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Define Your Legacy, and Strengthen Your Business and Your Impact

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> Unless you clearly state what you want your legacy to be, your successors will interpret it in their own way -- and it might not be what you intended.

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Legacy is an important topic for a family business, but legacy can mean many things. Failure to understand its complexities can lead to legacies that actually cause conflict between generations or undermine the long-term viability of a family firm. Founders and inheritors of family businesses often see those firms as an important legacy without specifying what legacy means or what makes it important. Being more intentional about legacy increases the likelihood of leaving a more meaningful, lasting impact.

A family firm legacy can be thought of as passing the firm from one generation to the next, but both family business and legacy are often more comprehensive than that. Many family businesses never pass to the next generation, but that doesn't mean the business or the legacy failed. For example, many immigrant entrepreneurs start businesses and put their children to work in them as a way of instilling values and a work ethic, but insist their children work hard in school and pursue career opportunities outside the family firm. If that child becomes a surgeon, engineer, or entrepreneur, their parents' firm and legacy may have functioned as intended.

What We Studied

The authors have spent more than a decade conducting empirical research exploring the psychology of intergenerational decisions and the role of legacy motivations in these decisions. The purpose of this article was to extend our insights from our foundational research on intergenerational decisions and legacy more generally and expound on how they can shed light on understanding the role of legacy in the context of family business. Further, we consider how the context of family business can enrich our fundamental theories of legacy in the field of business.

What We Resolved

In our experience, if you ask people what legacy is, you are more likely to get an example than a definition. These examples vary dramatically from person to person. It could certainly include inherited ownership of a business, but it could be a lump sum of cash, a name on a building, a religious outlook or other set of values, useful knowledge or connections, or simply a pleasant recollection of time spent together. The almost limitless possibilities include options that are not only different but sometimes mutually exclusive. For example, selling a family firm to put your name on a building precludes either leaving the business to your children or leaving them the lump sum proceeds of the sale.

From our research, we learned that it's helpful to think of legacy as *an enduring meaning, attached to the identity of an individual, that is typically apparent in actions* *intended to have an impact that lasts after the individual is gone, or in the lasting impact it has on the cognitions, emotions, and behaviors of those who remain.* If this sounds a bit academic, well we are admittedly academics, but each piece of the definition adds to our understanding of what legacy is and what it is not.

First, a legacy should be both enduring and meaningful. Impact that is either fleeting or inconsequential would not be a legacy. Second, legacy is about self-extension. Legacy is meaningful because we are leaving a piece of ourselves behind. Third, legacy is what lasts after an individual is gone (from the context in which they made the impact), which is different than after the individual is dead. Watching what your children do with the business you left them can be incredibly rewarding, or incredibly painful. People who are not ready to face that reality sometimes hold on to running a family firm for so long that their children lose any interest in taking it over. Which brings us to the last key element of the definition: The person leaving a legacy and the person receiving it will act according to their own assessments of a legacy, and those assessments may or may not be aligned.

Define Your Legacy Before You're Dead

In 1888, Alfred Nobel was shocked to read his own obituary. One can imagine such a thing would be disconcerting to read, particularly while mourning the loss of his brother and occasional business partner Ludvig (the newspaper had gotten the two Nobels confused). While Alfred could reject the obituary's conclusion that he was dead, based on the fact that he was alive enough to read it, the fact that the obituary labeled him a "merchant of death" proved harder to shake.

Alfred had made a lot of money from selling weapons to warring armies of Europe, but he had largely viewed his inventions of various explosives as proof he was an excellent chemist who made the world safer for miners, like the ones who worked in his family's firms. Nobel decided to change the narrative by donating his wealth to create the Nobel Prizes upon his death. The only problem was that there was no legal mechanism in place to give the awards away. After smuggling most of his wealth out of France (where the childless Nobel's estate would have been claimed by the government), he asked Swedish and Norwegian institutions like the Karolinska Institute to distribute the prizes, but Swedish law dictated that the money be left to his brothers' families. Only after an intense negotiation between his family, the awarding bodies, and the Swedish monarchy was the creation of the Nobel Prizes finally enacted.

