Title: Succession and inheritance in Scottish business families, c.1875-1935

For submission to *Business History*

Author: Robin Mackie, Department of History, The Open University

Contact email: robin.mackie@open.ac.uk

Acknowledgements: I would like to thank Donna Loftus, Annika Mombauer, and two anonymous commentators for advice on this article. It has also benefited greatly from the comments of the editor and reviewers for this journal.

Abstract:

This paper explores the dynamics of succession and inheritance in Scottish business families during the late nineteenth and early twentieth centuries. Making use of the unusual quality of Scottish testamentary records, it explores the management of succession within family firms, focusing on the relationship between the choices made by business owners, their family circumstances, and the future of their firms. Taking the 'family-centred' approach to business development used by historians such as Morris, Owens and Barker for the period of the industrial revolution in England as a starting point, it argues that a broader understanding of inheritance can explain business succession, and that the control and ownership of family firms was changed by the uses made of limited liability.

Keywords: Family firms, succession, inheritance, limited liability, Scotland, ownership, control

The transition from one generation of leaders to the next has long been identified as a period of risk for family-owned firms. For Andrea Colli, succession 'may be problematic to the point of traumatic shock'; for Carole Howorth, Mary Rose and Eleanor Hamilton 'the future prosperity of any family business, and indeed its ability to survive, is inextricably linked to the succession process and the way it is handled'.[1] In traditional histories, the emphasis was often on the suitability of successors (often summarized as the 'Buddenbrooks syndrome'),[2] but increasingly the focus has shifted to 'shared values and attitudes [that] influence both family and business behavior'. These 'social norms' it is argued 'shape strategies such as leadership succession that may themselves be internationally distinctive'.[3]

Studies of individual firms, however, will always struggle to distinguish what is specific to a family or firm from broader networks and shared values. For this reason, for the United Kingdom**,** the 'family-centred' approach taken by Alastair Owens, Hannah Barker and Mina Ishizu, and Andrew Popp, chiefly for the period of the industrial revolution, has proved fruitful.[4] Building on earlier work by

[1] Colli, *History of family business*, 66; Howorth, Rose and Hamilton, 'Key debates', 227.
[2] See Rose, 'Beyond Buddenbrooks'.
[3] Colli, Fernández Pérez and Rose, 'National determinants', 33.
[4] The term is used by Barker and Ishizu, 'Inheritance and continuity', 228. See also Owens, 'Life-cycle'; Popp, *Entrepreneurial families*; Barker, *Family and business*.

historians such as R.J. Morris, Philip Scranton, and Leonora Davidoff and Catherine Hall, and into the 'property cycle' of participation in business,[5] business succession has been placed in the broader context of family needs and aspirations. Owens and Barker and Ishizu both use surveys based on probate records to explore business succession. Interestingly their conclusions differ: whereas Owens identifies high turnover in business in Stockport for the period 1800-57, and concludes that 'the family firm was disposable, it was a means to an end',[6] Barker and Ishizu, looking at small and medium-size businesses in Manchester and Liverpool between 1760 and 1820, found that testators and beneficiaries showed considerable flexibility in protecting the firm since they were 'often worth most to surviving family members as going concerns'.[7] Both conclusions focus attention on the risks and opportunities attendant upon business assets. Morris describes businesses as 'active' assets, 'capital which accepted high risk in return for potential high gains and required intensive and direct management input'. [8] In an age when alternative investment opportunities were limited and rates of return low,[9] such assets held obvious attractions. In making decisions on succession, business owners had to assess the balance of risk and benefit to their family, and more precisely, to the different members of their family.

This paper adopts a similar approach in analysing business succession in family firms in the late nineteenth and early twentieth century. Building on an earlier paper on business continuity in one region of Scotland, it investigates the intentions of a cohort of business owners for the future of their firms and the impact of the choices they made. Scottish testamentary records are far more detailed than those available for England and this creates the opportunity for a more in-depth study of how the intergenerational transfer of business assets was managed, linking this both to family circumstances and the distinctive national context of Scottish law. Furthermore, the sources make it possible to place succession within broader issues of inheritance, investigating not just the transfer of business assets but the inheritance received by all members of the family whether they entered the firm or not. It is argued that this is essential to understanding the pattern of business succession.

In writing about family firms, the management analyst Ivan Lansberg argues that we should focus more on formal ownership, since authority 'derives, in the final analysis, from property rights', and owners in family companies, in contrast to public ones, are few in number and related, so that their influence is 'direct and pervasive'. As a result, 'when the chips are down, ownership rights typically prevail over management authority'.[10] His focus is on different types of ownership used by family firms, and he identifies three: firms that are run by 'controlling owners', 'sibling partnerships' and 'cousin consortiums'. Although his terms suggest generational change, he insists they are 'pure types', and 'the progression does not follow a predetermined sequence'.[11] Transitions may be drawn out and messy, and some firms, he argues, 'recycle' their existing form, or even revert to a more centralized one.[12]

[5] Morris, 'Property cycle'; Scranton, *Proprietary capitalism*; Davidoff and Hall, *Family fortunes*, esp. Ch. 4.
[6] Owens, 'Life-cycle', 41.
[7] Barker & Ishizu, 'Inheritance and continuity', 239; see also Barker, *Family and business*, 16-46.
[8] Morris, *Men, women and property*, 172-3.
[9] Green *et al*, 'Assets of the dead', 75.
[10] Lansberg, *Succeeding generations*, 27-8.
[11] Ibid., 29.
[12] Ibid., 39-43.

Ownership is central to this study. Discussions of corporate control in the late nineteenth century have focused on the implications for management of the spread of limited liability, available since the 1850s and increasingly widespread from the 1880s. As Brian Cheffins notes, British corporate governance has come to be categorised as 'outsider/arm's length', with debate centred on the timing of the shift from more personal forms of capitalism.[13] If most attention has been on the largest firms, a recent study has suggested that the separation of ownership and control may also have been common among smaller limited companies.[14] Yet most firms that adopted limited liability chose private company status or switched to it when it became available in 1907: by 1914 four-fifths of all registered companies were private.[15] With no right to raise capital from the public and restricted numbers of shareholders, Paul Johnson argues that incorporation was used primarily by business owners as a means of retaining 'substantial control over property without having to suffer the encumbrance of individual legal and moral responsibility'.[16] As Rose has argued, the adoption of limited liability in family firms should not necessarily be seen in terms of any loosening of dynastic control by diluting capital or the separation of ownership and management.[17] It is argued here that limited liability may have had a more immediate impact on inheritance practice, although, by enabling 'cousin consortiums' this may have had longer-term consequences for how firms were run.

The article consists of three sections. The first section describes the methodology and the main sources used, the testaments of 130 business owners, looking first at their inventories and then at wills. The second section examines succession in business firms, and shows how outcomes for firms were shaped by the plans made by business owners. The final section places succession within the broader context of inheritance and analyses how this was changed by the adoption of limited liability.

