

RUSSIA'S WEALTH POSSESSORS STUDY 2015



**SKOLKOVO WEALTH
TRANSFORMATION
CENTRE**

Contents

SKOLKOVO Wealth Transformation Centre is an educational and research platform for business families, their family offices, service providers, philanthropic organizations, regulators and academia in Russia and CIS. One of the main goals is to explore the phenomenon of private wealth and family business in Russia in order to develop missing elements of infrastructure, including improvement of legislation and offering of educational products. For this purpose we conducted the first of regular biennial surveys of the Russia's wealth possessors.

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We are accepting the responsibility of pioneers: we are about to analyze world experience of wealth management, inheritance and philanthropy, and propose ready solutions in this area for our country. In today's Russia, for the first time in nearly 100 years, since 1917, the topic of transferring wealth is becoming particularly relevant, taking into account not only what goes to whom, but also how civilized and professional such a transfer will be.

Ruben Vardanyan

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Introduction

The research project of SKOLKOVO Wealth Transformation Centre is devoted to studying Russian private capital and family business. The history of private capital in Russia is only a few decades old, even though issues concerning the succession of wealth and of business in general are now taking the forefront, becoming more relevant than ever. The solution of these tasks directly affects the economic stability of the country. For this reason, they are important not only to the families of wealth possessors, but also to the employees of their companies, to service providers and to the society as a whole.

“Russia’s Wealth Possessors Study 2015” aims at revealing the attitude of Russian entrepreneurs and investors towards succession. We focused on several topics:

- Business succession and philanthropy: we defined the position of Russia’s wealth possessors as far as these issues are concerned and we tried to understand the character and the degree of development of the processes that involve the transfer of assets to future generations. The maintenance and the development of family wealth in Russia is a relevant issue, primarily because so far no one has taken sufficient measures in this respect.
- Assets management: we defined the level of understanding of opportunities, measured the extent of satisfaction in this field and identified the main challenges faced by the owners.
- Philanthropy: we defined the degree of involvement in charitable activities and their main sectors of focus, identified the main motivating factors and the greatest obstacles that prevent from engaging with charity.
- Family and values: we placed primary emphasis on identifying individual and family values of Russia’s wealth possessors, their guidelines and long-term goals.

The data obtained by the research group during detailed conversations with Russia’s wealth possessors will enable a better understanding of their view on today’s situation. The main topics, overall aim and hypotheses of this study were determined during a preliminary research on a vast volume of academic and practical studies - mainly foreign and, to a lesser extent, Russian - regarding private and family capital. The results will help define a long-term research agenda and name the necessary infrastructure elements, including legislative norms, product assortment and services offered, as well as educational programs. One of our goals was also to develop and enhance a national academic community, and to supplement experts’ knowledge as far as private capital is concerned. We hope that our work will enable the development of new methods for future studies and contribute to the coverage of new topics demanding greater attention.



«Supremus № 55». Kazimir Malevich



"Nonobjective Composition", Olga Rozanova

1 2 3 4 5

« PORTRAIT OF A WEALTH POSSESSOR

« Russian people are often blamed for lacking entrepreneurialism, especially in comparison with Anglo-Saxons. However, this is rather a difference in characters: the British are always players at heart, even when they're serious businesspeople, while (Russians) are not players at all, they are rather very cautious and circumspect, not taking decisions immediately, but waiting, and once they take them, they tow the line steadfastly and overbearingly, regardless of failures. Our merchants resemble the first Moscow princes, especially Ivan Kalita...»

Vladimir Ryabushinsky
(Russian entrepreneur, banker)

Main Conclusions

For the vast majority of wealth possessors, the issues related to the succession of business and wealth are highly important (in many cases completely actualized), since family wealth is a complex and developed structure. The average age of survey participants is 48, and about one-third of them (32%) are senior-age people – from age 50.

For the vast majority of wealth possessors, the issues related to the succession of business and wealth are highly important (in many cases completely actualized), since family wealth is a complex and developed structure. The average age of survey participants is 48, and about one-third of them (32%) are senior-age people – from age 50.

In terms of family status, those surveyed generally have several (from two to six) children of varying ages. The children are at different stages of the life cycle – some are already choosing a profession and planning their career, while others are still too young to discuss business and wealth. This allows businesspeople and their spouses to form different models of interaction and a system of expectations towards their various children. Questions of business and wealth succession may not preoccupy their owners today, yet in the next few years it will become not only a subject to ponder, but, possibly, the basis for taking serious strategic decisions.

Issues of succession are directly related to the task of forming among successors the experience, knowledge and skills necessary for wealth management in general, regardless of the children's future career.

The analysis of value orientations shows that the owners of business and private capital are different from Russian citizens in general (data from the European Social Survey, ESS) as far as one fundamental parameter is concerned: they clearly express a “strongly individualistic orientation.” That is, two distinct values pre-

vail among them: self-affirmation (orientation towards achievement and success, main resources – “power” and “wealth”) and openness to change (high importance of novelty, readiness to experiment, lack of fear regarding risk and ability to cope therewith, strong propensity for independence, hedonism and “taste for life”). Under these parameters, our interlocutors greatly differ from Russian citizens in general: 57% versus 27% of the country's residents.

Statistical Portrait

We should point out that the data presented on wealth possessors are not representative of the whole society, but instead illustrate those selected for our project. If we increased the empirical data, it would be easier to create a more accurate portrait, however today we are considering the aggregated portrait of the owners of wealth and businesses we surveyed.

The average age of participants of the study is roughly 48. The majority (68%) are citizens in the age category of 38-49, while senior-age people, aged 50 and above, account for about 32%. For comparison, the average age of Russia's wealthiest businesspeople, according to Forbes, is 52 years.

It is significant that those among our sample were mainly men, and only two **women entrepreneurs** were part of the study.

Nearly all of those surveyed (97%) are **college-educated** people, with one-quarter of them receiving a Russian or foreign academic degree. The majority of respondents (60%) are engineers or physicists by education, while approximately one-quarter (28%) of project participants have a core specialization somehow related to economics or finance. Only two of our interlocutors hold a degree in the humanities.

It is interesting to note that 31% of those surveyed earned a **post-graduate degree**. In each case related to economics, banking or finance. In addition, the vast majority (88%) hold a degree or certificate in **specialized business education**

During the study, we asked participants to complete a form consisting of two blocks: their biographical information and information on the nature of their businesses. These data were necessary for our work for two reasons: firstly, in order to understand who our interlocutors were, and secondly, to build sociological classifications after analyzing the connection between social-professional and family statuses, our respondents' personal values and the logic of their behavior concerning business and wealth succession. All of the data on study participants were used anonymously to avoid the possibility of receiving personal information. We are interested in a generalized portrait of survey participants, as presented below.

in the sphere of finance and management, or went through individual instruction with a business trainer.

In several cases, a further biographical stage was **military service**. Some of the respondents (13%) were professional soldiers serving on the command staff, some completed mandatory service (17%), yet the majority (70%) bypassed this kind of “university.”

At the time of the survey, nearly all of our interlocutors were **married**, and for the majority of them (77%), this was their first and only marriage. Only 23% of respondents had been married multiple times.

Children complete the family picture. The majority of participants in our study have **multiple children**, and families include from two to six heirs.

It is important to note that the children of our respondents belong to **different age categories**. If we divide all the children¹ into several age groups, roughly one-quarter are of preschool age, while 36% are school students of all ages (among which upperclassmen are about 11%). The age group of higher education students (from 18 to 23) accounts for 19%, while a further 20% can be classified as adults (from 24 to 35).

One-half of businesspeople surveyed (52%) have preschool children, 69% are the parents of schoolchildren, 48% have children in university, and the heirs of 39% of respondents are already adults. That is, even in a single family, the children represent different life cycle phases. For some, it is already time to choose a profession and plan a career, while others are undergoing the time of active formation of personal values and attitudes, a time of learning, verifying and even rebelling against family values. The youngest ones require not mentorship, but “merely” parental love and participation in daily communication. It turns out that wealth possessors and their spouses form different models of interaction and systems of expectations regarding their various children.

In terms of **secondary education**, 50% of our interlocutors² have children studying (or who studied) in Russia, while 46% have children studying both in Russia and abroad. In terms of **higher education**, the picture is slightly different³, with the children of 40% of respondents studying or having studied in Russia, 35% abroad, and one-quarter of children receiving educational

¹ In this case, we cite the percentage of the total number of children among participants of our study.

² Percentage of the total number of respondents, except for those with preschool children.

³ Percentage of the total number of respondents, except for those with preschool and school children.

Table 1. Specialized business education

“Did you receive a special education in business management, management, and if so, where exactly?”
 Figures provided indicate percentage of participants.
 The sum exceeds 100%, because it was possible to provide several answers

No	22%
Specialized graduate degree from a Russian university	10%
Specialized graduate degree from a foreign university	7%
Diploma-confirmed education in business management no lower than master's (MBA, EMBA, MCom, MBM, etc.)	39%
Individual education with personal business trainer	16%
Self-educated	16%

experience both in Russia and abroad. We were unable to collect complete and precise information on their specialties: some found it difficult to answer, while others have not yet decided a specialization. However, in roughly one-half of cases, they study business or management.

The Analysis of participants' family status allows for concluding that **issues of business and wealth succession** may not preoccupy their owners at present (this especially pertains to those with preschool children). However, in the next 5-7 years, these topics will become not only a subject to ponder, but also, possibly, an area requiring strategic, long-term solutions.

Personal values (By the S. Schwartz methodology)

The analysis of personal values became one of the fundamental tasks of Russian wealth posses-

Table 2. Number of children in a family

No children	3%
One child	13%
Two children	27%
Three children	27%
Four children	17%
Five children	10%
Six children	3%

sors Study. When discussing the values of members of society, many speculations and biases are traced, and they are transferred from the media to “everyday Russians,” on blogs to “experts” and then back. Over one-half of Russian citizens (59%) believe that substantial wealth cannot be earned in an honest way⁴. They believe that the main motives of businesspeople are the desire to make money (77%) and be independent (49%). A further response is “self-realization,” although the number of people expressing this viewpoint is much lower (16%), which indicates impoverished ideas about the motivation of Russian businesspeople⁵.

Yet, two-thirds of Russians (62%) would hope for their children and grandchildren to become entrepreneurs or businesspeople⁶. There is a clear dearth of weighted studies on entrepreneurs' values, especially since this is such a delicate topic, an issue where everyone wants to appear “correct.”

Analysis of basic values: theory and methodology

In our study we decided to use S. Schwartz's value theory [Schwartz 1992a; Schwartz, Bilsky 1990], as well as the comparative analysis methodology for



Darling! Didn't you fall in love with me for my tender and pure soul? Am I really acting differently now than I did before? Look – the picture that was hanging in the dining room had been won in the lottery. Doesn't it follow that we should donate it to the lottery? You said yourself that the three thousand francs came to you by accident. Doesn't it follow...
 – Nothing follows from anything! – The Frenchman sullenly interrupted.
 – But why earlier...
 – Earlier I liked it that you decided to give me the money which belonged to me. But now, when you are giving my money to others, I don't like this at all. This side of the Slavic soul is very disagreeable to me.

Nadezhda Teffi

basic values used in the European Social Survey⁷ (ESS). What is unique about the ESS is that it is built upon nation-wide representative samples and conducted in 32 European countries, including Russia (Magun, Rudnev 2010, p. 108). This allows for not only using a vetted and verified toolkit, but also gaining the possibility to compare the group we chose with several other categories: Russian citizens in general⁸, citizens of different European countries, businesspeople and entrepreneurs chosen in the ESS sample.

Schwartz defines values as the ideas and beliefs regarding desired end conditions or behavior. Moreover, these beliefs are not tied to a specific situation and serve as the basis to select or judge (including rank of importance) particular events or human behaviors [Schwartz 1992b, p. 4]. Therefore, value is people's caring about something happening in their life or in the surrounding world, resulting from attributing to various components and aspects of the world and life an extraordinary importance, which differs from routine and everyday reactions. According to researchers, “people's values are not identical to their actions, yet in some circumstances

they can become one of the causes of people's practical actions aimed at bringing these values to fruition. True, this is merely one of their functions; equally as important is the impact of individual values on people's verbal actions, and thereby – on other people's verbal and practical actions” [Magun, Rudnev 2008, p. 34].

Shalom Schwartz and Wolfgang Bilsky developed a typology of basic human values according to which values express three universal needs of human existence:

- a) human needs as biological organisms;
- b) people's needs for coordinated interaction;
- c) need for group and societal survival and prosperity.

Scholars developed ten “latent types of motivating values,” which encompass, in one way or another, all human values (see graphic 1). Thereafter, several methods were developed, one of which (the Portrait Values Questionnaire) was specifically developed for use in mass comparative research [Schwartz, Lehmann, Roccas 1999; Schwartz, Melech, et al, 2001]. Rather than being asked about values, respondents are provided with specially crafted descriptions

⁴ Levada-Center, November 2014. Survey of a representative, Russia-wide sample of 1,600 people.

⁵ FOM, June 2013. Survey of a representative, Russia-wide sample of 1,500 people.

⁶ WCIOM, February 2013. Survey of a representative, Russia-wide sample of 1,600 people.

⁷ We express gratitude for the consultations and help in data processing to Maxim Rudnev, docent of the social sciences faculty at NRU HSE, senior academic employee at the NRU HSE Laboratory for Comparative Social Research.

⁸ In Russia the ESS is conducted by the Institute for Comparative Social Research (www.cesi.ru). The national coordinator is A.V. Andreenkova. The study is based on a Russia-wide representative sample of roughly 2,500 people.



Issues of business and wealth succession may not preoccupy their owners at present (this especially pertains to those with preschool children). However, in the next 5-7 years, these topics will become not only a subject to ponder, but also, possibly, an area requiring strategic, long-term solutions.

of people with particular propensities, aspirations and preferences. Respondents assess each of these portraits according to a six-point scale: from “very similar to me” (6) to “not similar to me at all” (1).

The basic values measured under Schwartz’s method are strongly connected between them in different countries. Therefore, based on empirical data, Schwartz unified the closest values and formed four integral categories: “self-enhancement,” “self-transcendence,” “conservation” and “openness to change.” In fact, they form two typological axes: “conservation – openness to change” and “self-enhancement – care for people and nature” (see image 1). Several waves of the European values study, taking place since 2002, made it possible to conclude about a universal structure of values, which is recreated in different countries and cultures. The method was tested for invariance of measurement, and the results showed that the overall structure of values, depicted in theory, was consistently recreated in samples from different countries included in the ESS [Schwartz 2012; Rudnev 2013].

However, revealing the structure of basic values is only a part of the analytical possibilities of the method. It also allows for discovering intra-country values diversity, that is, it provides the basis to build a typology of people (respondents) dependent upon those values dominants revealed as a result of the survey based on Schwartz’s “portrait questionnaire.”

The Russian researchers Vladimir Magun and Maxim Rudnev divided all respondents into five typological groups – depending upon the expression of their values dominants (the figures exhibited by each respondent along the two axes-scales “openness to change – conservation” and “care for people and nature – self-enhancement”) [Magun, Rudnev,

Schmidt 2014]. As a result, in each cluster, one of the two values factors is expressed to the highest or lowest extent, while the other factor is expressed weakly or moderately.

Cluster 1: Growth values. Characterized by minimal expression of Conservation and Self-enhancement values, and a very strong dedication to the values Openness to change and Self-Transcendence (meaning the readiness for a unique exit from one’s personally-formed and cozy corner of worldview based on tolerance, benevolence and empathy).

Cluster 2: Strong social orientation. Conservation and Self-Transcendence values are highly important, while Openness to change and self-enhancement have moderate, although not minimal, significance. The dominant pair of values indicates the strongly-expressed social orientation of respondents’ worldview, who prefer to be guided by social unity rather than individualistic attitudes.

Cluster 3: Weak social orientation. If in cluster 2 Openness to change was expressed moderately, in this cluster values of this type are extremely weak, whereas the conformist-protective orientation towards Conservation is expressed no less strongly. In the middle level lie Self-transcendence values, that is, a moderately expressed orientation towards social unity. The values of self-enhancement prove to be insignificant. Researchers believe

77%
are in their
first marriage

[Magun, Rudnev, Schmidt 2014] that the difference from the previous cluster lies only in the extent of expression of orientations towards social unity – with a strong dominant towards Conservation.

Cluster 4: Weak individualistic orientation. Representatives of this cluster express only one dominant –Self-enhancement values, while all the remaining values groups are weakly expressed. The researchers defined this set as a “weak individualistic” combination of values dominants: self-enhancement is “isolated” from other sources of motivation.

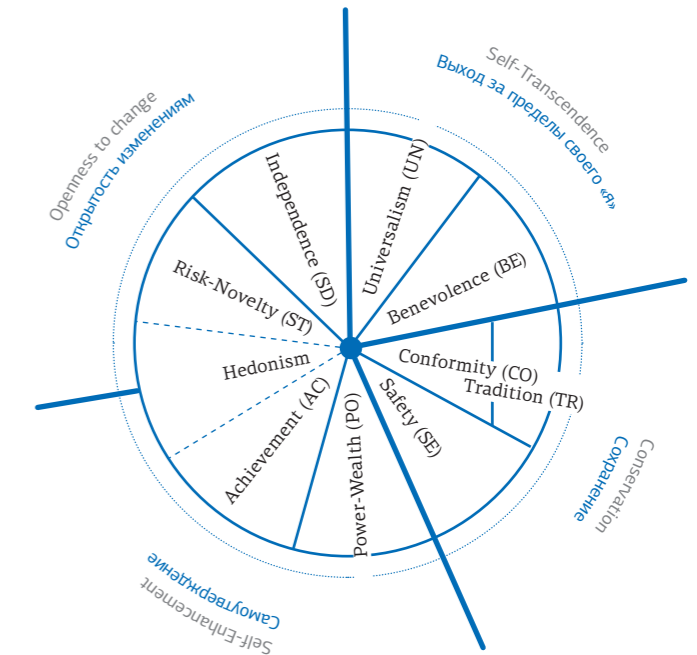
Cluster 5: Strong individualistic orientation. Here two strong dominants stand out: Self-enhancement and Openness to change. Orientation towards conservation is also present, although moderately expressed, while orientations towards social unity and Self-enhancement values are minimal.

Below it is shown how these five separate clusters disperse on the main axes of the values typology, based on survey data that involved residents of 29 European countries (2008). In general, the clusters are approximately equal, although the distance between them is quite substantial.

A comparative analysis of countries, conducted by Magun, Rudnev and Schmidt and based on the 2008 survey materials, showed that Russians’ values have two significant differences from the pan-European sample. First, Growth values are very weakly expressed: 3% versus 17% for all Europe. Second, strong individualistic orientation, on the contrary, is expressed more strongly than in the remaining sample: 24% versus 18%. These parameters reveal indicative differences between Russians and western-European and Scandinavian citizens and a substantial overlap with post-socialist states [Magun, Rudnev, Schmidt 2014].

As indicated by the report’s authors, all European countries are characterized by an identical values structure, and Russia possesses a particular similarity with each of them. Nevertheless, it

Image 1. Typology of basic values under the S. Schwartz method



should be noted that “Russian values minorities for example, are more similar in terms of preferences to the values majority in such countries as France, Switzerland and Sweden than they are to their own compatriots from the values majority. In turn, the aforesaid countries have population groups closer in terms of values to the Russian values majority than to their own compatriots upholding other beliefs” [Magun, Rudnev, 2010, pp. 31-32]. And here we arrive to the key question of our study: where are Russian businesspeople and entrepreneurs in this space of values?

Values portrait of wealth possessors

Participants in our study, who were surveyed in a targeted manner, in theory should exhibit significant differences under particular parameters of values orientations from Russians overall (number of participants N=2479). In addition, we have the possibility to compare them with two

other groups: residents of European countries (N=42101) and European entrepreneurs (N=497)⁹.

The histogram (see image 3) displays several important features – differences of values orientations are evident. First, Russian wealth possessors demonstrate a strongly expressed orientation towards class 1 values – Strong personal focus. The share of businesspeople included in this particular class is twice as large as it is in other samples and groups: 57% versus 18-27%.

Second, strong social orientation (Social unity, Conservation and Self-transcendence values) is more weakly expressed than it is among European and Russian citizens, although entirely comparable to European entrepreneurs.

Third, Weak social orientation (Conservation values – conformity, conservatism and defense, Social unity value) is expressed roughly one-half as strongly as in other groups: 14% versus 28-30%.

Lastly, fourth, the data reveal a fundamental difference among Russian citizens as far as Growth values are concerned – strong dedication to Openness to change and Self-transcendence. Meanwhile, Russian businesspeople prove to be entirely “on par” with their European peers and European citizens in general.

If any generalizations are to be sought, you could reach the conclusion that Russian wealth possessors are fundamentally different from all groups chosen for comparison in just one, albeit fundamentally important, parameter – the expression of Strong individualistic values orientation. This means that two values dominants are vividly expressed by our respondents – Self-enhancement (achievement, power, wealth) and Openness to change (independence, risk-novelty, hedonism). This complex of values dominants is roughly twice as common among Russian wealth possessors as it is in all other groups. Against this

69%
parents of
schoolchildren

backdrop, Weak social orientation logically proves to be less expressed than in other compared groups. “Safety,” “conformism,” and “tradition” clearly cannot be values dominants among people professionally compelled to take decisions and be responsible for them every day.

By all appearances, social responsibility of business, charity and philanthropy do not become “superficial” topics for the businesspeople we surveyed. Their interest and involvement in these areas are related to such values dominants as Conservation (conservatism, safety) and Self-transcendence (universalism and benevolence). In addition, the correlation between some of their demands towards projects in the sphere of philanthropy is becoming clear – an important basis for their assessment is the value of “independence.”

It should be mentioned that their distance from “Russians in general” in expressing Growth values is obvious. A very strong dedication to Openness to change and Self-transcendence values here border with minimal expression of Conservation and Self-enhancement. Apparently, this is explained by the distance and ambivalent attitudes of Russian public opinion towards the owners of major businesses.

Business Portrait

An important issue of our study concerned the **total wealth** of study participants. We requested that participants align the amount of their wealth within a 10-point scale with the total wealth of the two hun-

dred wealthiest Russian businesspeople as ranked by Forbes (position 10). As the minimum reference point was taken an entrepreneur with total wealth of 100m rubles (position 1). As a result, we identified four groups:

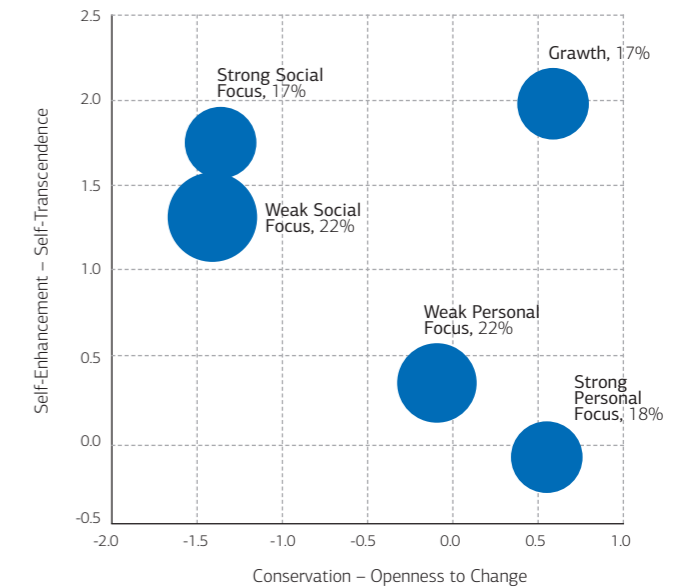
The majority of wealth possessors surveyed (57%) are one of the main partners and **manage their businesses together with other partners**. Only one-fourth of participants manage and take all decisions on their own (27%), and a further 17% transferred daily business management to others, while they only control the course of events. In the context of our study, this means that key decisions on business succession may be taken by Russian businesspeople without considering their business partners’ interests. This is especially important given the fact that 72% of our interlocutors started their businesses together with partners, and only 22% organized their businesses independently.

In terms of **sector specifics**, the financial and investment segments are quite prevalent here. Many major businesses have a multi-sector nature, and so we asked our interlocutors to note all relevant spheres. The main sectors are presented in the table.

In terms of **scale**, for nearly one-half of our interlocutors their businesses encompass over half of the country’s regions, and for a further 13% they are conducted in over 10 Russian regions. Seventeen percent conduct their business at the local level and within a single region, while the business activity of 20% of respondents encompasses from three to five regions. In addition, many respondents conduct business abroad, mainly in Europe (58%), the U.S. (33%) and CIS countries (29%).

The majority of our respondents positively assess the **current business situation**: 53% say that their activity is developing, 13% that it is stable. At the same time, 28% note the existence of consider-

Image 2.
Values types (clusters) of residents in 29 European countries in the space of two values factors¹⁰



able challenges, such as sanctions, high risks and unpredictability of markets. Overall, in 19% of all answers it has been stated that now is not the best time to develop business.

