

Paths to keep wealth in family hands

Interest is growing in family offices — special entities designed to manage family businesses' portfolio of investments. Which factors ensure that wealth-creation activities happen in sustainable ways for generations to come?

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Over successive generations, the Motta family in Panama has pursued highly profitable and wildly divergent lines of business, making Motta International one of the most prominent business holdings in the Latin American region, with stakes in banking, commodities, aviation and the distribution of duty-free goods. The spectacular growth in the family's wealth since the 1950s led it to establish a Business Development Office two decades ago. This family office not only oversees management of the group's various holdings, but it also supports the private investments of individual family members. The group's president, Stanley Motta, believes such an office serves as the perfect vehicle to nurture as well as supervise the entrepreneurial endeavors of the next generation in a systematic way.

Family businesses, like Motta's, have long appreciated the value of family offices — special entities designed to manage and administer a family's portfolio of investments, while also making sure that future wealth-creation activities happen in sustainable ways for generations to come.

However, the erosion of trust in financial systems since the onset of the global economic crisis has seen interest in family offices intensify, as many family businesses seek to take direct control of their investments.

There are an estimated 4,500 to 6,000 family offices worldwide, with perhaps another 6,000

operating informally as such as part of private businesses, many family-owned, in the United States, Europe and Asia. To get an idea of the scale of the assets under management, the combined wealth of the 50 largest family offices adds up to nearly \$1 trillion, according to a 2013 Bloomberg ranking.

With the importance and economic might of family offices on the rise, we set out to gain a clearer picture of what's happening in this growing field. We analyzed 32 family business cases from the United States and Spain that had revenues of more than 25 million euros or family wealth exceeding 20 million euros.

Our aim was to explore why and how these families set up and developed family offices in the first place. We also analyzed the other investments and new business activities and services that these offices offered, beyond their basic function of providing support and advice on family wealth management. Given that these newer, additional activities and services bear strong entrepreneurial features that take the family beyond its primary business remit, we were interested in discovering what influence this could have on the capacity of a family business to preserve its values, legacy and wealth for future generations.

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