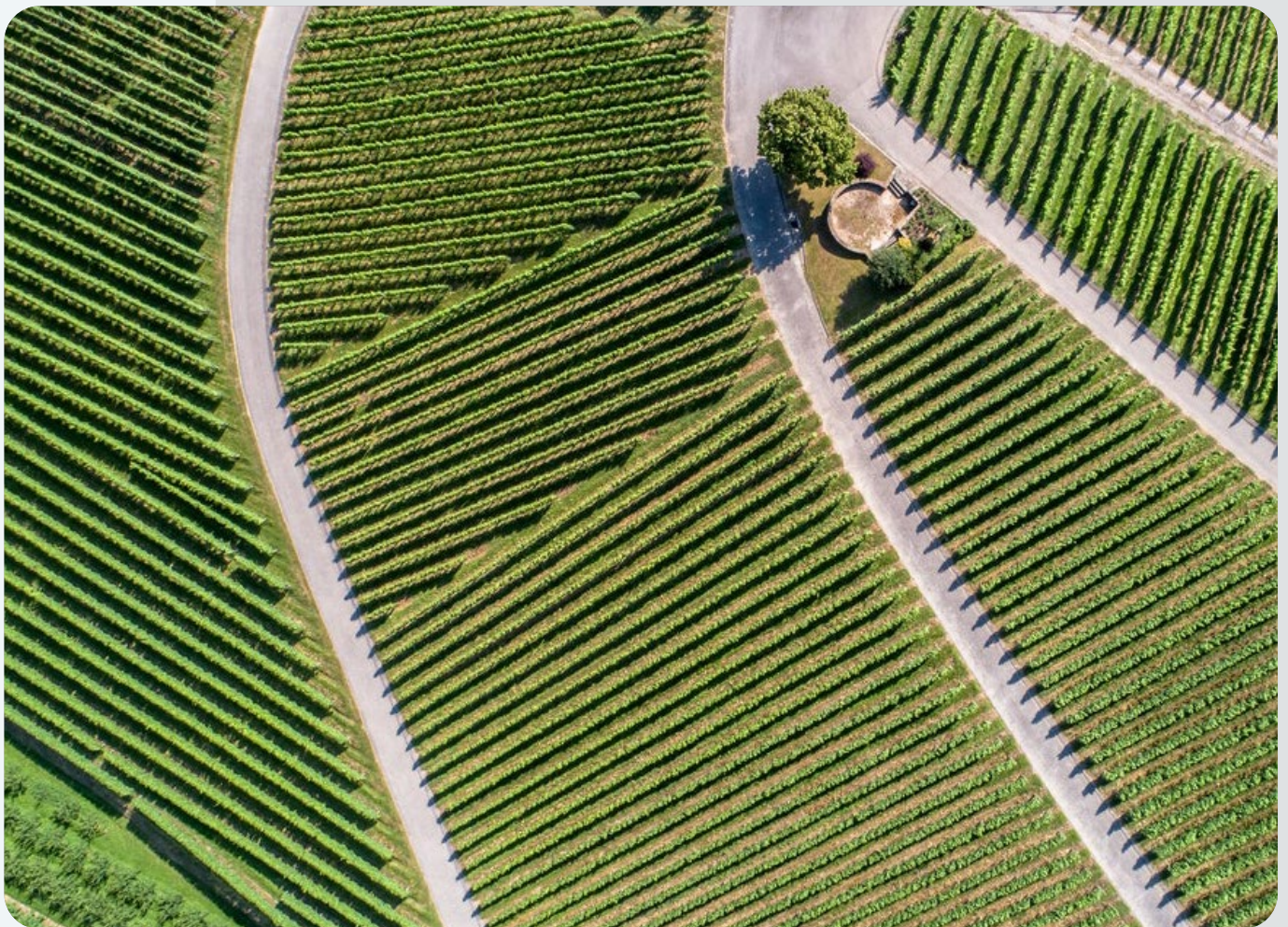


Eight best practices for family leadership succession





Contents

3

Foreword

4

Identifying eight best practices for family leadership

6

Applying best practices

14

About the Global Family Office Group

Foreword

There are few things that trouble wealth owners more than the critical question of how the next generation of family members will assume the mantle of leadership of the family enterprise, be good stewards of the family wealth and contribute positively to society, culture or politics. At Citi Private Bank, we believe leadership succession planning to be a universal imperative for families regardless of their geographical, cultural or religious origins.