Methodology and sources: Scottish testaments

This paper starts from earlier research on business continuity which identified all coal-mining and manufacturing firms in Kirkcaldy and the surrounding parishes with industrial property valued for rating purposes at £50 or more in any tenth year between 1860 and 1960.[18] This work highlighted a distinction between a minority of incorporated companies where ownership was widely distributed from the outset, and a larger number of firms which over time might be owned by a single individual, two or three partners, or by a family, but where there were never more than a few owners. In the mid-nineteenth century, such personally or family-owned firms were unincorporated, but over time more adopted limited liability, almost all choosing private company status. Shifts from personal or family into public ownership were rare, even among the largest firms, so that in 1950, of the 50 firms with property valued for rateable purposes over £250, 27 were still family-owned.[19] The survival rates among both the publicly-owned companies and the personally or family-owned ones

---

13 Cheffins, *Corporate ownership,* 4-19, see also 221-51 for a summary of the debate; Foreman-Peck and Hannah 'Extreme divorce'.
14 Acheson *et al*, 'Corporate ownership'.
15 Rose, 'Family firm', 68.
16 Johnson, *Making the market*, 166.
17 Rose, 'Family firm', 68-9
18 Mackie, 'Family ownership and business survival'. The Valuation Rolls were based on rental values.
19 Ibid., 10.

rose over time, but were always higher in the second category. By 1950 two-thirds of the family-owned firms had existed for at least two generations.

If this previous paper focused 'on behaviour rather than causation',[20] the emphasis here is on the decisions made by business owners when planning their business succession and the distribution of their estates: it shifts the focus to the choices that led to business continuity or exit. In this, the main sources used are the testamentary records left by business owners. The records available are far more informative than the English probate records used by Owens and by Barker and Ishizu for their work on the early nineteenth century.[21] Whereas English probate records for the period before 1881 only contain an approximate figure for the total value of the estate, Scottish testaments include both wills and detailed inventories of the assets of the deceased. Despite the unusual quality of the sources, however, Scottish wills and inventories have rarely been used together: a number of authors have used Scottish inventories to explore wealth-holding, and wills have also been used, but it is the combination that sheds most light on succession and inheritance.[22] Furthermore, whereas Owens and Barker and Ishizu had to rely on street directories for evidence of business continuity, and information on the testators' families had often had to be drawn from wills alone, working on a later period made it possible to link testaments to property valuations, census data and business records.

A search was made for the testaments of individuals who were at some point in their lives, if not necessarily at death, single owners, partners, or directors in the industrial firms previously identified and who died between c. 1875 and 1935; 130 testaments were located for individuals connected to 69 different firms.[23] This included, as illustration, individuals from 41 of the 47 personally or family owned-firms with industrial property valued over £250 in 1900. Their firms were a cross-section of the industries active in the Kirkcaldy area: coal, linen, paper, engineering, the food industries, and not least floorcloth and linoleum, for which Kirkcaldy was a significant centre from the 1870s on. The area experienced a boom in the three decades before the First World War as a result of the rapid development of the linoleum industry and the East Fife coalfield. The inter-war years were more troubled, but the size of its coal reserves, the range of manufacturing, and the strength of consumer industries, meant that the economy remained more buoyant than that of many other parts of Scotland. Unemployment in Fife, which also included less prosperous areas, stayed well below the

[20] Ibid., 26.

[21] See Owens, 'Life-cycle', 26; Barker and Ishizu, 'Inheritance and continuity', 229-30.

[22] Rubinstein, Schmitz and Nenadic have used Scottish inventories to explore the assets of the very wealthy, investment overseas, and Glasgow businessmen, respectively: see Rubinstein, *Men of property*, 13-4; Schmitz, 'Scottish foreign investment'; Nenadic, '"Dominance" of manufacturers'. The largest survey, however, is that used in Morgan and Trainor, 'Dominant classes'. Wills have been used by McCrum, 'Scottish urban experience' and Gordon and Nair, *Public lives*, but neither make much use of the inventories.

[23] Since the focus of this research was on succession planning, the testaments sought were those of individuals who were both managers and significant owners in firms which had property with a rateable value of £250 or over. This excluded directors who were employees, lawyers or accountants, and who were not significant shareholders. Partners or directors who were never locally resident (defined as living in Fife, Edinburgh and Dundee) were also excluded.

Scottish average in the 1930s.[24] After a peak in exits in the immediate aftermath of the First World War, relatively few family firms closed in the next thirty years.[25]

The firms that the industrialists owned varied in size from factories employing around 100 workers to the Wemyss Coal Co. Ltd., which figures in some lists of the largest companies in the United Kingdom.[26] Testaments for only four women who met the search criteria were identified, so the dataset is overwhelmingly male. Dates of birth, marriages, and death were identified for all individuals, and data on children was also sought, with the emphasis on identifying the gender and marital status of any children alive at the time of the individual's death.[27]

Scottish testaments for this period nearly always consisted of a will and an inventory, both of which are available through the National Records of Scotland (hereafter NRS).[28] Where individuals died intestate (as did 12 of this dataset) the inventory has been preserved alone. Inventories are of the 'moveable' estate (that is, excluding land and buildings), and describe assets in terms of their financial value, lumping material possessions into collective categories, such as 'household effects', but listing and valuing each financial asset individually. In the case of all but the smallest estates, they were drawn up with the help of professional appraisers. Overseas assets are listed, as are debts; any later additions to the estate were filed in additional reports. From 1895 on, a figure was also required for estate duty and the gross value for all 'heritage' (land, mineral rights, building and fixed machinery), any debts on it, and the duty paid were added.

Estates varied enormously in size. Ten estates had a net value of under £1,000 (and indeed in three, debts outweighed assets). At the other extreme was that of John Nairn (1853-1928), last surviving son of the founder of the linoleum firm, Michael Nairn & Co. Ltd., who left £1,534,905 net in moveable estate and a further £10,210 in heritage.[29] Half the estates were valued at under £20,000, but 34 had a net value of over £50,000 and 19 over £100,000.[30] These figures exclude heritage, but the figures available from 1895 on suggest that under 10 per cent of the dataset owned more than their dwelling houses and factories.

---

[24] See Smith, *County of Fife*, 50-5. A contemporary assessment is provided by Oakley, *Scottish industry to-day*, 96-109.
[25] Mackie, 'Family ownership and business survival', 10.
[26] Jeremy, 'Hundred largest employers', 98, lists it as having 4,604 employees in 1907.
[27] Genealogical data on people in Scotland from scotlandspeople.gov.uk.
[28] Wills were registered in Edinburgh shortly after death, but the copy available is that attached to the inventory, which was confirmed a few months later at the Sheriff Court. Until 1900, for deaths in Fife the two documents were both filed in the NRS SC20/50 series, but from 1901 on, wills were filed separately under SC20/56.
[29] Six estates from the dataset are included in Britton's list of the ten largest Scottish estates per year for 1876-1913. See 'Wealthy Scots'.
[30] This might be compared to the work of Morgan and Trainor on all 5,300 Scottish estates declared in 1881, whre only 4 per cent were valued at over £10,000. 'Dominant classes' 113-5. See Berghoff, 'British businessmen', for a different approach to creating a roughly comparable sample.