Moreover, it is highly indicative that a large number of study participants plan to **expand their activities** at the country level (34%), or, as a minimum, within several regions (6%), while more than half (53%) plan to expand internationally.

The main sources financing business are, logically, bank credits (72%), as well as own funds or partners’ funds (68% each).

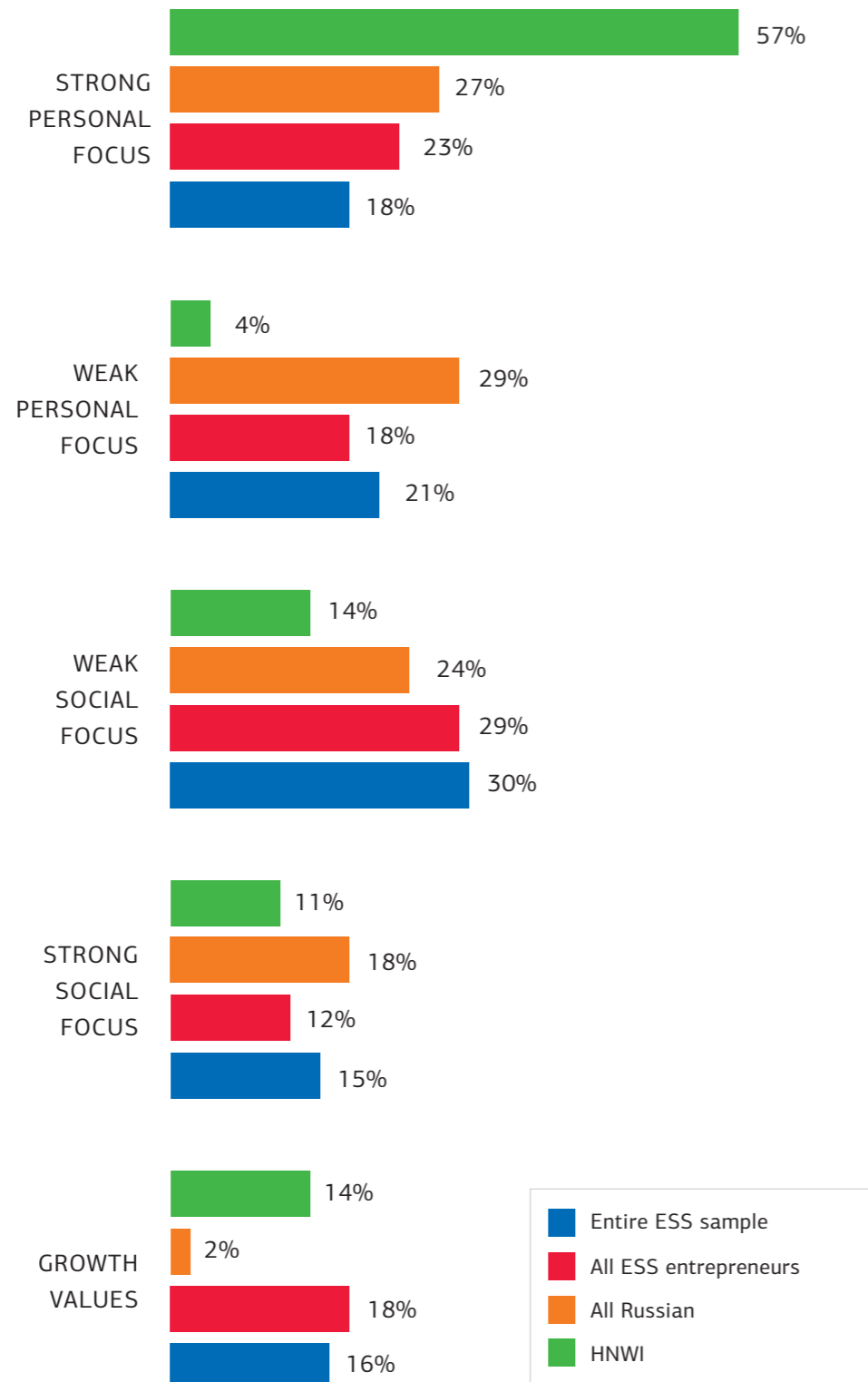
Therefore, the description of business characteristics and wealth and analysis of social-demographic parameters allows for concluding the following:

⁹ Basic values of Russian wealth possessors were compared with data of the ESS for 2012.

¹⁰ Image 2 taken from Magun, Rudnev, Schmidt 2014.

Image 3. Values types (clusters) European residents, European entrepreneurs, Russian citizens and wealth possessors (HNWI) in the space of two values factors.

Indicated values are the percentage of the total number of participants in each sample



57%
are a main partner

72%
started their businesses with partners

58%
conduct business in Europe

1. Our respondents truly represent the target group set by the research topic.

2. For the vast majority, issues of business and wealth succession are highly important (as yet still potential or already actualized), because families' wealth has a complex and developed structure.

3. Respondents' family status creates a situation where issues of transferring perhaps not business, but certainly wealth, become relevant. This proves to be closely connected to questions about how to form among successors proper experience and skills and how to transfer specialized knowledge about wealth management, regardless of children's future career.

Table 4. Sectorial business specifics (fragment).

Figures provided indicate percentage of participants "The following questions concern your MAIN business, which you yourself consider to be core for whatever reasons. To what economic sector does your core business pertain?"

Any number of answers

Banks, finance, investments, insurance	43%
Development, commercial real estate management	27%
Wholesale or retail commerce	20%
Education and academic studies	17%
Information technology and computers	17%

¹ Some of the respondents were undecided on the issue (6%).



Table 5. Foreign business

Figures provided indicate percentage of participants «If you have a business abroad, in which regions is it conducted?» Open question

No business abroad	21%
Yes, I do	
Europe	58%
U.S.	33%
CIS	29%
Middle East	13%
South-East Asia	8%
Central Asia	8%
Worldwide	8%
India	4%
South America	4%
Yes, I do	4%
Africa	4%

Table 6. Assessment of business situation

Figures provided indicate percentage of participants “In short, how would you characterize the situation in your main business?”

Positively	53%
...in development	51%
...creating income	19%
...a good situation	16%
Stable	13%
Negatively	28%
...challenges exist	26%
...risks exist	13%
...narrowing market	3%
...unstable	3%
Change of priorities transpiring	6%
General judgements	
Not the best time	19%

Table 7. Plans for business expansion

Figures provided indicate percentage of participants “In the coming 1-2 years do you plan to expand your main business, and if so, will it be locally, in one or several regions, at the country level, or internationally? Any number of answers

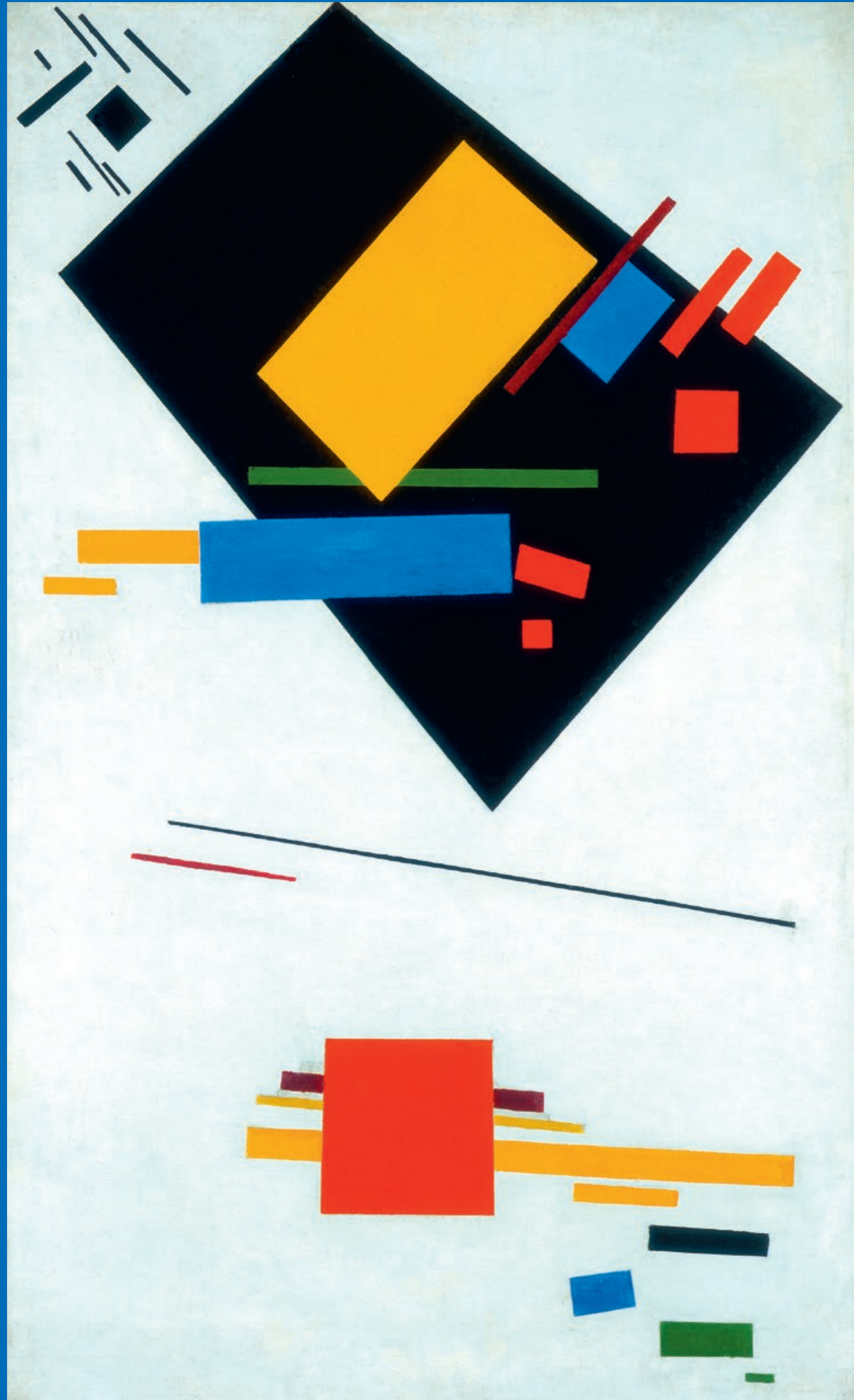
No such plans	19%
...at the local level	3%
...at the regional level	3%
...within several regions	6%
...at the country level	34%
internationally	53%
Struggle to answer	13%

Table 8.

Financing sources for business development plans
Figures provided indicate percentage of participants “Which financing sources do you consider to be primary for developing your business?” Any number of answers

Bank credits	72%
Own funds	68%
Partners' funds	68%
Debt financing (bonds)	16%
Raising public equity on the stock market (IPO, SPO)	16%
Other sources	20%





«Painterly masses in motion». Kazimir Malevich

BUSINESS AND WEALTH SUCCESSION IN GENERAL

« Leaving wealth to children? If they are smart– they'll make do without it; wealth will not help a dull son. Cash does not provide personal merit.»

Denis Fonvizin

1

2

3

4

5

Main conclusions

The study findings indicate that developing several variants of business succession (concerning both property issues and management) is one of the relevant issues for most of our interlocutors. They are well aware of the full complexity of this process, although do not always acknowledge its importance and relevance. Quite often today, “temporary” solutions to this strategic task tend to prevail – “remaining the business owner going forward” and “running it as long as possible.” Nevertheless, the businesspeople surveyed understand that their present choice is short-term and that this issue will again arise in 5-10 years.

Poorly-developed business succession plans owe not only to our interlocutors’ age – most of them credit themselves with at least 10 years of actively doing business. The businesspeople surveyed speak about “management with four variables” each of which must be calculated and – if possible – removed from uncertainty.

First is the family factor: children’s age, propensities and interests, particulars of current and previous marriages, family composition and structure (“large family” and “narrow circle”), family traditions and values, as well as, in principle, children’s readiness to engage with business activities.

Second are the business specifics and particulars of implemented business strategies and principles.

Third is the need to account for partners’ positions and their family and biographical situations.

Fourth is the businessperson’s readiness to involve someone from his or her family in the business. Moreover, this decision will depend not only on “paternal” motivation, but also on the positions of the owner and employer – according to the successor’s professional level.

Wealth possessors will face several obvious conclusions and different types of problems in the future.

1. A well-developed infrastructure is necessary to prepare successors among family mem-

bers. This shall not only include a professional-educational component, but also rely upon a particular system for raising successors. In addition, heirs (the families of businesspeople surveyed, as a rule, have several children) typologically form two differently-sized groups – those who will engage in business and those who will choose another career path. This means that the latter will still require certain knowledge and experience concerning wealth management and core assets.

2. Business succession is a relevant question for the majority of interlocutors. Prevailing today are “temporary” solutions to this task, yet the issue will arise again in 5-10 years.

Business succession is a relevant question for the majority of interlocutors. Prevailing today are “temporary” solutions to this task, yet the issue will arise again in 5-10 years.

Also the intention to sell a stake or transfer management to partners is transient – eventually the partners will face the same situation with analogous problems.

3. The question of selling a business leads to the need to analyze this specific market, its conditions and instruments, the overall mood and assessment towards contextual (country, sectorial, etc.) risks in general, as well as some strategies for its development in the horizon of at least two decades.

Issues of **wealth succession** are extremely specific. When respondents wonder about the future of their wealth, they do not face an economic choice but a moral one, and they are mainly guided by the values of their primary group – family. Our interlocutors understand that wealth preservation is a complex task requiring a special education, experience and particular business skills. However, the main topic concerns the issue of “properly upbringing” the children. Judging by the interview materials, a distinction exists among interlocutors between a “normal” level of

Issues of upbringing are very important for businesspeople, they are worried not only about personal growth of children and their “proper” attitude to money.

consumption and an “over-the-top consumption,” which, according to them, will hardly benefit their family or children.

The solution to the question of wealth succession for wealth possessors arises from the solution of several tasks.

1. **“One’s task”**: understanding that wealth creation and even wealth management are not the main task. “One’s task” is wealth preservation, along with planning to transfer it while accounting for all the nuances of intra-family relations.

2. **“Heirs’ professionalism”**: regardless of the children’s interests and readiness to become entrepreneurs or choose another self-realization strategy or career, they should possess a particular level of understanding and competency in managing the assets.

3. **“Upbringing through wealth”**: The businesspeople surveyed understand that prosperity and wealth can play a negative role in children’s future. Our interlocutors want to nurture among children the “correct” attitude towards money – family wealth in this case is both a source of threat and a resource for parental strategy.

4. **“Family preservation”**: wealth possession entails certain rules, principles and traditions in a family. The task of such “family constitutions” encompasses the unique regulation of affinities and interests, decision-making methods and ways of settling the conflicts, which are quite likely to emerge.

5. **“Managing surplus”**: if the owner understands that the family will not inherit the full amount of the estate, the idea of philanthropy appears natural, although the principle of “give and forget” is unacceptable. Our interlocutors believe it is important that even in this case business prin-

ciples operate: efficiency, targeted nature of spending, decision-makers’ professionalism, effect and control.

Problematics of Succession: Context

The owners of private capital and businesses are a separate and almost unanalyzed sector of Russian entrepreneurialism, since only a few of them are willing to participate in studies. Russian studies of entrepreneurialism have never seriously considered the topic of business and wealth succession, since it involves many personal aspects relating to business strategy and the life plans of the businesspeople surveyed. Yet today, owing to certain historical, generational and institutional factors, this area of business and wealth management is becoming increasingly relevant.

Nearly 30 years have elapsed since the start of the corporate movement and the emergence of the first sprouts of business in Russia. Very few pioneers of Russian entrepreneurialism today rank among major businesspeople and owners of substantial wealth: the process of establishing Russia’s market economy was too difficult and contradictory. Meanwhile, 24 years have already elapsed since the official start of mass privatization, and those who at that time started their businesses in their 30-40s are now almost 60 years old. Of course, these are experienced and energetic people, who confidently manage their companies and wealth. However, many have reached the phase of the life cycle where it is time to review one’s professional, family and personal priorities and guiding values. Many are beginning to wonder about the future of their assets and core businesses, once they are no longer involved or they have changed their life

Over half of participants in our study believe that major today's Russian businesses will not become family dynasties

routine. In other words, the discussion concerns plans and strategies for business and wealth succession.

According to the standard definition, succession of business or wealth is related to inheritance. However, this process spreads across a much wider range of topics, which involve issues of property and management of family capital as well as various types of assets and obligations, including business.

One of the most well-known succession models is the creation of an entrepreneurial dynasty and family business. Family business is "a business whose control and (or) management intend to formulate and implement the development of a business owned by a dominating coalition, managed by the members of one family or a small number of families, so as to ensure potential sustainability over several generations of this family or families" [Chua, Chrisman, Sharma, 1999]. In several developed economies, among major firms there are many family businesses. They often account for a significant part of added value, investments and employment opportunities. By several estimates, up to 44% of companies in Europe are run by families. At the same time, around 70% of family businesses are sold or liquidated when transferred to the following generation. The lack of suitable successors among family members is becoming one of the obstacles to transferring assets. In addition, the majority of our interlocutors are certain that financial freedom may partially hinder future successors by eliminating life goals and the desire to have a career.

In Europe and the U.S., major and well-known family businesses underwent difficult stages of reconstruction prior to becoming legendary entrepreneurial dynasties. In Russia, the situation surrounding business and wealth succession.

"Today's major businesses bear the inborn curse of the dishonest gaining of capital. Of course, today's owners will want to monetize and transfer wealth by inheritance. On the other hand, any major business, even those enriched honestly, is concerned for its future. But business <nowadays> is not feeling stable. Few will be ready to transfer, and only provided the existence of descendants able to stand up for themselves. Thirdly, there is a lack of traditions and family values. Traditions were destroyed in the USSR, new ones were never created. There is no understanding as to what the role of each family member should be, when speaking about such a complex task as transferring business."

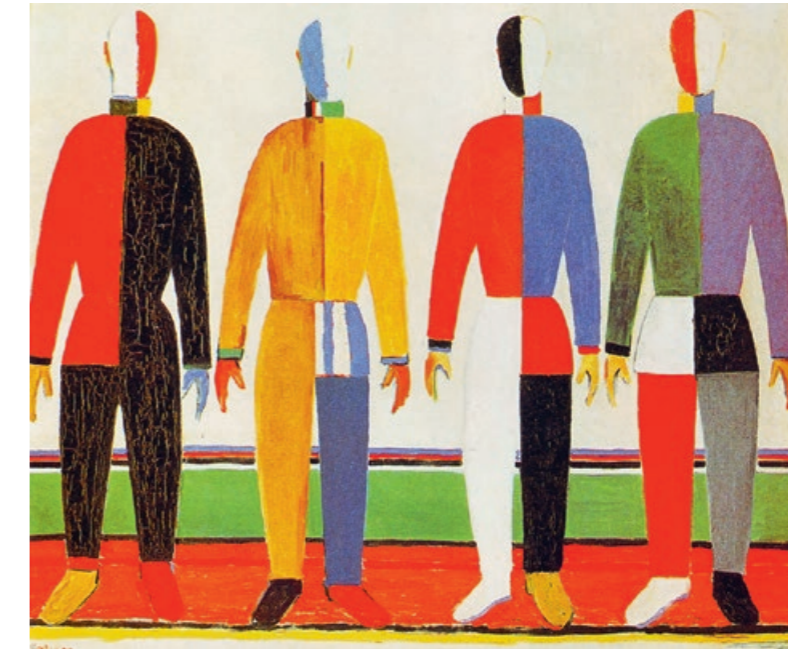
"<Today's major> businesses are largely based on connections which in themselves cannot be articulated, much less transferred. Yet if we speak about a standard, this is possible. It is possible in small and mid-sized business. In major business, doubtful."

However, we also encountered "analytical" positions, whose meanings went beyond the scope of the question. Two positions were precisely articulated. According to the first, examples of successfully transferring businesses to the owners' descendants are so rare that you can call them mere exceptions.

"Practice shows that business vanishes by the third generation, even with developed legislation and institutions. This has always depended on the children's readiness and abilities. On the other hand, education in this sphere is now intensively developing, a serious boon for today's businesspeople."

The second position casts doubt on the need to bequeath business.

"The world is heading in a different direction. Children shouldn't be forced to be happy, nor should you 'inflict happiness' upon them. There are two fundamental business models. One is family business, which involves both quality and personal care for clients, and



«Sportsmen». Kazimir Malevich

being personally acquainted with each one. The other is public business, which offers depersonalized content, the "McDonald's" model. The former will never become major, while the latter – it's no sure thing the children will be happy when forced to take it upon themselves."

In summing up all of the statements and fragments of the interviews pertaining to the topic, we obtain roughly the following set of arguments, which, being important for the businesspeople surveyed, influence their judgments on business succession.

First, our experience of living under a market economy in contemporary history is very brief; therefore, most of the rules and institutions are still in incipient condition. This directly affects the instruments and forms of business as well as major wealth succession. Overall, the culture of long-term, well thought-out management of major wealth and assets has not formed yet, as many successful entrepreneurs, before they started their careers, grew older during the demise of the Soviet economic model and could not experience the ownership of major private wealth.

Second, a certain number of major businesses

and estates were formed during the initial stage of market reforms, when the borders of permissible market practices were murky. In the long run, this often becomes a problem when transferring property and managing assets. Therefore, the complex history of Russian businesses will unavoidably affect their succession. Quite likely, some of today's business owners either will be reluctant to transfer businesses with such histories or will be unable to do so.

Third, the Russian economy underwent a series of economic crises (1998, 2008) and its structure and nature of property have certain disproportions. All this destabilizes the business environment and decreases the probability for a smooth and relatively painless business and wealth succession. In these conditions, the standard international instruments of business and wealth succession are not applicable to the Russian context.

Fourth, business succession is accompanied by a bundle of legal procedures where transparency and work quality of the country's laws gain tremendous importance. Both business and society criticize the work of the court and legal systems due

to its opacity and subservience in decision-making. This influences the pace of establishment of institutional practices for business and wealth succession in Russia.

Lastly, the fifth factor is the particular nature of Russian business where owners' social and friendship networks frequently become an important factor in business success. These connections cannot be automatically transferred to the next generation, as they are a form of intangible capital, which also restricts the possibilities to form entrepreneurial dynasties. In addition, "quite often", according to respondents' statements, major business is based upon certain informal agreements with different "centers of power". Such agreements are impossible not only to transfer, but even to articulate.

All of the previously mentioned and several other factors compel Russian owners of business and private capital either to postpone their succession plans or to seek acceptable forms in the Russian context. Data compiled under several studies indicate that in Russia 78% of business owners lack a developed packet of documents regulating the transfer of business to the following generation [Volkov, 2014], while one-half of owners plan to sell their companies [PwC, 2014]. When transferring ownership to successors, agency conflicts also arise: it cannot always be assumed that outside managers will conduct business honestly or in full compliance with the family's interests and values [Burkart et al., 2003]. To an extent, an acceptable solution to this problem could be the advent of a professional management.

Table 9. Extent of development of business and wealth succession plans

Figures provided indicate percentage of participants "Tell us, please, have you ever thought about a succession plan for your main business? If so, how do you assess the extent of development of this plan as of today – developed in detail, in general terms, or do you have any preliminary ideas about your preferences?"

Succession plan:	Of business	Of wealth
1. No, haven't considered	30%	16%
2. ...developed in detail	30%	39%
3. ...in general terms	19%	16%
4. ...have preliminary ideas, lack a precise plan	25%	29%
5. ...another	9%	0%
Struggle to answer	3%	0%

Succession plans and available instruments

Extent of development of business and wealth succession plans

The results of our study show that the issue of business succession has just started to become relevant for the majority of our interlocutors. Only one-third of participants (30%) said they had developed business succession plans in detail (in several cases legally reinforced), while for a further 19% these have been developed "in general terms." In addition, roughly one-fourth of our interlocutors (25%) said they are already forming preliminary ideas, even though they still lack a precise plan. Around 30% of respondents acknowledged that they had not thought about this.

A very characteristic position stated by 55% of respondents and explaining the lack of certainty in this issue comes to two factors:

Table 10. Instruments of property transfer

Figures provided indicate percentage of participants

"Are you familiar with the following instruments of property transfer? Please indicate the extent of your knowledge about each instrument on a five-point scale, with 1 – 'Not familiar at all' and 5 – 'Very much familiar'"

	1	2	3	4	5
Structuring ownership rights to shares in companies and other assets through foreign jurisdictions	7	3	13	31	33
Will	3	0	23	23	50
Marriage contract	19	13	10	26	32
Foreign trusts	7	7	13	29	45
Foreign funds	7	7	18	25	43
Life insurance	13	3	10	33	40
Shareholder agreement under Russian law	11	4	21	32	32

– it is necessary to assess children's readiness and interests (for example, when they are still too young);

– different features of a business (specifics of the business, relationships with partners, etc.), which move aside succession issues.

Against this backdrop, issues of family wealth succession prove to be somewhat more thought-out – 39% mentioned their detailed development, while the position "never considered" was chosen by only 16%.