Leadership succession is always challenging, requiring careful preparation and execution, as illustrated by disappointing outcomes – from failures to missed opportunities – in corporate successions.

But family leadership successions are undoubtedly riskier given the complexity inherent in leading a family. While corporate leadership provides a clear delegation of authority, family leadership is exercised among siblings or family branches who view themselves as peers equally sharing ownership, control and decision-making authority.

Finding a path toward leadership in a family of wealth can be fraught with uncertainty and risk. So, how might a family approach such transitions in a way that acknowledges the differences and nuances in roles, attitudes and motivations?

Citi Private Bank's Global Family Office Group has the privilege of serving some of the world's wealthiest individuals and families. Our Family Office Advisory team has deep experience guiding on family office creation and management, family leadership and transitions, and next-generation engagement.

Those who successfully navigate generational leadership transitions typically approach it in a manner which can be summarized in the eight best practices we outline in this white paper. They require nuance and adjustments based on the family's particular set of circumstances and dynamics, even if the basic tenets remain the same.

We hope that this white paper and the outlined best practices prove to be beneficial, and we welcome the opportunity to partner with you and discuss the particular needs of your family.



Hannes Hofmann
Head
Global Family Office Group



Alexandre Monnier
Family Office Advisory Head
Global Family Office Group

Identifying eight best practices for family leadership

Common best practices among families who successfully navigate leadership succession, or a wider generational transfer of senior positions of authority within the family, rely on the ability to embrace open communication and change.



They are flexible in their outlook, agile in their approach, encourage a range of options while making the family’s needs clear, and in the end, accept decisions are not made for the whole of their lives. Aligned with this thinking, we put forward these eight best practices to:

1. Develop a shared family vision

Leadership is ineffective unless you know where you are coming from and where you want to go. Successful families invest time to explore and agree upon a shared vision for their future together. They identify why they choose to stay together, what they want to avoid, what they seek to preserve and where they want to go as a family.

Leadership successions are an opportunity to revisit and sometimes reimagine that vision, to ensure that there is alignment and excitement from all family members about their shared destination. For example, what values do they want to transmit to future generations, do they wish to have a philanthropic impact with their wealth in their lifetime, to create jobs in their community, or to restart the cycle of wealth creation by fostering a new generation of entrepreneurs?

2. Define the leadership skills needed to achieve the vision

The most common mistake in succession planning is to look to future leaders for the same skills which characterized their predecessors. The adage “what got you here won’t get you there” has never been truer – mainly because the environment changes, the family grows and the challenges or opportunities evolve. Only once you know where the family is going and what skills will be needed to get there can you then start identifying and developing tomorrow’s leaders.

3. Develop new leaders through education and experiences

An essential element of an effective family leadership development process is the identification of key opportunities and resources available to the next generation of family leaders.

Ideally, such development is viewed as a lifelong process and addresses both emotional intelligence skills and management-oriented leadership development. Common approaches include formal and informal education, along with mentoring.

An effective approach will include both technical educational elements (for example, business, the arts, finance or social work), as well as personal emotional quotient (EQ) development (for example, self-awareness, communication and problem solving). Arguably, the most effective leaders in any context combine elements of both technical skill and strong emotional intelligence.

Families will often create an age-appropriate timeline of personal development resources, such as exposure to family history and stories for teenagers, next generation programs for those who have just finished college, and roles in the family enterprise or on family committees for those aged between 25 and 40+ years.

4. Communicate openly and frequently

Successful families recognize the need to proactively manage the development of future family leaders, but unfortunately many of their peers fall short. Although it is rare for family principals to disavow the importance of leadership succession, they may put little effort and few resources into creating a robust process. This results in initiatives begun far too late in the leadership succession cycle, or even not at all.

Effective family transition practices begin with a sincere dialogue among key family members on the importance of leadership succession. The goal is to go beyond casual conversations and to probe the fears, interests and expectations of both seniors and successors. This requires stepping out of 'parent-child' roles and other traditional patterns of communication to create a forum for candid and honest interaction.

This is not easily accomplished, and many families will turn to a trusted third-party facilitator such as an estate attorney or skilled consultant to mediate this process.

The outcome of this dialogue can be a simple agreement on a timetable and actions or, as is often the case, formally set out in a document that confirms the family's views, key roles, policies, and commitment to leadership development and succession. The document serves as the basis to communicate these views openly and transparently to the extended family and interested parties.