For most individuals in this sample it was not land but their stake in their business that was their most important asset.[31] For 54 (42 per cent) it represented over half their estate.[32] However, the percentage was very varied, with around a fifth having no stake in the business at all at death, and nearly as many where it represented over 80 per cent of personal wealth. The percentage in the business has a very weak negative correlation with the age at death ($r^2 = 0.14$) or the date of death ($r^2 = 0.05$), and no correlation with the size of the estate ($r^2 = 0.0001$) or the rateable value of the business property (a proxy for business size) at death ($r^2 = 0.002$). Even the 19 estates with net moveable assets valued over £100,000 included three with no stake in the firm and eight with over 40 per cent in it. [33] Other assets held are not examined in detail for this paper, but every estate held some, and in a few cases the list ran to more than 150 items. The assets held ranged widely: some, such as shares in local services, were common but of low value, others, such as investments in large British manufacturing companies were rare, but sizeable. As might be expected for a sample of this character, over half the estates includes shares in companies active overseas.[34]

If inventories are factual documents compiled after death, wills are personal statements of intent, and may be made long before death and repeatedly revised. Yet as Janet Finch *et al* point out, if wills start life as private documents, a document 'only "counts" as a will if it is drawn up in accordance with publicly endorsed criteria, which may act as a constraint on individual intentions'.[35] These criteria are very evident in the overwhelming majority of the wills considered. Most wills were drawn up with legal advice and, in contrast to the situation in England, the law in Scotland set requirements on how estates should be distributed.[36] In broad terms, where a testator left both a spouse and children, a minimum of a third of the moveable estate had to be left to each, whilst the spouse in a childless marriage had a right to half the estate, as did the children in a marriage where the spouse had died before the testator. The share of any child who died before the testator was to be divided equally among any children they may have had. Wills that did not meet these criteria were open to challenge, unless consent was received (termed 'satisfaction').[37] *Inter-vivos* gifts were

[31] How this was represented in the inventory depended upon the type of company. Shares in limited companies were included, as was an individual's share in a partnership. To these figures were added any debts by the business to the deceased, for instance for unpaid directors' fees. Where the deceased was a sole owner, the individual assets and debts of the business, such as stock, bank balances and moveable machinery might be listed individually.

[32] Rubinstein investigated 44 Scottish non-landed estates valued at over £500,000 and found that two thirds had more than 40 per cent of their wealth tied up in their business. *Men of property*, 188.

[33] Gross figures have been used in these calculations because debts could not be linked to a particular item in the inventory. The median debt across all estates was just 2 per cent. Privately-owned businesses were difficult to value and in several cases interim figures were entered in the first inventory and later corrected. Since in at a few cases these corrections could not be traced, and in others the valuation placed on the business is likely to have been conservative, it is probable that the percentage is an underestimate.

[34] Davis and Huttenback, *Mammon*, 212-4, and Schmitz, 'Scottish foreign investment', both emphasize the importance of Scottish investment overseas in the decades before the First World War.

[35] Finch et al, *Wills, inheritance*, 9.

[36] The following much simplified explanation of Scots law on succession in the period is based on Erskine, *Principles*, 498-525, and Antonio, *Scots Law*, 181-7.

[37] It is impossible to know from the sources used how often wills were challenged, but some wills do contain threats to dispossess anyone who tried. For an example, see NRS: SC20/56/17, testament of Andrew Westwater, 474-81.

to be taken into account in the distribution of the estate.[38] Where there was no will, the final third was divided equally between the spouse and the children. The rules for heritable property were different, with the oldest son receiving all the property in cases of intestacy, although a testator could choose to leave it differently.[39]

Colli, Fernández Pérez and Rose identify inheritance law as a key part of the legal environment in which family business operates.[40] The distinctive Scottish rules on inheritance, however, shaped wills rather than constrained them. Testators were free to dispose of at least one-third of the moveable estate (indeed half, for the 50 testators who were not survived by both wife and children), and used this flexibility. Many of the wills are long and complex; many too are amended by codicils. What the archives preserve is of course only the last will, and it is likely that earlier wills existed and were then replaced. The mean number of years between the last amendment to the will and death was under three. If, as Morris argues, wills can be seen as planning for a 'life after death'[41] – steps taken by testators to protect and shape the future of their families – these changed as family and material circumstances changed.

Recent work on middle-class families in late nineteenth-century Scotland has emphasized the importance of extended family networks, in economic, social and emotional senses.[42] Yet, perhaps because the wills studied were those of business owners, close family were the chief beneficiaries. Although the freely disposable share of estates left testators the opportunity to distribute bequests widely, only 11 men left more than 10 per cent of their estates to non-family; nor did wider family inherit much except where there were no children. Most testators left far more than the law required to their children.

Provision for spouses was usually the first instruction. But widows rarely inherited outright except where the marriage was childless: only five widows with children received legacies other than the contents of their residence. Instead most husbands left their widows an annual allowance (usually in addition to the use of the family home) 'during all the years of her life' as satisfaction for their right to a third of the moveable estate. In some cases, this allowance or 'life-rent' was explicitly set at a level for the 'comfortable maintenance of herself and family' and intended to support children 'until they are married or in the opinion of my wife able to provide for themselves'.[43] This life-rent might add to that established in an ante- or post-nuptial contract of marriage.[44] Executors were sometimes instructed to set aside capital for such life-rents or make them a charge on the business. But in 73 per cent of cases when a husband was survived by his wife, a trust was established and the final distribution of the will was delayed until her death. Such trusts might endure: there were 17 cases

---

[38] Thus the will of Robert Kilgour pointed out that his eldest son, who received less than his brothers, had already received 'sums equivalent to any share he could by law claim'. NRS: SC/20/56/1, testament of Robert Kilgour, 24-30. For this reason, *inter-vivos* gifts are sometimes listed in wills.

[39] The law relating to the wills of married women were slightly different, especially in regards to heritage. This is not of significance for this project.

[40] Colli, Fernández Pérez and Rose, 'National determinants', 38.

[41] Morris, *Men, women and property*, 264-317.

[42] Gordon and Nair, *Public Lives*, 47-56; Gordon, 'The family', 246-9.

[43] Quotes from testament of Thomas Renton, NRS: SC20/56/3, 229-38.

[44] This contrasts to the evidence found by Green for London, where widows were often given complete control of their husband's estate. 'To do the right thing'.

where widows outlived their husbands by more than 20 years. Trustees often included widows but virtually always business partners.

When the estate was distributed to children, however, it was usually left outright. An allowance might be paid to children until they reached 21 or 25, or earlier, for girls, if they married. The percentage of women who never married was high in Scotland – around 20 per cent in every census from 1861 to 1911 – and many testators had daughters who were unmarried at the time of their death.[45] Unmarried daughters might be left the family home, sometimes with the proviso that 'as long as two or more than two are alive and unmarried and willing to live together in said house.[46] However, in contrast to Morris's evidence for early nineteenth-century Leeds, most daughters, whether married or not, inherited their share of the estate absolutely, both before and after the Married Women's Property (Scotland) Act of 1881.[47] In the few cases where wills directed that a named child should be treated differently from his or her siblings, usually because they had chosen a partner of whom the testator did not approve, executors were instructed to skip a generation, with the children of the offending child eventually receiving their shares outright on the same basis as their cousins**.** What children received, moreover, was approximately equal. Davidoff and Hall argue that 'the middle class favoured partible inheritance, a roughly equal division of property' and that this included both sons and daughters.[48] Subsequent studies have confirmed this pattern,[49] and this was also the case here. An equal division of the 'bairn's part' was of course expected under Scottish law, but, as noted, in most wills, far more than one-third of the estate was divided between the children.

