in this family enterprise trust each other (in terms of, for example, intentions, judgment, efforts).	
Family Governance Practices	A family constitution developed with input from a wide group of family members.	1 = do not know
	A family code of conduct exists to facilitate open and constructive discussion of difficult issues.	2 = not considered at this time
	A formal structure that meets regularly (family council or equivalent enterprise ownership body).	3 = in discussion
	Making sure that (especially) distant family get together regularly for special events (family gatherings, etc.).	4 = under development
		5 = already in use
Family Learning	*To what extent*	
	… do family members make a conscious effort to mentor future family leaders?	1 = not at all
	… does your family include younger generations in philanthropic endeavours?	2 = a little
	… does the next generation participate, learn and grow together as a (cousins) group?	3 = a moderate amount
	… does your family have a commitment to a continuous learning program to educate family members? (e.g. internships, training courses)	4 = a lot
	… does your family develop the financial skills of younger generation family members? (e.g., financial literacy, financial responsibility)	5 = a great deal
	… does your family develop the investment skills of younger-generation family members? (e.g., stock selection, manager monitoring)	
	… does your family actively support entrepreneurs/wealth creators in the family? (e.g., through investment, knowledge)	
	… does the family develop principles of responsible ownership?	

APPENDIX 2 (continued): *List of Variables and Measurement Scales*

Variable	*Item*	*Scale*
Family Identity	How much personal meaning does membership of this enterprise family have for family members?	1 = not at all
	How proud are family members of the family history?	2 = a little
	How important is continuing the family legacy and tradition for the enterprise family?	3 = a moderate amount
	To what extent does the family try to convey the family history to family members?	4 = a lot
	How much do family members care about the fate of the family enterprise?	5 = a great deal
	To what degree do family members have knowledge of the successes and failures of the family enterprise?	
Generational Ownership	How many generations hold a share of ownership in the family enterprise?	1 = 1; 2 = 2 ; 3 = 3 generations
Business Ownership	Does the family (directly or indirectly) hold ownership in one or multiple operating family businesses?	0 = no; 1 = yes
Control Variables		
Family Generations	For how many generations has this family enterprise been held by the same family? (the founding generation is viewed as the first generation)	Number filled in blank
Family Size	How many family members in total (including spouses) does this family currently comprise?	1 = less than 25; 2 = 26-75; 3 = 75-150; 4 = 151-250; 5 = 251-500; 6 = >500
Family Branches	How many family branches are represented in the family enterprise?	Number filled in blank
Region of Family Enterprise*	Location of the family enterprise headquarters	Location filled in blank
Family Office	Does the family operate a family office?	0 = no; 1 = yes
Family Philanthropy	Does the family govern one or more philanthropic foundations?	0 = no; 1 = yes

** a dummy variable was created for Region North America, Europe, Latin America, Asia-Pacific, Middle East & Africa.*

Nederlandse Samenvatting

DE CODE GEKRAAKT:

HET DRAAIT BIJ WELVAARTSBEHOUD NIET OM GELD

Onze samenleving staat kritisch tegenover grootvermogenden. Ze vormen regelmatig het middelpunt van het publieke debat dat zich over de afgelopen jaren steeds verder heeft gepolariseerd. Onderzoek heeft aangetoond dat deze groep het grootste deel van haar rijkdom ontleent aan het beheer van belangen in familiebedrijven, een bevinding die overigens niet overeenstemt met het stereotype beeld van rijke beroemdheden dat wordt neergezet in de media. Ondernemende families ('enterprise families') hebben een grote impact op de maatschappij: ze dragen in belangrijke mate bij aan de wereldwijde economische groei, werkgelegenheid, het financieren van liefdadigheid en start-ups, technologische innovatie en ook de prestaties van de kapitaalmarkten. Families die zich richten op lange termijn welvaartsbehoud dragen bovendien nog meer bij aan de maatschappij en de economie. Gezien de polarisering van het publieke debat en het belang van deze families voor de economie, is het opvallend dat in de wetenschappelijke literatuur over familiebedrijven tot nu toe weinig aandacht is besteed aan de familie als onderwerp van onderzoek. Het onderzoek heeft zich met name gericht op het bedrijf zelf, terwijl de familie juist een cruciale variabele is die familiebedrijven onderscheidt van andere bedrijven.

