Goldman Sachs Exchanges

How Family Businesses Should Plan for Generational Success

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Allison Nathan: Welcome to Goldman Sachs Exchanges. I'm Allison Nathan.

Here's a number that surprised me when I first read it. Companies where a family still holds a significant stake produce 70% of the world's economic output and 60% of its jobs. But only 3 in 10 reach a second generation. And only about 1 in 10 reaches a third. So, why is that?

[MUSIC INTRO]

To help me work through that, I'm joined by two people

who see opposite ends of this. FX de Mallmann is Chairman of Goldman Sachs EMEA and Chairman of Investment Banking. He also leads the firm's coverage of large family-owned companies and family offices, which means he's on the corporate side of the table: the capital raises, the IPOs, the sales, and the successions. Tucker York chairs our global wealth management business. He's on the other side: the families, their balance sheets, and the next generation once that capital is created.

FX, Tucker, welcome to Exchanges.

Tucker York: Thank you, Allison. Good to be here.

FX de Mallmann: Thank you, Allison.

Allison Nathan: Yes, happy to have you both. So, FX, let's just start with some context here on the size and the scope and the impact of family-owned businesses. I gave a few stats to start us off, but maybe provide a bit more color on that for us.

FX de Mallmann: The statistics you quoted are those we included in our recently published report on honoring

legacy, which are global statistics. We did dig a little bit deeper into some of the statistics and see how they apply to differ around the world. And what we found is that there is an enormous space on family-owned businesses in all major regions.

In the US, for instance, there are over 32 million family-owned businesses, which represent over 80% of all businesses. Those account for over 60% of GDP and over 60% of the overall workforce. If you move from the private company world to the public company world, around 35% of the Fortune 500 companies are family-controlled or have a significant family owner, which is a substantial base.

As you move to Europe, there are significant industries that have leaders, companies that are leading the industry, that have either family control or significant family shareholder - in luxury goods, in beauty and cosmetics, in shipping, in consumer goods, in retail, in telco, in business services, in industrial, in defense, in numerous other sectors. The size and scale and the success of some of these entrepreneurs has been outstanding.

And as you move to Asia, there are countries where you

have very large family conglomerates that control many sectors of the economy that are very diversified, not only vertically, but also horizontally. And you see many of those in India, in Korea, and in numerous other Asia countries where the role that these families play is significant to the economy, but also in their ability to create new businesses and innovate in all the fields where they operate.

Allison Nathan: Those numbers are actually absolutely staggering. And I don't think most people think about businesses in that way. If we think about the family-owned businesses, how does the fact of them being family-owned affect how they run and how they operate if you're inside the business?

FX de Mallmann: Well, in the word family-owned, there is the word owned. And therefore, each of these businesses tend to be owned or partly owned by an individual or a family that, on average, tend to be both invested economically, financially, but also emotionally in the business and very engaged.

And so, we find in our interactions with many of these entrepreneurs that they tend to take a very long-term view

on their business. They tend to be rigorous stewards of their management team. They tend to be disciplined allocators of capital. And they also tend to be prudent with respect to the decisions they make, including the investment decisions and their use of leverage. And on balance, a statistic that we have access to show that these businesses, when family controlled, on average, tend to outperform non-family-controlled businesses.

Allison Nathan: Tucker, let me bring you into the conversation because you're sitting with these families day-to-day. Again, let me ask you a different version of the question. How does the fact that these businesses are family-owned impact the way they invest?

Tucker York: I'll take a step back saying that I agree that the numbers are staggering when you think about the family connectivity to business and GDP, etc. It's worth putting that in context. In the history of civilization, it used to be a much higher percentage than that. It's only in the last couple of centuries where we have more of a corporate structure and the scale that comes from that more permanent capital that comes around that, that's led to this. So, these concepts are age-old, is what I would say.

What I find with investors is the moment that you start thinking about next generation, how do you invest? How do you think about those things? As distinct from what do I need to do this week, this month, this quarter? It all turns on a long-term orientation. What do I think is going on in the long-term? How do I think about that? And that juxtaposition between those two things is very different for families who are thinking about next generation and what's going to happen beyond me. Have I created something that will go beyond?