Yet this division was often only 'roughly equal': in under half the cases where testators had more than one surviving child, did they receive identical shares. Some of this was due to penalties imposed on children seen as wayward; in a few cases too distinctions were made along gender lines, with daughters only receiving a life-rent. Most frequently, however, unequal inheritance was linked to assets. This was most blatant where the asset was land. The four testators drawn from local landed families used primogeniture, as was standard among the Scottish gentry, and in the few cases where members of industrial families had retired from the business to concentrate on farming, lands were also allocated to named sons (if, in contrast to gentry families, not all to one), with the moveable estate being divided among all children.[50]

Yet, as we have seen, business assets formed the largest part of most of the estates and it was these business assets that were most frequently mentioned: over half all wills in the dataset made some reference to the family business, in some cases instructing executors to sell, but most often making provision for the continuation of the business. Of course, as Barker emphasizes, wills sometimes

---

[45] Anderson, 'The people', 36.
[46] NAS: SC20/56/9, testament of Robert Heggie, 961-9. Quote 962.
[47] Morris, *Men, women and property*, p. 113; one reason for this difference may be that, as Gordon and Nair argue, the property rights of married women were previously not as constrained in Scotland as in England. *Public lives*, 161-3.
[48] Davidoff and Hall, *Family fortunes*, 206.
[49] Owens, 'Property, gender'; McCrum, 'Scottish urban experience'; Morris, 'Reading the will'; Barker, *Family and business*.
[50] For examples, see respectively, NRS: SC20/56/3, testament of Randolph Gordon Erskine Wemyss, 214-235; SC20/50/91, inventory of Randolph Gordon Erskine Wemyss, 268-311; and SC20/56/36, testament of Robert Tullis, 348-73.

proved impossible to implement or were set aside by executors and trustees for unrecorded reasons.[51] But evidence on the future of their firms shows that in most cases its eventual fate corresponded to the desires of testators. Nor are the instructions left in wills the only evidence available to us. Looking at the composition of their assets at death tells us a great deal about choices made (or, in some cases) not made before death. Where business owners sold their share in the business in old age, or brought sons in as partners, or failed to make any plans for succession, their decisions shaped the future of the firm. It is to these plans that we now turn.

Business Succession

The plans made by testators for the future of their firms were closely related to their family circumstances and it is these circumstances that are the starting point for Table 1. The Table looks at who succeeded to the leadership of the firms where dataset members had been sole owners, partners or directors according to whether testators were survived by children, and the gender of these children. As will become clear from the following discussion, these outcomes were shaped by decisions made by testators.

Table 1 demonstrates that firms that belonged to business owners who had no sons were far less likely to stay in family ownership than those who did. This applied both to the 38 dataset members who never married, were childless or whose children died before them (column 1), as to the 13 who were survived by daughters but not sons (column 2). For both groups, less than 40 per cent of firms stayed in family ownership (sections 2 and 3), as compared to the 77 per cent of the firms that belonged to dataset members who had sons (column 3).

Looking first at columns 1 and 2, nine of these men had retired before death (row 1a) and in nearly every case their estate contained no share in the firm. Not surprisingly, their wills make no mention of the business. In eight cases, the firm did well under new ownership, so the decision to retire was a choice to separate the firm and the family. Four of the nine had daughters: thus William Main Melville (1846-1923), father of three daughters and sole owner of an engineering firm brought in two unrelated partners in 1908 who took over the firm when he retired in 1918.[52] Melville's daughters inherited no share in the firm.[53]

[51] Barker, *Family and business*, 45.
[52] *Edinburgh Gazette*, 1908, 710; ibid., 1918, 3994; NRS: SC20/56/24, testament of William Main Melville, 288-92.
[53] NRS: SC20/50/24, inventory of William Main Melville, 675-82.

Table 1: ***Outcomes for firms, categorized according to surviving family of dataset members***

		1	2	3	4
	Descendants at time of dataset member's death:	No children	Only daughters	Children, including sons	Total
1	**Family interest in firm ends:**				
1a	- Sold before death	5	4	7	16
1b	- Interest in firm sold at death	7	2	4	13
1c	- Firm closes at or after death	8	2	7	17
	Family interest in firm ends before or shortly after death	*20*	*8*	*18*	*46*
2	**Wider family continue firm:**				
2a	- Retired; wider family lead firm	3	1	4	8
2b	- Still active at death, with wider family, who continue firm	14	4	4	22
2c	- Still active at death; wider family lead firm after death	1	0	0	1
	Wider family continue firm	*18*	*5*	*8*	*31*
3	**Close family continues in firm:**				
3a	- Retired; children lead firm	0	0	7	7
3b	- Still active at death, with children	0	0	32	32
3c	- Still active at death; children lead firm after death	0	0	14	14
	Children continue firm	*0*	*0*	*53*	*53*
	Total	**38**	**13**	**79**	**130**

Notes: 'active' or 'lead' mean owner, partner or director. 'Firm closes' includes cases where firm closed at death or within five years. 'Wider family' means all related individuals who are not descendants.
Sources: business ownership before and after the death of dataset members has been taken from the following sources: for limited companies from Register of Company files held by the NRS (BT series) or the Edinburgh Register of Companies (RoC); for unlimited companies from Valuation Rolls, which record the names of sole owners and frequently the names of partners. Changes in partnership were also recorded in the *Edinburgh Gazette*.

In rather more cases in columns 1 and 2, however, particularly among men without children, changes were postponed until after death. In nine cases the interest in the firm was sold by the executors immediately after the sample member's death (row 1b) and in a further ten the firm closed at the time of death or during the next five years (row 1c). In three cases, executors were advised to sell. Thus the linen manufacturer, John Jeffreys (1818-86), whose only son died before him, instructed his trustees 'to realize my whole means and estate … and to hold and invest the proceeds thereof for the behoof of my daughters … it being my wish', that the executors should 'withdraw the capital as soon as convenient'. The business was sold.[54] Most of the men in these categories, however, left no instructions as to what should happen to their firm. Some were sole owners, who had few assets others than their firms, which they had continued to run into old age. Most extreme was William Johnston (1846-1922), of textile firm George & James Johnston, who left 99.7 per cent of his estate in the business. His very short will left his 'whole property' to his wife who soon sold the firm.[55] Thomas Crabb (1843-1901) died intestate, left 64.5 per cent of his assets in his flax-spinning business. His widow, Margaret, wound up the business.[56] In these circumstances, instructions may have seemed superfluous since widows or executors had little choice but to sell to ensure an income for old age.