In dit proefschrift bestudeer ik welvaartsbehoud binnen grootvermogende ondernemende families die gezamenlijk eigenaar zijn van meerdere activa (zoals onroerend goed en investeringen) en meerdere entiteiten (bijvoorbeeld een familiebedrijf, een family office en/of liefdadigheids-stichtingen), over meerdere generaties. Ik onderzoek waarom zoveel ondernemende families er niet in slagen om hun welvaart veilig te stellen voor toekomstige generaties. Er bestaan meerdere theoretische benaderingen die hebben bijgedragen aan ons begrip van het familiebedrijf en het creëren van welvaart door middel van ondernemen. Toch is er nog maar weinig bekend in relatie tot de manier waarop ondernemende families over meerdere generaties hun welvaart behouden, met name over wat er gebeurd op familieniveau. Om juist dit nader te onderzoeken heb ik eerst een conceptueel theoretisch onderzoek uitgevoerd (hoofdstuk 2), waaruit drie duidelijke thema's naar voren kwamen: familie 'governance' (gezamenlijke besluitvorming), sociaal familiekapitaal (relaties en cohesie) en het 'family office' (entiteit met als doel het behouden van welvaart voor de familie; waarvan het onderzoek nog immer in de kinderschoenen staat).

Vervolgens heb ik een theoretische zwarte doos geopend door een kwalitatief empirisch onderzoek uit te voeren waarin ik het ontstaan van sociaal familiekapitaal nader bestudeer (hoofdstuk 3). Dit onderzoek richt zich op zeven ondernemende families die meer dan drie generaties bij elkaar zijn ('cousin consortiums'), elk met een geschiedenis die meer dan 100 jaar terugvoert. Sommige van deze families tellen tot wel 300 leden en bezitten een gezamenlijk vermogen van miljarden euro's. Op basis van dit onderzoek heb ik vier proposities ontwikkeld die inzicht bieden in hoe ondernemende families hun welvaart kunnen behouden door het sociaal familiekapitaal versterken. Vervolgens heb ik mijn bevindingen getoetst door middel van een kwantitatief empirisch onderzoek (hoofdstuk 4).

In het inductieve deel van dit proefschrift leg ik uit hoe besluitvormingsprocessen binnen families kunnen bijdragen aan sociaal familiekapitaal, alsook als formele probleemoplossings-mechanismen kunnen fungeren. In het deductieve deel van dit proefschrift stel ik een gemodereerd-mediation samenhang voor die zowel de 'hoe' als de 'wanneer'-vraag beantwoordt in het kader van multigenerationeel welvaartsbehoud. Ook analyseer ik de afhankelijkheidsrol die generationeel eigendom en bedrijfseigendom spelen, om zo de indirecte effecten te kwalificeren van het leervermogen van de familie (family learning) en familie-identiteit in de relatie tussen familie governance en het sociaal familiekapitaal.

In hoofdstuk 2 (het conceptueel theoretisch onderzoek) geef ik gehoor aan het groeiende aantal oproepen om de familie als analyse-eenheid te gebruiken in de wetenschappelijke literatuur over familiebedrijven. Door me te concentreren op het behoud van de welvaart binnen ondernemende families, ontwikkel ik een theoretisch kader dat gebaseerd is op de familie in plaats van op het bedrijfssysteem. Ik conceptualiseer familie governance, het sociaal familiekapitaal en het family office als hulpmiddelen en stel dat de interacties tussen deze concepten welvaartsbehoud stimuleren. Daarbij illustreer ik specifiek hoe deze drie middelen hoogwaardige besluitvorming en nauwe familiebanden mogelijk maken, wat het gezamenlijk handelen van de familie ten behoeve van welvaartsbehoud bevordert. Daarnaast lever ik een bijdrage aan het debat over de rol van het family office en beargumenteer ik dat deze een modererende rol heeft in de relatie tussen familie governance en sociaal familiekapitaal aan de ene kant, en welvaartsbehoud aan de andere kant.

