



THE OWNER IMPERATIVE

Sprint Research Benchmarking Dividend Payout Policies
of Large Family Businesses

June 2025

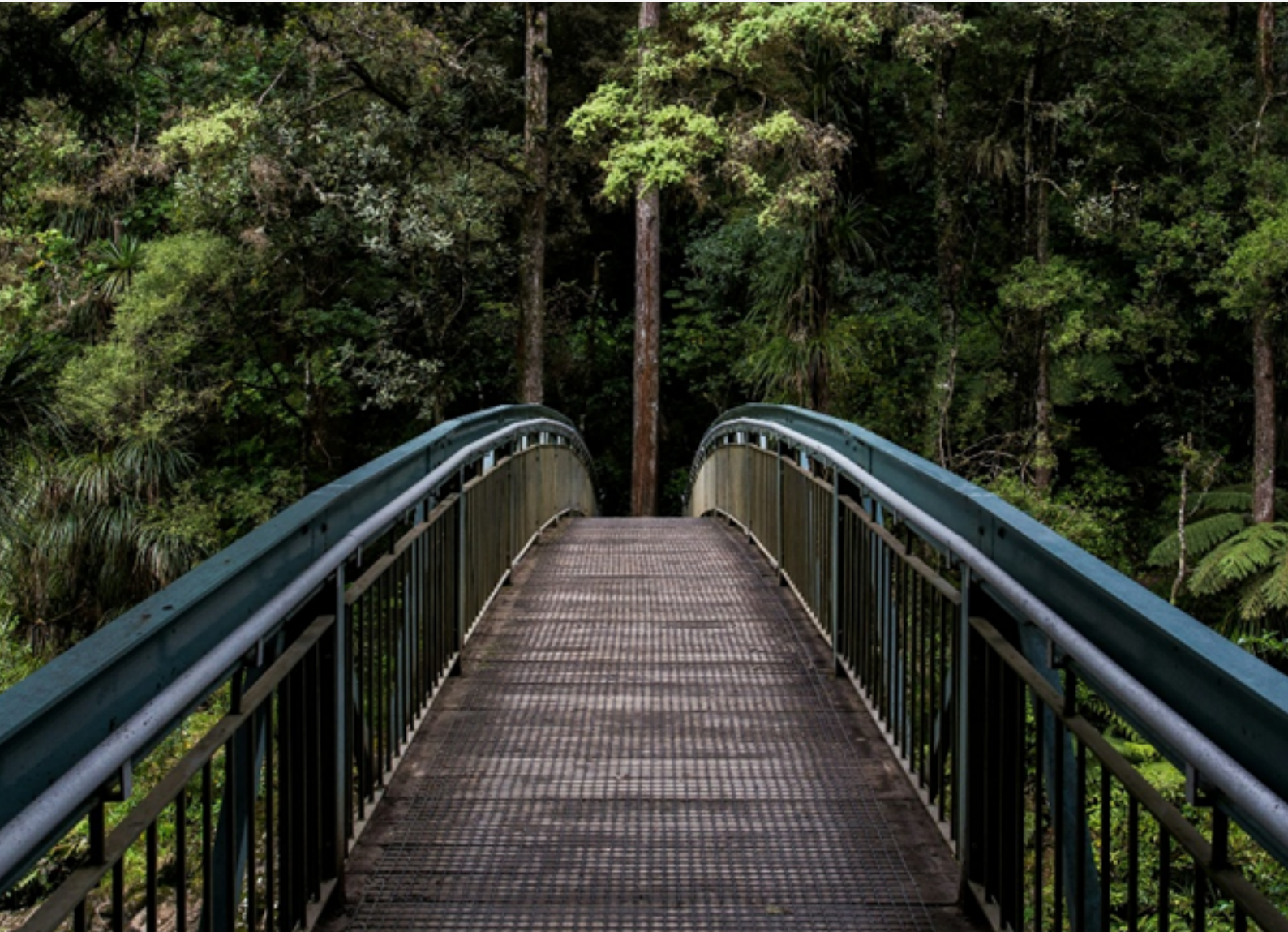




Table of Contents

Message from the Research Chair	02
Acknowledgements	03
Executive Summary	04
Core Themes	07
Theme I : Stability as a Core Principle	07
Theme II: Ownership Structure	08
Theme III: Need for Diversification	11
Theme IV: The Growth Paradox	11
Theme V: Tangible vs Intangible Family Benefits	12
What's Next?	13
Appendix	14





MESSAGE FROM THE RESEARCH CHAIR

In every family business, dividend policy sits at the intersection of financial strategy and family dynamics. It is a subject that, while often discussed behind closed doors, holds significant weight in shaping trust, alignment, and long-term sustainability. This study was initiated to gain greater clarity on how leading family enterprises are addressing these complexities today.