The other 23 dataset members in columns 1 and 2 left the business to members of their wider family (section 2). All but one had been in partnership with other family members, usually brothers or their sons. Four had retired and withdrawn entirely from the firm (row 2a). In other cases, wills left instructions to protect the interests of these partners. Thus the widowed and childless sawmiller James Donaldson (1857-1913) warned his executors to take 'due regard to the interests and convenience of my brother George, not too hastily withdrawing my capital from the business of which he and I are sole partners'. As one of the executors, George was well placed to manage this.[57] Elsewhere, the effect of the will was similar: unmarried Robert Nairn (1836-86) of the linoleum family, made his two brothers (both partners) executors, and left them all his estate apart from a cash gift to an unmarried sister.[58] Where testators left a spouse or daughters, conditions in the will might balance different interests: William Renton (1866-1921), of the Forth & Clyde Roperie Co., left half his estate to his wife, but his trustees, who included his partner brother, could decide to 'postpone the period of payment' and maintain the partnership.[59] George Lockhart (1836-1890), partner with his brother James in flaxspinners N. & N. Lockhart, left the entire income of his estate to support his widow Barbara and their two young daughters, but with instructions that his 'trustees shall not be entitled to call for payment or to withdraw my pecuniary interest in the said partnership business until the elapse of 10 years from my decease'. In the meantime, interest of 4.5 per cent was to be paid. Barbara, James and a solicitor were the three trustees. [60] Some of the men who expected their brothers and nephews to continue the business had reduced their stake before death, but most were still heavily invested in it: Donaldson left 89.9 per cent of his assets in the business,

[54] NRS: SC20/50/60, testament of John Jeffreys, 38-46. Quotes 40 and 42.
[55] NRS: SC20/56/22, testament of William Russell Johnston, 955; SC20/50/108, inventory for William Russell Johnston, 2551. The disposable cash left to William's widow will have been insufficient to pay the estate duty.
[56] NRS: SC20/50/83, inventory of Thomas Crabb, 1078-85.
[57] NRS: SC20/56/13, testament of James Donaldson, 362-6. Quote 365.
[58] NRS: SC20/50/59, testament of Robert Nairn, 1251-84.
[59] NRS: SC20/56/22, testament of William Beveridge Renton, 48-53. Quote 53.
[60] NRS: SC20/50/64, testament of George Douglas Lockhart, 458-67. Quote 465.

Renton, 87.5 per cent, and Lockhart 95.7 per cent.[61] As a result, both Renton's widow and Lockhart's wife and daughters remained dependent on the success of the firm but without any stake in it.

Turning now to column 3, outcomes in firms where business owners were survived by sons were very different. Here 61 business stayed within the family, and in 53 cases, sons succeeded to the leadership of the firm. This was, furthermore, clearly the intention of owners. In many cases, intentions were set out in wills: thus saltmaker Robert Gibb (1856-1922) explained 'it is my wish that the said business should be acquired by my son, William Patrick Gibb', whilst paper manufacturer William Grosset (1835-1906) instructed his executors to convey to his son Philip and 'such other sons as may be associated with him' the whole business 'so that they may acquire it as a going concern'.[62] In other cases, sons were brought in as partners before death, or wills shares left to sons who were already directors.[63] Of the 53 testators who successfully passed on their business to their sons, 35 of them left instructions in their wills and 34 had already brought their sons into the partnership: only 7 did neither.

Even in some of the cases in column 3 where close family did not take the firm forward (sections 1 and 2), passing on the business to sons had been the desired outcome. There were, of course, in section 1, a few examples where family was not a factor in sale and closure, and section 2 also included at least two instances where differences within the family led to one partner quitting the firm: such was the case in the paper firm of Tullis Russell & Co Ltd., where differences between the linked Tullis and Russell families led Robert and George Smith Tullis to withdraw in 1924, selling their entire share to the Russells.[64] A more common reason for exit, however, was that business owners died young and their sons and daughters were still children. Eleven testators, of whom seven were aged less than 60, died with sons still under 21, and in only four cases did the sons succeed to the business. What executors needed in this situation was a bridging solution and this was not always found. In two cases in row 1b, testators expressed the wish that their business be retained for their sons, but this did not happen. Thus potter James Methven (1830-92) left permission for his trustees to continue the business, but it was sold by his widow a year after his death, after the other trustees had declined to take up the role.[65] Row 1c includes two cases that ended in bankruptcy.[66] Even where the family stepped in to manage the inheritance, this did not always ensure continuity. On the death of Alex M'Intosh (1860-1907), in row 2b, leaving five children under ten, two of his brothers and his brother-in-law, all co-directors in A.H. M'Intosh & Co. Ltd., became the trustees for his estate. Alex's shares in the business were retained and the dividends presumably provided an income for his family, but his children did not enter the business and the shares were transferred to other directors when his widow died in 1931.[67]

[61] NRS: SC20/50/95, inventory of James Donaldson; SC20/50/107, inventory of William Beveridge Renton, 143-8; SC20/50/64, testament of George Lockhart, 458-67.
[62] NRS: SC20/56/7, testament of Robert Gibb, 538-45; SC20/56/6, testament of William Grosset, 911-20.
[63] For an example of the latter, see testament of Charles Reekie. NRS: SC20/56/115, 157-62.
[64] Ketelbey, *Tullis Russell*, 205-7.
[65] NRS: SC20/50/67, testament of James Methven, 1480-1510; *Edinburgh Gazette*, 1893, 465.
[66] NRS: CS318/20/293, sequestration of John Key & Sons; CS318/32/372, sequestration of John Speedie & Co.
[67] NRS: SC20/56/7, testament of Alex M'Intosh, 797-807; RoC: SC005853/45-8, A. H. M'Intosh & Co. Ltd.

In most cases in column 3, however, business owners were successful in passing the family firm to some or all of their sons.[68] Yet the process was often started late or drawn out. Most owners were still partners at their death: only in seven cases (row 3a) had they retired. In 14 (row 3c), sons only became partners or directors after the death of the testator. In the 32 cases (row 3b) where testators were in business with their sons at death, the partnership was often long-standing. Grain merchant and flourmiller Robert Hutchison (1807-83) was joined by his sons Alexander and Henry in 1857 and 1873 respectively, but Robert was still a partner at this death, despite, apparently, almost destroying the firm due to poor grain purchases in the late 1860s.[69] Nor was death necessarily the end of the succession process: in 18 out of the 53 cases, the estate was only to be distributed after the death of the widow. Succession from fathers to sons might be the desired outcome, but the process was often very slow.

The high percentage of business owners who had no sons is a striking feature of Table 1, and it is tempting to see the contrast in succession between business owners who had sons and those who did not in terms of demographic chance. Yet their decisions also played a role. Despite their age, many of the testators who had no sons had not planned for their succession; except where there were daughters, even retirement was rare. Sole owners who continued to run their business into old age leaving decisions to executors, and partners in business with other family members who left both the business and the care of their dependents to their siblings, had made choices if only by default. This is demonstrated by a quick look at three possible alternative scenarios.