At the same time, meriting special attention are those 29% of respondents who "have preliminary ideas," but so far lack a precise plan. This group of wealth possessors not only analyzes existing possibilities very attentively, but also accounts for issues lying beyond economic topics; they ponder the role of money and substantial wealth when raising your children, when forming their values and views on life, themselves and other people. An important factor in this case is one's concept of family and upbringing.

Instruments of property transfer

Speaking strictly about the instruments of property transfer, wealth possessors, according to their own

assessments, are in fact quite familiar with them. They are most familiar with three instruments: foreign trusts, wills and life insurance – 73, 74 and 73% of participants, respectively, assessed their knowledge about them as "good" and "excellent". However, other variants received substantial percentages (61-68% altogether). Marriage contracts appear to flummox respondents the most. Respondents cautiously assessed the extent of knowledge about this instrument of property transfer: scores of '4' and '5' were claimed by 58%, while 32% of respondents chose '1' or '2' – (see table 10).

Therefore, the results revealed a certain mismatch of knowledge and practice. Even though our respondents assessed quite positively their familiarity with several property transfer instruments, only a small number have extensively developed in-depth wealth succession plans and business succession plans, while among the majority this task is in the early stages of conceptualization and formation. At issue, here, is not the propensity to "exaggerate" one's own competency; quite likely, the highlighted circumstance indicates the existence of important "external" factors. These include attitudes towards children's upbringing and



education, business specifics, particular business relationships with partners, etc. This is confirmed by several interview fragments and comments on this issue:

"I received many consultations (on business succession), yet so far I find it difficult to understand. I have a management company, which oversees the assets, but as far as business succession is concerned, much is unclear, since a lot depends on the children and their future choices."

"Several things should be clear. No one can be forced to engage in one's own business. And it isn't certain that the children, the heirs, will be able and ready to do this. You have to look ten years ahead."

"My current business is not an asset I would wish to transfer..."

"What the child will get as a gift won't have value for him or her. A basis must be provided – home, life and knowledge; as for everything else, they can get it themselves."

"Russian family fund" as a possible instrument

The standard international succession instruments by no means are applicable to Russia. Moreover, the novellas of legislation regarding the de-offshoring of the economy only add fuel to the fire and restrict even more the set of available instruments. At the same time, over 70% of study participants would spurn any Russian analogues of trusts and family funds, should these instruments be created. Agreeing with structuring wealth through such "Russian family funds" were 19%. The remaining 10% provided their own response variants. Several topics proved to be dominant when "issuing a sentence."

The main claim of the majority of respondents (52%) regarding Russian analogues is the **low quality of institutions**. Businesspeople are dissatisfied with the government's ability to ensure observance of laws, obligations and agreements. They believe the quality of such institutions as courts and law enforcement agencies is very poor. Despite offering

instruments to protect business interests, in fact they do not provide an effective resource. Furthermore, the respondents claimed there is a lack of legislative basis de facto and it is even impossible to develop the necessary laws owing to the specifics of Russian legislation.

"The most important thing is law enforcement. The quality of the government and the level of competence of its institutions are very low. Why earn another billion if the first one will be seized? I don't believe that business is possible in our country if politics and legislation do not change."

"This is simply impossible in Russian legislation. It is necessary to fundamentally change approaches in legislation, rewrite everything entirely and harmonize, like, for example, in British law."

28% of study participants named as a second argument against Russian trust analogues the overall fundamental mistrust, relating to unpredictability of the country's development situation in general, and lack of confidence that the interests and position of business have any significance at all in the development of plans, strategies, legislation, etc.

"Russian jurisdiction provides no guarantees, even if promised. The nature of authority envisions no succession for itself. It shuts down any of its obligations – there is no such rule ensuring the succession of law; arguments will always be found in order to disavow the laws and revolutionize them."

"I don't believe in government institutions. What should encourage me to believe in and trust them? In Russia pension savings can be nullified and one's money can be taken from others, while you speak about 'funds.'"

The third serious argument regards **high criminal risks** (17%). In certain instances, questions of property ownership become highly risky, and a legally transparent transfer is completely ephemeral.

"The criminal community together with other people can always steal, grab and use information against you. And the source of criminality for business are often the authorities."

Finally, as an argument against the Russian trust analogue, 17% of our interlocutors ask themselves **whether it will benefit business**.

"I do not think this is an effective instrument for business; it eliminates the possibility of free management."

However, we also recorded different judgements – positive ones, by those who are interested in making possible the creation of Russian analogues of trusts and the advent of such instruments (14%). In addition, we also observed judicious positions, which claim the need to study and assess in terms of possibilities and advantages in comparison with other instruments (17%).

"Until I analyze the question, lacking documents, it is difficult to answer. For now I don't see the point in this."

"I'm unprepared to answer, not having studied the question. The question of constructive benefits, its pluses and minuses should be analyzed. The Motherland factor is not determinative; rational thinking is necessary."

Given this example, it is evident that succession issues "overlap" with several major segments and problem areas, each one with its own specifics and relating to particular problems and to different extents of certainty and clarity. **First** are personal readiness to engage with the succession topic and the extent of awareness of its importance and relevance. **Second** is competency regarding the instruments of property transfer and wealth structuring, as well as the readiness and ability to use the opportunities offered by special service providers to solve these tasks. **Third** is the attitude towards one's life and business conditions. This mainly concerns the quality of governmental institutions.

The **fourth** factor concerns the features of the main core business, which can include many things, from its nature and sectorial classification to the particulars of operating activities and nuances of interactions with partners. A **highly important segment** is family: the children's age, propensities and interests, particulars of current and previous marriages, family composition and

Table 11. "Russian family fund": for and against
Figures provided indicate percentages of participants¹²
"Why are you ready/unready to structure your wealth through such an instrument?"

Low institutional quality	52%
...disbelief in legislation	24%
...low institutional quality	21%
...specifics of Russian legislation make this impossible	17%
General mistrust	28%
...mistrust in general	21%
...unpredictable situation in the country	3%
Criminal risks	17%
...they will inevitably steal, seize	10%
...no protection	3%
...overly criminal environment	3%
No benefit for business	17%
...do not see the use	10%
...imposes restrictions in business	7%
Positive statements	14%
...I do business in Russia	7%
...wrong to lambaste what's Russian	7%
...I live in my own country	3%
Judicious position	17%
...everything must be analyzed	17%
...no precedents	3%

structure ("large" family and "narrow circle"), family traditions and values. The complexity of succession issues lies precisely in the fact that each of these segments has its own areas of uncertainty and risk. It is extremely important for wealth possessors to

¹² Total exceeds 100%, because respondents could choose several responses.

have a strategy aimed at resolving adversities, taking certain decisions and elucidating the key questions about the previously mentioned segments.

Business Succession

Business succession and planning horizon

Our study coincided with a challenging period for the life of the country, which not only affected business conditions, but was also bound to influence the conditions in which businesspeople conduct their professional activities. In particular, some of our interlocutors (27%) noted that the horizons of “responsible” planning, as one participant stated, are significantly declining. As the situation grew more complicated from July to November-December 2014, increasingly more businesspeople in our study narrowed their planning horizons, pragmatically limiting this to one-two years. Precisely because of this, altogether two-thirds of businesspeople surveyed plan for no more than five years, while for 31% the planning horizon totals no more than three years.

As a reminder, one-half of our participants (53%) say their business is developing, 41% plan to expand activities at the country level or, as a minimum, within several regions, while 53% – internationally. Businesspeople believe the precondition and basis of business success to be “human capital,” that is, the people they work with, as well as their own participation in management and the existence of reliable and competent partners.

Therefore, we are speaking about successful entrepreneurs whose state of affairs is developing. This is a fairly complex process, relating, on the one hand, to typical business risks and, on the other, to the complex external context for business development: increased political risks, sanctions, general instability and escalating crisis in the country’s economy. In terms of succession problematics in general, it is worth noting that very few, only 3%, stated the importance of family members’ participation in developing their own businesses.

Business and its future owners

Against this backdrop, it is unsurprising that to one-half of businesspeople surveyed the strategy of remaining business owner going forward appears most preferable. Everyone’s view of the situation is different. Some have not had cause to think about this, others do not believe their business to be such an asset to be transferred to their family, while another group sees too many risks and uncertainties today to plan for anything. Yet in general, our interlocutors are reluctant and unready to release business from their hands. At the same time, for many participants, choosing the strategy “remaining business owner going forward” seems temporary. Some (16%) did not rule out that this question would again arise in 5-10 years:

“This question is not relevant today. I will make this decision 10 years from now.”

“Much will depend upon the situation and market conditions, when the time will come to decide. But this is certainly not a question for today.”

“This is surely a temporary decision for the coming 10 years.”

“The main task is not to lose money. But only now I started to think about the next 5-10 years.”

The data cited above involve two fundamental points for our work.

First, a quite substantial share of participants’ answers pertained to the category “Other.” The businesspeople surveyed mainly speak about postponement of the problem’s importance (16%) as well as lack of a clear position and existence of certain problems in forming it (13%).

It is worth noting another interesting position, stated by 9% of respondents: they mentioned a precise, already implemented strategy and said to be working on other options for solving the task: “I currently handle the assets of my children and grandchildren through a kind of family fund;” “this will be a new kind of shareholder company.”

The second point regards the family’s role. Among respondents, only 25% revealed any vari-

ants relating to family’s participation: whether transferring the business to a family fund or transmitting the ownership to a particular family member – fully or partially¹. This means that only one in four is ready in principle to explore options for keeping the business in the family. It seems that our interlocutors would rather sell their business, when the time is appropriate. This “appropriate”² time is mainly related to age – “when I become too old for this activity and won’t have the strength” (16%), or to their own desires, to the feeling that “I no longer have the necessary drive and desire to work” (13%). Generally speaking, such argumentation also indicates lack of a developed position and strategy concerning this issue.

It is worth noting that the option of transferring the ownership to family members (fully or partially) was chosen only by a small percentage of our interlocutors – 15%. It bears explaining the motives for rejecting and doubting the appropriateness of this strategy. In this case, discussion will concern not the ubiquity of the argument, but its structure.

The first motive is one’s own reluctance to involve a member of their family in the business: this means offloading the risks to them, creating grounds for intra-family conflicts, eliminating their ability to assess themselves objectively, etc.

“Try giving it (to relatives) in order for them to fight?...”

“I do not want my family to accept the risks of this business.”

“There’s the risk that (the child’s) image of the world and business will be distorted because everyone knows who he is. The objectivity problem is very acute – working for another company here would be better, not in mine. And let them build their own networks of friends and contacts.”

Table 12. Planning horizon in business

Figures provided indicate percentage of participants “How many years in advance do you plan your activities concerning your main business? What is your approximate planning horizon?”

Less than 1 year	9%
1–3 years	22%
Up to 5 years	34%
6–10 years	19%
11–20 years	6%
Over 20 years	9%
No plans	0%

The second motive for refusal is the unpreparedness or reluctance of family members (as a rule, children) to become successors (other interests or another career, lack of inclination towards business, children’s aspiration to independence).

“I will give my son as much as he wants to take. When he needs money, it is easier to get it from me, but he prefers the market. For now, I will not forecast how to manage the family wealth and business. My son doesn’t want this now; he says he wants to be Warren Buffet, not a member of the Rothschild family. And in general, if the business goes to the children, the question arises as to their choice – are these really the people <involved in the business and working with me – Ed.>, with whom I wish to do business?”

“The children show no interest in Russia nor in managing the family business.”

“I do not believe that business <necessarily> should be in the family; I do not plan to leave the business to my family. But even the nature of business is different now:

¹ Answering the question, respondents voiced several options, so the total amount of responses, which featured the family is 31%, but the proportion of the respondents – a quarter of all participants, precisely 25%.

² Respondents were asked to explain in a free form what their understanding of “the right time” is, how will it be determined.

Table 13. Basis for success in business

Figures provided indicate percentage of participants "If you consider your main business successful, what helps it to be this way?" Any number of answers

Human capital	80%
My participation in management	57%
Having reliable and competent business partners	40%
Technologies, innovations	23%
Successful market situation	17%
Lack of comparable competitors	13%
Availability of timely financing	13%
Having strong competitors	10%
Participation of family members in business development	3%
Favorable investment climate	3%
Other	7%
Not considered successful	3%

it is becoming more open, like an open library, and more dynamic. The internet and migration are strong factors. Giving business to family is decreasingly a task or an immutable value. May the children create something independently, rather than mimicking their father."

The comments of survey respondents on this issue are reinforced by their statements on the main concerns about involving one of their family members in business. The following analysis will look at whether our respondents are ready to involve a relative in their business.

Two positions in this issue stand out: respondents are concerned over deteriorating the quality of business management and over a fall in profits (32%) caused by the involvement of children and relatives, and they are afraid that conflicts within the family may start, corroding family relationships (23%).

Table 14. Business ownership – preferred strategy

Figures provided indicate percentage of participants "Which strategy, as far as the ownership of your main business is concerned, would you prefer today? Who will be the owner going forward?" Multiple answers are possible

I will remain the owner going forward	50%
The business will be sold	25%
The business will go into a trust/family fund fully controlled by managing entities	16%
Partial ownership will go to family members, retaining a share in the business for myself	9%
Full ownership will go to family members	6%
I will sell my share to a partner	3%
Other, including:	25%
...currently not relevant	16%
...no definite strategy for the future	13%
...currently implementing a strategy	9%
...Struggle to answer	3%

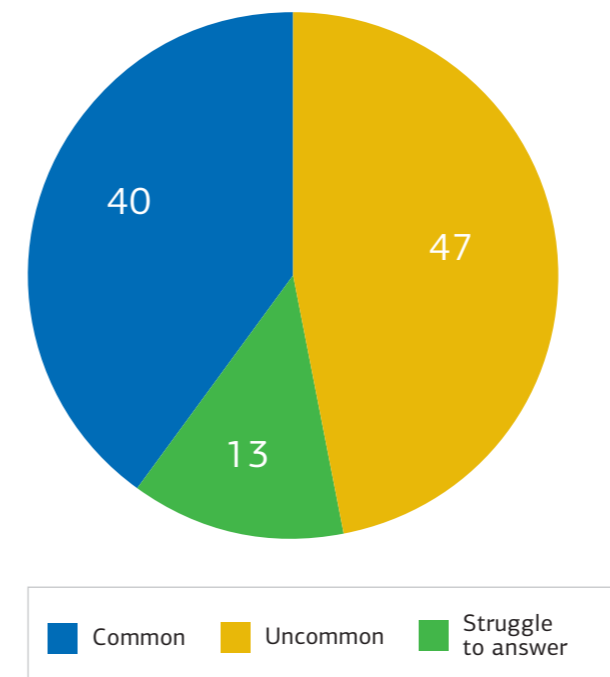
Business management – preferred strategy

Therefore, we see that most of our interlocutors have not clear ideas yet on the future owners of their businesses. However, certain concerns on this issue already exist – both hypothetical and based on personal or acquaintances' experience. Quite often, the character of business and the distinctive features of its processes are closely related to the founders' personalities. In several cases, our interlocutors themselves noted the importance of this factor. Therefore, instead of merely transferring the business, in order to resolve this collision the involvement of successors could be a desirable option. This would help them gain certain business skills and build their own business biography.

This thesis is confirmed by the fact that the answers to the question on how business manage-

Image 4. Transferring business management to family members

Figures provided indicate percentage of participants "Do you think that among Russian businesspeople it is common or uncommon to transfer business management to family members?"



ment will be structured are much clearer. The "temporary" solution – one's own management as long as this is possible – was chosen by only one-fourth of participants (23%). Over one-half of study participants (52%) prefer hiring professional managers (while retaining the right to make key decisions). Moreover, roughly one-fourth of participants plan, or do not rule out, that one of the family members will be involved in management (23%).

Attention should be called to the category "Other", chosen by one-third of respondents (32%). The businesspeople surveyed offer quite different possible solutions, yet more or less identically expressed. The first encompasses combined strategies. For example, the case where professional managers will conduct business until their children are ready to accept the baton:

"Hiring professional managers – this happened at three businesses, sometimes successfully, sometimes not; I'm currently in the process of <choosing>. This is if the family is unable to manage the ownership properly. I set this task for myself about 15 years ago; I'm working with the youngest – here the question is open, with the older – it's possible."

"Family members – it's strategic. If Russia will have professional managers – it's the best variant; I'll use it."

Second is the creation of "reserve benches" – when future managers are chosen and prepared among the company's employees. In this case, it should be noted that several already tried this variant and transferred business management to such "reserves," yet the experience was unsuccessful:

"There are two options here: either I sell a stake and the whole team goes to another project, or, if I want to leave on my own, I will choose a successor from the 'reserve bench,' a ready staff substitute."

"Evolutionarily, gradually transferring operational issues to other employees as their competencies increase."

"All the partners hold equal shares. I tried to transfer management to professional managers (rose within the company). But the experience was unsuccessful; all was taken back."

Third is the creation of a family fund or analogous entity of business management:

"A solution already exists – a family fund was created together with friends."

"As long as I'm able to work – I'll do it myself. I am not sure that my family members will work in business. And if they do, then certainly not mine. They will inherit wealth, but not the business, for certain. Through a family fund, for example."

The fourth option is to sell or transfer one's share to a partner. This is a very important circumstance, since most of our respondents did not created their businesses independently, but with partners:

"I'll give it to partners. I am a startup person at heart, and my business is the same; I'm rolling out and developing it, and later I'll transfer management. The decision



23%

fear family conflicts owing to the involvement of children and family members in business

to transfer mostly depend on trust, motivation and the professionalism of those who engage with it or will in the future.”

“I started my business with partners; this is our shared business, and before telling my son, say, get ready, more important here is my partners’ position. They must see the rationality of this step. Moreover, they have children as well, and they might choose different strategies in life, in business and beyond. Well, it’s still early for me to think about what my son will choose <he is young>, but it’s an issue of principle; the principle is entirely obvious.”

Uncertainty factors and possible scenarios

Therefore, the study results demonstrate that developing several variants of business succession (both ownership and management thereof) is one of the relevant questions for the majority of our interlocutors. They fully realize that this process is complex, although do not always acknowledge its importance and relevance. The most common “temporary” solutions to this strategic task today are “to remain the business owner going forward” and “to manage as long as this is possible.” The lack of highly detailed succession plans is due not only to the age of our interlocutors -the majority of them see themselves intensively involved in business activities for at least another 10 years -, but also to other factors. The businesspeople surveyed speak about “management with four variables,” each of which must be reckoned with, and, if possible, withdrawn from uncertainty.

Table 15. Relatives in business – concerns

Figures provided indicate percentage of participants “Do you experience any concerns regarding involving one of your children or relatives in business – regardless of how extensively this happens (to be clear, we’re speaking only about business ownership)?”

Several answers are possible

Vitiated quality of business management and reduced profits	32%
Conflicts and corrosion of family relationships	23%
Importance of partners’ position and partner relationships	10%
Possible legal claims on the part of third parties and companies	6%
Bankruptcy and loss of wealth	6%
Reputational damage	3%
Loss of meaning of life	3%
Loss of family control over business in the future	3%
Limitations on my financial freedom	0%
No concerns	16%

The first is, once again, the family factor: children’s desire, interests and readiness to engage with business activities in general. We previously noted the importance of this motive in describing attitudes towards the various instruments of property transfer.

The second factor are the **business specifics** and the features of preferred business strategies and principles. This also emerged speaking about property transfer instruments.

Respondents also mentioned a new factor – important to them is the **partners’ position** as well as their family and biographical situations.

Table 16. Business management – preferred strategy

Figures provided indicate percentage of participants “Who will manage and how will business management be organized in the future? How does this appear to you?”

Several answers are possible

I will personally manage as long as this is possible	23%
I will hire professional business managers, retaining the right to make key decisions	52%
I will give control of the business to my family members	23%
Other, including:	32%
...combined strategy	9%
...prepare managers myself	6%
...family fund	6%
...importance of partners’ position	9%
Struggle to answer	7%

A quite important role is played by **personal readiness** to decide whether to involve a family member in business. Moreover, they will take their decision not only in terms of “paternal” motivations – what is good for the child, but also from an owner and employer’s point of view – depending on the successor’s professional level.

Quite often, our interlocutors added to their view of the “equation” the caveat – “there is no understanding as for an optimal strategy today:”

“This issue is currently being considered; I set it for myself 15 years ago <when the children were born>. So there’s no clear understanding right now.”

It is now obvious that participants do not share a particular interest in retaining main businesses as an asset for their families. The idea of “family business” represents no particular value, and many

approach this issue pragmatically. To the study participants, selling seems to be the “simplest” and most understood solution instead of preparing professional managers, involving and transferring business to children or even choosing the “optimal” form of business ownership and management. In this regard, it is not surprising that a substantial portion of respondents (47%) answered negatively when asked whether it is common or uncommon among Russian businesspeople to transfer business management to family members. A further 13% found it difficult to say anything definite about current practices. Even those who chose the answer “yes, common” (40%) sometimes added – “not everyone succeeds” or “there are many risks.” Not only do these data speak about the existence or lack of such practices, but they also indicate a dearth of good precedents and traditions one could use for guidance (see image 4).

These data are entirely consistent with the question we posed at the beginning of this section: over one-half of participants (55%) do not believe that today’s major Russian businesses will turn into family dynasties.

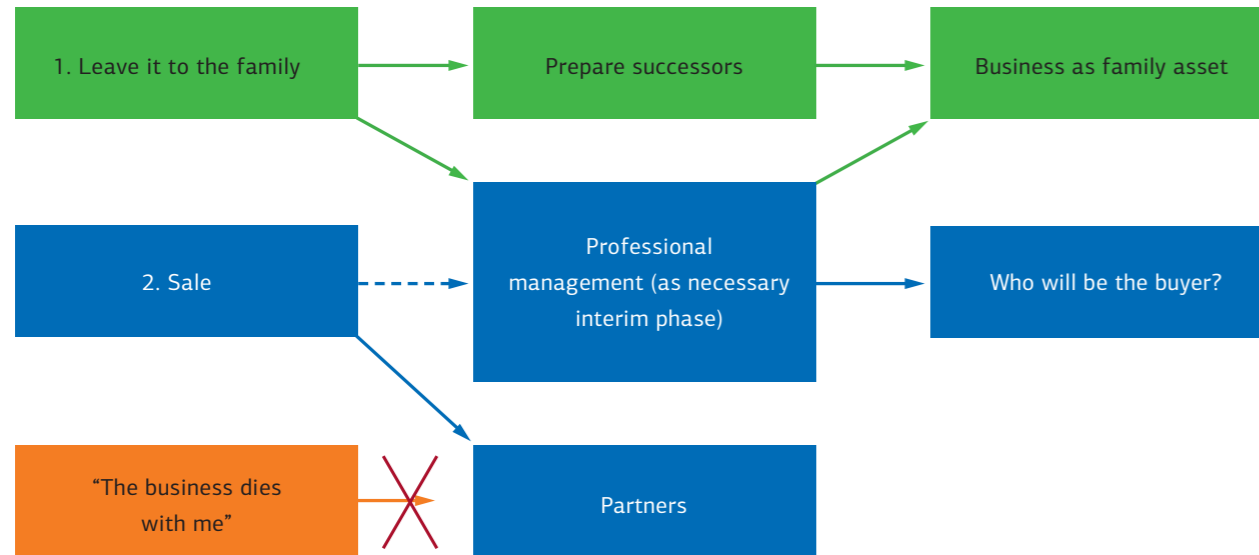
As for the future of business, three possible scenarios are obvious: leave it to the family, sell it or shut it down. Hiring professional managers could be a transitional stage in the decision-making chain (see image 5).

This means that future succession strategies will inevitably involve three structural demands and problems:

1. It is necessary to develop proper infrastructure for preparing successors within the family. This shall be based not only on a professional-educational component, but also on a certain system for raising successors. In addition, successors (business people’s families, as a rule, have several children) typologically form two differently-sized groups: those who will engage with the business and those who will prefer another career path. This means that the latter will still require certain knowledge and experience in



Image 5. Future scenarios for business



managing the estate and its main assets.

2. There is a dearth of professional managers and hiring them is highly risky. If business owners depart from operating activities, the need for high-level managers will inexorably increase. The aspiration to “raise” competent managers among one’s employees entails almost the same problems as the question of preparing successors among one’s children or relatives. Selling a share to one’s partners or transferring management to them also proves to be a transitional solution – eventually the partners will face the same situation.

3. The question of selling the business is not so simple either. At the macro-scale, this requires to consider the market situation, its condition, instruments, the overall attitude, the assessment of contextual (country, sectorial, etc.) risks and, in general, a strategy for its development for at least two decades.

Wealth succession

Planning horizons

As a reminder, wealth succession plans prove to be noticeably better developed than succession plans for main businesses. Only 16% of participants never considered this task, while 39% assessed the extent of its development as quite extensive and detailed. For comparison, the analogous question about business succession plans yielded different numbers – 30% and 30%, respectively.

A similar trend concerns the planning horizons of family activity and personal life, unrelated to business development.