And that leads you down to make decisions about where do I think this investment that I make today will be 10 years, 20 years from now? As distinct from where do I think this investment made today will be next quarter when some new information comes out, etcetera, and it goes up or down?

Allison Nathan: So, much more longer-term perspective coming from these families and how they manage their businesses. Of course, as you just touched on, Tucker, the big issue they all face is the generational transition, which is a very critical moment, you say FX, both for the

businesses and for the families. Talk us through why that is such a critical moment.

FX de Mallmann: It's a critical moment because it's a moment where the founder has to make a decision on two topics. Topic number one, should his family, typically his children or any other family members, stay involved in the management, typically the running of the business? And if so, in what capacity?

And the second decision is how is he or she going to pass on the stock, the ownership of the company from one generation to the next? And what's the organization he set up in order to do that successfully?

The statistics you mentioned before that only a third of the businesses pass on to the second generation, about 10% to the third, in our view, is neither good nor bad. It kind of is what it is. What's important is, does the business benefit from that family ownership? Or does the business benefit from having a broader ownership base?

We have seen outstanding case studies in both, some businesses with one founder who decided that it absolutely

should not stay within the family, diversify the ownership, brought in professional management and the companies scaled to be enormously successful companies. And we've seen other examples where the founder took absolutely the reverse view. And the business actually tremendously benefited in being controlled and typically also managed by the family.

The key question in our view on experience is, what's the process around this decision making? How early in advance is this considered? And what are the mechanisms to make sure the right judgments are exercised, both on the ability of the family to continue to manage and on how to best organize the ownership and make sure the ownership structure and governance survive the passage of time?

Allison Nathan: And Tucker, this ultimately all comes down to succession plans. But you found that only about half of the businesses, family businesses, actually have succession plans, but mostly informal. And only about a third actually write down these plans. So, why is it so hard when this is so critical to their future?

Tucker York: I think business succession, like all businesses, go through that and the businesses that are well run have a better succession plan. I think with the family-owned, it's super complicated because one thing is what does the founder want? But it's also, well, what does the next generation want? And the fact is that while business is dynamic, and it's impacted by things you can control, but oftentimes things you can't control like the economy, industry, competition, etc. Families are impacted that way too. And families change and grow. Next generation tends to get married to other people, which brings other people into the mix, etc. And so, all of these things make it very complicated.

It's certainly a best practice to write some things down. We would agree with that. But what is written down and the flexibility around what is written down to be able to adapt to new circumstances and things that come down the pike is vitally important. And so, having a plan is a really good thing from a structure standpoint. But it's also a really good thing to make sure there is flexibility built in to allow for things that will inevitably occur.

Allison Nathan: FX, you wanted to make a comment.

FX de Mallmann: I wanted to just pick up on your question, Allison. In my experience, many of these founder owners tend initially, certainly in their lifetime, to be extremely busy, extremely preoccupied and engaged in their business. And often prioritize their business over long-term planning. Often this is for the right reason to the great benefit of the business.

And then the second key factor is orchestrating and considering this decision forces some pretty hard judgments, some of which they're able to do at a certain point in time, some of which they'd rather have more time to consider, including is their family, are their children capable? Do they have the relevant experience or desire to be involved in the business? Some cases it's too early to judge.

Many of these founders decide that taking more time and having more visibility with the passage of time will de-risk some of these decisions.

Allison Nathan: And as you said, FX, it's a process. Because you have these creators, they're focused on

growing their business. But at some point, they do transition to thinking about how the business is going to outlive them. So, what does that transition look like, especially for families that do this well?

FX de Mallmann: That process really involves facing those two questions. Should my family, any family members be involved in the business itself in a management role, junior or senior, but over time, senior, yes or no? And how do I organize the ownership to be transferred from one generation to the other?

On the first one, my own view is it's a very delicate judgment, but really relies on is there someone who is capable, who has the relevant experience, and who has a desire to rise up to the occasion. That judgment needs to be as independent as possible.

