

Family governance

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The largest risk to a family fortune is often the family itself. Studies of family businesses and family wealth suggest that many fortunes do not survive the third generation, usually because of conflict, lack of preparation of the heirs or poor decision-making, while poor investments play a smaller part.¹ Wealth planners therefore increasingly advise on family governance: the rules, institutions and processes by which a family makes decisions about its wealth and its business.

A family charter, sometimes called a family constitution, sets out the values of the family, the principles for the ownership and management of the family business, the rules for the employment of family members and the procedures for resolving disputes. A family council represents the family members and deals with the shareholders' committee or the board of the company. A family office manages the wealth and the administrative affairs of the family. Although these instruments are not legally binding in themselves, they can be given legal effect through shareholders' agreements, articles of association and the statutes of foundations.

Basel offers instructive examples of family governance. The Hoffmann and Oeri families, descendants of the founder of Roche, have held a controlling stake in the company for more than a century through a shareholders' pool. The pool binds the voting rights of the family members and has secured the independence of Roche through several generations, including the period in which Novartis held a large minority stake.² The pool is a private arrangement, yet it has shaped the history of one of the largest companies in the world and of the city in which it is based. Other Basel families have chosen different solutions, whose comparison would deserve a study of its own.

1 Notes

1. On the frequently cited thesis that family wealth rarely survives beyond the third generation ("shirtsleeves to shirtsleeves in three generations") and the empirical literature on the causes, see the literature on family business research. To be verified. ↩
2. On the shareholders' pool of the founding families of Roche (Hoffmann and Oeri), which holds a majority of the voting shares, and the Novartis stake in Roche (about one third of the voting shares from 2001, sold to Roche in November 2021), see the annual reports of Roche Holding AG. To be verified. ↩

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