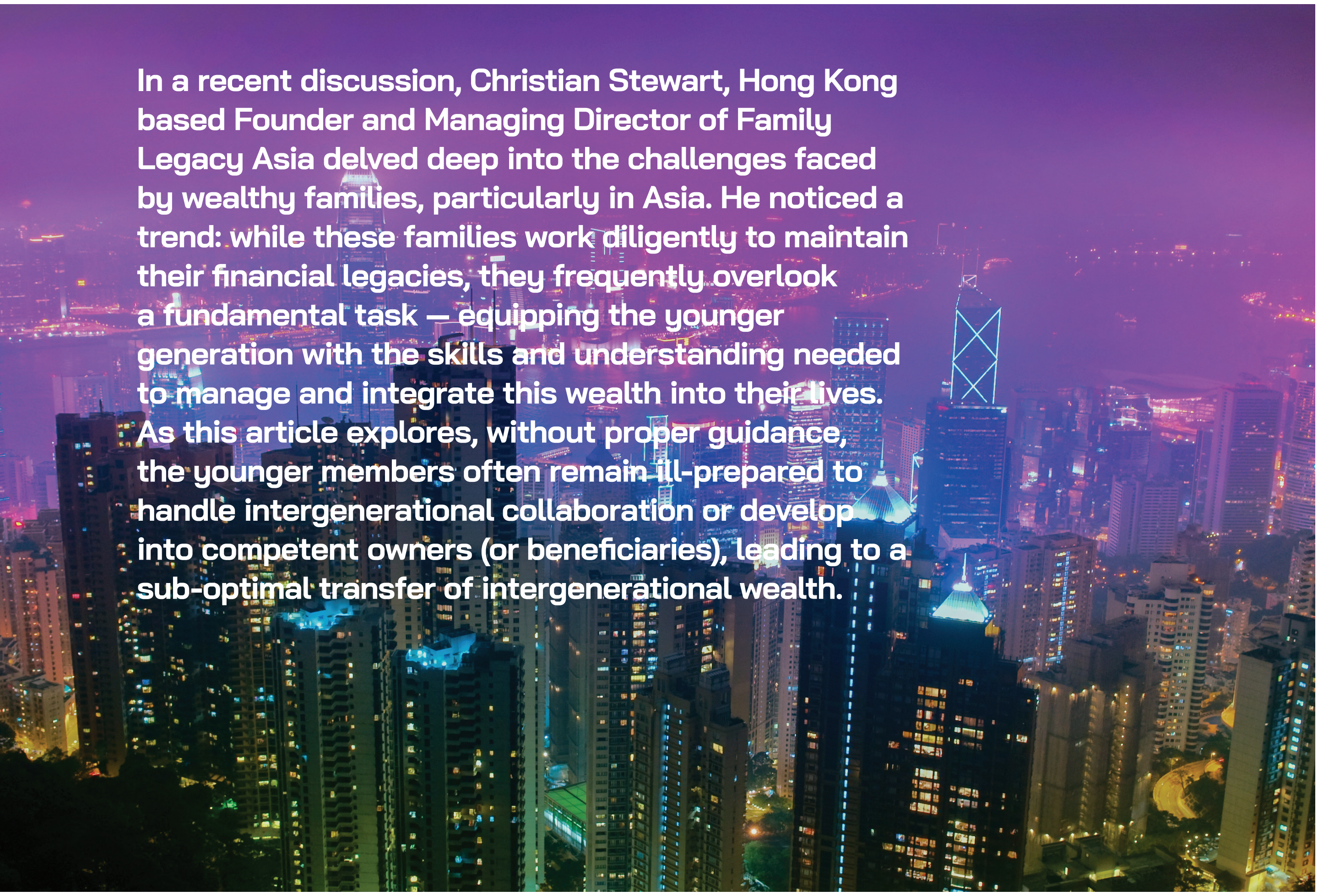
Navigating Wealth and Identity: Lessons from Asia's High Net Worth Families

In a recent discussion, Christian Stewart, Hong Kong based Founder and Managing Director of Family Legacy Asia delved deep into the challenges faced by wealthy families, particularly in Asia. He noticed a trend: while these families work diligently to maintain their financial legacies, they frequently overlook a fundamental task – equipping the younger generation with the skills and understanding needed to manage and integrate this wealth into their lives. As this article explores, without proper guidance, the younger members often remain ill-prepared to handle intergenerational collaboration or develop into competent owners (or beneficiaries), leading to a sub-optimal transfer of intergenerational wealth.



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Opening the discussion,

Christan highlighted that many wealthy families, particularly in Asia, prioritise growing their financial assets but often neglect the equally vital tasks of preparing the younger generations to both subsequent generations with the skills needed to work together harmoniously. This means these younger family members aren't trained in collaborative skills or the nuances of interdependence.

Turning to the second shortcoming, Christan notes that there is a challenge when it comes to the integration of wealth. In practise, this means that families often don't prepare their heirs on how to incorporate money into their lives meaningfully. The result? The next generation may not understand the value of work or might develop a sense of entitlement.

These gaps can lead to severe consequences, including the erosion of trust and communication within the family. When these foundations crumble, the family's ability to be effective ownership, or indeed stewardship of the family business and wealth. They usually emphasize the need for family members to step into management roles to grow & continue the family business, but they fail to emphasize the arguably more important role of being a responsible owner or steward of the family wealth. Where there is a portfolio of different family investments, a "family enterprise" this actually gives members of the "rising generation" greater options for meaningful participation.