We see that the majority (56%) set planning horizons in business issues between one year and five years, while as for the family, there are no clear trends. Three distinct dominants are evident: operational planning – up to one year (25%), development of medium-term perspectives – mainly relating to planning the initial phase of the children’s educational trajectory – up to five years (25%), and a further dominant – 11 years

and more (28%). Among comments to the latter type of responses there were many judgements concerning various “planning objects.” On the one hand, this regards the maturation cycles of children (15-25 years), while on the other it has to do with one’s own health and longevity (20-40 years). In several cases the factor of changing generations emerged (50-80 years).

By all appearances, both planning principles and time horizons concerning business and family are based upon fundamentally different logics, and, quite likely, values. Pragmatism of business activity forces one continuously to calculate the risks and opportunities, as well as the dynamic of contextual conditions. Planning horizons are compressed into a strategically visible five-six-year perspective. Furthermore, as we previously noted, businesspeople are rarely committed to the idea of creating a family business, both in terms of transferal to heirs and in terms of its participants. Therefore, entrepreneurs are not always ready to take a definite decision on the question of business succession, since this could from the confluence of, partners’ biographical situations, outside circumstances and business environment factors, which are difficult to forecast.

On the other hand, when businesspeople think about the future of their estates, they face not an economic but a moral choice, being guided primarily by family values. Characteristically, wealth possessors themselves perceive this choice as something “perfectly self-evident” or as the “optimal solution.” Only after, certain economic and business justifications emerge along with this choice: instruments of transferring and managing assets, readiness or unpreparedness to be co-investors, conduct a shared business, hand over to family members specific business risks and more. Furthermore, wealth preservation proves is not a less complex task, requiring both a special education, experience and certain business skills. Therefore, it makes sense that only 22% of

Table 17. Planning horizons for family and for business

Figures provided indicate percentage of participants “Speaking not about business and work, but only about family and your personal life, what time period do you usually plan for?”

“How many years in advance do you plan your actions concerning your main business?”

	Family	Business
Less than 1 year	25%	9%
1–3 years	6%	22%
Up to 5 years	25%	34%
6–10 years	9%	19%
11 years and more ¹³	28%	15%
No planning	6%	0%

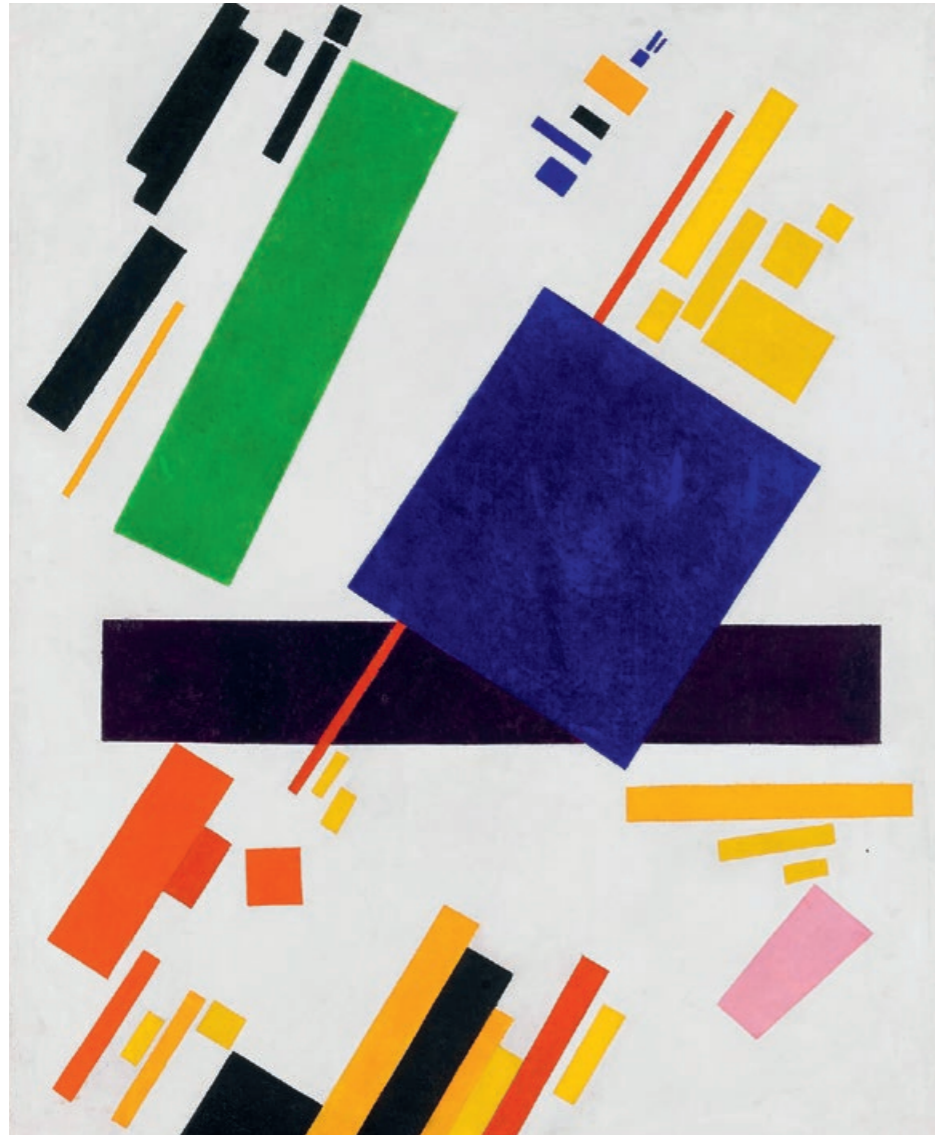
respondents said they do not discuss important questions concerning their estate with their family members. Spouses and children are the main interlocutors as far as these topics are concerned: 70% and 37%, respectively.

Place of residence

Apart from time, biographical stages and forecasts on the children’s future, another important parameter for planning is space. As our study shows, the question as to where the family will live in the next ten years is an important topic for communication, strategizing, life plans, decision-making principles and even family values:

Entrepreneurs are not always ready to form a decision on business succession: it could arise from a confluence of factors, which are difficult to forecast.

“I always explained to my children that any decision, more often than not, leads to freedom or



«Suprematist Composition». Kazimir Malevich

non-freedom. We have always discussed what was better and more important in every specific case. I hope that my children learned something in this regard. This also concerns the question about where to live. The answer was obvious to me a few years ago. I want to live in Russia. But, unfortunately, the country chose a non-freedom path, and if I raise my children to be free, then they cannot be such in a non-free country. When we speak about this – and we discuss the question, I cannot go against the principles I myself formed for my children; I cannot

break them.”

“A relevant question is whether or not to live in Russia. Quite likely, not here. The reason is the children’s education. We discussed the advantages and disadvantages and realized that precisely education is a value for us; it’s an important criterion of relocating, because here the teaching status is low and school education is deteriorating.”

It is quite significant that many of our interlocutors (28%) noted that the question about where to live is becoming a subject of discus-

sion in their families and that the decision will depend upon the development of the Russian situation. On the other hand, a further 16% noted that this problem is de-facto resolved, because their families can move to different countries.

However, over one-half of respondents (56%) prefer Russia as a place for their family to live in the next decade. Even in this case, families keep track of the favorability or dangers of the situation. Such discussions frequently involve not only a narrow family circle, but also business partners.

“It’s continuously discussed. We compare our own views of the problem with the opinions of colleagues and partners. For now it’s Russia, as long as it’s a safe place for our child. The future depends upon the situation and combination of pluses and minuses. For now, Russia is the center of life interests.”

“The question is being carefully discussed. For now – in Russia. In fact, today’s events do not permit planning. The situation now, when absolutely anything could happen, does not allow even for speaking about planning. I don’t know what tomorrow will bring, and this reality did not appear today, but throughout the XXth century.”

“Everything is very transitional. One year ago, I would have definitely said in Russia. Now, I’m afraid the situation will make it impossible to stay. But for now I wouldn’t like to live in any country but Russia. My desire is to live here. But I have the intuitive suspicion that this won’t be the case.”

Wealth typology, future scenarios

What belongs to the families of Russian wealth possessors? Apart from core businesses, which are almost never considered to belong to the families, three positions lead: stakes in other companies, bank deposits and cash, land and real estate. The noticeable amount of securities and other financial instruments is largely explained by the fact that

¹³ Initially the scale for both questions was different – the question about business additionally included the positions “11-20 years” and “Over 20 years.” In this case they are combined in the variant “11 years and more.”

Table 18. Where the family plans to live

Figures provided indicate percentage of participants “Do you discuss with your family where you plan to live for the next ten years? Which variant are you leaning towards?”

Open question

In Russia	56%
In Europe	19%
In the U.S.	3%
Planning to leave	16%
It is under discussion, depending on the situation	28%
It is unimportant, we move between countries	16%

many participants (43%) own businesses precisely in the banking and financial spheres.

From the everyday standpoint, the question as to how wealth possessors will dispose of their wealth and who will receive it could appear obvious. The answer is known “in advance”: to the family. However, the study findings show that the attitudes of our interlocutors are more complex than this may appear at first glance. Specifically, roughly one-half of businesspeople surveyed (48%) believe that their family and children should “inherit everything.”

At the same time, 36% will give their family the bulk of their wealth, while a further 13% lean towards thinking that the bulk of their estate will not go to their family and children.

The answers show that, in total, no less than one-half of participants (48%) one way or another define and establish a certain “norm” of allocations

Table 19. Estate typology

Figures provided indicate percentage of participants "Please indicate what comprises your capital except for the main business." Several answers are possible

Stakes in other companies	79%
Bank deposits and cash	71%
Land and real estate	71%
Securities and other financial instruments	50%
Collections of unique objects, including antiques	11%
Other investments	14%

for their family. Judging by the interview materials, our interlocutors distinguish between a "normal" consumption level and "over-the-top consumption," which, according to them, will hardly benefit their family and children. Moreover, the procedural part of this subjectively understood norm exists within their consciousness, that is, they think about how to make efficient and reasonable use of the part of the estate that is not going to their family.

According to one-fourth of our interlocutors, the idea that one of the natural tasks of any head of a family is to maximize the family's financial wellbeing and economic security at a particular moment undergoes reinterpretation and re-problematizing. Based on their own experience and the one of acquaintances, the businesspeople surveyed explained the mechanisms and the stimuli to such a change of position. The thing is, after reaching a certain level of wealth, economic security, freedom and mobility, the issue of wealth succession "suddenly" loses its obviousness and unconditional connection to the primary and unconditional value of family. Wealth possessors start doubting that money, financial

Table 20. Wealth inheritance

Figures provided indicate percentage of participants "Speaking about transferring your wealth, which part would you leave to your family and children? Which variant are you leaning towards?"

Family members and children should inherit all of my estate	48%
Family members and children should inherit the bulk of my estate	36%
The majority of my estate will not go to them	13%
My estate will not be transferred to family and children	0%
Struggle to answer	3%

security, and a lofty living standard are beneficial for raising children, forming their worldview and "correct" values, helping them with successful self-determination and achievement in the future.

"I spent a colossal amount of time thinking about this issue, but I did not understand how to do it correctly. This is a very complex question. If the capital was earned for the family's wellbeing, then everything here is clear. But what if this necessity is exceeded – must everything be transferred to them? This is a very sore topic. If you want to help your son – give him a million; if you want to harm him – give him a billion."

"If the children are ready to take over the business – they'll receive more. Yet from our estate, they should get only a "reasonable" amount of money, not absolutely everything. Absolute numbers, of course, "float" and change. It is reasonable what can cover the family's needs and economic security, but not excess consumption. Let them seek their own paths and self-realization."

We have showed here the responses of those who decided not to transfer the majority of their estates to family and children. However, it would be incor-

Entrepreneurs are not always ready to form a decision on business succession: it could arise from a confluence of factors, which are difficult to forecast.

rect to say that the other half of businesspeople surveyed is unconcerned about raising their children about forming an "adequate" understanding of their responsibilities about how money is earned and why "passive income" still requires attention and a competent attitude. In general, roughly one-third of participants (36%) spoke, in one form or another, about the problem of inculcating in children a responsible attitude towards money and about their own concerns in this regard.

"I want my children to understand what money is, for it to have value to them, but not in the sense of "dissipative spending" and not in the sense of "gathering as much as possible." It is a question of inner freedom. How to ensure they remain normal? On the one hand, it's a question of upbringing and preserving humanism, rather than creating showoffs. On the other hand, you have to be aware that preserving family wealth contradicts the idea of their own self-realization. They will have to maneuver between traps of non-freedom."

"I tasked my children with leasing our second, old apartment and then reporting back their results. They should understand that assets still have to be managed in order to gain anything from them."

"When the time came to tell them what money is and how it works, I gave each one 10 thousand dollars <the family has two children aged 16-18, - Ed.>. The condition was not to lose it. The winner is the one who earns the most profit. Duration – half a year. I am watching as they explore different options, what they're undertaking, whether they're ready to take risks and actively manage this capital. They shouldn't think that everything is easy and dad has everything."

To sum up, three main aspects can describe **the family's role in issues of wealth succession.**

First, the source of core values – wellbeing

and security – endowing the entrepreneur's business activity with non-economic reasons, purpose of life and sometimes drive.

Second, the object requiring specific investments, specifically upbringing. It is necessary to transfer certain family values to children, to assist them in their maturation and independence and to teach them the "correct" attitude towards money and property, business activity, way of life and style of consumption.

Third, the economic factor. The professionalism and competence of family members in terms of business can vary considerably. Nevertheless, the family will still "vie" for some of the businessperson's resources, and "partnership" with them cannot be refused. For this reason, it is unsurprising that certain businesspeople begin justifying the need to regulate family relationships with an economic agent, talk through and document them – either informally and verbally, or in a formal way, for example with a family constitution.

It is worth noting that, in exploring the status and role of families, we discovered a very important gap in our own knowledge on how to think and plan wealth transfer. It turned out that participants in this process include not only the family, but also business partners. We have already seen that the owner alone cannot solve the issue of business succession: our interlocutors spoke about partners as an important factor that must be accounted for when developing such plans. This topic also emerged in discussing wealth succession. Three of our interlocutors said that their partners are somehow involved in their plans of **wealth succession** (not business!). In particular, their task is to manage the assets if "something happens" to the businessperson or if the family is clearly unable to manage the wealth and preserve it.

48%
will leave the whole estate to family

13%
will not give family a great part of wealth

56%
plan to live in Russia

"I think it would be better to entrust my partners with managing my estate, since I trust them and understand their experience and abilities. They guarantee the safekeeping of my family's wealth, and I am the same for them and their families, should something happen to me or to them."

Therefore, we see that participants' concern over raising children, considering their specific biographical situation, is a connecting link between business succession, wealth succession and future planning for one's family. It turns out that the issue of wealth succession touches upon broader and more general topics than merely the pragmatics of wealth management. Yet there is another sphere within participants' activities, where issues of parenting, economics and business converge. This is philanthropy.

We asked those wealth possessors who do not plan to transfer their estate to family and children (as a reminder, this was 48% of participants) how they plan to dispose of the remaining portion. The absolute leader among responses was precisely philanthropy: 28% of all participants (or more than one-half of this group) immediately chose this option. Other responses include, for example, creating reserves for insurance incidents or spending while alive, even if these received from 6% to 9% each. One of the interlocutors, focusing on the impact of major money on children's upbringing and on their worldview ("if you want to help your son – give him a million; if you want to do harm – give him a billion"), very accurately described a situation where the "excess" portion of wealth must be earmarked somewhere and "spent." Interestingly, to him this is a "forced" problem:

"The second aspect is what to do with the excess portion. It is too easy just to give someone the money that you earned with no small effort, and mainly, it does not align with the business approach. To see later on that it is being spent inefficiently, was handed out or simply "went somewhere?!" For me, as a businessperson, this is simply unacceptable. Charity is correct, but <inefficiency> is its root problem. And this makes the issue of transferring <wealth> a forced problem– what can be done with money in the current situation?"

A further important factor concerning the development of wealth succession plans is possible family conflicts. Over one-half of participants (58%) believe that friction and conflicts may arise among relatives in the future as far as wealth transfer is concerned. Only 25% of our interlocutors confidently said that they do not presume such a development of events, while 17% struggled to answer.

Over one-half of participants believe that frictions and conflict may arise among relatives as far as wealth transfer is concerned.

The reasons for such conflicts can be quite different. However, greed and the desire of family members to receive the majority of the estate are far short of first place. Topping the list is a very important and quite unexpected circumstance: lack of rules regulating wealth use and lack of owner's decisions. Such responses were given by one-third (33%) of our participants. At the same time, 19% of interlocutors said they had already developed some regulations or procedures for wealth succession (family funds), formed principles and rules and, in some cases, even thought out a family constitution.

Our interlocutors admitted that the develop-

Over one-half of participants believe that frictions and conflict may arise among relatives as far as wealth transfer is concerned.

ment of rules to guide the family in deciding on existing assets is basically the most important issue of succession. Wealth should consolidate family relations, rather than causing dissention, so founding such traditions is as much an important task as properly developing wealth succession plans. For this is personally responsible the head of the family.

"The most important issue for the head of the family is to think through such a system that will prevent conflicts in the future."

"We need to work on the prevention of such conflicts all the time, bringing them to an understanding of inheritance mechanisms: agreements on who will split what will be stipulated. In principle, I think the main problem is to decide who can normalize the informal relationships with partners in non-public companies and how this can be done."

"Anything is possible: competition, various affinities. There could be utter conflict – without strict distribution on the owner's part. This should be his personal decision. In my family and at work, I handle three things. The first is creating rules. The second is generating ideas, what to do. The third is resolving conflicts and crises. In my <immediate> family, I am the oldest and the age difference is considerable. People are used to me, to me as an adult and authority figure. In my nuclear family it's the same. Conflicts inevitably occur; they cannot be suppressed, but they shouldn't harm the family. Conflict is the norm; you must learn to state your position and reach agreement. Precisely this is the precondition to wealth transfer and family wellbeing."

The development of rules to guide the family in deciding on existing assets is basically the most important succession issue.

Quite tellingly, wealth possessors approach

the question of wealth succession as they would a business task. However, when it comes to family, the effectiveness of orders or directives is doubtful. For this reason, businesspeople acknowledge the importance of upbringing by talking through and learning the rules.

"Everything happens according to the family constitution. When the <child> comes of age, we sit down, read and discuss; I explain the meaning and why it is so, why it's important. While I'm alive, my authority should help them grasp the rules whereby the family lives and uses everything it has."

Therefore, to wealth possessors the issue of wealth succession involves solving several tasks.

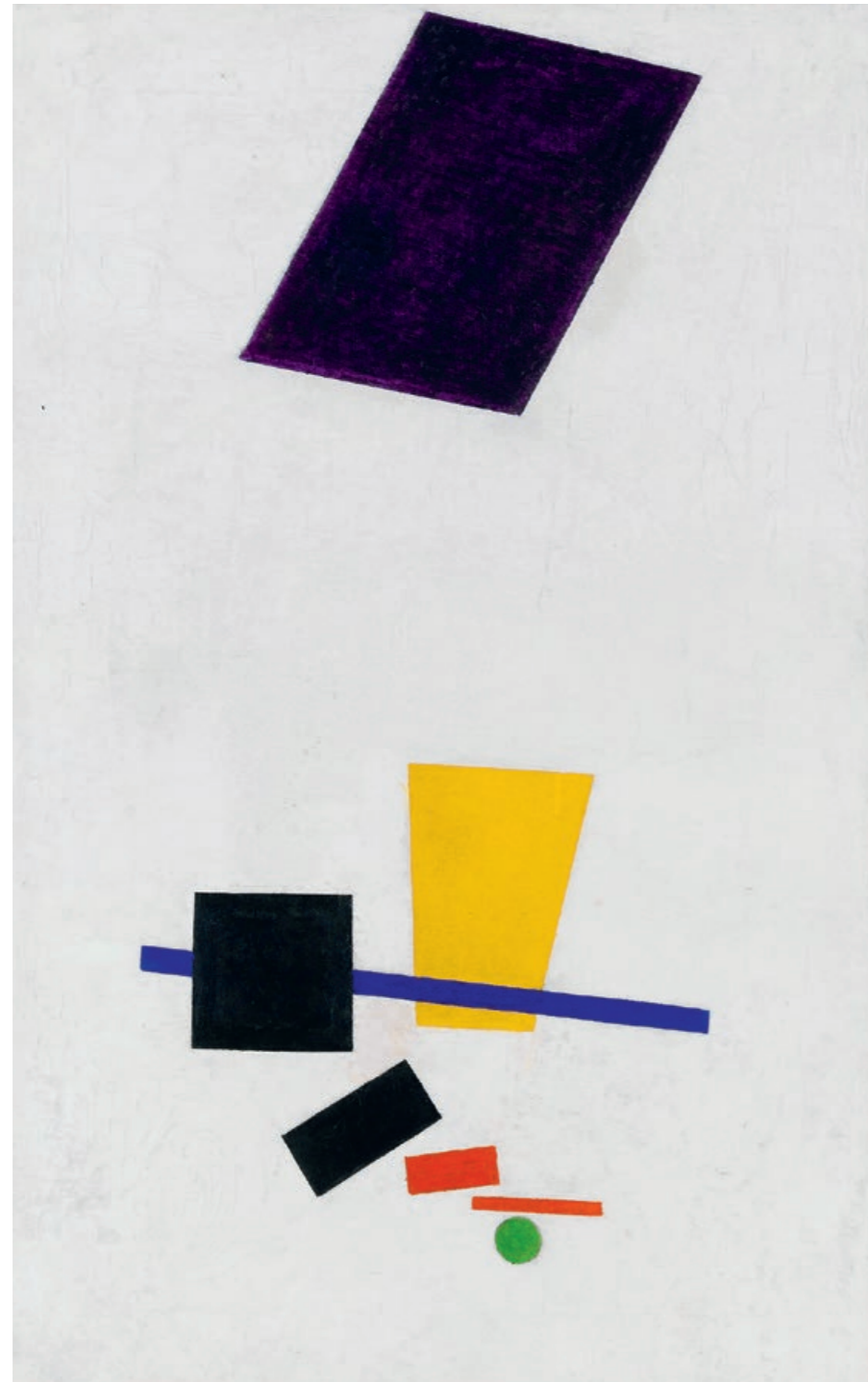
"One's task:" businesspeople should understand that their main task is not wealth creation nor its management. "One's task" is to preserve wealth and plan its transfer considering all nuances of intra-family relationships.

"Professionalism of successors:" regardless of children's interests, of their readiness to become entrepreneurs or choice of a different self-realization strategy and career, they should possess a certain level of understanding and competency in asset management.

"Upbringing by wealth:" Businesspeople realize that wealth and prosperity can play a negative role in children's future. Our interlocutors wish to nurture in their children the "correct" attitude towards money, and family wealth in this case is both a source of threats and a resource for parental strategy.

"Family preservation:" the possession of wealth should be accompanied in the family by certain rules, principles and traditions. This sort of "family constitution", more or less formalized, aims at regulating in a particular way affinities,

The development of rules to guide the family in deciding on existing assets is basically the most important succession issue.



"Suprematism". Olga Rozanova

Table 21. Nature of possible family conflicts

Answers of those who allow for the outbreak of conflicts among heirs. Figures provided indicate percentage of participants

"What could be the reason and source of family conflicts <regarding the issue of wealth transfer>?" Open question

Most varied reasons, multitude thereof	33%
Lack of rules and decisions of estate owner	33%
Different ambitions and interests	29%
Conflicts among relatives, emergence of new relatives (children's families)	19%
Different plans, goals and approaches in business	19%
Greed; won't share money	19%
Already have (preparing) decisions, principles and mechanisms	19%
Problems with business partners	10%
Importance of shared values	5%

interests as well as methods for decision-making and regulating those conflicts, which will quite likely arise. Precisely, this is the precondition for preserving the family and family connections.

"Surplus management:" if owners understand that their family will not inherit the whole estate, a problem arises: how shall they dispose of its remaining part? The idea of philanthropy seems natural, although the principle "give and forget" is unacceptable. It is important for our interlocutors that even in this case business principles operate: efficiency, targeted character of spending, decision-makers' professionalism, effect and control.

Therefore, wealth succession and the development of succession plans leads us to another major topic – quality of the family and family relationships, creation of a family culture, transfer of family values and protection of family from various risks relating to the entrepreneurs' business activities. This topic will be covered in the following section.



«Супрематизм», Ольга Розанова

FAMILIES OF WEALTH POSSESSORS

« He had the key and let his son have one.»

Alexander Griboyedov

1

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3

4

5

Main Conclusions

For the majority of wealth possessors, doing business relates very closely to values, norms and motivation. This connection presents at least three aspects:

1. Business plays the role of a peculiar testing ground, where one's core values are tested. The possibility to create a business in conformity with one's values and life principles is a very powerful driver of business activity.
2. The family head's business activities become the source of values for his or her children and relatives.
3. Business is a sphere exerting a certain pressure on participants' values and worldviews.

Family values and parenting are extremely important for entrepreneurs; but children's personal growth and their "appropriate" attitude towards money are not the only concerns. In this entrepreneurs see the precondition for children's future professionalism and the experience required for managing at least the family assets, and, quite possibly, the business, both that created by their father and their own. A relevant topic for Russian wealth possessors is special upbringing and education, different from business education and vocational training under a particular specialization. Evidently, this kind of education should focus on pragmatic questions of wealth and business succession, even if the children will eventually choose a different career or self-realization path.