Firstly, few business owners drew in female family members to ensure the continuity of their firms. Nearly all those who only had daughters either sold their business before death or left instructions to dispose of it when they died. Katrina Honeyman and Barker have both recently emphasized that women frequently played a significant role in business during the nineteenth century despite the rhetoric of separate spheres.[70] But, as Howorth, Rose and Hamilton note, the contribution of women in family businesses was often informal and 'invisible', and this was certainly the case in the legal sources used here. [71] Perhaps because the firms discussed were industrial and relatively large, few women were owners. Harold James highlights the contribution of widows during succession crises in larger family firms following the premature death of a business leader,[72] and three widows entered the dataset in such circumstances. Two of them, however, both mothers of young children, rapidly disposed of their interest in the firm. Only Catherine Nairn (1814-1891), the widow of the founder of the leading linoleum firm, Michael Nairn & Co., was a partner in the firm for 15 years following the death of her husband in 1858.[73] Daughters also rarely became partners. Only one who fitted the criteria for the dataset was found: Isabella, née M'Intosh (1857-1917), became a partner in the

[68] Not all sons entered the family business, of course, indeed three seems to have the maximum. Where there were more, some might embark on alternative careers, mostly in the professions or the army, and advances might be made 'for the purpose of placing him or them in any business or profession that he may choose', NRS: SC20/50/10, testament of Patrick Hill Normand, 791-803; quote, 797. Only one case was found, however, where all sons opted out of the family business.

[69] The crisis is discussed in an unpublished manuscript, 'The Hutchisons of Kirkcaldy' (no author), in the possession of Kirkcaldy Library. This argues that the business was only rescued by Alex's careful running of the mill. See also NRS: SC20/50/57, testament of Robert Hutchison.

[70] Honeyman, 'Doing business with gender'; Barker, *Family and business*.

[71] Howorth, Rose and Hamilton, 'Key debates', 237.

[72] James, *Family capitalism*, 16.

[73] Muir, *Nairns*, 47-9.

furniture manufacturing firm founded by her father, A. H. M'Intosh & Co., during his lifetime. She did not become a director when the company was incorporated in 1905, although her husband, George Fergusson, did.[74]

Secondly, very few business owners brought in more distant relatives where no sons were available. Some firms continued under the leadership of other family members, but in virtually every case this was due to partnerships that long preceded death. Businesses were run by brothers and the surviving brother or his sons took over the firm. As we have seen, such solutions were at times facilitated by testators. However, with one exception, childless businessmen who were sole owners did not look to more distant family. The only case in row 2c illustrates a path rarely taken: Charles Anderson (1833-1907), sole owner of the papermakers Smith, Anderson & Co., left instructions in his will for two distant relatives with no previous connection to the firm to be offered the option of buying it over seven years. William Verden Anderson and George Anderson took up the offer and the firm survived.[75]

Thirdly, limited liability was not used to manage business succession by bringing in non-family managers to run the business until a descendant was available.[76] Testators in Columns 1 and 2 were rarely directors of limited companies at the time of their death, and incorporation was not used to tide the business over. Not until the Second World War was there a case where a non-family director temporarily took over the running of the firm in the absence of a male successor.[77]

Testators in column 3 were rather more likely to be directors of limited companies: of the 53 who successfully passed their business on to their sons, 19 were linked to firms which had adopted limited liability during their lifetimes. Yet changing how firms were run was not the goal. Nearly all companies that incorporated chose private limited company status which restricted the rights of shareholders, and this was frequently reinforced by clauses that denied shareholders (who were overwhelmingly family members) access to information and permission to attend meetings.[78] Partners became directors and boards continuing to be dominated by small groups of related men, only joined in a few cases by professionals such as lawyers or accountants, or long-serving employees. To put it in Lansberg's terms, business owners were controlling owners or in sibling partnerships and sought to 'recycle' these types of control in the next generation.

Inheritance and limited liability

Business succession was therefore shaped by the plans of business owners. Returning to the contrast between the results uncovered by Barker and by Owens, both arguments find support in this dataset: where there were sons, business owners sought to pass on their business as going

---

[74] RoC: SC005853/9, A. H. M'Intosh & Co. Ltd.
[75] Will of Charles Anderson, in the possession of Smith, Anderson & Co. Ltd.
[76] As in the case of Melville, quoted above, bringing in unrelated partners was one solution used by sole owners in unlimited companies when there was no obvious successor. The effect, of course, was to terminate the family interest.
[77] This was the linen firm of N. Lockhart & Sons, discussed in Mackie, 'Family ownership'. The case was directly related to the war: a long-serving employee took over the leadership of the company during the absence of a family member on active service, but stood down on his return.
[78] For instance, preference shareholders had limited access to information, and were only allowed to attend meetings in Tullis Russell & Co. Ltd. if their rights were directly affected. Any ordinary shares, moreover, held by female shareholders, 'shall be treated in all respects as Preference shares (except as regards a dividend)'. RoC: SCO6195/4, Tullis Russell & Co. Ltd.

concerns, but otherwise they were quite willing to dispose of them. The intergenerational transfer of business assets was perceived in terms of fathers and sons; when there were none, and business owners were not already in partnership with other family members, the firm was sold or allowed to close. Alternatives were very rarely used; in particular, limited liability was not used to manage succession. Furthermore, even where there were sons to take over the business, the process was often slow, complicated and difficult to achieve whilst maintaining equity.

As has been widely emphasized, the transition to a new generation of leaders is often fraught, even if, as Colli, Fernández Pérez and Rose note, the goal of keeping it in the family is to reduce uncertainty.[79] This is often seen in terms of management and the difficulties surrounding the handover of control. But, as will now be explored, placing succession within the wider context of inheritance points to another set of tensions.

In many cases, of course, decisions made by business owners kept the issues of succession and inheritance separate. Thus, partners in unlimited companies who retired before death withdrew completely from their firms. Childless men in such circumstances were among the few to make large bequests to public causes. At the other extreme in terms of their share in the firm were business owners such as William Johnston or James Donaldson where 90 per cent of assets or over at death were in the business. Yet, here too a complete separation of inheritance and the business was inevitable. Many such men were childless and where they advised sale, or left widows or executors little choice but to dispose of the firm, any inheritance was bound to be outwith the firm. The wills of some men in this situation were among the simplest in the dataset. Childless Peter Kilgour (1866-1916) and his widow left 'mirror wills' assigning everything to the survivor. Nearly all his assets were in the malting business he ran with his brothers, who continued the firm.[80] Others in this situation left no will, so that their widow inherited everything. In other cases, when testators had just one or two children, inheritance and succession were easily combined. Cabinetmaker George Fergusson (1859-1929) left a brief will, signed twelve years before his death, assigning 'all in favour of my son, Patrick George Fergusson'. He had no other children.[81] Engineer Robert Creeke (1854-1907) left everything to his two sons, 'to be divided equally between them', whilst also asking his executors to prepare 'for said sons or either of them intending or desiring to go into said business'.[82]

But many testators had larger families and here the tensions between managing inheritance and business succession were more apparent. Of the 92 who were survived by children, 67 had three or more and 27 left more than six children. Where there were more sons than could be brought into the family firm, or where the children included females, testators faced competing demands. This was reflected in a larger share of assets in the business at death: those who were survived by six or more children had an average of 49.5 per cent of their assets in the business, compared to 31.6 for those with fewer. Two-thirds of those with the largest families, furthermore, did not divide their assets equally between their children, compared to just under half of those with between three and five children.