5. Establish a perpetual process

Successful families do not only acknowledge the need for an effective leadership process but also embrace a clear and open transition policy. It is predicated on the notion that leadership development is an ongoing process, and an understanding that “leadership” takes many forms in the family and its enterprises.

Families will typically set forth what is required of potential leaders regarding education, work experience within or outside the family enterprise, personal conduct, characteristics and values, as well as key measures of success. Successful families shun nepotism and set high standards for family members or leaders brought in from the outside. They never compromise when filling key leadership roles and avoid giving family members preferential treatment for promotions, compensation or leadership opportunities. They also take a multi-generational view on transition and embrace the activities that continually groom potential new leaders with a range of backgrounds and experiences.

Setting eligibility expectations for board, executive or family roles, and believing in a perpetual development process makes it clear to all what is expected of current and future family leaders, regardless of age or role. It serves to emphasize the importance of succession in the family and allows many forms of leadership to take shape.

6. Foster collaborative leadership

Many first- or second-generation family matriarchs or patriarchs grew up within a model of autocratic family leadership where the family leader was the sole arbiter of major life decisions, proper behavior, and reward and penalty systems.

But contemporary successful family leaders avoid autocratic behavior and instead take a collaborative approach to communication, engagement of family members and decision making. They are comfortable reaching across generations to obtain input and promote dialogue and collaboration from a wide range of sources and engage nonfamily members in key governance roles.

7. Understand motivations

Families who successfully navigate complex transitions understand the motivations of the key participants. What is often said during a transition conversation may not reflect the true underlying motivations of the participants. Occasionally, seniors or successors may themselves not be in touch with their true feelings about giving up or assuming leadership responsibilities.

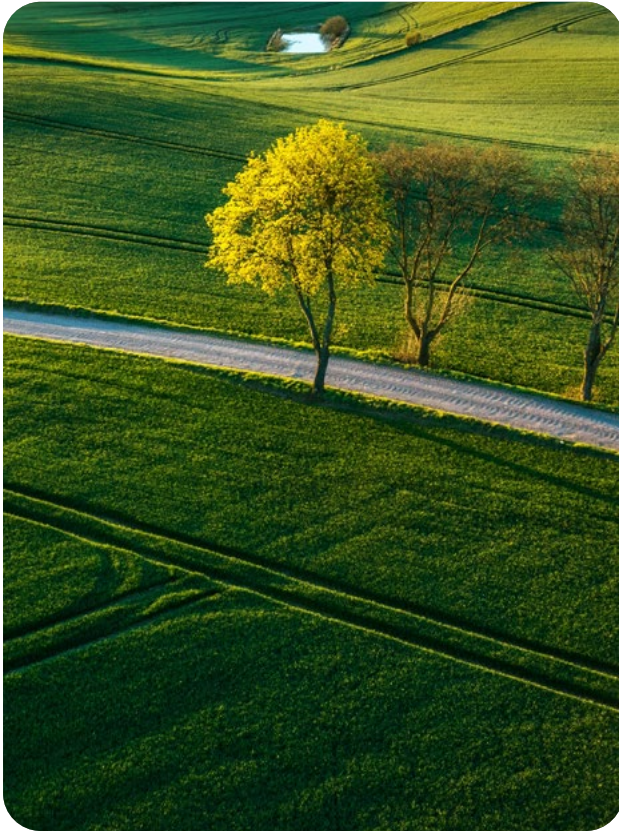
Not everyone desires to lead or even be involved in the family business. Avoid making assumptions and encourage open communication between the next generation, seniors and extended family about their desires to be involved in family endeavors.

Creating a relationship, environment and process that allows for the expression of true feelings — and articulating, hearing and challenging those feelings — will enhance the likelihood of success. For some, this may be a more natural process, but for most it requires a skilled facilitator and many hours of candid conversation to gradually expose underlying feelings.