Having family representation in management, especially in Asia, is deemed crucial. "It is important to have family leadership, and I think it's probably more important in Asia that that family leadership is hands-on, therefore there's at least one family member in the management leadership role," says Christian.

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become responsible owners and lead flourishing lives.

Fail to prepare, prepare to fail...

On the back of this observation, two significant shortcomings emerge, the first being a lack of collaboration between generational cohorts. Christan reports that first-generation wealth creators frequently do not equip the stewards of their collective wealth diminishes. The heirs might struggle with forging their individual identities or finding a fulfilling purpose in life.

The family business piece

The first generation of business founders in Asia, as Christan explained, often blurs the lines between management and However, Stewart points out that, beyond fostering skills like collaboration, communication, and negotiation, it's equally important to educate family members on their roles. These can vary from management, ownership and stewardship of businesses, to the varying roles that these senior family members may be involved in with the long term succession and fiduciary arrangements put in place for the broader family.

A shift in the sands

Interestingly, while there's a push for family involvement, there's a trend emerging. "You are seeing less interest from the rising generation to participate in the family business management and a preference to explore other opportunities elsewhere," he reports. "The challenge here is for the families to allow, and even encourage them to work away from the family business, with the hope that they will return with a more rounded ability and management experience which can be applied to the family business in due course – and at the same time inviting them to attend family meetings or family briefings so they can start the process of being educated as future owners of the business."

Consequently, many young members in Asian families often face a dual pressure: to figure out how they can contribute to the family enterprise and to determine who they are outside of that familial context.

However, it's essential to note that not every member of the succeeding generation is keen on diving straight into the family business, and therefore deeper digging is required to get to the root of each family member's true motivations, so as to ensure positive feelings throughout the family unit. "As advisors, it is important to encourage the emergence of healthy families, and therefore the longevity of these family connections. As such, you want advisors to ask the next generation to answer a second question: who am I away from the family? What do I need to be truly independent of my family."

And by following this process, one can build a new generation of responsible owners, slowly allowing members to integrate into the folds of the family business through careful management. "You're just asking for them to connect maybe once every six months or so with the family and learn something about the family enterprise," says Christan.

By following such an approach, the pressure on these family members can be reduced, their abilities enhanced by external and third-party engagement, whilst fostering a healthy family connection which may encourage them eventually step back to assist in the running of the family business or enterprise, or to play some role in family governance. This ensures they're not just stepping in due to family expectations, but are genuinely aligned with the roles they undertake, ensuring both personal satisfaction and business success.

Ensuring harmony

When asked about his top advice for families seeking to prevent issues in their business and familial relations, Christian breaks it down into clear, actionable steps.

Firstly, he emphasizes the vital role of communication and suggests families conduct regular family meetings. While simpler families might benefit from meeting annually, those with more complex operations or diverse

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Breeding genuine interest

In Asia, Christian reports, family roles are integral to one's identity. As such, these types of conversation aren't just about business or ownership responsibilities; it's about understanding one's place within the familial ecosystem.

assets should convene multiple times a year. These meetings help address ownership level topics and allow family members to resolve potential interpersonal conflicts whilst building a sound foundation of knowledge of how the enterprise is evolving and what challenges are being faced.

Although many families focus on acquiring technical advice, they often neglect the interpersonal aspect. Christian points out that in Asia, while there's an abundance of expertise from structural backgrounds like trust, accounting, or tax, there's a gap in skills related to coaching and personal development. Therefore, he recommends collaborating with experts such as executive coaches or counsellors who can navigate the relational dynamics within the family.

For families with significant resources who want their legacy to endure and relationships to remain strong, Christian advises actually investing in family harmony. He suggests families reflect on their efforts to nurture their value of harmony and consider seeking guidance from professionals who specialise in family dynamics and coaching. Such experts can help address disputes and bolster familial ties.

Lastly, Christian underlines the importance of having clearly defined roles within the family and business. He urges families to delineate distinct responsibilities for various roles, ensuring clarity in management, board duties, ownership, beneficiary tasks, and familial interactions. This clarity can promote better understanding and smoother operations among family members.

Preventative measures

Bringing the conversation to a close, Christian notes that whilst Asian families cherish harmony, internal conflicts and aimlessness among members are too prevalent. A narrow view of wealth, often limited to monetary aspects, is a significant factor. He advocates for a broader "five capitals model" perspective, recognising human, intellectual, social, spiritual, and financial wealth. For families to benefit, proactive efforts are necessary, and family offices play a crucial role. They should aid members in understanding and nurturing these diverse forms of wealth, with comprehensive guidance from experts like coaches and counsellors.

He also champions the idea of families as "learning organisations." Drawing inspiration from the business sector, he suggests families periodically review and learn from past decisions, a process akin to 'after-action reviews' in companies. This reflective approach has spurred the appointment of 'chief learning officers' in prominent U.S. families to foster consistent family development.

And finally, Christian accentuates the value of family governance, not just as a decision-making framework but as a means for collective growth. "Pay attention to the importance of learning and development, and governance itself," he says. "We all talk about family governance and family meetings and things, but the participation in family governance is a way that the family learn in action how to work together. Family governance is family learning."