Our respondents support family ties mainly through leisure – holidays, major family events, recreation, cultural events and more or less regular, albeit scarce, everyday communication. One-fourth of the answers mention particular forms of family events: traditional family gatherings in a "broad circle," more or less informal procedures of organizing the family council, and gatherings in a "narrow circle" where the heads of several related families discuss the management of the overall estate. Business topics rarely become the basis for

family communication. Even though the topic of family wealth features in a few cases, it appears that business does not serve a primary role in supporting family solidarity.

A particular feature of our research topic is that the family has a dual role in the problems of business and wealth succession. Wealth possessors are perfectly aware of this duality, and they try to find the "optimal" strategies and principles to make these two "arenas" – business and family - coexist.

Several strategies are mapped out.

The first is "isolation," when the family, for any particular reason, is not involved in the discussion of any business issues, and in the strictest variant – even in discussion of any important issue regarding the estate.

The second strategy is "cooperative autonomy." In this case, the entrepreneur participates in family affairs as investor: those family members exhibiting interest in the business activities gain the opportunity to attract investments for their "projects" (as a rule – a one-off), and then develop it more or less autonomously, maintaining a particular partnership on issues regarding the family's wealth.

biographical task through his or her business. This primarily concerns children who should be "provided with experience" and should "try and make independent decisions, experience achievements and failures", so that they may understand whether they wish to work in business.

The fourth strategy is the "clan history," when the business starts to form through a merger of family and business connections, when a broad yet closed environment of mutual support among several groups of families is formed.

The fifth strategy is "family business," when business activity is intertwined with family relationships.

Parenting is very important for businesspeople; but children's personal growth and their "appropriate" attitude towards money are not their only concerns

Values and motivation to do business

Family values

Numerous studies of entrepreneurship show that family systems and family values are becoming the key element of family business, instead of formal management structures and corporate culture (McCullom, 1988; Cabrera-suárez et al., 2001). Family and business are two interdependent subsystems, which seek stability through mutual enablement. Family members participating in business achieve stability through differentiated working conditions (McCullom, 1988). The histories and overall features of such firms create a linkage with time-tested core values and standard behaviors, which ultimately guarantee success (Denison et al., 2004). Family orientation is defined as the unique aggregate of resources and possibilities possessed by a certain organization as a result of the interaction of the family business system with the family, its individual members and business (Cabrera-suárez et al., 2001).

Given the above, when deciding upon business and wealth succession, the most varied factors are taken into consideration and have an impact, including ones far beyond mere economic calculations and business efficiency. In fact, these are the cases when values orientations, family situation, personal motives, and wealth owners' goals regarding major business often become decisive for choosing the optimal solution. Therefore, in our study we paid special attention to personal and family values of Russian wealth possessors. Along with Schwartz's universal method to measure personal values (see previous section), study participants were asked about the specifics of their

businesses and family lives.

First, we were interested in personal wealth possessors' motivations to do business, as well as in their opinion on the motivations of their business acquaintances, in order to understand what drives Russian entrepreneurs in their work. Second, we asked how family values form in entrepreneurs' families and what are the main sources. We believe, in fact, that the commonality of personal values between businesspeople and their family members could have a considerable effect on the choice of a business and wealth succession strategy. Foreign studies show that the resemblance between current managers' values and those of their successors is more important than formal planning in the succession process. In other words, preserving business succession within the family depends on agreement with family values (Santiago, 1988).

Personal values and motivation

One of the main hypostases of our interlocutors is to be and act as a businessperson. In several cases, respondents sought to emphasize that precisely doing business is very close to their personal and family values. In business activity, these values are evident, firstly, as a system of motivation ("why I work in this business"). Secondly, in the accepted norms of activity, as well as in the style and character of management and decision-making ("how I consider it correct to do this"). Thirdly, in the set of limitations on possible actions ("one doesn't act that way") and possible justifications if someone, including the owner himself, broke an accepted norm ("this is wrong, but..."). Lastly, as shown by the work of Gerald Garfinkle, there is neither "ploy" nor deceit. Quite often, the norms and values that people share are



Over half of participants in our study believe that major today's Russian businesses will not become family dynasties

“concealed knowledge,” characterized by “background understanding,” which, although difficult to articulate and express, guide our actions and decisions¹⁶. Any violation of “self-evident” behavior is in fact a very important mechanism for explication, activation of the norm and confirmation of its positive importance.

According to the statements of our interlocutors, doing business is closely linked to values, norms and motivation. It is important to highlight the comprehensive nature of this connection, whose at least three aspects were identified.

1. Business is a sort of testing ground, where one's core values are tested. Precisely the possibility to create a business based on one's goals, and in conformity with one's values and life principles, is a very powerful driver of business activity.

“Businesspeople never do something because they have to, but because they cannot NOT do it. They yearn to create something. Second: business is self-realization, and I personally create opportunities for myself. Therefore, this cannot be done without values; this is changing now <compared with the 90s>. It is important for people and partners to see whom you're working with.”

“Business is not only the desire to make money. Basic values are important, given that everyone makes their choices according to certain values. You create for yourself the life and environment you can. Sooner or later you reach it.”

2. The family head's business activities become the source of values for his or her children and relatives.

“I am the source of values for my family, just as my father and grandfather were. The children see who

I am; you can't be one person at work and another in the family. There's no deceiving.”

3. Business is a sphere exerting certain pressure on participants' values and worldview.

“The set of basic values is very important in a family. Without this, it is impossible to preserve one's personal core. Business requires many things, maneuverability. Yet this has another side – a strict values system interferes with being a successful entrepreneur; it prevents from being flexible.”

“What should a businessperson be? Dishonest, ready to break the majority of ethical norms, make friends with the right people, “capable of agreement,” that is, a corrupt person – these are qualities which, outside of Russia, no one needs.”

Of course, the above quotations represent personal viewpoints. However, they accurately define the problem under discussion: how personal and family values relate to business. Answering the question “what kind of person an entrepreneur should be in order to succeed in Russia”, “traces” of these thoughts are evident.

In the opinion of respondents, the success of entrepreneurs owes primarily to the set of their volitional qualities: readiness to risk and lack of fear regarding adversity (48%), willpower, tenacity and endurance (29%), desire to be preoccupied and wanting more (19%), possession of rigidity and “tenacity” (10%). Importantly, precisely personal characteristics are dominant in the entrepreneurs' statements (84%), which allows for assuming a strongly-expressed individualistic disposition.

In second place are the professional characteristics of businesspeople (65%): analytical capabilities

Table 22. Qualities of successful businesspeople

Figures provided indicate percentage of participants “In your opinion, which qualities should entrepreneurs possess in order to succeed in Russia?»
Open question

Personal qualities, including:	84%
...readiness to risk, not fearing adversity	48%
...will, tenacity, endurance	29%
...talent, entrepreneurial inclination	29%
...basic values (decency, responsibility)	19%
...being driven, wanting more	19%
...creativity, creative abilities	13%
...rigidity, tenacity	10%
...luck, luckiness	10%
...flexibility, adaptability, durability	7%
...love of knowledge, aspiration to novelty	7%
...diligence	3%
Professional qualities, including:	65%
...intellect, knowledge, ability to analyze	23%
...knowledge of the market and market laws	19%
...desire to make money	16%
...professional qualities in general	10%
...strategic vision	10%
...experience (in business, industry)	7%
...speed of reaction	7%
...network building	3%
Leadership qualities, including:	52%
...ambition, always wanting more	23%
...leadership qualities	19%
...communicative abilities	16%
...partnership, ability to be a partner	7%
Barriers or negative qualities, including:	29%
...different negative qualities (dishonesty, corruption)	19%
...lack of qualities, which hinder business	16%
...difficult to say	3%
...changes underway (in comparison with the start, 2000s, etc.)	10%

and intellectual resources, market knowledge, experience and strategic vision. In third place (29%) are statements about the extent to which values become a barrier to success and whether it is important to be able to overstep them. On the other hand, only 19% of the businesspeople surveyed mentioned the fundamental need to follow certain universal or “basic” values. Quite often, participants said there is no such thing in Russian specifics. However, 10% claimed they are seeing changes: former motives “à la 90s” are losing their importance.

The responses show mainly two dominants – personal growth (self-development, creating novelty, pleasure from achievements and success, as participants explained) and social motives (family and the desire to make everybody's life better).

Evidently, very few chose patriotic motivation (13%). It turned out that the word itself evokes skepticism and disagreement, although this does not mean that it is not recognized as one of the important driving factors:

“Business is not about patriotism or the other way around. Business should be successful; it should provide and create opportunities. The businessperson's responsibility is their business.”

“This is overly forceful and lofty-sounding. Business is pragmatic, while patriotism presumes I am following certain principles which violate or go against business principles.”

“I wouldn't say I have patriotism as a value or that I think about my business or goals in such terms. This is an empty word, and foul people often speak about patriotism the loudest. Yet this doesn't mean that I am apathetic about my country; I am not apathetic about the people who work for me and live in Russia.”

Therefore, we see that there is no rigid, unequivocal connection between values, motivation and norms. Psychologists also distinguish between these ideas, showing that the importance or indifference towards the objects, able to arouse our willpower, are determined by an aggregate

¹⁶ Garfinkel G. Studies on Ethnomethodology. SPb: Peter, 2007. Chapter 2.

Table 23. Motivation to do business

Figures provided indicate percentage of participants

“Speaking in general terms, why do you work in business?” Any number of answers

“Generally speaking, in your opinion, what is the main driver for the other businesspeople you know? Of course, they are all different, but could you generalize? Please identify what is most important and common.”

Any number of answers

	Myself	Others
Self-development	66%	28%
Aspiration to provide a good future for my family and loved ones	53%	25%
Creating something new	50%	25%
Pleasure	47%	22%
Desire to profit	34%	69%
Desire to improve life around oneself	34%	22%
Wagering	19%	44%
Patriotism, desire to help one's country	13%	6%
Safety	3%	6%
Other motives	25%	28%
Struggle to answer	0%	3%

of factors. First is the “I-concept” (core values are important here). The second is motivation – the emotional-volitional response regarding our goals. Third are social-pragmatic norms, which tell us whether something is accepted or not in society, how desired ends are typically achieved and which limitations people recognize as important.

Spurned types of activity

Even in discussing which types of activities businesspeople would choose to avoid, regardless of the opportunity to earn a substantial profit or grow their wealth, participants indicated, in one way or another, the problematics of personal values and their importance for family and business. A similar question was asked with respect to children, i.e. what businessmen-fathers do not want for their children and which forms of activity should not involve the younger generation.

The majority of businesspeople surveyed are very scrupulous as to which forms of legal activities they would not want to engage in, regardless

of high profitability. The most spurned kinds of activities were weapons sales (65%) and work in governmental structures (56%).

When answering the same question, but this time regarding their children (“I do not want my children to do such work”), we noticed an even wider diversity of positions, although the rank of importance is the same. The clear leader among undesirable forms of activity for children is trade in weapons (47%). In addition, respondents mention forms of work (not business) relating to governmental structures: work in government agencies (31%) and in military structures (31%).

In statements on this question, it is important to note several points concerning values and purposes. In particular, with regards to children, there was a separate position stating that they should choose themselves what to do and not to do (“no such kinds of activity” – 28%, “it’s their choice and decision” – 28%).

Study participants uphold the opinion that the question of children’s independence is more impor-

Table 24. Spurned forms of activity.

Figures provided indicate percentage of participants.

“Are there any legal forms of activity or business in which you would not want to be involved, regardless of possible substantial profits and growth of your wealth? If so, which ones?” Any number of answers

“Now I am going to ask you a question, very similar to the previous one, only now with regards to your children (grandchildren). Are there any legal forms of activity or business in which you would not want your children (grandchildren) to be involved? Which ones specifically?” Any number of answers

	Myself	My children
Weapons trade	63%	47%
Work in governmental entities	56%	31%
Manufacturing and trade of tobacco products	44%	31%
Manufacturing and trade of alcohol	41%	28%
Investments in gambling zones and gambling establishments	41%	25%
Manufacturing and sale of GMO products	34%	28%
Stock market	25%	22%
Work in show business, on stage	22%	16%
Work in military structures (FSB, MIA, Defense ministry)	*	31%
Extraction, refining and sale of oil and gas	13%	13%
No such forms of activity	9%	28%
Other	6%	9%
Let them decide themselves	–	28%
Which business is unimportant; it's how you do it	16%	–

**This response variant was not offered*

tant than the kinds of activity they will choose for themselves. Some of our interlocutors feel confident about the resemblance of values and attitudes towards the world, thanks to which the children will not choose a path the parents deem unacceptable.

A further important topic for the clarification of one’s values and motives is the belief there is no such a thing as “dirty” or “pure” business, or at least there is very few of them (for example, narcotics, abortions). Business can be conducted “dirtily” or “smartly.” One can work to product a

dangerous “swill” or can product fine wines business “transparency is also important,” far more important than the inappropriate invocation of certain “pan-human values.” Ultimately, choosing a business line means choosing the environment you will inhabit, its character being determined not only by the essence of the business and manufacturing, but also by the founder’s personal qualities.

“Any criminal business can be made acceptable. A decent medical business has corruption, murkiness



and murkiness, while weapons sales can become a fully 'transparent' business."

"I won't interfere; let it be their decision. Any business always has its negative extremes and good beginnings – cherished wines and common swill. And working in governmental structures is even beneficial, to see how the state machine operates."

"Any business has different segments. Conversations about humanism and values in any case ...do not mean anything, like an empty sound. Values and business should not be mixed together. In battling with tobacco manufacturing, you might create an even bigger mess – both in business and in health."

"Moral barriers are lacking; I want to stress that the issue lies not in morality, but in something else. You need a different personality in order to work, for example, among those who handle weapons – many soldiers and specific types of people."

"I like what I do. Here everything is very simple: your business is exactly like you. A rotten person will stay with other rotten people. A good team gathers around a strong person."

Summing up the discussion about values, motivation and norms, three important conclusions bear noting.

First, to the respondents, personal values, motivation to work in business and the norms of business practice are three interrelated but not strictly mutually determinative factors affecting their activities.

Second, the majority of participants say in one way or another that their business activities are, amidst all else, a space for their self-realization, achievements and personal growth, and businesspeople themselves are responsible for creating the environment where they will work. For precisely this reason, the question of which values and principles they will follow is quite important – "your business is just like you."

Third, statements on the nature of business consistently include the family factor. On the one hand, the family "sees" and mimics the style and

Table 25. Bearer of values

Figures provided indicate percentage of participants "Quite often, when we think about different ideas, decisions and life goals, beforehand we compare ourselves to certain values. These are often called our guiding values. Values and guiding values are often related to the specific people who bear them. Who in your family is the main bearer and source of values and exemplars of behavior considered important by the family members?"

Myself	69%
Spouse	44%
Parents	41%
Children	6%
Brothers, sisters	6%
Other	22%
Struggle to answer	3%

values which the father establishes "at work." On the other hand, businesspeople seek to ensure that the family's world remain separate from work.

Transfer of values and worldview

Questions concerning the explanation of and justification for one's business activities inevitably lead us to a discussion about personal and family values and about the fact that both business and family should share the same foundation. In this regard, it is unsurprising that the majority of our interlocutors consider precisely themselves the main bearers and source of values in the family (69%). The second most frequent responses are spouses (44%) and one's parents (41%).

The position of "Other" in this question provides clarifications on the answers: those men-

Our interlocutors believe they succeed in transferring to their children those values, beliefs and worldview whereby they themselves are guided

tioned include, among others, pedagogues, instructors and partners, with statements that each family member has their own role in forming and supporting family values. Several people noted that parents always set a certain vector for personal development, and thereafter individuals themselves should be responsible for values: their own and their families'.

"My parents were always my values and my eyes, but the world has changed and today I can have a more accurate view on what is happening."

"My parents – while alive. Now I have another family, and I talk about my family with my parents. I try not to recreate values, but to make understand their importance; it's important to have values and speak about this."

Our interlocutors believe that they succeed in transferring to their children those values, beliefs and worldview whereby they themselves are guided. The vast majority of businesspeople assessed the extent of this similarity as '4' or '5' – 59% and 22%, respectively. The choice for the position of "struggle to answer" related to the impossibility of assessing this values similarity due to the children's young age. However, the question as to what the businessmen-fathers are doing so that their children better understand their views on life, worldview and values elicited very extensive and detailed statements.

In the broadest possible terms, we identified several response groups. First is "participation in upbringing" – this was mentioned, in one way or another, by 90% of participants. For the most part, responses of this kind speak about the aspiration to establish a shared lifestyle, support regular communication and tackle those problems in children's growth and development which are relevant to particular age groups.

"During different periods of maturation things change. Up to 15-16 years old, values must be maximally transmitted. This is exactly when you have to be with them, speak with them, and set an example with your wife. After 15 is a transitional period, and the third period is when they mature and leave. Thereafter, they, of course, return (after 26). There's always some duality in upbringing; you always want more from children, but they have their own path, let go and love."

"Maximal communication, highlighting your own mistakes, supporting their projects and independence and the importance of showing them precisely your own system of values rather than some 'British' one, which I don't have."

The second major thematic area concerns the creation of the necessary context for upbringing (71%): forming an environment of communication with one's friends and their families, fostering their independence, simultaneously setting an example through one's own life and behavior and discussing one's mistakes (see table 26).

"We communicate very well with the children. They understand that money is something we earned, and I don't want them to grow up as 'slackers.' The main principle is: do as I do. It's important to see what the father does. I always plan the time I spend with them, very carefully. The second principle is always to offer more than wanted. A further principle – apart from all else – is to organize communication in a narrow circle and to go on vacation as a family, without company. This is necessary in order to enable them to make any important choices or start any important conversations. I try to provide a systemic view on the situation, while not merely transferring values – this is good, this is bad – or

Table 26. Transfer of values Figures provided indicate percentage of participants
 “What are you undertaking so that your children and grandchildren understand and accept your values and worldview?” Open question

Participating in upbringing	90%
Communication, conversations about life and work	74%
Discussing the children's interests and problems	23%
Spouse's role is important	16%
Sharing cultural knowledge (reading, music, theater, exhibits)	13%
Religiousness	10%
Engaging in sport together	3%
Building a shared life image	10%
Accounting for the specifics of each age	3%
Creating the context for upbringing	71%
Setting a personal example	52%
Forming experience of independence (achievements, decisions)	23%
Building the correct environment (own friends, children's friends)	13%
Not fearing arguments, conflicts	10%
Highlighting own mistakes	7%
Special procedures	34%
Explaining family history and values	21%
Investing in education, including religious	7%
Inviting participation in the family council	7%
Guidance discussions (on rules, business, values)	3%
Participation in charity	3%
Omissions	13%
Omissions, mistakes occur	13%
Familiarizing with business	7%
Familiarizing with my work	3%
Tutoring	3%
Struggle to answer	6%

imposing my own experience. I provide a resource so that they choose on their own.”

The third group of statements, not very large, although important, relates to the special procedures introduced by family heads to the families' daily lives (34%). These could be “one-off” events like a certain “guidance conversation” on family values and life principles. Or, such procedures could be systemic decisions such as education or family's internal procedures, such as family council.

“It is important that the children ‘look upon you’ and live in their own correct environment. Yet, besides this, with each of my children I have a ‘guidance conversation,’ it doesn't matter when, when they're ready for this. It's a one-on-one conversation, and it always takes place.”

“Every summer the entire family gets together, all the relatives. The children should know everyone and have the opportunity to interact with them. The other senior members and I feel obliged to do this. This is what provides an indelible and basic understanding as to what family is and what it should be.”

One important category of statements stands out among the rest: 13% of respondents mentioned certain omissions in children's upbringing and communication with them. This frequently relates to one's biographical details (for example, previous divorces) or to some particular business activities, when family heads lack the time for full-fledged communication with their family or they deliberately “isolate” the family from business activities (for example, when this was dangerous, during the 1990s). Here it is important not only to admit mistakes and omissions, but also to try to fix the tension between two worlds – family and business. In numerical terms, the share of our interlocutors aware of their omissions in raising children should likely be greater. However, very few of them were willing to mention it during the interviews. One observation should be made: family and business are quite often perceived as diametrically

81%
 note that relationships
 in their family
 are amicable
 and trusting

opposed spaces of life, which only intersect at a single point, albeit very firmly; in the figure of the businessperson. This means that the question of succession of family and wealth should have not only an instrumental, or even just a value “measurement”. It is a question for the businessperson as to how he or she wishes to see the family's future.

Succession issues and family

In studying wealth succession, it is important to understand to what extent and how intensively the family should be involved in the entrepreneur's business activity. We identify at least four “regimes” of intra-family communication, each one having its own features and development logic relating to the family's development and children's maturation:

1. Routine everyday communication – the daily and very time-limited presence of the family head in the everyday lives of family members.
2. Recreational communication, relating to vacation, leisure and particular family activities: travels, sport, cultural events, general family gatherings or particular important events.
3. Discussion about estate issues, planning and spending of the family budget, strategies in education, investments, place of residence and more.
4. Discussion about business issues when relatives or family members are somehow involved in these topics.

Despite the dearth of time for interacting with loved ones, the vast majority of our interlocutors



Table 27. Family structure

Figures provided indicate percentage of participants “Everyone has different ideas about what family is. When you speak about or think about your family, whom do you have in mind, whom do you think about first of all? Who are these relatives?”

Any number of answers

Spouse	100%
Children	94%
Parents	77%
Siblings	61%
Spouse's relatives	42%
Cousins	36%
Grandchildren	33%
Nieces and nephews	29%
Other relatives	36%

(81%) note that relationships in their family are amicable and trusting. No one spoke about serious problems in family relationships, while only 19% referred to their relationships as “trusting, but not very close.” Evidently, our respondents find their family communication strategies and the solutions of ongoing and strategic tasks entirely successful. Now let us see what our other study findings indicate.

Family structure and communication regime

One of the fundamental factor defining the family and forming its solidarity, boundaries, family traditions and general uniqueness is internal communication and discussion of important issues. Judging by the answers of our interlocutors, they believe there are at least two “models” of family – “narrow family circle” and “greater family,” which may include distant relatives. Even though we did not ask about this specifically, nearly two-thirds

Table 28. Family gatherings

Figures provided indicate percentage of participants “How often and for what reasons does your family gather throughout the year?”

Open question

Family events	77%
Birthdays	71%
Important family events (memorial dates, birth of a child, weddings)	36%
Funerals, memorial services	10%
Holidays	71%
Holidays in general	48%
New Year's, Christmas	29%
Religious holidays	19%
Continuous, everyday communication	52%
Vacation, recreation	19%
No reason, at any time	13%
Supporting connections (as an independent goal)	13%
We communicate every day	10%
Cultural events, entertainment (theater, cinema, exhibits)	10%
Attending church	6%
Continuous communication over the internet	3%
Doing sport	3%
Special family events (semi-)formal	24%
Traditional general family gathering	16%
Special gatherings for family council	10%
Discussion of estate issues	6%

of respondents (61%) in their answers spoke about the importance of this distinction.

As is evident from the data cited below, the “narrow circle” includes, doubtlessly, one's spouse, children and siblings. Relatives of spouses are lo-

cated somewhere on the boundary of this necessary and “compulsory” for the family's existence list. It bears point out that the relatively small number of grandchildren is by no means caused by their low importance in conversations about the family, but by the fact that only an insignificant share of participants have them (see table 27).

Our respondents' ideas about what “family” means are to be primarily related to the question as to how their family is “managed” and which forms of communication exist. Judging by our data, one could presume that the families of businesspeople surveyed experience a certain shortage of everyday communication involving fathers. On the one hand, roughly one-fourth of participants (26%) admitted that arguments do break out (mainly with spouses) due to clearly insufficient attention to the family and children. On the other hand, answering the question as to how often and for what reasons their “family” gathers, the most common responses were “once a month” and “once every two-three months” (31% and 29%, respectively). The answers “once a week” and “every day” were stated much less often – 19% and 9%.

Of course, a certain shift was dictated by the context of the conversation. Nevertheless, the factor of insufficient time for everyday dialogue in the family, especially with various members of the “greater family”, requires special consideration and additional subjects. In particular, in our study it was impossible to assess the spouse's role in supporting regularity of interaction. Nonetheless, you could conclude that family and business compete for the head of family's time and create a mutual deficit of this resource for each other. That is why several people said that after several conflicts in the family, they had to make special decisions on distinguishing between work time and time for relations.

“My wife and I, as a rule, often argue about my time. Business takes up everything you are ready to give. Having young children makes this especially acute. At one

point I had to control myself very strictly, literally by the hour – I got up, closed everything and left.”

Answers to the question about the reasons for family gatherings throughout the year indirectly indicate a shortage of everyday interaction. As table 28 demonstrates, in first place are significant family events (77%), secondly, holidays (71%). Slightly more than one-half of our interlocutors (52%) spoke about different forms of everyday communication. Insufficient everyday communication, as a very common problem among businesspeople, was sometimes evident even here:

“We talk every day, every week. One must pay their communication debts on time, rather than celebrating all the birthdays ‘at once’, or ransom oneself with cash.”