We wanted to go beyond theory and surface real-world practices - how families are balancing business needs with shareholder expectations, how governance frameworks are evolving, and what trade-offs leaders are navigating as they craft their dividend policies.

I would like to extend my gratitude to all the families who took the time to share their experiences and reflections. Your openness and commitment to peer learning are what make initiatives like this possible.

It is my sincere hope that the insights shared here will prompt meaningful conversations within your own families - conversations grounded not just in financial performance, but in shared values, long-term vision, and the desire to thrive together across generations.



Rasha Al Darwish
Chair of the Study
Board Member, Family Business Council Gulf
Chair of Family Council, SEDCO Holding



ACKNOWLEDGEMENTS

We extend our sincere thanks to the families from the FBCG and FBN networks who participated in this benchmarking exercise. Your openness, collaborative spirit, and commitment to shared learning made this effort truly valuable. We are especially grateful to the family business that generously contributed a case study, offering unique insights that enriched this report and the broader community.

Furthermore, we'd like to express our gratitude to the FBN management for their support in connecting FBCG with the Community of Large Families for a short, sprint study on this crucial topic.



EXECUTIVE SUMMARY

This benchmarking exercise was conducted to explore how leading family businesses approach dividend payout policies for family shareholders, inviting participation from large, multi-generational families in the GCC region and within the global FBN network.

In specific, to better understand how family businesses with complex shareholder structures determine their dividend policies - and what factors, whether financial, emotional, or strategic, influence these decisions.

Across the families surveyed, there was a consistent focus on the stability of dividend payouts - not only to protect the business, but also to ensure the stability of shareholder dynamics.

Our study revealed five core themes that shape dividend practices among family enterprises, regardless of geography, sector, or ownership model. First, stability emerged as a foundational principle, with families prioritizing stable payouts and business continuity over short-term gains, though tensions sometimes arise when individual financial pressures challenge this collective outlook. Second, ownership structure significantly influences dividend governance, with fully family-owned businesses focusing on equitable wealth distribution, while those with external investors adopt more formalized policies.

Third, a growing need for diversification is prompting families and individual shareholders to reduce reliance on operating company dividends, fostering healthier dynamics and long-term financial resilience. Fourth, demographic growth and generational transitions are forcing families to reassess dividend frameworks to meet the expectations of an expanding, increasingly transactional shareholder base. Finally, some families view dividends not only in financial terms but as part of a broader value proposition, where legacy, reputation, and emotional connection to the business serve as equally important, if less tangible, returns.

We concluded with two key takeaways. First, the topic of dividend policies remains both crucial and surprisingly underexplored. Second, our community stands to gain significantly from deeper research into dividend practices - particularly during leadership transitions, market disruptions, generational shifts, and in response to emerging asset classes or liquidity events that increasingly shape these decisions.