Hoofdstuk 3 (het kwalitatief empirisch onderzoek) beantwoordt recente oproepen om de ontstaanswijze van sociaal familiekapitaal in kaart te brengen. Aan de hand van een aantal casestudy's bied ik meer inzicht in hoe sociaal familiekapitaal wordt versterkt, door het bestuderen van ondernemende families met meer dan drie generaties welvaartsbehoud. Dit onderzoek brengt nadere inzichten over deze onbekende, gereserveerde en moeilijk toegankelijke analyse-eenheid door zeven cases te bestuderen van ondernemende families die erin zijn geslaagd hun welvaart over meerdere generaties te behouden. Deze inductieve kwalitatieve studie stelt vast dat het sociaal kapitaal van ondernemende families lijkt te worden versterkt door de interne organisatiestructuren (‘organizational structures’), het leervermogen van de familie (‘family learning’), de familie-identiteit (‘family identity’) en fysiek familiebezit (‘family grounding’). Door deze vier dimensies gezamenlijk te benaderen, onderscheidt mijn analyse zich van de wetenschappelijke literatuur die zich richt op creëren van welvaart door middel van ondernemerschap.

In hoofdstuk 4 (het kwantitatief empirisich onderzoek) wordt stilgestaan bij het feit dat, ondanks de grote hoeveelheid aandacht die onderzoekers tot dusver hebben besteed aan de effecten van sociaal familiekapitaal, er nog steeds weinig inzicht is in de manier waarop ondernemende families sociaal kapitaal opbouwen en onderhouden. Ik breng een theorie naar voren die verklaart hoe en wanneer de familiebesluitvorming het sociaal kapitaal versterken door het leervermogen van de familie en de familie-identiteit als bemiddelaars (mediators) te beschouwen, en door zowel de afhankelijkheidsrol van generationeel eigendom als bedrijfseigendom te beoordelen. Vervolgens toets ik deze theorie aan de hand van kwantitatief onderzoek, waarbij ik data gebruik over 175 ondernemende families uit de hele wereld. Mijn bevindingen suggereren dat er een positief verband bestaat tussen het leervermogen van de familie en de familie-identiteit aan de ene kant, en het sociaal familiekapitaal aan de andere kant. Ook duiden de resultaten erop dat generationeel eigendom een positieve rol speelt, en dat bedrijfseigendom juist een negatieve rol speelt binnen deze indirecte relaties.

De algemene theoretische bijdrage van dit onderzoek in de beantwoording van de overkoepelende vraag hoe ondernemende families hun welvaart over meerdere generaties kunnen behouden, is drieledig. Ten eerste draagt mijn proefschrift bij aan het onderzoek naar familiebedrijven door de analyse te verschuiven van het familiebedrijf naar de familie zelf. Ten tweede beredeneer ik dat het gezamenlijk handelen van de familie ten behoeve van welvaartsbehoud wordt versterkt door effectief familie governance, sterk sociaal familiekapitaal en een nadruk op niet-financiële diensten binnen het family office. Tot slot verschaft dit onderzoek inzicht in het effect van familierelaties en familie governance op sociaal familiekapitaal binnen de familie.

In het verlengde van deze theoretische bijdragen heeft dit proefschrift ook een aantal praktische uitkomsten. Het behoud van welvaart binnen ondernemende families vereist gezamenlijk handelen, waarbij vertrouwensbreuken moeten worden vermeden. Ook wordt door mijn bevindingen het belang onderstreept van sterke besluitvormingscapaciteiten en -mechanismen binnen ondernemende families. Bovendien is het belangrijk dat deze families hoogwaardige interne leerprogramma's ontwikkelen om nieuwe generaties voor te bereiden op hun toekomstige rol binnen de familie ondernemingen. Het versterken van de familie-identiteit en het gevoel onderdeel uit de maken van de familie ‘als geheel’ helpt ook bij het faciliteren van effectief gezamenlijk handelen ten behoeve van welvaartsbehoud. De principes, programma's en entiteiten die betrekking hebben op deze structuren, procedures en gedragingen oefenen een belangrijke positieve invloed uit op het sociaal familiekapitaal, wat van fundamenteel belang is voor multigenerationele ondernemende families. De rol van het family office is belangrijk bij het vergroten van deze effecten en het in evenwicht brengen van de financiële en niet-financiële belangen van ondernemende families.