“Our family, as currently composed, gets together two or three times a year, and the older children join us. Reasons: once we celebrated New Year's, our son got married, my youngest daughter's birthday, and for no reason at all. We rarely get together, as we live in different places; the older children have their own families and independent lives.”

It bears mentioning separately the answers of one-fourth of businesspeople, speaking about various forms of special family events. Some spoke about traditional family gatherings as a “broad circle,” others described a more or less informal gathering of the family council, and several people say they interact within a narrow circle composed by the heads of several related families, where discussions concern the management of shared wealth.

Based upon the data cited, it seems that our interlocutors mainly support family connections through leisure, such as holidays, family events, vacation, cultural events and more or less regular everyday communication. Work, joint business (such instances occur among our interlocutors) and business topics are practically absent in dialogues within the family. Even though the topic of family wealth appears in a few cases, it seems that business does not play a leading role in supporting family solidarity.



Table 29. Money for family

Figures provided indicate percentage of participants

“You surely earmark some funds for supporting your family. I understand that different approaches exist for different family members. But still, to whom do you give financing and what guidelines do you follow?”

Open question

Targeted expenses and planning	73%
For important targeted expenses	29%
For education	19%
I assess the adequacy of the task and required expenses	16%
For health in force-majeure events	13%
A large expense planning horizon exists	10%
Specially – for charity	3%
Contribute to targeted savings for the children	3%
Ongoing, regular expenses	60%
Keep a family budget	23%
These questions are discussed each time	19%
I share personal (pocket) money	19%
For health – regularly	10%
No restrictions	40%
No restrictions, as needed	32%
To support a certain living standard	13%
Parental tasks	33%
I battle the danger of illusory ease of money	13%
Importance not to spoil with money	10%
Approach to earmarking money changes with the children's age	10%
Depends upon success in school	3%
Independence of family members	30%
Stimulating children's, spouse's independence	19%
Importance of spouse's role	16%
The children (spouse) have their own incomes	7%
Partnership principle is in place	7%
A certain fundamental decision was taken on each one's role	3%
Other	10%
Mistakes occurred with principles of allocating money	6%
No requests received	3%

Family and wealth

During the interviews, we paid special attention to how issues of family wealth were discussed. We proceeded from the consideration that, one way or another, these questions are raised and serve as an important instrument to form a family. Above all, we asked whether our respondents earmark any funds for supporting the family, and if so, how this happens and what guidelines the family head follows when making a particular decision (see table 29).

Notably, apart from the entirely traditional and expected answer of “I don't refuse anyone anything,” they also revealed other, occasionally non-trivial strategies and tendencies. The clear leader was the group of answers relating to targeted expenses and expenditure planning – such statements were received from 73% of participants. Second, current and regular expenses became indisputable, even though budgeted (60%).

“The structure of expenditures is stable: 1) ongoing expenses; 2) paying for the children's growth and education, targeted expenses; 3) monthly expenses with my spouse; 4) budget (not strict) for charity.”

“I provide for my family – each has a monthly allowance. I never buy anything by request; I give money in a targeted manner for purchases. Let them decide for themselves how, when and how to buy. Perhaps they'll change their minds. This has happened.”

Interestingly, the topic of “I do not restrict my family's expenditures” was evident in the statements of a noticeable yet quite small group of participants – 40%. The motives for this position are different: from the aspiration to maintain in the family a certain accepted living standard to acknowledging that a certain practice for needs already exists and strict budgeting is needed.

“To my wife and children I give full financial freedom. Important expenses are recreation and education. As for other relatives, I assess the expediency of the expenses and request a justification for it.”

Table 30. Discussion of family estate issues

Figures provided indicate percentage of participants

“If your family holds discussions on issues concerning the estate, does this happen spontaneously, as needed, or are special procedures in place for this?”

Any number of answers

Immediately, as needed	64%
On a case-by-case basis, during informal family meetings	48%
During personal “one-on-one” meetings	20%
We specially gather to discuss particular issues	16%
We hold regular formal meetings	12%
According to family constitution procedures	4%
Other	16%
No such discussions	19%

“In my childhood we had little money. But everyone knew where it was. It was available; you would just say what you were spending it on. Today we share the money; the principle is the same. Yet I am the main source of money, and we spend it on any requests – as needed. We don't keep a budget; one was kept for many years, but I saw no point in this. All of the ongoing expenses and incremental costs are expected, while the unexpected major expenses (for example, for a relative's education, for treatment) cannot be planned, though must be incurred.”

Two topics in the data cited are of particular interest. One-third of participants (33%) said that, when allocating money for their family (children), they fulfill two parental tasks: giving to understand that money must be earned, not wanting to “spoil” children with the apparent ease of receiving money. Secondly, strategies are developed according to the child's age.

40%

do not restrict their family's expenses

"At first children receive a small amount of money. As they grow up their needs increase, and I generously increase the amount, but I also increase the obligations. For example, they should buy gifts for friends' birthdays on their own, or pay for their own lunches at school or their own class trips. This forces them to plan, rather than being generous with someone else's money."

"My children no longer receive pocket money; they submit budget requests once a year and it is discussed with them, making adjustments as needed."

The second topic partially overlaps with the first. The important distinction is that 30% of participants stated that some principles already in place for the independence of family members – spouses or children. In one of them, the spouse gets to receive the money and the task of budget allocation is delegated to her:

"I do not allocate the budget. My spouse oversees the money; I earn the money, give it to my wife, and she forms the budget. She is more organized in terms of finances."

"My spouse keeps the budget. My wife made the family, while I am a collaborator and the breadwinner."

Alternatively, the family head might have made a particular decision concerning wealth management, and now the members of his or her family are more or less autonomous as far as their budgets and expenses are concerned:

"The family revolves around money. Two decades ago, I split the estate into three parts: the majority for myself, the rest to my wife and children. As for major purchases, real estate or business, we decide as partners, if we reach an agreement, if this is interesting for me."

"With my sons <now adults> we decided that we, only we, no spouses, are included in the family council (true, my wife has a voting right, yet she doesn't use it). All questions about each one's business and assets are discussed by us alone."

The third variant is where the family members are entirely independent (spouses and children have their own businesses) and partnership situations are possible:

"The children have their own incomes, which are sufficient for supporting their living standards. Yet the incomes do not cover all of the necessary expenses for professional development, and so I finance their expenses "for growth".. We developed a particular family style: not corrupting oneself with broad consumption. My older son has been independent for quite some time. His income doesn't allow for anything major, although, for example, he doesn't want to take money to buy a home, saying he would thereby lose his world of social relations and communication. I fail to understand this, but respect it."

"I long financed all my family needs. This is no longer the case, since my wife has her own business. With my children it's as before."

As indicated by the data, the spouse's status is quite important in the family. He or she initially possesses a high degree of autonomy in questions concerning the family wealth – because precisely the family becomes his or her business. Therefore, it is unsurprising that 75% of our respondents discuss wealth issues precisely with their spouses. In second place are children, mentioned by 34% of respondents. Parents, siblings and distant relatives altogether receive no more than 16%. Only 19% of our interlocutors prefer not to discuss these questions in their families.

The interview results indicate that, in the respondents' families, as a rule, no special procedures, let alone formal ones, are in place for discussion about estate issues. Two-thirds (64%) discuss such issues as soon as it is needed, and one-half (48%) does this informally, in a family

Children are involved in wealth management early on: pocket money, planning the family budget and targeted expenses become everyday norms

meeting. Specially planned situations or events are encountered far less often: 20% of respondents talk in personal "one on one" meetings, 16% organize special meetings for discussion. Only 16% of study participants mentioned special procedures to resolve such issues in their families: formal and regular meetings, gatherings, family councils and family constitutions.

Children are involved in estate management practices early on: pocket money, family budget planning and targeted spending become routine norms.

The source of ideas for particular formal procedures is not always the head of family. Occasionally, recognition of the need for this arises during a certain development stage, and relatives introduce new ideas based on their own experience:

"Everything was easier before; we reached agreements through understanding. Then we realize that we had to establish a family council. A family office was set up; it's still developing. On the other hand, my son looked at how this is done in England, and proposed we do the same in our family. It turned out this is even a bonus for his own career."

"When my sons started to have families, I proposed a family council. And there we decided that wives had no votes."

Therefore, we see that communication within the family may not touch upon financial issues. In the families of wealth possessors, it is important for children to be involved in estate management early on: pocket money, planning the family budget and targeted expenses become everyday norms, and certain parental strategies become "established" upon such procedures.

Parenting issues are highly important for businesspeople; children's personal growth and their "adequate" attitude towards money are not their

only concerns. In this they see the precondition for the children's future professionalism and the necessary experience for, at a minimum, managing family assets, or, quite possibly, running their father's or their own businesses.

Family members in business

As shown above, the topic of business succession is closely related to beliefs about how effective and possible it will be to involve children and spouses in the family head's business activities. If one considers this task from the business point of view, a number of limitations can be noted: business specifics, the position of partners, children's professionalism, as well as the entrepreneur's personal readiness to face new risks relating to possible conflicts with relatives.

We queried as to whether it is correct to involve family members in one's business operations. This is a key topic in all of the strategies implemented or planned by wealth possessors. Opinions are uneven: 64% of our interlocutors consider the involvement of family to be correct and possible, while 28% hold the opposing opinion.

Such unequivocal dominance about the possibility and appropriateness of involving family members in business to a certain extent contrasts with several other responses. As a reminder, the majority of participants do not believe that major Russian businesses will become family dynasties, while no more than 15% are ready to transfer their businesses (fully or partially) to the ownership of family members. Therefore, our study indicates a certain gap between practices and values concerning the future of family and children. On the one hand, family business, family dynasty and the idea of transferring business to heirs are an important value for one-half of our interlocutors; this features in their ideal

Table 31. Involving family members in business Figures provided indicate percentage of participants
 “Do you consider it possible and correct to involve family members in your business? Please explain why.”

Open question

	Consider it permissible (percentage of total group – 64)	Consider it impermissible (percentage of total group – 28)
Depends upon children:		
Children’s desire is important	30%	10%
The children should choose and have their own life	21%	10%
The children prove themselves as professionals	17%	
This is good:		
If it is important for upbringing, maturation,, experience is transferred this way	30%	
This is good and correct	9%	
Depends upon me:		
If I have this desire	26%	
No such desire	4%	15%
Partners’ position is important	9%	
It is difficult to exclude my participation from business	4%	
Business risks:		
It is dangerous, high risks	13%	40%
This is bad for business		30%
If the children join my business – this affects the objectivity of their self-assessments	4%	
Business autonomy:		
Roles in family and business should not be combined	4%	50%
It is better for them to work in a separate business	9%	10%
They should learn to succeed independently	4%	20%

Table 32. Involvement of family members in business and intra-family relationships

Figures provided indicate percentage of participants
 “How do the involvement of family members in business and in the work of your business affect relationships in the family?”

Open question

Positive statements	55%
Grounds for communication and transferring experience	21%
Experience of independence and mistakes	21%
Important for relationships	17%
Important for upbringing	14%
Challenges occur	14%
The effect is good	10%
Professional growth	7%
Creation of a sense of participation in father’s business	3%
Neutral statements	46%
We learned to cope (separating roles, upholding rules)	28%
No effect at all	21%
Need not to interact at work	7%
Negative statements	32%
Bad for relationships (problems arose)	24%
Bad for business	17%
Risks (potential) for relationships	10%
Roles cannot be combined	3%

future. On the other hand, they understand that the children cannot and should not “automatically” inherit their father’s business. They should be free to choose and have their own path of self-realization. Moreover, their professional level should correspond to business realities. This is perfectly evident

Table 33. Whom have you involved/are you ready to involve in business

Figures provided indicate percentage of participants
 “Whom among your family members are you ready to involve/have you already involved in managing your main business or a portion thereof?”

Any number of answers

	Ready to involve	Have already involved
Spouse	13%	24%
Children	59%	17%
Grandchildren	9%	–
Nieces and nephews	9%	7%
Siblings	16%	14%
Cousins	13%	10%
Parents	3%	10%
No one	22%	48%
Other	16%	10%

59%
 are ready to involve
 their children in business

analyzing the answers as to why wealth possessors consider it correct or incorrect to involve relatives in business and how this affects relationships in family (see table 31).

The answers show that, even for entrepreneurs who consider it possible to involve family mem-





«Space-Force Construction». Lyubov Popova

bers in their businesses, this position does not become unequivocal. They see various risks to business, they plan to assess the professionalism of family members, and most importantly: they definitively retain for themselves the “final decision.” Nevertheless, the clear leitmotiv of their judgements is the need to provide their children with the right to determine their future independently, finding their own life interests and their

own path (51% of this entire group). Moreover, the respondents acknowledge that involving children in business is important for the upbringing and maturation of the younger generation, in order for them to gain experience both in business and life (30%).

Those opposed to involving family members in business show pragmatic positions. They speak out against the combination of family roles and roles

in business (50% of this entire group), as well as calling attention to various business risks (altogether 70%).

“One should fraternize with friends and live together with family, not work with them.”

“Working in business is a particular function, plus the wrong message is sent to all <employees>.”

“Relatives and work are two different hypostases. Any organization should have a strict hierarchy. And where is the guarantee that the relative will prove to be flawless? How can you fire a relative? Neither work nor any relationships at all with the relative will be possible.”

A further argument, according to our interlocutors’ statements, is that involving a particular family member in business has an impact on relationships in the family. One-half of our interlocutors (55%) look positively at such involvement. Various positive moments are described: it is important for upbringing, for professional growth, for transferring experience and for experiencing independent achievements and failures. A further 32% of wealth possessors mention some negative factors. In addition, slightly less than one-half of participants (46%) believe there is no impact on their own family (see table 26).

Nevertheless, over one-half of our respondents (59%) said they had had conflicts, challenges and friction within the family as far as their businesses were concerned, and they had to settle these, one way or another. And even those who had never faced conflict situations (41%) occasionally espoused the belief that, even if there are no open conflicts, such risks always exist. The question arises as to whether the business experience of children and family members justifies the risks to business and the danger of destroying kinship relations.

Even so, over one-half of participants (59%) are ready to involve their children in managing their businesses under certain circumstances. However, only 17% of the businesspeople have such experience, while 24% mentioned the experience of work-

ing with their spouses. One-half of our interlocutors had never participated in joint management, nor worked with any family members (48%) (see table 33).

Therefore, it turns out that for the majority of businesspeople surveyed, the participation of family members (above all children) in their business appears to be a strongly-expressed value. At the same time, a clear majority perceive risks and dangers in such involvement, both for business and for the family. It seems that the possibility of involving children.

Against this backdrop, our question as to which variants seem most preferable to involve children in business is slightly broader than a mere question of business. In answer to it, our interlocutors in fact spoke about models of children’s upbringing, about their involvement in the business where their father works; to them this is a question of attitude towards money, of children’s desirable attitude towards parents and vice-versa. Not coincidentally, in first place are mentoring (conversations and discussions about business) and specialized education: 67% and 57%, respectively (see table 34).

Apparently, our interlocutors reinterpreted this question, approximately assuming the following: “how to instill in children ideas about business and money in general, even if I will not actually involve them in my business?” It is important to add to the first two positions, which are of a clear educational nature and unrelated to involving children in business, the answers of a further 19%: to provide the opportunity to experience independence and decision-making (answers from the position “Other”). That is, a relevant topic for Russian wealth possessors is special education and upbringing, different from both business education and vocational specialized education. It appears that this type of education should focus on the pragmatics of business and wealth succession, even if the children will subsequently choose another career and path of self-realization.

For Russian businesspeople and wealth possessors, family remains a moral category connected to values, norms, worldview and biography, as well as to themselves as individuals

"It is important to assist them in their own initiatives and requirements, in order to understand the child and how sensible their next 'whim' is."

"This is a major problem for us – there is no special education to gain independent business skills or a career, to realize that an architect is not the same as the head of an architecture bureau."

"They need not be businesspeople; the children shouldn't take on my business. Why the burden? Let them be ballerinas or artists perhaps. Either way, they must understand that money isn't earned just like that, and they still will have to work with it in order not to dump it all away. At some point you must begin <doing this>."

Nonetheless, which strategies do wealth possessors choose in order to solve the complex equation regarding their family's future and the future of their businesses?

Family and business: five strategies

One of the features of our research topic is that the family performs a dual role as far as business and wealth succession are concerned. On the one hand, this is an economic factor, participating in or, at a minimum, affecting the nature of strategic decisions in business. On the other hand, the family acts also as an extra-economic category, to which principles of calculated rationality, based on cost-benefit comparisons, are inapplicable. Our interlocutors are well aware of this duality, and they seek to determine the "optimal" strategies and principles for the coexistence of these two "arenas" – business and family.

Thus, five main strategies are precisely mapped out. The first is "isolation," when the family, for any particular reason, is not involved in any business issue at all, and in the strictest

Table 34. Strategies for involving children in business

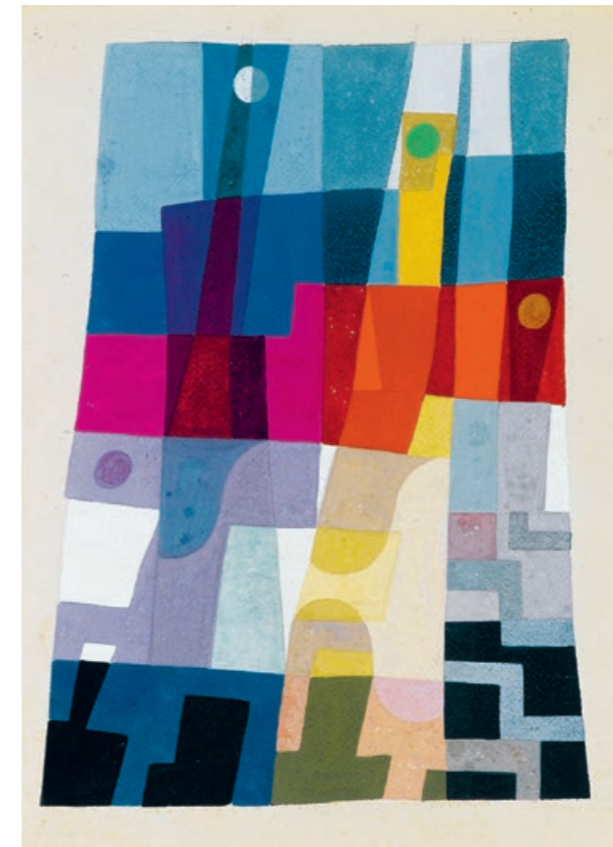
Figures provided indicate percentage of participants "Regarding the task of how to involve children in business, which variants seem more preferable to you?"

Any number of answers

Merely talking and discussing about business	67%
Providing a specialized education	57%
Hiring as one of the company's regular employees	50%
Involvement in discussions and meetings regarding business	37%
Tasking with the management of separate businesses with participation of professional managers	23%
Assigning separate business tasks	20%
Hiring as a manager	7%
Involving in philanthropic and charitable activities	3%
Other, including:	27%
...providing the opportunity to gain experience of independence	19%

variant, even in discussion of important questions concerning the estate. In this case, family ends up as beneficiary of the entrepreneur's business activities.

The second strategy is "cooperative autonomy." In this case, the entrepreneur participates in family affairs as investor: family members showing interest in business activity receive the op-



«Composition». Sophie Taeuber-Arp

portunity to raise investments for their "project" (as a rule, a one-off), and then develop it more or less autonomously. Thereafter, they may buy out a stake, propose other projects for joint financing, or carry out a fundamental demarcation of the business affairs, preserving a certain partnership regarding family wealth.

The third strategy is "business university." When choosing this variant, the entrepreneur gives a particular family member the opportunity to implement a biographical task through his or her business.

This primarily concerns children about whom expectations are not fully defined yet (could they become successors or not?), although there is a clear and conscious desire "to give them experience," "teach and raise," "let them make independent decisions and experience achievements and

failures," so that they may assess whether or not they wish to work in business.

The fourth strategy is "clan history," when a business forms through the merging of family and business connections, when a broad yet fairly closed environment of mutual support among several groups of families is formed.

The fifth strategy is "family business." In its extreme form, this is an organization where close people, linked by the most varied types of kinship, work, have worked and plan to learn the basics of the business profession. In this case, business activity is intertwined with kinship and family relationships. Inevitable conflicts are resolved by different methods: creating precise and even formalized rules, developing a particular attitude where conflicts are the "norm," delegating to relatives such tasks and activities that could minimize the need to conduct common actions within a single business (sometimes even being alongside). In any case, for Russian businesspeople and wealth possessors, family remains a moral category relating to values, norms, core worldview and their biography. To a great extent, this determines the difference in approaches towards succession issues and towards the involvement of children, family and relatives in discussions about business and wealth.



«Живописная конструкция», Любовь Попова

PHILANTHROPY AND SOCIAL RESPONSIBILITY

« From a very young age, my idea was to accumulate wealth so that it would return to society (the people) in the form of useful institutions; throughout my life this thought never left me.»

Pavel Tretyakov

1

2

3

4

5



"Architectonics in Painting". Lyubov Popova

Main Conclusions

All the wealth possessors surveyed participate in different kinds of charitable activities, although they do not always acknowledge this participation as "charity work." Most of them prefer direct participation in charity and philanthropic activities, without institutional mediation.

In general, Russian entrepreneurs view philanthropic activities in the traditional way, as help to the needy, who are not part of any deviant groups (convicts, homeless) and lack an independent political or economic status (sick children, orphans). Wealth possessors very cautiously regard support for the media and social initiatives.

Readiness to participate in philanthropic projects is motivated by a particular parenting strategy, by the aspiration "to change the unpleasant surrounding reality" and by the clear understanding that initiating philanthropic activity is a business decision that entails a new series of risks, typical of any business project.

Involvement and priorities

Philanthropy is defined as voluntary, organized effort and investments aimed at achieving socially important goals. Its forms of realization can be personal participation, investments and gifting funds

for public needs. Philanthropy has existed since antiquity and is present in different cultures and civilizations; it is often run by religious societies and churches. In Europe, beginning from the XVIIth – XVIIIth centuries, organizations of merchants and manufacturer started to appear and to oversee the distribution of funds for philanthropic needs. In the XIXth century, major individual estates were put towards the establishment of private philanthropic foundations supporting the arts, education, medical research, social services and urban infrastructure systems, environmental protection programs and more. Until the revolution, Russia had its own traditions whereby the owners of major estates cooperate to resolve crucial social issues and help the needy.

In today's Russia, slowly but steadily, traditions of philanthropy and charity are being reborn, both at the corporate level as part of social responsibility programs and at the personal and family levels – when the general public and entrepreneurs, together with their family members, serve as volunteers and philanthropists and participate in charitable activities. In most cases, such family activities in the social sphere are not publicized, since they are done for personal reasons, not for publicity. In our study, we were interested in the personal participation of our respondents and their families in philanthropy and charity. It is important to understand the spheres in which Russian philanthropist-entrepreneurs operate, how they do this and whose support is important to them for the implementation of these projects.

The study findings demonstrate that all of the wealth possessors surveyed participate in philanthropic activities in one form or another, although they do not always acknowledge this as "charity work." According to the statements of several major businesspeople, they wish to have nothing to do with the institutional philanthropy sector in Russia today, which is viewed as a decoration to serve the private interests of managers of charitable foundations and organizations. Philanthropy in Russia often carries a compulsory character, where major business falls

Table 35. Participation in philanthropic initiatives

Figures provided indicate percentage of participants "Have you or have you not participated in philanthropic initiatives or projects over the past one- two years? If so, in which specific ones?"

No, I haven't	0%
Children (orphans, gravely ill)	78%
Church, religion	56%
Help for the indigent (elderly families, immigrants)	50%
Help for school education	50%
Sport	41%
Arts and culture	44%
Medicine and Healthcare	38%
Higher education and science	34%
Families (many children, migrants)	28%
Media and journalists	25%
Small business	19%
Support for public initiatives	19%
Socially troubled (addicts, homeless, prisoners)	9%
Other	9%
Struggle to answer	0%

under administrative or moral pressure, inducing it to participate in philanthropic projects. In this situation, entrepreneurs do not understand the goals of their participation in charity, nor see the results thereof, and so they believe their funds are spent inefficiently and under opaque schemes.

In other words, the Russian sector of philanthropic funds and organizations possesses considerable reserves to increase the level of trust of private wealth possessors. Donors require that the information about this sector is complete and based upon clear results.

56%
need services
of professional charity
project managers

Table 36. Forms of participation in philanthropic initiatives.

Figures provided indicate percentage of participants
“How did you participate in these projects?”

Individual donation/was a volunteer	94%
Through professional charitable funds	53%
Through a corporate fund	19%
Through my own fund	9%

Next, we shall analyze answers to the question as to in which specific philanthropic initiatives and projects wealth possessors have participated over the past two years. The study showed that philanthropic projects with a strong social orientation, aimed at helping the indigent and children, enjoy far more support among study participants than projects in the sphere of science, media, medicine and public initiatives.