Typically, the founder is the absolute best person to render that judgment. In some cases, we see them soliciting external input to benchmark or compare their own family members with external talent. And what we find on average is the larger the company, the more global, the more complex, typically, the more likely it will require a non-

family member with significant experience to continue to run it. And we see many family businesses choosing to bring professional management as they scale up.

On the second, which is a question of how does the ownership get passed on, the initial typical approach is to say, let's divide the ownership equally between the number of children or sort of second-generation family members. The question that brings is, what's the organization of that group? How large is that group? Has any member got the right to exit if she wants to or he wants to? And what's the mechanism to exit? And how do any conflicts get tackled and resolved? Is this within the family or is this with a governance structure that allows the resolution of conflict?

And in my experience, this process and this mechanism needs to be thought through early on before the number of family members gets too large. And typically, having some exit right of some form and having some conflict resolution mechanism in case there is one or disagreement on any point goes a long way.

Allison Nathan: And as we touched on, it's not necessarily just about the family dynamics. There's a whole

world, there's an economic cycle, because ultimately, they can pass on and keep the business in the family. But there's also the ability to IPO. There's the ability to sell outright. So, how big of a driver are these other factors when you're talking to families as they work through this?

FX de Mallmann: In many cases, one of the questions the companies face, and the family faces is, does the company need external capital to scale the business? And typically, when there is a capital need, it brings the question of who are the investors, what's the source of capital, and by how much should the family get diluted as part of that? That's one big aspect.

A second aspect, and we've seen numerous examples of this, is a number of families decide and believe that bringing a third-party investor, whether it's a single investor or a group of investors, and it could also be the public market, can be a source of discipline and a forcing mechanism around many aspects that may be complicated to discuss or resolved within the family. Some choose to sell either because they believe it's the right thing for their business or the right thing for the family.

What I have witnessed many times in the context of the sale is there could be great economic outcomes and great solutions for businesses to be consolidated, merged or sold, but that often the family has part of its identity in the business and a sale has a significant impact on the family's emotions and on their sense of identity that's tied to the business.

Tucker York: Allison, just to tack on to that from FX both expertise, but also, if you will, the objective is to take care of the health and well-being of the business. In doing that, he's interacting directly with the founder/CEO. It's a different element about, I'll call it, the health and well-being of the family and what's in their best interest. And sometimes it's aligned and sometimes it's not.

I think the other thing, too, for any succession planning or any long-term capital structure planning, that also changes over time. And so, this concept of we're going to make a plan and then we're good, it doesn't apply. It needs to be reviewed and stress-tested regularly.

In the same way, as you think about next generation planning, most parents, when they think about their

children, it's a different set of circumstances when they're 35 than when they're five, and how to think about that. And so, again, it's a regular review of where we are in the process.

FX de Mallmann: Tucker, I think you raise just an excellent point on this, which is typically in the first generation, the interests of the business are very aligned and mirror the interests of the family. If it's one individual, it's his business. That's his life or her life.

Tucker York: Yeah.

FX de Mallmann: As a number of generations passes, the family's interests may differ from the business interest, and being very clear on whether that's the case, where do they align and where do they differ, is step number one in long-term planning.

Allison Nathan: Right.

Tucker York: On the same line, that founder is the shareholder. And so, what they want to do for the business and what they want to do for their wealth creation is the

same. And many founders say, "One of the things I want to do with this is I want to give this business to the next generation." There are other founders who say, "What I want to do is I want to give the advantages that I have to the next generation, but I want them to do something different or whatever they want, or etc." And all of those things, again, as that next generation grows, the complexity around that grows as well.

Allison Nathan: So, that gets to the wealth creation aspect of this, Tucker, which you have a lot of insight into. Because ultimately, the day a founder sells the company or takes it public, they end up with wealth. And it basically becomes like this pile of money that they have never had to manage before, versus a business that they were managing day in and day out. How do the largest families navigate this and handle this?

Tucker York: Well, it's not necessarily what they started out for, but it is an outcome of the success they have and how they think about that, how they think about the way an endowment would think about its money. What is this money for? What is its purpose? What are the other, not only wealth that I want to pass along, but what are the

values I want to pass along? And all of that comes into the thing. And yes, so the mindset does change over time.