In het algemeen kan gesteld worden dat de bevindingen van de drie onderzoeken in dit proefschrift uiteindelijk moeten worden gezien als een eerste verkenning op het gebied van welvaartsbehoud binnen transgenerationele ondernemende families. Ik heb hiermee een fundament gelegd voor toekomstig, gerichter onderzoek naar welvaartsbehoud op het analyseniveau van de familie. In dit proefschrift concentreer ik me op de begrippen familie governance, sociaal familiekapitaal en de rol van het family office in grootvermogende ondernemende families. Veel ondernemende families hebben een wens om hun welvaart over meerdere generaties in stand te houden. Ze moeten de uitdagingen aangaan die op hun pad komen en verandering omarmen, en tegelijkertijd moeten ze reageren op een omgeving die continu in beweging is, vol onzekerheid, complexiteit en ambiguïteit. Ondanks dat multigenerationele ondernemende families zoals bijvoorbeeld de Rockefellers (met een geschiedenis die vele generaties terugvoert) bewijzen dat succesvol familie governance, sterk sociaal familiekapitaal en effectieve family offices over meerdere generaties in stand kunnen worden gehouden, zijn er meer dan genoeg voorbeelden van andere families die daar veel minder succesvol in zijn gebleken. Ik stel dat de belangrijkste drijfveer voor het behoud van familiewelvaart relationeel is – belangrijker dan puur financieel – en dat welvaartsbehoud uiteindelijk niet om geld draait.

Summary

SUMMARY

The wealthy are heavily criticized and often at the center of discussion. The public narrative has become deeply polarized in recent years. Research has shown that they derive most of their wealth from active ownership of family enterprises and are different from the stereotypical rich and famous as featured in popular lists. In effect, enterprise families have a major impact on our society: They contribute significantly to global economic growth, employment, philanthropic capital, start-up finance, technological innovation, and even to the performance of capital markets. Moreover, those families with a transgenerational orientation are likely to contribute even more to society and the economy. Given the public debate and the importance of such families to the economy, it seems counterintuitive that in the field of family business research, where the family is the crucial variable theoretically distinguishing family businesses from other firms, the literature has so far neglected the family itself as a unit of analysis and has focused overwhelmingly on the business system.

In my dissertation, I set out to study wealth preservation in enterprise families that share ownership of multiple assets (e.g., investments, real estate) and multiple entities (e.g., family business, family office and/or family philanthropic foundations) across multiple generations. I explore why so many fail to secure monetary prosperity for multiple generations. A number of theoretical perspectives have contributed to our understanding of family business and wealth creation through business venturing. However, very little is known about how enterprise families preserve wealth, and in particular what happens at the family level. To explore this in more detail, I first conducted a conceptual theoretical study in Chapter 2, from which three concepts emerged clearly: Family governance (how families make decisions together); family social capital (relationships and cohesion); and the nascently researched family office (entity with the goal to preserve wealth). I

subsequently opened a theoretical black box by conducting a qualitative exploratory study to zoom in on the origins of family social capital (Chapter 3). My multi-case study focused on seven enterprise families with legacies going back more than 100 years – families with up to 300 members and assets worth billions of dollars. I developed four propositions that introduce explanations how enterprise family cousin consortiums enhance social capital to preserve family wealth. Next, I tested my findings with a quantitative empirical study in Chapter 4. The inductive part of this dissertation explains how family governance can be conducive, other than as a structure for policies and procedures, by contributing to family social capital as well as being a formal decision-making and problem-solving mechanism. In the deductive part of this dissertation I propose and test a moderated mediation framework that considers both the how and the when-question and I analyse the contingency role of generational ownership and business ownership to qualify the indirect effects of family learning and family identity in the relationship of family governance practices on family social capital.