Participants assign the highest priority to “politically safe” projects, in favor of groups who, in the understanding of our interlocutors, are not full-fledged economic subjects (children, schoolchildren and the indigent) and elicit no negative emotions (unlike addicts, the homeless and prisoners). Small business owners, journalists, public activists, scholars and university professors also rarely receive the attention of Russian philanthropists

Table 37. Necessary support of philanthropic activities

“Whose support and help for developing your charitable activities do you require above all?”

Figures provided indicate percentage of participants¹.

Professional charity project managers	56%
Family	34%
Volunteers	34%
Religious associations	22%
Government	19%
Consultants and professional service providers	19%
Organizations providing thematic education	16%
Foreign charitable foundations	13%
Local self-management entities	13%
Professional Non-Profits	9%
Financial institutions	6%
Public chambers	3%
Law enforcement agencies	3%

The majority of study participants also donate funds to church and religion (56%), while a considerable portion supports sport (41%). Donations for the needs of one’s confession have always been an essential part of philanthropic activities – this is a traditional form of activity. Supporting sport is frequently related to the entrepreneur’s own participation in a particular sport and their desire to assist the development of children’s and youth sport.

In general, Russian wealth possessors view philanthropic activity in the traditional tenor, as help for needy individuals, who are not deviant types (con-

¹ The sum exceeds 100%, because it was possible to provide several answers

Entrepreneurs do not always trust institutional forms of charity management, suspecting employees at such organizations of insufficiently pure intentions when distributing funds received

victs, homeless) and lack independent political and economic status (sick children, orphans). Respondents regard with a high degree of caution support for the media and public initiatives.

During the study, we asked about forms of participation in philanthropic projects. Nearly all respondents (94%) had personally donated or volunteered, over one-half used the services of professional charitable foundations (53%), around one-fifth of wealth possessors (19%) had used corporate funds, while only one in ten used the resource of their own foundation for philanthropic activities (9%). The majority of participants prefer direct participation in charity and philanthropic activities, without institutional mediation.

The study showed that the businesspeople surveyed require the services of professional charity project managers (56%), and expect help from families (34%) and volunteers (34%).

A small number of study participants – from 12% to 19% - relies upon the government, local managerial entities, consultants in this sphere and organizations providing a thematic education. One-fifth (22%) expect help from religious associations.

Curiously, only a few participants rely upon the help of professional non-profits (9%), although the majority expects the help of professional managers. Essentially, non-profits belong to the segment of professional expertise in the sphere of philanthropy and charity, although wealth possessors do not rely on them. This could have two explanations.

First, because of changes in legislation on non-profits and the media campaign accompanying their work, the abbreviation ‘NKO’ (nekommercheskaya organizatsia, Russian for ‘non-profit’) itself has become partially discredited. Not infrequently,

NKO are associated only with the activities of political and law enforcement agencies, with which entrepreneurs are reluctant to collaborate. Therefore, our interlocutors do not view non-profit organizations as institutions to work with in order to help their philanthropic activities.

Second, according to numerous entrepreneurs, there has been reputational inflation of the organizational forms of charitable activities. Entrepreneurs do not always trust the institutional forms of charity management, suspecting employees at such organizations of insufficiently pure intentions when distributing funds received.

The third explanation partially relates to the second. Our study shows a gap between large potential demand for professional services of charity project management and mistrust in the quality of management in this sphere on the part wealth possessors, who themselves have rich experience of effective business management. Ruben Vardanyan previously characterized this gap between demand and expert services supply in the author’s column of Pioneer magazine:

“Plus the professionalism of the charity industry in our country is generally rather low. <...> I see that Russian charitable organizations face several fundamental problems today. First is the lack of a systematic approach. The vast majority of foundations battle with the symptoms of particular problems, rather than the sources. This relates to a lack of long-term vision and characterizes not only charitable institutions, but also our society in general. We fail to see where we want to be in 20-30 years. We have many wonderful undertakings that are abandoned halfway through or perish through ineffective management. Second is the lack of a precise assessment system. How to assess the effectiveness of any particular



Table 38. Principles for choosing philanthropic projects

“What are you guided by in the sphere of charity when you choose philanthropic projects? Please briefly describe your motives or principles. Figures provided indicate percentage of participants. The sum exceeds 100%, because it was possible to provide several answers.

Control and addressness	61%
Addressness of aid	42%
Specificity of program, request, project	19%
Possibility of control, transparency	16%
Personal factor	36%
Trust (in people, the fund)	23%
Director's personality	13%
Personal acquaintanceship with the director, disposer of funds	10%
Reputation (of people, of the fund)	3%
Professionalism	39%
Professionalism of the disposer of funds	29%
Success rate, efficiency, experience	16%
International standards	3%
Long-term effect	16%
Long-term (omnibus) effect from the project	13%
Project's capacity for independent existence	7%
Systematic approach	10%
Own guidelines and principles	48%
Desire, emotions	26%
Conformity to family's values and my own	16%
Own program and priorities	10%
By recommendation	7%
Don't give money	3%

¹ The sum exceeds 100%, because it was possible to provide several answers.

foundation or organization? How to measure a project's success? How to ascertain how much money to allocate for a project? Finally, how to establish connections with donors so that they understand how effective the structure they gave money to is? All of these questions require interpretation and detailed development.

The ambiguous position of our interlocutors regarding institutionalized forms of charity does not mean that they feel no social and moral obligations before society in general and communities they are close to (ethnic diasporas, religious communities, etc.). **The wealth possessors surveyed actively engage with charitable and philanthropic activities. Such involvement carries an extra-institutional character and is viewed as a personal moral debt and responsibility.**

We can confirm this thesis analyzing the answers about the principles guiding the choice of philanthropic projects. We grouped all of the answers into several semantic cells, which also defined the core principles and motives of the choice.

It turned out that to wealth possessors it is highly important to control the spending of donated funds, and how accurately and completely they reach the recipients. The donors' mistrust in formal institutions and organizations was expressed by the emphasis of many respondents on the importance of the personal factor when deciding whether to participate in charitable projects. Only by relying on the undisputed moral authority of the director of charitable foundations, and even better on impressions from personal acquaintanceship, do donors resolve to participate in projects. Study participants also mentioned professionalism in terms of conformity to international standards and the professionalism of the appropriator of funds as factors taken into consideration when deciding whether to donate funds to charity. Lastly, attention is paid to how funds have long-term social

benefits. Besides this, respondents heed acquaintances' recommendations and can spontaneously decide to donate.

Analyzing the answers concerning the principles and motives to invest in charitable projects, we could draw the following conclusions:

First, extra-institutional factors based upon personal trust are particularly important to donors;

Second, they assess the results of their charitable activities according to the business efficiency categories they are used to, namely benefit, control and addressness. The majority of wealth possessors (81%) believe charity and philanthropy to be an important area of social responsibility. For many, a further important topic is environmental protection (52%) and the sphere of social entrepreneurship (44%).

Moreover, during conversations with interviewees, many queried as to the meaning of the term 'social entrepreneurship.' Despite active discussion thereof and its use in the professional environment of charitable foundation managers, to potential and current donors alike this term remains somewhat unclear. An important result of this study could be that many professional terms from the sphere of social responsibility and philanthropy are not always clear to the broad public and even to those groups which act as subjects and objects in this sphere. Such concepts also include, in particular, 'social entrepreneurship.'

Study participants named support for local communities (59%), public organizations and non-profits (50%) as the least important in the sphere of social responsibility. However, hardly anyone among our interlocutors considered the topic of charity unimportant. Perhaps wealth possessors do not clearly understand what is meant by assistance to local communities. In addition, the aforementioned conclusion regarding mistrust in institutionalized forms of social responsibility represented by non-profits and foundations is confirmed.

Philanthropy and Family

The decision to participate in philanthropy, as well as the activity itself, are often viewed as an important part of family values. Both personal examples of participation in charitable activity and involvement of family members therein form behavioral models fostering the orientation of children and other family members towards societal values.

Our study showed that the majority of Russian wealth possessors (66%) talk about philanthropy and charity with their children. Specifically, in 77% of cases family members are involved in activities in the social responsibility sphere. Moreover, for 18% of our interlocutors, spouses act as the initiator of such involvement, bringing their second half to this form of activity.

Over one-third of study participants (35%) have involved their family members in charity and philanthropy as volunteers. **The children of nearly one in ten (12%) participate in their own charitable project.** The family members of 18% of our interlocutors have participated in fundraising drives. In general, answers on the forms of participation of family members in charity showed that this practice is widespread among the families of wealth possessors and that the forms of family members' participation are highly diverse.

During the study, respondents told us how, in particular, participation in philanthropy and charity affects family relationships. Many project participants noted **the importance of children's participation in charitable and philanthropic practice: this has a positive effect on personal formation and accumulation of life experience for the younger generation.** Our interlocutors spoke about developing moral life principles and gaining practical skills for managing actual projects. In addition, family members' participation in charity and philanthropy positively affects family relationships, making them stronger and building a shared values basis. No one among study participants noted a negative effect on family relationships from joint participation in charitable activity.

Table 39. Participation of family members in philanthropy

Figures provided indicate percentage of participants "Do members of your family participate in charitable and philanthropic activities? If so, how in particular, and in which forms do they participate?"

Participate	77%
Volunteerism	35%
Children have their own projects	12%
Gathering items and books	12%
Do something themselves for children	6%
Mutual involvement	
Spouse involves	18%
Bring with me, set an example	12%
We set tasks	6%
Fundraising	
Charitable markets (exhibiting one's works)	18%
Participation in fundraising	6%
Non-systematic participation	
Do not compel	12%
Participate non-systematically	12%
More would be better	12%
Sporadically	6%
Do not participate	19%

Table 40. Philanthropy and family relationships

"Does participation in philanthropy and charity somehow affect relationships in the family? How exactly?"

Figures provided indicate percentage of participants ¹.

Upraising, experience	29%
Their grow	22%
They learn how to do projects	16%
They receive independent experience	11%
They develop personhood	10%
They begin to understand what is good and bad	7%
Children should understand the need for philanthropy	7%
Intra-family relationships	39%
Support of family unity	19%
It helps transfer values	10%
It supports my authority	3%
Good for the family	3%
No impact	23%
They are unaware of my involvement	10%
Neutral, nothing in particular	7%
Struggle to answer, assess	10%

¹ The sum exceeds 100% because it was possible to provide several answers





«Bureau and Room». Kazimir Malevich

SERVICE PROVIDERS: REQUIREMENTS OF ENTREPRENEURS



Wealth is something one can happily live without, although wellbeing is something necessary for happiness.»

Nikolay Chernyshevsky

Table 41. Service providers (assessment)

Figures indicate the average score provided by everyone having used services of the corresponding providers. Figures provided indicate percentage of participants. “Each card indicates one of the typical requirements of businesspeople and typical service providers who cater to these requirements. Please assess, from 1 to 5, how satisfactorily your queries and requirements are met.”

	Financial consultants	Asset management	Education and career planning of family members	Organization of recreation and leisure
Own family office	3,63 (44%)	3,57 (39%)	2,25 (11%)	3,82 (31%)
Outside service provider (any)	3,36 (39%)	3,1 (28%)	3,89 (25%)	4,2 (42%)
Private banking (bank subdivision for private capital management)	3,88 (47%)	3,67 (33%)	1,33 (8%)	2,75 (11%)

Entrepreneurs, wealth possessors and their families are an important target group for various service providers – banks, legal and consulting firms, educational institutions, and companies operating in the luxury and lifestyle segment. Quite often, apart from providing financial services, service providers seek to function as full-fledged accompaniment for all aspects of clients’ lives and that of their family circle, including the organization of educational and career strategies for children, assistance in major purchases, medical accompaniment, organization of leisure and recreation. In Russia, this segment is still forming. Therefore, today it is extremely important to understand preferences, expectations and concerns regarding the range and character of these services.

After the financial crisis of 2007-2009, wealth possessors’ trust in banks declined. Family offices providing services of asset and investment management started to increase their popularity (Capgemini, 2012). Nevertheless, these institutions are insufficiently researched. This owes to

the difficulties of receiving information about such structures (Amit et al., 2009), as well as a broad interpretation of the idea itself (Welsh et al., 2013). Except for members of the wealth management sector, few were interested in family offices.

For the purposes of our project, we grouped various types of service providers into three categories: private banking, own family office and any outside service providers. During the study, we empirically measured the requirements of wealth possessors for the services of outside providers. We asked our interlocutors to indicate which group of providers renders a particular service to them, as well as to assess the extent of satisfaction with the services provided according to a five-point scale, with 0 indicating “very dissatisfied” and 5 – “satisfied to the highest extent.”

In the financial consultation sphere, satisfaction with all three groups of providers is almost uniform, with private banking holding a slight lead, including in the frequency of inquiries; in second place are family offices. In the asset management

Table 42. Motives for choosing service providers

Figures provided indicate percentage of participants “When deciding who will manage your wealth, what is most important for you?”

Professionalism, competence, success rate, effectiveness	68%
Trust in the manager, reputation	39%
Honesty, decency, reliability, transparency	32%
Particular demands to management: security abroad, being consiglieres	18%
Independently managing wealth, having corresponding competencies	17%
Creativity, breadth of views	14%
No trust in managers	7%

sphere (investment activities), banks once again place first by degree of satisfaction, although, at the same time, services of this kind are more frequently addressed to family offices.

Among non-financial services, the situation is the opposite. Holding a significant lead here are narrowly-specialized service providers. Several of our respondents contacted their banks with tasks regarding the education and career planning of their family members and were left very satisfied with the service caliber. The assessment of family offices in this area is again below average. It should be noted that study participants prefer independently solving this kind of questions. Satisfaction with outside service providers that organize leisure and recreation was highly rated (4.2 points), and such companies received the majority of inquiries. Family offices are in second

Table 43. Own specialists

Figures provided indicate percentage of participants “In which areas do you have or would you like to have your own specialists?”

Property management	50%
Tax planning	50%
Asset management	47%
Financial consultation	47%
Legal accompaniment	47%
Banking services	33%
Accounting and reporting	33%
Information technologies	30%
Risk management	27%
Career growth and education of family members	27%
Concierge services	23%
Security	24%
Philanthropy	20%
Insurance	13%
Mergers and acquisitions	10%

place (3.82 points), and banks are clear outsiders (2.75 points).

Even though family offices are a relatively new form of work with HNWI in Russia, some experience in this sphere already exists. The scores given to the services of family offices allow for concluding that respondents view them more as assistants in the management of assets and estates and less as a comprehensive structure for managing family life.





«Painterly Architectonic». Lyubov Popova

Apart from financial services, service providers seek to provide full-fledged accompaniment for all aspects of their clients' lives. In Russia, this segment is still taking shape, so it is extremely important to understand preferences, expectations and concerns regarding the range and character of these services.

This is indicated by the relatively low number of nonfinancial inquiries. At the same time, world experience of family offices shows that precisely these firms play a significant role in organizing everyday life and biographical planning of family members of HNWI's.

One can conclude that respondents' ideas about the services provided by different kinds of specialized providers are quite traditional. In particular, banks are primarily viewed as financial institutions, yet do not serve as centers for meeting the needs of HNWI families (see table 41).

We also sought to clarify the criteria that guide wealth possessors when choosing their wealth managers. All responses to this question were split among several groups describing the full range of opinions of study participants (see table 42).

For the majority of study participants (68%), professionalism, competence, and effectiveness are the key factors when choosing a manager. In second place is trust in the manager and his or her reputation on the market. In describing features of professionalism, our interlocutors actively used the ideas of "reputation," "honesty," "smell for economics," "loyalty," "conservatism" and "transparency."

About one-fifth of respondents (18%) set forth special demands in issues of security and confidentiality: they want the manager to be a counselor and to demonstrate an individual approach to the client's interests and wishes. Fourteen percent of study participants expect creativity, a creative approach and breadth of views from professional managers.

Some of our interlocutors (17%) work in the sphere of financial services and independently manage their wealth. A small group (7%) experience mistrust towards outside wealth managers in general, believing that Russia lacks people capable of successfully managing such complex objects.

As part of the study, we asked wealth possessors what kind of specialists they need or may already have. In other words, we asked our interlocutors to describe their ideal family office structure. Our findings showed that the most demanded services relate to the management of real estate, finances and other kinds of assets, as well as tax planning, financial consultation and legal accompaniment. The demand for services relating to risk management, security and insurance is much lower.

Bearing separate mention is the demand for in-house services for children's and family members' education (27%), despite the far greater degree of satisfaction with outside service providers, as described above. Together with the apparent desire of wealth possessors to have their own specialists, this could signify the inevitable increase of family offices in Russia, their professional growth and expansion of the range of their services and technological potential.

In addition, 20% of wealth possessors have or would like to have their own specialists in the sphere of philanthropy. Given the substantial demand for professional managers of charity projects, one could argue that businesspeople's own charitable structures will soon replace ineffective and opaque (in the wealth possessors' opinion) philanthropic non-profits

Appendixes

Appendix 1:

Theoretical basis of the study

Studies of major entrepreneurship are complicated by the difficulty for sociologists to access this target group and by the character of the sample. In addition, researchers experience difficulties when planning and conducting research devoted to various sensitive topics. Therefore, studies rarely touch upon such issues as family, family businesses, business and wealth succession. Our project aims at studying precisely these topics, researching the principles of Russian capital and business owners, the extent of development of succession plans and the prospects, conditions and features of the existence of family business in Russia.

Family business as form of organizing entrepreneurialism

Terms and definitions

Family business is one of the oldest forms of business organization. Along with the development of shareholder capital and professional management, it has often been claimed that family businesses would inevitably become part of the small business segment. **Meanwhile, international practice shows that family businesses operate at all levels of modern-day capitalism.** For example, in Western Europe 5232 corporations in 13 countries – 44.29% of firms – are controlled by families (Faccio & Lang, 2002). Not infrequently, their share accounts for a quite substantial portion of added value, investments and job opportunities (Bjuggren et al., 2011). Family businesses account for around one-fifth of Fortune 500 companies (19%), up by 4% over the past nine

years. Studies show that the share of those inclined to trust family firms is 9% higher than the share of those trusting public firms: 73% versus 64%.

Family business is “a business whose control and (or) management are carried out to form and implement a business development concept, held in the ownership of a dominating coalition and managed by the members of a single family or small number of families, in such a manner as to ensure potential sustainability over several generations of this family or families” (Chua, Chrisman, and Sharma, 1999). Resulting from interactions between the family, its members and business, the company gains a unique set of resources and possibilities (Cabrera-suárez et al., 2001).

The ownership and management of family firms vary in terms of size and structure. Depending on the degree of the family's participation in business activities, family business could be subdivided as pre-family, family, family-adaptive and post-family. The managerial character of a family business participant is determined by his or her influence within the family and company (Holland & Boulton, 1984). Family and business are two interrelated subsystems. In family firms, stability is sought through mutual enablement. FA family participating in business achieves stability through different working conditions (McCollom, 1988).

A family business, like any other, has its own specifics, advantages and drawbacks. Let us characterize those relating to culture and values in the life of family firms:

- In family businesses the reputation, loyalty and commitment of family members are higher, which greatly increases the importance of preserving succession and integrity of both business and family relationships (Donnelley, 1964).
- Family businesses are sometimes characterized by nepotism, lack of managerial abilities and insuf-

Family and business are two interrelated subsystems. In family businesses, stability is sought through mutual enablement. A family participating in business achieves stability through different working conditions.

ficient discipline. In this case, it may be helpful to implement some rules in order to regulate the activities of family firms (Donnelley, 1964). A lower degree of professionalization, imprecise demarcation of authorities and unavailability of stock options for those who are not family members are also evident (Hayes, 1981).

- Family management relates to the availability of the so-called patient capital (Sirmon & Hitt, 2003), when investment decisions take into consideration the long-term horizon with little emphasis on short-term results. In firms not owned by families, on the contrary, managers are continuously spurred towards short-term results (Colli, 2013).
- Families can agree to lower return levels on invested capital (in comparison with mid-sized firms), thus managers have a wider range of possibilities for business management (Colli, 2013). Moreover, there exists the idea of restricting investments in order to preserve family control over assets (Colli, 2013).
- Centralization, a lesser extent of bureaucracy and having family members in upper management positions are advantages that render the decision-making process more flexible. This guarantees a more favorable condition facing highly uncertain situations (Hatum & Pettigrew, 2004).
- Families may not possess the necessary human resources to fill upper managerial positions, or, even worse, may have too many candidates for such positions though insufficiently qualified (Colli, 2013).
- In family businesses, it is typical to conduct thorough professional preparation of family members without interrupting work. This leads to a highly stable management, which, in turn, is

viewed as a preventative factor guaranteeing lower risks and uncertainty (Lansberg, 1983).

- Kinship relations and networks created thereby, especially at the firm's early stages, lower the level of uncertainty, ensuring access to important resources (Anderson et al., 2005).

There are at least two reasons why a family business can have a negative effect on changes needed in the business:

- a) the company's founder reluctance to change (Zahra, 2005);
- b) new managers' propensity to follow longstanding strategies instead of seeking new ones, resulting from the previous generation's involvement in the business (Davis & Harveston, 1999), so as to preserve at all costs the initial concept of the company's founder (Colli, 2013).

According to several authors, the combination of responsible management, special abilities to manage knowledge and a family corporate style improves the firm's orientation towards the market. This orientation is defined as “an aggregate of extraordinary abilities to understand and meet the needs of the firm's clients” (Cabrera-Suárez et al., 2011).

Researchers associate family firms with poor and mediocre corporate management (which empirical data confirm) (Shleifer & Vishny, 1997). Recent practical studies (Naldi et al., 2007) indicate a negative interconnection between family business and readiness to take risks (this especially regards general managers having worked in their positions for years (Zahra, 2005)).

A responsible attitude and trust based on personal interrelationships between people explain the pro-

¹ <http://www.economist.com/news/leaders/21629376-there-are-important-lessons-be-learnt-surprising-resilience-family-firms-relative?fsrc=nlw/hig/30-10-2014/E>

Responsible attitudes and trust based on personal relationships explain the propensity of family firms to participate in joint projects with other family firms.

propensity of family firms to participate in joint projects with other family firms (Fink, 2010). Family firms are less ready to conclude agreements on collaboration, since many of their characteristics complicate cooperation (Roessl, 2005). Such firms are frequently ready to decline the economic benefits resulting from a cooperation in order to preserve the advantage of “social-emotional wealth,” guaranteed by complete property rights and administrative management (Gómez-Mejía et al., 2007).

The internationalization of small and mid-sized family companies is quite successful. Quite often, this leads to the creation of “pocket” multinational firms acting as global leaders in certain market niches (Colli, 2013).

Private property and the concentration of management in owners' hands not only lower the efficiency of outside control mechanisms, but also leads to the emergence of the “self-management problem.” This is due to those motives inducing owners to make decisions that “bring harm to themselves and their surroundings” (Schulze et al., 2001).

The succession of family businesses

Succession is considered to be the most important problem in managing family businesses, although it arises only once in several decades (Ayres, 1990; Lane, 1989). The issue of family business succession is rarely raised (Lansberg, 1988). This is explained by the founders' reluctance to let go of the managerial reins, by doubts, when making decisions, which could cause a schism in the family, and by an illusory or real lack of connection between succession plans and goals (Firmstahl, 1986).

Studies show that **around 70% of family firms, once the founding stage has ended, are sold or**

liquidated (Lansberg, 1988). Lack of succession planning is one of the main reasons why first-generation family firms fail to outlive their founders (Lansberg, 1988).

Entrepreneurs planning to involve their children in business and succession at the age of 40 have greater opportunities to successfully transfer their family business than those who wait until the age of 50 or 60. (Danco, 1982).

However, each family has different ideas regarding the right time to involve the following generation in the business (Barach et al., 1988). Strategies of involvement, as well as succession plans, should be implemented when future successors are still young (Harvey & Evans, 1994).

Founders seek not to interrupt the flow of business when involving family members of the following generation: first, children, then other relatives (Corbetta & Montemerlo, 1999; Iannarelli, 1992; Kets de Vries, 1993; Llano & Olguin, 1986) and, lastly, employees with no kinship ties. If the following generation offers no suitable successors, they consider other options (even hiring outside individuals) (Ward, 1987).

Similarity of values between the current manager and his successor is much more important than formal planning for succession. In other words, succession in a family business depends upon compatibility with family values (Santiago, 1988). The founder's values condition the socialization process of the potential successor. Such process encompasses two stages. The first stage concerns socialization in the family and is shared by all of the founder's descendants. It consists of preparation and transfer of values.

The second stage involves socialization within the

company and concerns only the founder's potential successors (Garcí-álvarez et al., 2002).

We need to bear in mind that business management is often less pleasant and satisfactory to children than to their parents (Ambrose, 1983). An early involvement of potential successors stimulates their interest in the business and increases the likelihood of their future participation in it (Ambrose, 1983). Many families prefer to create a team of siblings, giving them ownership rights and management functions (Aronoff, 1998; Gersick, Lansberg, Desjardins & Dunn, 1999).