8. Acknowledge and correct mistakes

As with anything else in life, there will be failures in leadership succession in either the developmental or formal leadership role stage. Understand that not all efforts will be successful and act quickly to remedy bad situations. Consider implementing formal roles and performance guidelines, periodic candid feedback, remediation plans, and making swift changes in roles and responsibilities when necessary. Some of the most common mistakes and failures can be avoided by adhering to a few basic principles:

- **Have formal role and performance guidelines:** Absence of clarity around expectations concerning both “what” needs to be achieved and “how” it should be achieved would result in a misaligned agenda. Formal role, objective and performance guidelines need to be spelled out in as much detail as possible.
- **Periodic candid feedback:** There are no substitutes for effective communication. Providing thoughtful and balanced feedback on a regular basis is essential to identifying problem areas early and reinforcing favorable behavior.
- **Remediation plans:** When challenges to performance, personal style or communication arise, identification of the problem areas must be accompanied by thoughtful remediation plans.
- **Action:** As and when the determination has been made that change is necessary, undertaking those changes promptly and fairly ultimately serves the best interests of all concerned.



Applying best practices

Our experience suggests that much can be learned from families who successfully navigate leadership development and succession.

Having outlined eight best practices for family leadership, we believe that it's critical to facilitate clear pathways and processes to bring about their most effective deployment.

Family principals must take the lead and remain cognizant of the vital need for an effective succession process. What is expected of current and future family leaders should be made clear by the family principals and the supporting organization.

This endeavor requires a constant emphasis on the vital need for leadership development, role definition and succession. We stand ready to assist you on this important journey.

About the Global Family Office Group

Citi Private Bank's Global Family Office Group serves single family offices, private investment companies and private holding companies, including family-owned enterprises and foundations, around the world.

We offer clients comprehensive private banking and family office advisory services, institutional access to global opportunities and connections to a community of like-minded peers.

For more information, please contact your Private Banker or the group head in your region.

citiprivatebank.com/globalfamilyoffice

Regional Contacts



Richard Weintraub
Americas Head
Global Family Office Group
richard.weintraub@citi.com



Alessandro Amicucci
Europe, Middle East & Africa Head
Global Family Office Group
alessandro.amicucci@citi.com



Bernard Wai
Asia Pacific Head
Global Family Office Group
bernard.wai@citi.com

Important information:

Citi Private Bank is a business of Citigroup Inc. (“Citigroup”), which provides its clients access to a broad array of products and services available through bank and non-bank affiliates of Citigroup. Not all products and services are provided by all affiliates or are available at all locations.

This document is for informational purposes only. All opinions are subject to change without notice. Opinions expressed herein may differ from the opinions expressed by other businesses of Citigroup Inc., are not intended to be a forecast of future events or a guarantee of future results. Although information in this document has been obtained from sources believed to be reliable, Citigroup Inc. and its affiliates do not guarantee its accuracy or completeness and accept no liability for any direct or consequential losses arising from its use.

In Canada, Citi Private Bank is a division of Citibank Canada, a Schedule II Canadian chartered bank. References herein to Citi Private Bank and its activities in Canada relate solely to Citibank Canada and do not refer to any affiliates or subsidiaries of Citibank Canada operating in Canada. Certain investment products are made available through Citibank Canada Investment Funds Limited (“CCIFL”), a wholly owned subsidiary of Citibank Canada. Investment Products are subject to investment risk, including possible loss of principal amount invested. Investment Products are not insured by the CDIC, FDIC or depository insurance regime of any jurisdiction and are not guaranteed by Citigroup or any affiliate thereof. This document is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities to any person in any jurisdiction. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. Citigroup, its affiliates and any of the officers, directors, employees, representatives or agents shall not be held liable for any direct, indirect, incidental, special, or consequential damages, including loss of profits, arising out of the use of information contained herein, including through errors whether caused by negligence or otherwise. CCIFL is not currently a member and does not intend to become a member of the Mutual Fund Dealers Association of Canada (“MFDA”); consequently, clients of CCIFL will not have available to them investor protection benefits that would otherwise derive from membership of CCIFL in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA.

Citibank N.A., London Branch (registered branch number BRO01018), Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The contact number for Citibank N.A., London Branch is +44 (0)20 7508 8000.

Citibank Europe plc (UK Branch), is a branch of Citibank Europe plc, which is authorised and regulated by the Central Bank of Ireland and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Citibank Europe plc, UK Branch is registered as a branch in the register of companies for England and Wales with registered branch number BR017844. Its registered address is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. VAT No.: GB 429 6256 29. Citibank Europe plc is registered in Ireland with number 132781, with its registered office at 1 North Wall Quay, Dublin 1. Citibank Europe plc is regulated by the Central Bank of Ireland. Ultimately owned by Citigroup Inc., New York, USA.