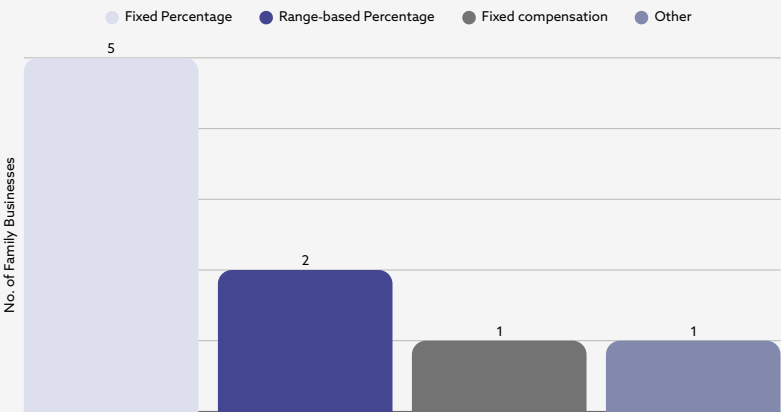
EXECUTIVE SUMMARY



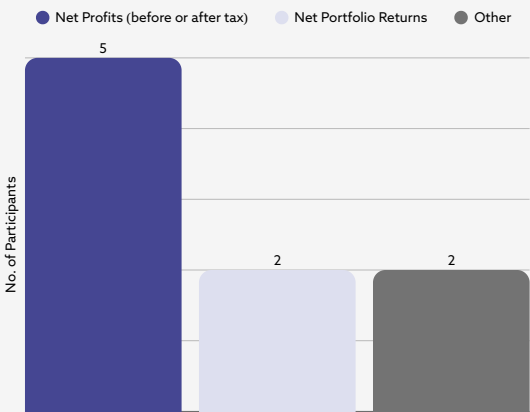
Dividend Policy



What is the dividend payout policy?



What is dividend based on?



Frequency of Distribution	Annually	Bi-annually	Monthly	None
(as a percentage of families)	60%	20%	10%	10%



EXECUTIVE SUMMARY

Topic	Key Questions	Summary Findings
Formula	What is the dividend payout policy and what is it based on?	Four key models identified: • Fixed percentage of net profits • Fixed percentage of total portfolio returns • Fixed percentage of net asset value (NAV) • Absolute amount based on projected net profits
	Is the payout policy stable, progressive or variable?	Multiple responses: • Stable overtime, with buffer reserves used in lower performing years • Stable except during economic crises • Progressive up to a defined maximum payout ratio
Governance	Who is responsible for setting and reviewing the dividend payout policy?	Different mechanisms/models to set and approve the payout policy: • Proposed by management/CEO, approved by Board • Consultations by Family Council, approved by Board • Proposed by the finance committee, approved by the Board • Proposed by CEO and/or CFO, approved by Board, ratified at AGM • Led and approved by core group who represent majority shareholders
	How frequently is the payout policy reviewed and/or amended?	Frequency varied and to some extent corresponded to different governance models: • Reviewed or revised annually or every three years • Triggered by profitability shifts or generational transitions • Ad hoc revisions on a needs-basis
Communication	How is alignment built between the decision makers and the wider family?	Alignment approach ranged from formal based on voting rights to highly informal based on consensus-building approach: • Alignment built through early consultations with key shareholders • Cohesion and trust fostered by council of elders or family heads • Through informal gatherings to reinforce direction • Structured, documented policies minimise contestation
	How is the dividend payout policy communicated to the shareholders?	Wide range of communication strategies, but with exception of three who had extensive documentation of their dividend payout policy: • Formally communicated in shareholder or council meetings • Communicated during AGM • Informally communicated via calls or family gatherings • No formal communication process in some cases



CORE THEMES

Our study identified several recurring themes despite the diverse representation of families by geography, sector, and ownership model. We have summarized these into four key themes.

Theme I: Stability as a Core Principle

One of the strongest and most consistent findings was the value families place on stability in dividend payouts and protecting the business from pressures of dividend expectations. Rather than maximizing short-term returns to shareholders, family decision-makers overwhelmingly prioritized stability in two key areas. First, the long-term stability of the payout – to avoid major highs and lows in dividends. Many families use dividend mechanisms either to make up for a low-performing business calendar or to top up during an outstanding one.

Second, the stability of the business and not compromising business continuity and growth in favor of maximizing dividend payout in the short-term; or worse, accruing liabilities for the family firm to meet the payout expectations of all family shareholders.

However, not all shareholders think or feel that way. With several families, they've had to tackle situations when “individuality does trump stability” and individual needs (lifestyle creep, heavy reliance on dividends, inability to exit/liquidate shares) compels them to demand higher dividends – at all other cost.

“The company avoids excessive volatility in its dividend distribution, striving for a steady range rather than extreme highs or lows.”

G9+ FB, Continental Europe

Key characteristics of this approach include:

- A **commitment to consistent and predictable dividend distributions**, even if that means forgoing higher payouts in strong years.
- A deliberate effort to **smooth volatility by managing dividends across cycles** - reserving profits in strong years to support distributions in weaker ones.
- The **use of threshold-based frameworks** that allow for flexibility, with adjustments only triggered by sustained structural changes in profitability.