Family acts as a filter, affecting the family business's functioning. Children can be involved in business in four different ways: playing, observing and helping; helping with simple tasks; through regular unpaid help; through regular paid help

(Beach, 1993). Either the founder, who knows the business best of all, or other entities, such as the family, the board of directors, outside individuals within the board or outside consultants, can choose the successor (Sharma et al., 1997).

In order to successfully implement a succession plan in family businesses, some important factors are to be considered (Cabrera-suárez et al., 2001):

- Successor's education and practical experience. A higher level of preparation enables an effective transfer of knowledge.
- Early familiarization with the business helps the successor comprehend the features of its functioning and favor a smooth transfer of tacit knowledge.
- Appropriate motivation: the predecessor's desire to release managerial reins, along with the successor's desire to take on managerial functions.
- In family business, the founder's or the director's tacit knowledge is a source of competitive advantages, which distinguish family businesses from non-family ones. Transferring such knowledge to successors is strategically important for a family business. Protecting tacit knowledge by properly instructing successors guarantees the uninterrupted

functioning of the family business and its competitiveness (Cabrera-suárez et al., 2001).

- Interpersonal relationships (including personal satisfaction and influence) and family relationships (mutual respect and understanding, compromises between siblings, commitment to conduct the family business, tension or schisms due to involvement of family members) (Handler, 1992).
- The quality of working relationships between father and son changes in functional dependence upon their life cycle stages (Davis & Tagiuri, 1989). Factors interfering with the above-described order of succession:

- All potential successors among family members have declined managerial roles in the company.
- The dominating group rejects the candidacies of all potential successors among family members
- The dominating group speaks out against succession along family lineage, in spite of the existence of suitable potential successors who express interest (Massis et al., 2008).

The transfer of managerial functions within a single generation is, essentially, an unremarkable process in which several important parts remain uncertain: choosing a director, conflict of interests between generations and within the “new” generation, as well as a tense environment emerging during the growth process (for example with regards to the need to attract additional financial resources). Such a pessimistic (or, possibly, realistic) approach calls attention to the fact that, eventually, without proper planning, instability will reign in the organization (Colli, 2013).

Managerial succession

Managerial succession is the most important challenge for family business managers, as well as the most popular topic in literature about family business (Massis et al., 2008). The family's ability to adapt and the establishment of agreements concerning managerial succession and professional preparation are defined by the degree of this family's

interest in doing business, as well as by the quality of relationships between owner-managers and successors (Lansberg & Joseph H., 1994).

Studies have shown that family members work in family businesses more productively than outside individuals do. At the same time, considering the profits of such firms in percentage terms, one sees that they do not increase in proportion to increased spending on wages (Irchhoff & Kirchhoff, 1987).

The family system of cultures and values, rather than some formal management systems or corporate culture, can serve as the main mechanism of integration in a family business (McCollom, 1988). The aggregate of goals and values, together with the influence exerted by the family is what distinguish family firms from other types of businesses. All of these are deciding factors, which influence the goals of the family business, the nature of the firm's activities and the people involved in its work (Cabrera-suárez et al., 2001).

At the same time, various studies have shown that, in comparison with family members, outside managers are considered more efficient (Ford, 1988), although their involvement entails agency problems. It is not always possible to rely on their honesty or conformity with the family's interests and values (Burkart, et al., 2003).

The Russian entrepreneurial community has often been the subject of sociological studies. This emphasizes the importance of this group for a stable social and economic growth in the country.

The founder's timely departure from active management of the company and its transfer to professionals is a decisive factor for the family firm's transformation into a professional company (Liebtag, 1984). In certain cases, the firm chooses and appoints the founder's successor to the position of the new general director. At the same time, the successor holds this position only nominally, while the company is managed under the old regime. This phenomenon is called the "Russian succession paradox" (Shekshnia, 2007).

Entrepreneurialism studies in Russia

International entrepreneurialism studies are conducted in Russia as well. A survey of Russian businesspeople is part of a major international project within the longitudinal study Global Entrepreneurship Monitor (GEM), conducted in Russia since 2006. The program was launched in 1999 in ten countries, and by 2007 had expanded to include 42 national teams. The project aims at studying the level of public entrepreneurial activity in all countries included in the program in order to elucidate the contribution of entrepreneurial activity to economic growth. The object of the GEM study are primarily entrepreneurs themselves, rather than entrepreneurial firms. In Russia, the survey involves different regions and aims at studying entrepreneurial activity among the country's population. The survey primarily touches upon activity in the small and mid-sized business sector.

Studies of major entrepreneurialism are complicated by the difficulty for sociologists to reach the target group and by the character of the sample. Separate studies of major Russian businesspeople have been conducted in the format of expert interviews and high-level studies. Issues of family and business or wealth succession are touched upon very rarely.

Family office

A family office is a structure that allows owners of family businesses and capital to ensure sustainable management and effective disposal of an existing property. Nowadays, wealthy families use family offices to manage their estates. The number of offices serving the interests of a single family has risen to nearly 3 thousand in the U.S., while the value of assets they oversee totals from US\$1 trillion to US\$1.2 trillion. Apart from these, there are around 150 multi-family offices, overseeing assets totaling from US\$400b to US\$450b (Capgemini, 2012).

Entrepreneurs planning to involve their children in business and succession at the age of 40 have greater opportunities to successfully transfer their family business than those who wait until the age of 50 or 60. Lack of succession planning is one of the main reasons why first-generation family firms do not outlive their founders.

The main functions of family offices are: serving financial assets, combining accounts, family support, assistance in education, participation in charitable activity and concierge services (Amit et al., 2009). Family offices are mainly viewed as private investment offices. Questions relating to education, concierge services and philanthropy are far less important for families (Amit et al., 2009).

Philanthropy and Charity

Motivation

Charitable and philanthropic activities are present in the lives of most major businesspeople across the world. The motives to participate in this kind of activities are different for everyone: personal aspirations and values guidelines, the desire to support their image, outside circumstances. Entrepreneurial charity and philanthropy started hundreds of years ago, being linked to religious values and to the desire to improve the life of society.

International and Russian studies have shown the existence of several external and internal motives inducing donors to action:

Personal experience and knowledge. Personal familiarity with the objects of charity elicit the desire to help the members of this category (Small & Simonsohn, 2006; Polonsky et al., 2002; Radley & Kennedy, 1995). Personal experience also induces people to sustain similar needs (Small & Simonsohn, 2006; Polonsky et al., 2002; Radley & Kennedy, 1995;

Burgoyne et al., 2005; Smith et al., 1995; Bennett, 2003). For example, a grave illness among family members or friends induces major wealth possessors to invest in medical research or to assist people suffering from analogous illnesses.

Requests and appeals. More than 80% of donations directly result from requests and appeals (Bryant et al., 2003; Bekkers, 2005). Actively appealing for donations instead of passively presenting opportunities increases the likelihood that people will donate (Lindskold et al., 1977). As a rule, receiving a greater number of requests for donations relates to greater participation in charitable activities (Bekkers, 2005; Lee & Farrell, 2003), although there are some exceptions (Sokolowski, 1996).

Costs and benefits. When spending on donations declines, charitable activity increases (Bekkers, 2005; C. Eckel & Grossman, 2004; C.C. Eckel & Grossman, 2003; Karlan & List, 2006). "Rewards" for charity in the form of "selective" stimuli (that is, noncash incentives, for example membership in a closed club) increases the desire of philanthropists to donate their funds (Harrison et al., 1995; Buraschi & Cornelli, 2002).

Altruism. "Altruism" can be defined as the interest in the influence that organizations' activities can exert on society and aid beneficiaries (Andreoni, 2006). From an economic point of view, if others begin donating to the very same charitable activity, the potential philanthropists may experience the crowding-out effect: they will prefer not to partici-

¹ Global Entrepreneurship Monitor (GEM).

pate in philanthropic projects or objects in which, in their opinion, the majority are investing. Empirical investigations into the crowding-out effect show that such a phenomenon may perhaps exist, although it rarely appears completely. Several studies identified no crowding-out effect at all (Kropf & Knack, 2003; Marcuello & salas, 2001), while others, on the contrary, revealed an attraction effect (Brooks, 2003b; Khanna et al., 1995; Khanna & Sandler, 2000; Okten & Weisbrod, 2000). According to one study, the amount of government support is directly proportional to the number of philanthropists, and yet, at the same time, is inversely proportional to the average amount of private donations (Brooks, 2003a).

Reputation can be seen as the social consequence of donors' charitable activity. People who donate to charity enjoy great respect among their surroundings (Muehleman et al., 1976; Wiepking, 2008). If given the choice, people, as a rule, prefer others to know about their donations (Andreoni & Petrie, 2004), although in Russia this is not always true. Many avoid publicity so as not to create the feeling that they participate in charity for PR objectives.

Psychological advantages are the positive emotions and sensations relating to charitable activities. Joy of empathy arises (Batson & Shaw, 1991) from actual and effectual aid to the needy. An anthropological aspect exists here: according to the famous anthropologist M. Mosseau, gifting is a form of exchange, only the donor receives back a "warm light" (Andreoni, 1989) in response to his action. In addition, participation in philanthropy increases self-assessment (Ickes et al., 1976), especially if charitable activity is considered a societal norm (Schwartz, 1970). People who consider themselves successful are more likely to donate (Sargent et al., 2000). The existential aspects of personal philanthropy are related to the fact that, as studies have shown, prolonged consideration about one's own death makes people more generous (Jonas et al., 2002).

Defined values orientations enable to develop a propensity for charity. People with a greater propen-

sity for donations have altruistic values (Bekkers & Schuyt, 2008), are generally less materialistic (Sargent et al., 2000), appreciate piety and spirituality (Todd & Lawson, 1999), uphold the moral principle of care for surroundings (Schervish & Havens, 2002; Wilhelm & Bekkers, 2010), and care about issues of public order, general opinion and social justice (Todd & Lawson, 1999).

People pertaining to the HNWI¹⁸ category have their own motives to participate in charity:

- **A strong financial position** encourages people to donate to charity a greater percentage of their income and wealth (Murphy, 2000; Schervish, 2008).
- **The desire to limit the sums** left behind to heirs, teaching them to value inherited property. Philanthropy is a method of transferring financial morals by creating funds and trusts and involving the following generation (Schervish, 2008; Williams & Preisser, 2010). Companies which seek to encourage members of their families to participate in property and management of the firm supporting and (or) strengthening the extent of their participation, as a rule, are more actively involved in public charity (Reginald & Stewart, 2000).
- **Aspiration to influence the surrounding world.** A distinguishing feature of the charitable work of wealthy people is the ability to create, not just to support, charitable projects. This ability induces them to found their own funds (Schervish, 2008).

Russian context of charity

Russian studies on charity and philanthropy have revealed several important features of such activities in the country. At the end of 2014, two major studies of philanthropic and charitable practices released their findings:

- the Russian segment of an international study – the Coutts Million Dollar Donors Report, a study on major charitable donations in Russia, China, Hong Kong, Great Britain, the Middle East and the U.S., conducted in Russia jointly with the CAF Foundation;
- the first Russian rating of private philanthropy in

Family acts as a filter, affecting the family business's functioning. Children can be involved in business in four different ways: playing, observing and helping; helping with simple tasks; through regular unpaid help; through regular paid help

Russia's regions, compiled by the Russian Aid Foundation (Rusfond) based on a survey conducted by the company Business Analytica.

What do these studies show? According to the data of Rusfond, one in two Russia citizen has participated in charity, yet only around 8% of those surveyed regularly do so. The most common target of charity is to help gravely ill children.

Around one-half of philanthropists provide donations through charitable foundations, while one-fifth give money to acquaintances (neighbors, colleagues) who are gathering funds. An almost equal share of study participants send donations to the personal accounts of the needy. However, only a small number of participants were able to recall the names of the foundations through which they participated in charity.

Russian charity is characterized by extensively-developed, modern-day channels and methods for transferring funds, like SMS to short numbers. Studies of charitable practices in other countries have shown that, for example, citizens of the U.S., Australia and Great Britain prefer donating checks and cash, while donations through SMS are the least popular.

If the Rusfond rating concerns overall trends in philanthropy relating to the entire population, the Coutts Million Dollar Donors report deals with major charitable donations. According to these studies, major philanthropy and charity is evidently growing in Russia, totaling from US\$1m, thanks to the creation of charitable institutions and targeted capital foundations, to the popularization of charitable practices and formation of a legacy for future generations 126 charitable donations were recorded in Russia in 2013, totaling from US\$1m, altogether amounting to US\$1.01b. The study materials attest to a more systematic and strategic approach of philanthropists, who do not

merely spontaneously react to particular events and phenomena, but carry out regular donations based on long-term goals and missions.

The growth of major donations also relates to philanthropists' openness in providing more information about the donated funds. The study showed that foundations, government organizations and social services accounted for the greatest number of donations exceeding US\$1m. Among all the donations in favor of government organizations, 23 were accomplished by companies (including one major donation totaling US\$100m for government needs), one by a private person and one by a foundation. Nine donations aimed to benefiting foreign organizations. Higher education institutions (11 donations) and cultural establishments (10 donations) take third place by number of donations, slightly outstripping foreign organizations, which took fourth place.

According to the data of the two studies, the overall, large-scale trends in the charitable sphere in Russia are:

- increasing popularity of charity as a form of practical action among various social groups and in several regions of the country. People actively donate funds to charitable goals, through different channels and possibilities:
- long-term institutionalization of the charitable sphere and active use of contemporary technology for fundraising;
- Charity primarily carries a traditional character. People actively donate for gravely ill children and orphans, but to a lesser extent are ready to support culture, education and science.

Appendix 2:

Study aims and procedures

The main study characteristics, methodology, data gathering procedures, as well as a description of the principles ensuring the right of privacy are presented below.

Study "Passport"

Object of study: Russian wealth possessors, members of Russia's entrepreneurial community.

- Fieldwork stage: July-December 2014
- Data gathering method: personal interviews, surveying
- Number of survey participants: 39 people
- Length of interviews: from 50 minutes to 3.5 hours
- Privacy issues. Strict confidentiality and anonymous processing of data were based on several rules:
 - the interviewers signed a confidentiality agreement;
 - the respondents agreed to be interviewed and to go through survey-taking, audio recording and statistical processing of data;
 - respondents were given codes, rather than names, and all field materials were coded;
 - the information on respondents contained in field materials and capable of identifying informants, was anonymous:
 - use of passwords for access to files and databases;
 - special regime of physical storage of electronic carriers and field materials

Research methodology

Goals and tasks of the study:

- Elucidate Russian wealth possessors' attitudes towards asset management, business and wealth succession, charity and philanthropy,
- Understand the overall state of charity and philanthropy in Russia in connection with entrepreneurs' activity.

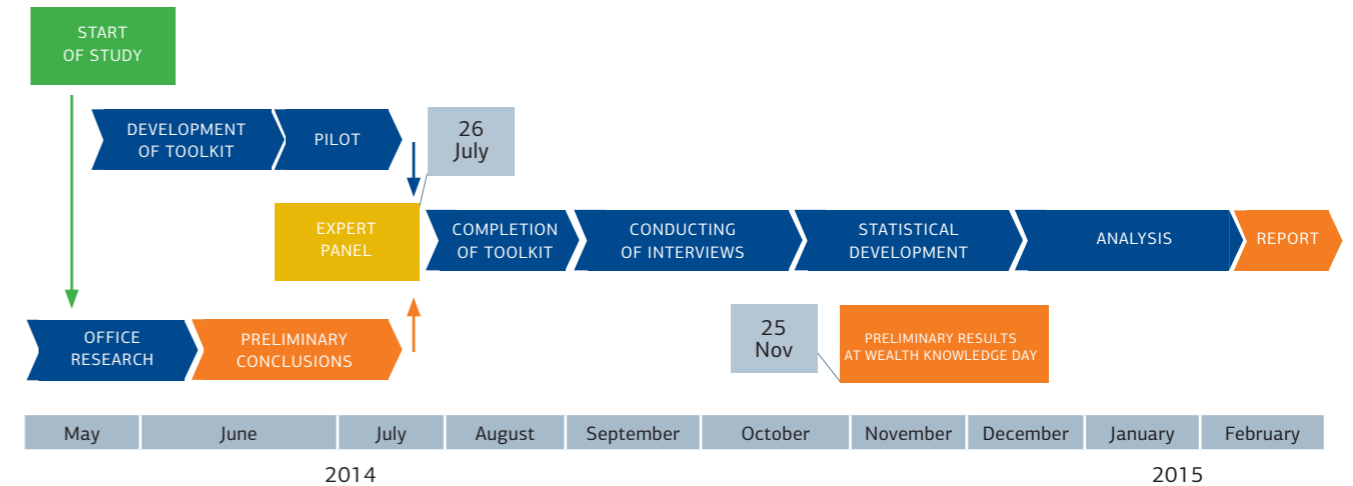
- Identify the extent of study participants' involvement in charitable activity.
- Identify the main factors motivating or discouraging study respondents to participate in charity.
- Define study participants' position relating to the management of assets held in the possession, ownership, entrepreneur's use or disposal of these assets or to those assets that public opinion associates with study participants' identity.
- Identify the amount of products and services offered by consultants in the asset management sphere, as well as extent of satisfaction of wealth possessors with the service caliber.
- Define study participants' position relating to succession and wealth transfer to following generations.
- Define the degree of importance and development of succession issues among study participants.
- Determine the main factors motivating entrepreneurs to explore succession issues.
- Determine the main factors hindering study participants from achieving stated goals in the succession sphere.

Study methodology

The main particularity of the study lies in the very specific target group – wealth possessors and entrepreneurs conducting their business in Russia. In the sociological classification, this category pertains: a) to wealthy, prominent people; and b) to a category of informants who are difficult to access. These circumstances largely determined both the methodology and the data gathering procedure.

Object and sample

The target group, or the object of the study, is Russian wealth possessors and entrepreneurs conducting their activities in Russia. Even if businesspeople



and wealth possessors have never thought about succession issues (at a certain stage in their careers), eventually this topic becomes a strategic task, as the awareness grows that "something to give the children already exists," but effective and predictable instruments to carry out this task are necessary.

The main sample consisted of several "lists" or "contact sheets," each of a different nature. First, the public list of Russia's wealthiest businesspeople as ranked by Forbes. Second, the businesspeople associated with the entrepreneurial community of SKOLKOVO business school. Third, the contacts of the largest service suppliers working for major wealth possessors, who decided to support the research group and project.

Therefore, the study organizers set the boundaries of the target group using their own contact lists or those to which they received access (directly or indirectly). The process to secure agreement to participate in the study involved several stages. At the same time, agreement was reached on the procedure of researchers' access to the contact sheets. Each inquiry was personal, and in several cases – through gatekeepers. If the potential respondent declined participation in the interview, this was his or her decision, and the researchers could record this.

The character of the sample can be defined in as following: the sample is –

- a) targeted (focused on a precisely defined social group);

- b) a network (using the possibilities of network "nodes," who were the holders of the contact sheets);
- c) accessible – with elements of self-selection (interviews were conducted with those who expressed interest in the study and readiness to allocate time in their schedule for the interview).

Entering the field

We were guided by several principles and conventions.

1. When possible, we diversified the access points to the researched aggregate. To this end, we used the contact lists of several partners of the project.

2. We worked with three kinds of gatekeepers (with different interaction strategies, depending upon the type):

- a) institutional – service providers agreed to inform their clients about the study and invite them to participate in it. Several closed conferences on the research topic took place, where the request for assistance was announced and stated to the potential participants;

- b) personal – that is the aides and deputies of our potential respondents; the informants' position largely depended upon their interest and understanding over the essence of the study. Personal meetings and consultations were held with them. In several cases, after participating in the interview, informants gave recommendations and

¹ High Net Worth Individuals – people with investable assets exceeding US\$1m.

helped contact other businesspeople suitable for the parameters we had set;

c) research group members – several research group members had their own trusted contacts of several businesspeople belonging to our target group.

We sent invitation letters, descriptions of the study's thematic structure and descriptions of the guidelines of the upcoming conversation (timing, confidentiality, and the possibility to read the findings) to all potential respondents and their aides. In several cases, this was accompanied by personal recommendations from those who had already participated in the study or sponsored it.

In addition, we initially sent a questionnaire form to fill in independently to those who agreed to participate in the study.

It was important when organizing the work to create a team of coordinators composed by three people. Their task was to inform interviewers about the upcoming interviews (which could be appointed instantaneously), coordinate the composition of the interviewer group, report meeting times and locations, provide all materials necessary for the interviews, keep track of the completeness of materials gathered ensuring their transfer to storage.

Toolkit

Data structure. The study toolkit consisted of:

- questionnaire forms, which documented informants' basic social-demographic characteristics;
- "portrait questionnaire" based on values according to the S. Schwartz concept and methodology of the European Values Survey (included in the questionnaire form);
- interview guide-protocol ("guide"), which documented informants' answers both formally (under the standard list of answer variants) and in the form of comments and statements. It bears noting that two guide-protocols appeared after every interview – one from the interviewer and one from

an assistant. The need for the latter resulted from the likelihood that the conversation would not be held with a Dictaphone and the interviewer would not be able to conduct a full-fledged dialogue and record answers and statements;

- interview audio recordings on Dictaphone (without transcription) – when the informant agreed on this ;
- interviewer reports – brief notes on the interview, nonverbal communication, informants' observations and comments pertaining to the quality of questions and the toolkit.

Preparation. The research group decided to combine the development of the toolkit with a piloting of the topic and of the interim versions of the form and guide-protocol. The final versions of the form and guide-protocol appeared after four iterations, each of which was accompanied by 2-3 pilot interviews. Particular tasks were set for each piloting, and decisions on changes were taken depending on the results. The task for the first piloting was firstly to elucidate participants' readiness to speak about the succession topic and, secondly, to learn their style and language.

For the second piloting it was timing, assessing the amount of excess interview time and the level of delicacy of topics and seeking the permissible depth of interest in interlocutors' private lives. After this, we decided to split the toolkit into form and guide-protocol.

For the third piloting it was timing, the appropriateness and clarity of formulations, completeness of answer variants, logistical failures, development of principles for dual interviews (interviewer + assistant). At this stage, we decided to use cards for several questions. We also definitively formed the order of the topics for conversation.

The task for the fourth piloting was to ease the interviewer's work with the guide, form and cards, to ensure colloquialism of formulations, design and graphic layout of the questionnaire, guide and cards.

Data gathering and confidentiality

Procedure. The interviewer participated in each interview and when the interlocutor preferred not to use a Dictaphone, there was also an assistant. In addition, because in most cases the assistants were members of the research group composed of employees from SKOLKOVO Wealth Transformation Centre, they acted as experts on the very specified topics of succession and business management and, when necessary, they were involved in the conversation when discussing nonstandard topics for the study.

After the conversation, the interviewer and assistant compared their recordings and discussed discrepancies in the answers recorded, if such were discovered. This considerably increased the veracity of the information gathered. In several cases, researchers turned to the interview audio recordings to clarify the informant's answers, positions, words or terms used. Afterwards, one of them transferred the information from paper to the model database for subsequent coding and statistical processing.

The questionnaire form required separate work. In rare cases, the respondent completed it the day before the interview. In most cases, the informant completed the form at the end or at the beginning of the interview. However, in some cases, the informant was given a blank form with the request to fill it in and give it to the researchers. In fact, the latter variant required a great amount of additional effort.

Confidentiality. At the very beginning of the project, the researchers developed guidelines for handling field documents, audio recordings and information storage. Agreements on the nondisclosure of information received during interviews were signed. In addition, the research group kept records on the circulation of field documents – completed forms and guides -ensuring their compact storage. Dictaphone recordings were immediately transferred to a device specially designated for this purpose. Access to the files was encoded with passwords, while the actual Dictaphone recordings were destroyed.

In this situation, it was important to ensure the cataloguing of all materials. We defined a unique code for each interview and assigned it to all field documents (form, guide copies, interviewer reports, audio recordings and database entries).

Interviewers

The interviewers' work, under the chosen method of gathering field data, became a key factor to the project's success. They were selected among researchers possessing considerable experience of the field as well as experience in interviewing challenging respondents and working with sensitive topics. We understood that the interviewer's human and personal qualities, as well as professional and personal "caliber" would be very important. Therefore, amongst their ranks were professors, teachers and researchers from two major Moscow universities with strong faculties of sociology or specialized research centers.

The main task of the research group was to increase the interviewers' competence in the problematics of the entire project. Therefore, we organized several seminar-discussions about succession in business, existing instruments and specialized terminology. Once the questionnaire and field documents were ready, we discussed them with the interviewers; we considered the experience of pilot interviews and developed the logic of disclosing each topic.

One of the most effective forms to prepare the interviewers (who, in turn, had to grow comfortable with the topic and prepare for possible situations during meetings with the businesspeople) was to simulate the interview situation. During such test-trainings, the interviewing style of each group participant emerged, and we verified the interviewers' time management abilities and readiness to comment on the study main working ideas. Based on the training results, the coordinators decided who among the interviewers should be sent to which businessperson, since some of them could react differently to any particular style of conversation.

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