This example raises a number of important points about legacy. First, there are many options for what a legacy can be. Second, our legacy may not always be what we think or want, and it may be perceived differently by those who receive it. Third, an intentional approach to legacy is more likely to yield a lasting impact in line with our priorities. Understanding these elements of legacy can support more meaningful lasting impact, better relationships across generations, and more successful family businesses.

Legacy Can Be Resources or Values

If legacy can be many different things, a framework to understand differences can help to make sense of when, how, and why those differences matter. Among the most important choices when leaving a legacy are what benefits are being left, and to which beneficiaries.

One important distinction in terms of legacy benefits is the contrast between resource-based and values-based legacies. Researchers often describe family businesses as a resource that provides material support to future generations, and resources are often a particularly meaningful benefit left as a legacy. Speak to the guiding coalitions of enough family businesses, however, and you will find that many of them emphasize values as the key thing they want to pass on. They sometimes bring young children into the business early, not for the benefits of a paycheck, but to learn about hard work, creating value, leadership, community, and empathy. Giving future generations a resource they did nothing to earn and are ill-equipped to sustain would greatly undermine such values-based legacies. In contrast to resource-based legacies, which have a fixed pie element, values-based legacies are often best served by extending those values far and wide.

We can better understand legacy beneficiaries by considering how people think about who they are when thinking about self-extension. If we define who we are by our relationships with children, parents, friends, coworkers, or customers, then we want our legacies to benefit those specific people. If we define ourselves by group memberships, our church, our business, our family, or our community, we want our legacies to

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strengthen those groups and our connection to them, more so than any specific individual in the group. Alternatively, sometimes we define ourselves by the differences between the self and other people, and want legacies that emphasize our individual self and our accomplishments.

People make their own judgments about the relative merits of different legacies. In his book *The Gospel of Wealth*, Andrew Carnegie declared that "looking at the usual result of enormous sums conferred upon legatees, the thoughtful man must shortly say, 'I would as soon leave to my son a curse as the almighty dollar,' and admit to himself that it is not the welfare of the children, but family pride, which inspires these enormous legacies." Others might look on Carnegie's decision to spend large sums of his wealth naming things after himself a bit more prideful than leaving wealth to one's children. Rather than sit in judgment of others' legacies, we simply encourage anyone who wishes to leave a legacy to think about what they want that legacy to be, and make intentional choices to bring it about.

Takeaways

How can you leave the legacy you want? One way to verify that you have thought about your legacy and are taking appropriate steps to enact it is to write it down and share it with others. Research has shown that a willingness to grapple with the tension between the inevitability of death and the healthy desire to live leads to choices that more directly benefit future generations.

It is likely no coincidence that one of the best-supported conclusions of family business research is that written succession plans are associated with better performance in family businesses, while surprisingly few family businesses have one. Family businesses that have a dialog about the desired legacies of different generations can resolve differences that emerge about how to meet everyone's needs.

To better understand the value of a plan, consider our examples. To create the Nobel Prizes, Alfred Nobel had to document what he wanted, and share it with his business partners, relatives, and the institutions to which he wanted to distribute his money. Andrew Carnegie wrote that the wealthy should give away the vast majority of their wealth during their lifetimes, and he did exactly that. These examples illustrate how important it is for the benefactors to articulate the reasons behind their legacy decisions. Such explanation is rarely done in practice and these exclusions can dramatically change the beneficiaries' interpretation of the legacy they inherit and, consequently, the legacy itself. It's important to keep in mind that while people can make choices to shape their legacy, once they are gone they are no longer in control of their own legacy. It's up to those who inherit the legacy to carry on it's intentions and impact. Thus, legators are well advised to clearly articulate the meaning they intend to convey with their legacy choices so that their long-term legacy is aligned with their intended vision.

If you have a family business, or even if you don't, think about what you want to leave behind and to whom. Tell others, preferably in writing, what you want, and then actively seek to generate more of the benefits you wish to leave to future generations.

Explore the Research

Legacy: The meaning of lasting impact for family, business, and beyond. (https://www.sciencedirect.com/science/article/abs/pii/S1877858524000287) *Journal of Family Business Strategy*, September 2024.

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