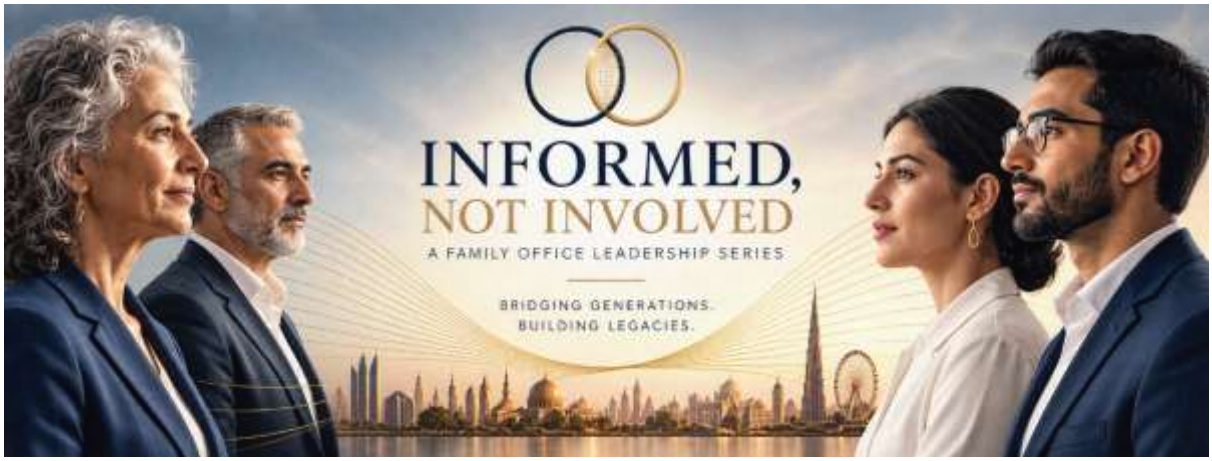


Part 7: The Freedom of a Business Without Customers

There is an established term for what comes into being after a sale, wealth management. I find it misleading, because it sounds like administration, files, portfolios, reports.

Look at what is actually there. Substantial liquidity. Shareholdings with voting rights and obligations. Property with tenants, maintenance and loan agreements. Employees, certainly from the second person in the office onwards. Deadlines, filing dates, tax returns in more than one jurisdiction. Risks that build up over years.

That is a business. It is missing exactly one thing, and it happens to be the thing that mattered most.

Customers.

That absence works in two directions, and both of them matter.

What goes

Customers are the hardest corrective there is. A wrong decision inside a company shows up in the order book, by the quarter after next at the latest. You are told reliably and unprompted that you got it wrong, and early enough to do something about it.

A wrong allocation shows up after seven years. Sometimes later. By then the adviser who recommended it is at another house, the market has turned twice, and it is barely possible to reconstruct what anyone expected at the time. There is nobody left who calls for an account.

What arrives

Now the half I underestimated for a long time.

A business without customers loses its corrective. In return it acquires a freedom that almost no other owner of capital in the world has, and family offices are right to build their case on it.

No quarter has to be delivered. Nobody has to explain in February why a holding has been carried for eleven years and has yet to show anything. A family office can take a position and be proved right in year twelve, which is a sentence no listed company and no fund with a ten-year life can say out loud.

When other owners are forced to sell, a family office can buy. There is no redemption window, no fund life running out, no index to track. One of the most reliable sources of returns over the past two decades has been the ability to act when everybody else is constrained, and family capital is structurally in that position.

Growth becomes optional. Inside an operating business that is close to unsayable. A family office can hold a good asset at its current size for twenty years and take the cash.

The agenda becomes its own as well. In a company it is set by whoever is loudest, usually a customer with a problem. A family office decides for itself what it will spend the next three years thinking about.

None of this is compensation for what was lost. What it describes is the actual reason family capital does well over long horizons when it is well run.

The condition

All of it is conditional, and the condition is the whole of the work.

Patience without a review date is indistinguishable from inertia, and the difference only becomes visible after the loss. Independence without a written thesis becomes drift, and a family holding something for eleven years cannot tell you whether that is conviction or forgetfulness unless somebody wrote down, at the outset, what the eleven years were supposed to produce.

So the corrective has to be manufactured. In practice that means a small number of concrete things. The one-page note from the previous chapter, recording what was decided and what would prove it wrong. Fixed review dates in the diary. Exit criteria formulated before entry, because afterwards they never come about honestly.

It sounds like bureaucracy. It is what makes a fifteen-year horizon into an advantage instead of a habit.

There is one more place where families give the advantage away, and it is the one I see most often.

A family office acquires a majority in a mid-sized company. The due diligence is thorough, the model is sound, the price is defensible. Then the papers are signed.

Afterwards, remarkably little happens. The existing managing director stays on, for good reasons, for continuity. He reports quarterly to an advisory board that meets four times a year. Nobody is actually on site in the first few weeks. Eighteen months later somebody notices that the plan the purchase price was paid for was never really

started. Not out of resistance. Because day-to-day business is always louder than a plan nobody is asking about.

The analysis was never the problem. The problem starts on the Monday morning after completion.

What makes this worth dwelling on is that a family office is one of the very few owners who could do it properly. A listed acquirer has an earnings call in six weeks. A fund has three other deals in the same quarter. A family office can put one capable person into that company for a hundred days and let them stay until the plan is genuinely running, because nothing else is pulling on the diary. The freedom is already there. It is a question of using it.

△ **Ask yourself**

Which of your current holdings would you be entirely comfortable owning for another fifteen years, and what would you want to know each year to stay comfortable?

Next in this series · Chapter 8 · Who Sits at the Table, and Who Is Missing

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