Theme II: Ownership Structures

Another theme was that the governance of dividend policy is closely shaped by the underlying ownership structure. Who owns the business - whether fully or partially by the family, and whether through direct stakes or holding entities - influences how dividends are decided, distributed, and perceived.

To help visualize these dynamics, we developed the following matrix that categorizes ownership structures across two key dimensions:

- 1. **Extent of family ownership** (Fully vs. Partially Family-Owned)
- 2. **Mode of ownership** (Direct vs. Through Holding Entity)

	Direct Ownership	Through Holding Entity
Fully Family-Owned	Family members collectively hold 100% ownership. (with assigned shares to individuals or family branches)	Holding entity (various legal forms) fully owned by the family members (with assigned shares) owns a 100% of a single or portfolio of businesses
Partially Family-Owned	Family members directly own majority portion, alongside non-family shareholders (typically ESOPs or other share categories)	Holding entity is partially owned by the family and external parties (mostly in case of a publicly listed entity)

In many cases, we observed that:

- **Fully family-owned businesses** tend to approach dividends as a means of preserving family wealth and ensuring equitable distribution across branches or generations.
- **Partially family-owned businesses**, especially those with external investors or public shareholders, are more likely to formalize dividend policies, aligning with broader market expectations or shareholder agreements.
- **The mode of ownership** - whether shares are held directly by family members or through a holding entity - also impacts how dividends are discussed and governed. For instance, holding entities may centralize dividend decisions and create a buffer between operating company profits and family distributions.



CASE STUDY:

STABILITY THROUGH STRUCTURE

During a period of heightened uncertainty, a multi-generational family business showed that a well-designed dividend policy can do more than allocate profits - it can strengthen trust, foster alignment, and safeguard the family's long-term unity.

Rather than taking an ad hoc or opportunistic approach, the company developed a disciplined framework for dividend decision-making.

“Because of the well thought-out dividend policy, our family business never experienced a situation where concern turned into resentment”

The company allocated dividends once three other key priorities were always addressed:

- **Priority 1:** Adequate cash for operations, liabilities, and tax distributions
- **Priority 2:** Investments in company growth
- **Priority 3:** Discretionary operating expenses
- **Priority 4:** Annual dividends
- **Priority 5:** Stock buybacks

These priorities were always shaped by four drivers:

1. What is our current company size and financial position?
2. What is our overall and targeted growth strategy?
3. What is our desired and required cash reserve levels?
4. What are some of our known or potential risks and liabilities?

To ensure fairness in the dividend payout, each decision was vetted through a series of “Tests of Reasonableness”:

Golden Goose Test: Would this dividend endanger long-term viability (e.g., growth, capital access, operational quality, reputation)?

Meaningfulness Test: Is the dividend significant and relevant to the average shareholder?

Shared Success Test: Does the distribution fairly balance returns between shareholders and management?

Consistency Test: Is the dividend in line with past practices (regular or special)?

Tangible & Intangible Value Test: What non-financial benefits do shareholders receive (e.g., education, philanthropy, exclusive access)?