Chapter 2 addresses the growing number of calls to integrate the family as unit of analysis in the family business literature. By focusing on wealth preservation in enterprise families I develop a conceptual framework in the family rather than the business system. I conceptualize family governance, family social capital and the family office, as family resources and argue their interactions drive wealth preservation. Specifically, I illustrate how these three resources facilitate high-quality decision-making and close family relationships, which can enhance collective family action toward wealth preservation. In addition, I contribute to the debate on the role of the family office and argue it serves a moderating role in the relationship between family governance and social capital on the one hand, and wealth preservation on the other hand.

Chapter 3 answers to recent calls to uncover the origins of family social capital. Employing a multiple case study method, I offer a deeper understanding how family social capital is enhanced by studying transgenerational enterprise family cousin consortiums. The study advances understanding of this secretive and hard-to-access unit of analysis by studying seven cases where the enterprise families have maintained monetary prosperity for multiple generations. This inductive qualitative study finds that enterprise family social capital appears to be enhanced by organizational structures, family learning, family identity and family grounding. With these aggregate dimensions I distinguish my analysis from other literature on wealth creation through business venturing.

Chapter 4 acknowledges that family business research has paid a great deal of attention to the benefits of family social capital, yet identifies that we still lack an understanding of how enterprise families build and maintain social capital. I theorized and tested quantitatively both how and when family governance practices enhance social capital by considering family learning and family identity as mediators and both generational ownership and business ownership as important contingencies. I test the moderated mediation framework using data from 175 enterprise families from around the world. My findings suggest that family learning and family identity have a positive relationship with family social capital. The study further finds a first-stage positive moderating role of generational ownership, and a second-stage negative moderating role of business ownership in these indirect relationships.

The general theoretical implications, in relation to the overarching problem statement how enterprise families can preserve wealth for multiple generations, are threefold. First, my dissertation contributes to family business research by shifting the analysis from the family business to the family itself. Second, I theorize that collective family action to preserve wealth is enhanced by effective family governance, strong family social capital, and the family office emphasis on non-financial services. Third, this research helps to unpack the black box of the origins of within-family relationships and the role of family governance in social capital.

Based on these theoretical contributions, this dissertation also has a number of practical implications. Enterprise family wealth preservation requires collective action and breakdowns in trust must be avoided. My findings emphasize the fact that enterprise families should develop strong decision-making capabilities and establish effective mechanisms for family governance. In addition, these families should develop high-quality family learning programs in order to prepare the rising generation for their roles in the future enterprise owner group. Bolstering family identity and strengthening family members' perceptions of belonging to the family social group will further enhance collective family action to preserve wealth. The principles, programs, and entities associated with those structures, procedures, and behaviors have an important positive impact on the fundamentally important social capital of the enterprise family. The role of the single family office is instrumental in magnifying these effects and also in balancing the financial and non-financial considerations of the enterprise family.

Overall, I acknowledge that the findings of the three studies in this dissertation can only be considered as a beginning of the exploration of enterprise family wealth preservation. I have endeavored to set the stage for continuing and more focused research on wealth preservation at the family level of analysis. In this dissertation I focus on the concepts of family governance, family social capital and the role of the family office in enterprise families. Many enterprise families have the objective of sustaining themselves for multiple generations into the future. They have to navigate challenges and embrace change while responding to environments full of volatility, uncertainty, complexity, and ambiguity. While multigenerational enterprise families like the Rockefeller family (now in its seventh generation) show that successful family governance, strong social capital, and effective family offices are achievable across several generations, many others have been much less successful at doing this. I theorize that the key driver of family wealth preservation is relational, rather than purely financial, and posit that wealth preservation is not about money.

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