ABOUT DR. KURT MOOSMANN
Dr. Kurt Moosmann is an acknowledged advisor to business owning families, family offices and private clients. In addition, Dr. Moosmann chairs the Advisory Board of HeadOffice LLC (Pittsburgh), which is widely recognised as an industry leader, serving US clients with significant direct investment holdings in operating businesses, and serves on a number of the Board of firms Capital and Group. He is also a member of the Board of the Private University of Liechtenstein (UFL).

What’s an “Hommé d’Affaires” and what services do you offer?
As James E. Hughes Jr. once correctly stated a Hommé d’Affaires serves families as a benchmark for the applied level of sophistication in relationships with their governance structures and development plans. In words, the Hommé d’Affaires aims to create a bespoken decision making process which shall be governed by the core values of the individual family, and that is guided by the long-term objective of multi-generational stewardship. The service-oriented, flexible and personalized approach lies in the profound sense for trust, responsibility and scrutiny that guides such trusted advisor in safeguarding the family’s current priorities and business interests, while building bridges for the future generations to adopt existing governance systems, yet leaving enough flexibility for them to adjust the systems to the ever-changing needs for the twenty-first century families.

Dr. Kurt Moosmann, Owner and Director of Moosmann Capital Advisors Ltd.

FIRM PROFILE
MOOSMANN CAPITAL ADVISORS [MCA] is specialized in serving first generation entrepreneurs and multi-generational business owning families and family offices.

The fully independent and multi-disciplinary advisory capabilities are aimed at delivering tailored solutions to a specific need or, more comprehensive planning, for families concerned with their long term wealth preservation.

Dr. Kurt Moosmann,

Firm President

www.moosmanncapitaladvisors.com  kmo@moosmanncapitaladvisors.com

MOOSMANN CAPITAL ADVISORS

Going into business with family is not always as easy as you wish; often business ventures fixate on the potential possibility of heated family arguments and ignore focusing on how future generations will continue to revenue capital for the years to come. We speak with Dr. Kurt Moosmann on the key features when dealing with family owned business enterprises.

The human capital component is multi-dimensional. It includes properly understanding the individuals’ needs, wishes and responsibilities is paramount for building a solid foundation which can stand the test of time.

What are the key features in dealing with family owned business enterprises? Why is the Human Capital component so important?

Business owning families are often over-whelmed with the complexity associated with growing their businesses in a sustainable manner. These complexities tend to become even more challenging when several generations and/or multiple jurisdictions are involved. Irrespective of their genuine understanding for the business, they are often inexperienced in dealing, structuring and implementing the proper governance, to either support or transfer the family’s business to future generations. There are inherent conflicts between the various interests of a family and the traits of the related business which need to be addressed.

Moreover, principals often underestimate the disruption that a governance system can create. The associated risks can easily lead to value erosion or even business failure. In other words, these problems are adversely affected by the lack of the principal’s willingness to deal with a timely transition of business to the next generation or to competent non-family members. Hence, the interdependencies between family, ownership and business are crucial and stand at the forefront of a governance system. The right balance among the different, likely contradicting needs and thereby, creating the right systems for the family, the owners and the firm, we will enable the constitution of various implementation plans that will culminate in a lifecycle plan.

To make it even more challenging, such a transformation process is often coupled with the need for capital, and thus we facilitate to handle patient capital, from other family owning businesses or family offices, for long-term secured funding. This is one of the prevailing reasons why only 25% of all business owning families have been able to make it to the 4th generation and beyond.

With regard to human capital it is essentializing that to most people wealth is often associated with the amount of assets they own. As Gary Becker once nicely alluded to: “such tangible forms of capital are not the only type of capital (…) economists regard expenditures on education, training, medical care, and so on as investments in human capital. They are called human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial or physical assets.” When dealing with businesses owning families the human capital includes the proprietary knowledge that has gained over the years and possibly generations which have defined and made their business successful. In this context, the capital is closely connected to the “in and out of” doing business, the specific expertise and technical knowledge, the important network of relationships with customers, creditors and regulators, etc. Enabling the business generation to become more sensitive towards these kinds of aspects at an early stage, will enhance his or her understanding of the business and the responsibilities associated with the ownership, and fundamentally its governance, so that a sustainable transition of business interests to the future generation.

In dealing with families predominantly from North America, Asia and Europe – What complications do you experience in family businesses operating internationally?

Irrespective of whether I work with families in Europe or elsewhere, fundamentally it is and will always remain a people’s business. The needs and wishes are often similar, but when it comes to execution and implementation, differences between countries are huge. Human capital is largely driven by the different cultures and legal frameworks which the clients are subjected to. For example, depending on whether the family is resident in a common-law country or bound to the laws and regulations of a civil-country, the estate planning tools or testamentary dispositions may vary. Corporate governance, financial strategies, ownership and leadership structures need to be chosen prudently, and anticipated tax consequences need to be weighed. Often these business risks and/or conflicts lie in the profound sense for trust, whilst building bridges for the future generations, yet leaving under the same mind-set, thus often paying too little attention to regional conditions; but the proverb “when in Rome, do as the Romans do” strangely prevails. Thus, seeking advice and possibly partnering with seasoned professionals and other family enterprises in foreign places in which you want to do business, is in my opinion, an absolute prerequisite. At MCA, we collaborate with seasoned professionals and other family enterprises on various continents to provide local-specific replicated development and generation transitional solutions.

What issues arise and do you often deal with, in relation to inter-generational wealth transitions?

In theory, the long-term preservation of family wealth is a question of behaviour. Setting the right foundation which can stand the test of time, and thus mitigate the threat of entropy. But to successfully preserve a wealth, a family must form a social compact among its members reflecting its shared values, and each successive generation must re-afﬁrm and re-adapt that social compact. A family must also agree through which it actively practices its values and each successive generation must, once again, re-instate its participation in the system of governance. Understanding that inheriting potentially is often considered burdensome, rather than a blessing. Young family members who are sought for future management functions within the family enterprise must be accompanied and well-trained before taking on leadership roles. In many cases undergoing an apprenticeship in a foreign company, prior of entering the family business, will help sharpen the level of sensitivity and enhance the understanding for general business processes. There are a number of well-recognized next-generation seminars and conferences where younger family members gradually acquaint themselves with the key values drivers of businesses of large. But irrespective of how early young family members become aware of their future role within the respective family business enterprise, engaging them on an early stage is never wrong and will allow the principal to evaluate the learning aptitude and individual skills well in advance of any factual transition.

As mentioned above, one of the biggest problems arises from the fact that generational transitions are rarely well-planned in support of their owners’ ideas. Many family businesses of family owned businesses start thinking about succession strategies or possible successors when they will no longer be in the position to fully execute on the transition. Multi-generational stewardship entails the definition that you ought to plan the transition early enough, so that the company is handed over to a better shape than it was handed to you by your predecessors. This burdens the responsibility to transfer the human capital - proprietary to any one business - at a stage where the future successors can still process the information with the assistance of the current leadership, in their opinion, accomplishing a sound transition constitutes the ultimate needs for any one entrepreneur who wants to be remembered for having dealt with all stages of the enterprise's life.}

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