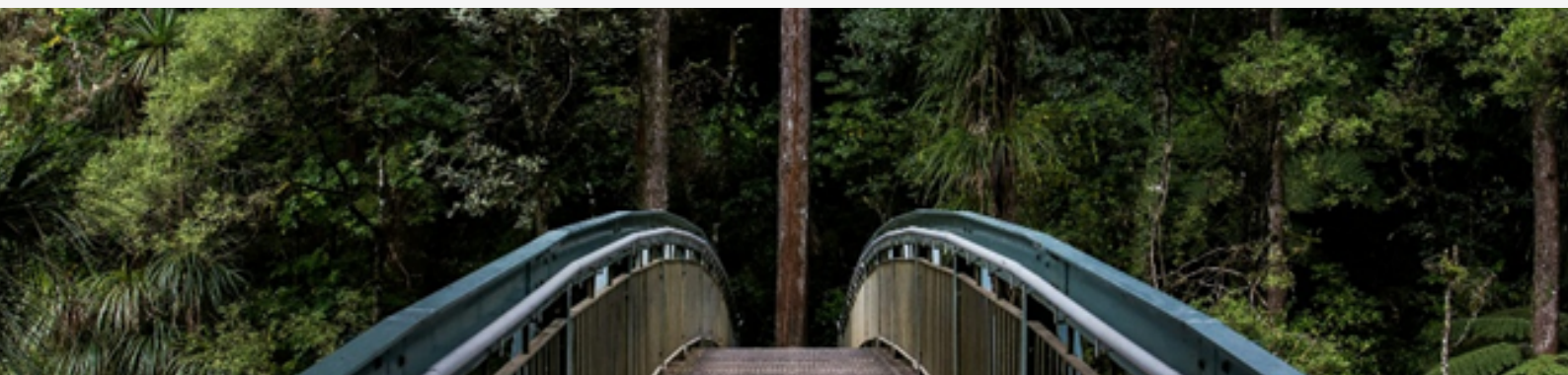


ROLE OF THE CHAIRMAN

A distinctive feature of the company's governance was the role the external chairman played in anchoring objectivity during the rollout of the dividend policy. At a time when shareholders were facing heightened uncertainty, he undertook a structured engagement process, including a national roadshow to meet family members across the country to:

- **Built trust** by listening to shareholder concerns and clarifying the company's financial approach.
- **Provide consistent, transparent explanations** of the policy's intent, mechanics, and safeguards.
- **Answered questions openly**, helping to alleviate anxieties and reinforce confidence in the company

By reinforcing Board-level oversight and ensuring open, structured communication, the external chairman helped embed credibility into the policy's development and execution, strengthening alignment between management and shareholders at a critical time.



LASTING IMPACT: PUTTING POLICY INTO PRACTICE

Several factors contributed to the policy's successful adoption and sustained impact:

- **Timeliness:** The policy was formalized during a time of increased family anxiety, but before it led to complete breakdown of trust and irreparable division
- **Communication and awareness-building:** There was a comprehensive outreach with all family shareholders, irrespective of their level of financial literacy, to communicate the policy and address any concerns.
- **Non-family engagement:** The non-family CEO's consistent engagement with shareholders across the country helped bridge any potential divides, strengthening credibility and fostering a sense of inclusion.
- **Fit-for-Generations:** The dividend was designed within a structured framework to ensure it fits the business model needs, especially cash flow, so that it can support a stable dividend distribution across generations.



Theme III: Need for Diversification

We found that many families are striving to diversify both as a family and as individuals away from relying on a single source of dividends, in most cases dividends coming from the operating company. There is a rising interest in using the single source of dividends strategically to enable financial diversification, both at the family office and individual shareholder level.

- **At the collective level**, dividends are redirected into investment portfolios or holding structures that reduce long-term dependence strictly on the operating company. This approach is especially common among families looking to professionalize the management of the family wealth and assets.
- **At the individual level**, some family members - particularly those not active in the business – are reinvesting their dividends into other assets in order to diversify their source of income. Others are being increasingly encouraged (or required) to pursue other income-generating endeavors (employment or entrepreneurship) in order to develop financial independence and reduce reliance on family dividends.

This strategy not only mitigates risk but also supports healthier dynamics between business and family by reducing pressure on the operating entity as the sole source of wealth.

Theme IV: The Growth Paradox

One of the most significant drivers prompting a reassessment of dividend policy among family enterprises is demographic growth. As families expand across generations, the size, needs, and expectations of the shareholder base change, requiring more structured and forward-looking approaches to dividend distribution.

Rising Shareholder Numbers: Several participating families noted a consistent increase in the number of shareholders, driven by natural population growth and the inclusion of new generational branches. One respondent projected a long-term family growth rate of 3-4% per annum, while another flagged the emergence of 45 family members under the age of nine - a clear indicator of future scale.

As families grow, so too does the pressure on dividend frameworks to provide meaningful returns while safeguarding capital for reinvestment. Informal or flexible policies that worked for a small group of founder-era shareholders may become unsustainable as the beneficiary pool widens.



Shifting Generational Dynamics: The transition from founder-led leadership to second and third generations and beyond has also introduced a shift in shareholder expectations and engagement. A few respondents reflected on the weakening of emotional ties to the business among newer generations.