Allison Nathan: And not just the mindset, the organizational structure, the resources required to manage this wealth that is now outside the business versus in the business changes.

Tucker York: For sure. And I think it's varied how that works. Some people say, "Well, I want to set up now a new business whose job it is to manage the wealth that I created." Others would say, "I don't aspire to be in that business. I realize that I have to 'take care of these resources in a different way than when it was all in the business'" and they go in different routes. And the reality is, this is what's very interesting about the roles that we get to play is it runs the range. There isn't everybody does it this way or that way. They think about different things. And again, that's where family comes into play as well.

FX de Mallmann: Allison, if I just can add one thing on this, we're also seeing in this process, often important differences between first generation family members who involve the business and who often have limited time or

choose to spend limited time on allocating or managing the capital that's outside the business. Versus the second generation and onwards who inherit a lot of wealth and a lot of capital and who's one of the important projects, but also responsibilities, is to be good stewards of this capital. And Tucker and his team have a lot of experience with the dynamic between the first generation, the second generation, and the amount of time and effort and resources that each individual family members or branches choose to or want to spend in managing their own assets.

Allison Nathan: We end this conversation how we began it with this long-term mindset that these families have, but to your point, Tucker, with some flexibility so they can adapt to the changing family and business dynamics. But in some ways, my takeaway is in a way, as we talked to our individual investors, people potentially listening to this podcast, there is always an emphasis on long-term planning for your own wealth. That those who plan and think about this succession ultimately end up in a better spot than those who don't. Is that a takeaway here about thinking about always having that long-term plan in your mind?

Tucker York: I think it absolutely is. People say long-term oriented, that's a better way to be. But if you take a step back, we live in an incredibly short-term oriented world. And so, it's hard to push against that. The way money is managed, it's nice to be able to see your stock that you own go up and down in price. But if it goes up a lot, you're tempted to sell, then you pay taxes, and you have to figure out what to do with it again. If you're in a private company or a private equity, you're holding it for a longer period of time, but then you don't have the flexibility if you need the money to do this thing.

What I would argue is it leans towards people should be thinking about staying consistently invested. And a safer way to do that is to not just own one thing, but to own a portfolio of things. So, that on average, the market goes higher over a period of time if you believe in global GDP growth. But that to me is the takeaway.

These extraordinary families that have built the enterprises that FX deals with regularly, they have made concentrated bets in one, basically, company that becomes a stock. And that's a way for tremendous wealth creation. But it's incredibly risky. And the things that we don't talk about on

podcasts like that are the many other people who tried that and it didn't work. And so, again, you blend the two together. It's owning equity, but doing it in a diversified way and staying consistently long or invested.

Allison Nathan: FX, anything to add in terms of a closing message?

FX de Mallmann: I fully agree. And what we've seen is many of these entrepreneurs that have created extraordinary businesses have played the long game. They have deployed capital, they have adjusted and adapted their business and investment decisions through many cycles, including volatile times, but they remain invested. And many of those and many families that have benefited from this, it's not only to remain invested, but to continue to invest, whether it's adding capital, buying back stock in the market in their own businesses through the cycle to increase their ownership. So, these are very concentrated bets.

But when you have very disciplined, long-term stewards of capital that know and understand the business and are able to attract and retain great management and make

disciplined decisions with respect to their family ownership, you typically have a winning recipe for great success and great value creation.

Allison Nathan: FX, Tucker, thanks so much for joining us and sharing your insights on this really interesting, probably not talked enough about sector of the markets and the economy given its size and impact. So, thanks again.

Tucker York: Allison, thank you.

FX de Mallmann: Allison, thank you.

Allison Nathan: This episode of Goldman Sachs Exchanges was recorded on Tuesday, September 9th, 2026. You can find a link to the paper we discussed, *Honoring Legacy and Positioning for the Future, a Modern Playbook for Family-Owned Businesses*, in our show notes.

If you enjoy the show, we hope you'll subscribe to Apple Podcasts, Spotify, or wherever you get your podcasts and leave us a rating and comment. I'm Allison Nathan. Thanks for listening.

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