[79] Colli, Fernándex Pérez and Rose, 'National determinants', 35.
[80] NRS: SC20/56/16 testament of Peter Kilgour, 873-4; SC20/50/98, inventory of Peter Kilgour, 2391.
[81] NRS: SC20/56/29, testament of George Fergusson, 1709-10.
[82] NRS: SC20/56/7, testament of Robert William Bisset Creeke, 538-45.

Larger families may have been associated with slower and less equitable inheritance because of the convention against sleeping partners: in an unlimited business, partners were fully liable for business debts, and the disastrous consequences of business failure and bankruptcy were widely reported.[83] As a result, it was accepted that partners needed to take an active interest in their firm, and dataset members only left business assets to children who were expected to enter the business. Those with large families, therefore, faced a difficult balancing act at death. The desire to pass on the business as a 'going concern' needed to be set against ensuring that funds were available to pay the life-rents to widows and protecting the interests of other children.

The issue can be illustrated by exploring three cases where fathers of many children succeeded in passing on their estates to sons. Pottery manufacturer Andrew Young (1837-1909) was successful in managing these competing demands, albeit perhaps at a price. In a codicil to his will, he explicitly emphasized his desire to achieve parity between the three sons who were already partners, and the three other surviving children: John, who became a lawyer, and two daughters. 54 per cent of Young's estate (net value £90,025, with a further £9,477 in heritable property) was tied up in the firm, so parity will have been achieved if the three non-partners received all the rest of Andrew's varied portfolio.[84] In the longer term it is possible that John and his sisters fared better than the brothers who inherited the active assets: the pottery business was never as profitable after the war, and the firm closed in 1928. One of the partners, James, died intestate in 1922, aged 54, leaving just £15,516, of which 81.4 per cent was in the business.[85]

But few business owners were as prosperous as Andrew Young. Thomas Renton (1839-1903) left a net estate of £20,540, of which 85 per cent was in the firm. Ten children survived him: three sons and seven daughters. Thomas's oldest son had emigrated to Argentina, but his second son, William, became a partner in 1892. Thomas instructed that his estate be divided equally among his children, except that William's share was reduced by £500, because he was already a partner, 'and so has been better provided for than the other members of the family are likely to be'.[86] This seems to have been accurate: William's youngest brother, also Thomas, joined him as a partner, and continued to run the business after William's death in 1921, but Thomas and five unmarried sisters still lived in their parents' house when the firm was incorporated in 1951.[87]

Limited liability, with the protection it offered to shareholders, created alternative solutions. When the Fife Forge Co. was incorporated in 1913, John Harley (1845-1924), his oldest son, Andrew, and his son-in-law, James Hepburn, were partners. The firm became a private limited company with the three of them as directors. The 1918 share register shows them in possession of all the shares, but by 1920 John had transferred some to his younger son, Frank, who became a director in 1924. When John died later that year, 65.7 per cent of his estate was still in the business. His will left packets of Cumulative 5% Preference shares to his seven daughters**,** although the distribution of the estate was only to happen after the death of his widow. She died in 1939 and the 1940 share register shows

[83] The dramatic failure of the City of Glasgow Bank in 1878 left a trail of bankruptcies across Scotland. Closer to home was the collapse of Swan Bros. in 1886, the largest linen firm in Kirkcaldy. Lockhart, *Kirkcaldy, 1838-1938*, 14-6.
[84] NRS: SC20/56/14, testament of Andrew Ramsay Young, 566-71; SC20/50/96, inventory of Andrew Ramsay Young, 2187-93.
[85] NRS: SC20/50/108, inventory of James Young, 263-6.
[86] NRS: SC20/56/3, testament of Thomas Renton, 229-38; SC20/50/85, inventory of Thomas Renton, 235-8.
[87] NRS: SC20/56/22, testament of William Renton, 48-53.

Andrew, James and Frank owning all the ordinary shares, but the preference ones distributed among the six surviving daughters and the two children of one daughter who had died. The 1950 register lists 16 shareholders, 15 of whom were descendants of John Harley. The one outside shareholder, who was also a director, held just 2 per cent of the capital. Frank Harley was Chairman and Managing Director and two other family members were directors, neither of whom bore the Harley name.[88]

As these examples illustrate, inheritance was difficult to manage when the chief asset was an unlimited partnership. Where the firm was successful, owners such as Andrew Young were able to build up assets outwith the firm to ensure that children who did not enter the firm became independently wealthy or received an adequate inheritance to pursue another career. Equity of this sort was much more difficult to achieve in smaller or less successful firms. Fathers such as Thomas Renton may have ensured the continuity of their firm but at the price of leaving other children a much smaller inheritance. Another consequence was that partner sons were unlikely to inherit any other assets. In other cases, recognising that the firm represented income from the business would be essential for the widow, inheritance of all children was delayed until her death. In a few cases, it seems that settlements placed such a burden on the sons who received the business that it eventually folded.[89]

As the case of John Harley demonstrates, limited liability made possible a wider distribution of ownership. At first, many continued to discriminate in their wills, directing that ordinary shares be given to existing directors and leaving preference shares, with a more secure income but no voting rights, to daughters. In most cases, however, limited liability was used to provide an income for the widow: of the 19 testators who were directors at their death, only two, like John Harley, delayed the distribution of their estate until the death of their wife. Over time, too, sons and daughters came to receive more similar shareholdings: Harley's children, for instance, made no distinction. By 1950, most of the firms that had incorporated had growing lists of family shareholders. In Lansberg's terms, they were becoming cousin consortiums in which many family members were owners, in a way that was not open to unlimited partnerships, or at least was not risked by any of the business owners in this dataset.

In his fascinating study of a Wolverhampton hardware firm in the early nineteenth century, Popp draws on the extensive correspondence between the couple who ran the company, John and Elizabeth Shaw, to show how marital and business relations were intertwined in a business that was formally in his name but in which both played crucial roles.[90] Elspeth Gordon and Gwyneth Nair also argue that the contributions of many family members helped sustain businesses in late nineteenth-century Glasgow.[91] It is tempting to imagine that the 'mirror wills' of Peter Kilgour and his wife or the common residence of Thomas Renton and his sisters indicate some sharing of business management, but the sources used for this study do not give insight into the complex relations within business families. Wills, of course, by their very nature, reflect the views of a dying

[88] NRS: SC20/56/24, testament of John Harley, 1200-11; SC20/50/112, inventory of John Harley, 3007-15; RoC: SCO8553, Fife Forge Co. Ltd.
[89] It is difficult to assess the extent where wills created longer-term problems for firms, but some examples are explored in Mackie, 'Settlement of my affairs'.
[90] Popp, *Entrepreneurial families*.
[91] Gordon & Nair, *Public lives*, 63-70.

generation; nor should we perhaps expect to see evidence of changing family values in legal documents such as wills and share registers.

Yet Lansberg is surely right: ownership matters and as it was diffused it is quite possible that how family firms operated also evolved. He argues cousin consortiums have always been regarded with some suspicion by business analysts: the assumption is that a firm needs an 'ultimate boss'.[92] As the Articles of Association of private limited companies reveal, directors were determined to retain tight control. Nevertheless, a sense of duty to shareholders who were close relatives may have changed values and led in the longer term towards a greater emphasis on their role as leaders of a joint enterprise. Succession, too, seems to have become easier to manage, if only because the pool from which family directors could be drawn was enlarged – a not insignificant factor in view of the number of members of the dataset who died childless. Peter Payne has suggested that limited liability increased firm longevity;[93] certainly the family firms that adopted it in late nineteenth and early twentieth century Kirkcaldy showed remarkable resilience, many of them retaining their independence for decades.