According to participants, this generational distance often leads to a more transactional view of ownership, increasing the importance of predictable and transparent dividend policies. While earlier generations may have tolerated lower or irregular payouts in the interest of long-term business growth, newer generations may expect more tangible and consistent financial returns.

Strategic Implications: These demographic and generational trends have prompted many families to initiate or consider changes such as:

- Introducing formal payout thresholds to manage expectations and ensure sustainability.
- Reassessing ownership and voting structures to reflect the broader shareholder base.

Theme V: Tangible vs Intangible Family Benefits

Lastly, a noteworthy but nuanced observation, as it was limited to a few families, was the perception of dividends - the most valuable dividend from the family business is not financial but rather social and emotional - it is carrying the family name, that brings with it a soft power, legacy, heritage and a purpose.

“The family leverages its soft power, ensuring that even when individual members use family wealth, their contributions ultimately serve the greater family legacy”

G9+ FB, Continental Europe

This doesn't diminish the importance of financial dividends but rather reframes them as part of a broader family contract - one that includes emotional, reputational, and legacy benefits.



WHAT'S NEXT?

As a follow-up to this benchmarking initiative, FBCG is looking to explore a series of opportunities to further deepen the conversation and continue peer exchange:

- **Private Roundtable at the FBCG Summit:** Closed-door special session at the upcoming Summit to present the research highlights and explore dividend practices as part of broader legacy planning.
- **Knowledge Snapshot:** A quick concise informative thought leadership product to be shared with the wider community, capturing diverse approaches to dividend payout policy in an accessible format.
- **Peer Benchmarking Tools:** Opportunities for families to benchmark their dividend approaches against anonymized peer data and explore areas for alignment or refinement.



APPENDIX

Methodology

The study used a qualitative approach, with one-hour, one-on-one interviews conducted with senior representatives of multi-generational family businesses. An optional group discussion with three families was held in March to validate key themes. Findings were synthesized through qualitative analysis and supported by desk research.

Interview Guiding Questions

Here are the five questions that guided our discussion on family approaches to dividends:

- **What is your dividend payout policy?** Is there a formal policy in place and has it evolved over time? For instance, does it adopt a Fixed Payment, Fixed Payout, Fixed Yield, Residual policy, or another approach?
- **How is your dividend payout policy governed?** Is this managed by a specific individual, committee, or family governance structure?
- **How is the timing and frequency of dividend distribution determined?** Are dividends paid on a regular schedule, or do they depend on specific factors?
- **How do you communicate your dividend payout to shareholders?** Is this managed by a specific individual, committee, or family governance structure?
- **What factors have shaped your dividend payout policy?** How have elements like company performance and balance sheet, generational dynamics, the number of shareholders, or the mix of majority and minority ownership impacted these decisions?

Participant Responses

Given the sensitivity of the topic, all participating families chose to remain anonymous. Our focus was on multi-generational (G3+) family enterprises with sizable family shareholder bases consisting of majority and minority shareholders. These families have extensive experience distributing dividends while balancing reinvestment needs, growth priorities, and shareholder expectations.



SUMMARY SNAPSHOT

Country	Shareholders	Gen Cycle	Formal/Informal	Type of Policy	Amount	Denominator	Frequency
European	50+	G4+	Formal	Fixed % payout	30%	Net profits	Once a year
European	500+	G8+	Formal	Fixed % payout	1.5%	Net asset value	Once a year
European	70+	G17+	Informal	Fixed % payout	5%	Net returns	Once a year
GCC	<10	G2	Formal	Fixed % payout	15%	Total portfolio returns	Twice a year
GCC	Undisclosed	G2+	Formal	Fixed amount	-	Residual value of profits	2-4 times a year
GCC	Undisclosed	G2+	None	Fixed compensation	-	Projection of profits	Monthly
European	200+	G5+	Formal	Fixed % payout	45%	Net profits	Once a year
European	Undisclosed	G2+	Formal	Regular % payout	30%-50%	After-tax profits	Once a year
GCC	<10	G2+	Informal	Fixed allowance	-	Estimated on family needs	Monthly
North American	150+	G5+	Formal	Regular % payout	20%-30%	After-tax profits	Once a year



Disclaimer

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