Citibank Europe plc, Luxembourg Branch, registered with the Luxembourg Trade and Companies Register under number B 200204, is a branch of Citibank Europe plc. It is subject to the joint supervision of the European Central bank and the Central Bank of Ireland. It is furthermore subject to limited regulation by the Commission de Surveillance du Secteur Financier (the CSSF) in its role as host Member State authority and registered with the CSSF under number B00000395. Its business office is at 31, Z.A. Bourmicht, 8070 Bertrange, Grand Duchy of Luxembourg. Citibank Europe plc is registered in Ireland with company registration number 132781. It is regulated by the Central Bank of Ireland under the reference number C26553 and supervised by the European Central Bank. Its registered office is at 1 North Wall Quay, Dublin 1, Ireland.

In Jersey, this document is communicated by Citibank N.A., Jersey Branch which has its registered address at PO Box 104, 38 Esplanade, St Helier, Jersey JE4 8QB. Citibank N.A., Jersey Branch is regulated by the Jersey Financial Services Commission. Citibank N.A. Jersey Branch is a participant in the Jersey Bank Depositors Compensation Scheme. The Scheme offers protection for eligible deposits of up to £50,000. The maximum total amount of compensation is capped at £100,000,000 in any 5 year period. Full details of the Scheme and banking groups covered are available on the States of Jersey website www.gov.je/dcs, or on request.

This document is communicated by Citibank (Switzerland) AG, which has its registered address at Hardstrasse 201, 8005 Zurich, Citibank N.A., Zurich Branch, which has its registered address at Hardstrasse 201, 8005 Zurich, or Citibank N.A., Geneva Branch, which has its registered address at 2, Quai de la Poste, 1204 Geneva. Citibank (Switzerland) AG and Citibank, N.A., Zurich and Geneva Branches are authorised and supervised by the Swiss Financial Supervisory Authority (FINMA).

Citibank, N.A., Hong Kong/Singapore organized under the laws of U.S.A. with limited liability. This communication is distributed in Hong Kong by Citi Private Bank operating through Citibank N.A., Hong Kong Branch, which is registered in Hong Kong with the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities with CE No: (AAP937) or in Singapore by Citi Private Bank operating through Citibank, N.A., Singapore Branch which is regulated by the Monetary Authority of Singapore. Any questions in connection with the contents in this communication should be directed to registered or licensed representatives of the relevant aforementioned entity. The contents of this communication have not been reviewed by any regulatory authority in Hong Kong or any regulatory authority in Singapore. This communication contains confidential and proprietary information and is 25 intended only for recipient in accordance with accredited investors requirements in Singapore (as defined under the Securities and Futures Act (Chapter 289 of Singapore) (the “Act”)) and professional investors requirements in Hong Kong (as defined under the Hong Kong Securities and Futures Ordinance and its subsidiary legislation).

For regulated asset management services, any mandate will be entered into only with Citibank, N.A., Hong Kong Branch and/or Citibank, N.A. Singapore Branch, as applicable. Citibank, N.A., Hong Kong Branch or Citibank, N.A., Singapore Branch may sub-delegate all or part of its mandate to another Citigroup affiliate or other branch of Citibank, N.A. Any references to named portfolio managers are for your information only, and this communication shall not be construed to be an offer to enter into any portfolio management mandate with any other Citigroup affiliate or other branch of Citibank, N.A. and, at no time will any other Citigroup affiliate or other branch of Citibank, N.A. or any other Citigroup affiliate enter into a mandate relating to the above portfolio with you. To the extent this communication is provided to clients who are booked and/or managed in Hong Kong: No other statement(s) in this communication shall operate to remove, exclude or restrict any of your rights or obligations of Citibank under applicable laws and regulations. Citibank, N.A., Hong Kong Branch does not intend to rely on any provisions herein which are inconsistent with its obligations under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, or which mis-describes the actual services to be provided to you.

Citibank, N.A. is incorporated in the United States of America and its principal regulators are the US Office of the Comptroller of Currency and Federal Reserve under US laws, which differ from Australian laws. Citibank, N.A. does not hold an Australian Financial Services Licence under the Corporations Act 2001 as it enjoys the benefit of an exemption under ASIC Class Order CO 03/1101 (remade as ASIC Corporations (Repeal and Transitional) Instrument 2016/396 and extended by ASIC Corporations (Amendment) Instrument 2023/588).

© 2024 Citigroup Inc. Citi, Citi and Arc Design and other marks used herein are service marks of Citigroup Inc. or its affiliates, used and registered throughout the world.