The more immediate impact of limited liability was, however, on inheritance and the distribution of assets. Some single owners and partners in unincorporated partnerships may have had more than others to leave children who did not enter the firm; in all cases, however, what such children inherited was outside the family business. Limited liability changed this. It made equitable inheritance easier, but tied descendants to the firm. Recent work by Josephine Maltby and Janette Rutterford and others has highlighted the role of women as investors in late nineteenth and early twentieth century Britain.[94] Many will have inherited their assets, but were then free to re-invest as they chose. A generation later, the daughters' of family businessmen may have been more likely to receive shares in the family firm, which gave them – in contrast to their predecessors - a stake in an active asset, but also limited their independence, since the companies were private ones and the shares could not be traded.

This may also have had an impact on what other assets business owners held. Before the adoption of limited liability, a key purpose was to fund the life-rents of widows and provide a secure income for unmarried daughters. As such, safe assets may well have been preferred. The portion destined for sons was likely to be largely tied up with the family business. Limited liability meant that both sons and daughters could inherit a share in the firm, and were therefore also likely to inherit other assets. Comparing testators who were succeeded by their sons and were partners in unlimited companies with those who were directors in limited ones, both groups held on average just under half their assets in the business, but the second group held a far higher percentage (26 as opposed to 6 per cent) in shares in manufacturing companies, and particularly in other local companies. With less focus on safe assets, it is possible that testators were more willing to invest widely in the industrial economy. The number of cases is too small to assess the significance of this trend, but the implications for the accumulation and inter-generational transmission of wealth could be significant. With less investment being diverted into safe assets (and with declining family size meaning less

[92] Lansberg, *Succeeding generations*, 13-4.
[93] Payne, 'Family business in Britain', 194.
[94] Maltby and Rutterford, 'Her own fortune'; Rutterford and Maltby, 'Woman investors in England'. See also Newton and Cottrell, 'Female investors' who briefly discuss the role of inheritance.

dispersal of wealth anyway), it would have made that business families found it easier to acquire and hold active assets.

Conclusion

Colli, Fernández Pérez and Rose draw attention to the informal 'rules of the game' which shape the environment for family business.[95] Studying a cohort of firms within a local context makes it possible to explore how such social norms affected succession practice, widely recognised as one of the most difficult issues facing family firms. The unusual quality of Scottish testaments and the opportunity to link them to other sources on individuals and businesses made possible this in-depth study of business succession and highlights the importance of placing it within the wider framework of inheritance, itself shaped by Scottish law.

As Barker and Owens found for an earlier period and rather smaller firms, family remained at the centre of the ambitions of business owners for the future of their firms.[96] In Scotland, in the period 1875-1935, as was the case in Lancashire a century earlier, business owners sought to pass on their businesses to their sons as 'going concerns'. Yet, as has been widely recognised, the transition to a new generation was often fraught and one reason was tensions between the perceived needs of the firm and the family.

How this played out depended on family circumstances. On the one hand, where there were no successors regarded as suitable, testators preferred to dispose of their firms. Daughters did not become partners; more distant relatives or non-family managers were rarely used. In such cases, owners sometimes retired but more often left executors the task of selling their stake in the firm or closing it. On the other, where there were many children, achieving an equitable balance made succession complex and slow. Business owners did not leave a share in unincorporated firms to descendants who were not expected to run it. One result was that whilst sons might inherit the business, they often received little else. At the same time, to provide an inheritance for daughters and those sons who did not enter the firm, business owners needed assets outside the firm. If sufficient external assets were not available, the consequence might be to leave the firm with a heavy burden of debt, or, more often, that some children, mostly female, received a smaller inheritance. What they received, however, was always outwith the firm.

Limited liability offered the owners of family businesses new opportunities for both the management of their firms and the distribution of their estates. It does not appear to have been used in the first way: the new private limited companies that were created continued to be run by small groups of related owners. But the opportunity to leave a share in the firm to all children whilst limiting the risks of ownership was widely used. As a result inheritance changed. Whereas previously children who did not enter the business inherited assets that, essentially, provided a rentier income that was entirely separate from the firm, they now received a share in the business that had created their families' wealth, but this inheritance bound them to the family enterprise. In the longer term, this was likely to change the relationship between the family and the firm. In Lansberg's terms, firms were no longer run by controlling owners or as sibling partnerships, but became something previously rare: cousin consortiums, in which directors became guardians of a family asset, and

[95] Colli, Fernández Pérez and Rose, 'National determinants'.
[96] Owens, 'Life-cycle'; Barker, *Family and business*.

potentially responsible for a major part of the income of their sisters and brothers.[97] Changing inheritance practice reshaped family firms.

References:

Acheson, G. G., G. Campbell, J.D. Turner, and N. Vanteeva, 'Corporate ownership and control in Victorian Britain', *Economic History Review*, 68, no. 3 (2015): 911-36.

Anderson, M., 'The people' in W. H., Fraser and R. J. Morris, eds., *People and Society in Scotland, II, 1830-1914*, Edinburgh: John Donald, 1990, 8-45.

Antonio, D. G., *Scots Law for Administrative, Commercial and Professional* Students, Glasgow: Collins, 1968.

Barker, H., *Family and Business during the Industrial Revolution,* Oxford: Oxford University Press, 2016.

Barker, H., and M. Ishizu, 'Inheritance and continuity in small family businesses during the early industrial revolution', *Business History*, 54, no. 2 (2012): 227-44.

Berghoff, H., 'British businessmen as wealth-holders, 1870-1914; a closer look', *Business History*, 33, no. 2 (1991): 222-40.

Britton, R., 'Wealthy Scots, 1876-1913', *Bulletin of the Institute of Historical Research*, 58 (1985): 78-94.

Cheffins, B. R., *Corporate Ownership and Control. British Business Transformed,* Oxford: Oxford University Press, 2008.

Colli, A., *The History of Family Business, 1850-2000,* Cambridge: Cambridge University Press, 2003.

Colli, A., P. Fernández Pérez and M.B. Rose, 'National determinants of family firm development? Family firms in Britain, Spain, and Italy in the nineteenth and twentieth centuries', *Enterprise and Society*, 4 (2003), 28-64.

Davidoff, L. and C. Hall, *Family fortunes. Men and Women of the English Middle Class, 1780-1850,* London: Routledge 1992 [1987].

Davis, L.E. and R.A. Huttenback, *Mammon and the Pursuit of Empire. The Political Economy of British Imperialism, 1860-1912,* Cambridge: Cambridge University Press, 1986.

Erskine, J., *Principles of the Law in Scotland*, 19th edition, Edinburgh: John Rankine, 1895.

Finch, J., L. Hayes, J. Mason, J. Masson, and L. Wallis, *Wills, Inheritance and Families*, Oxford: Oxford University Press, 1996.

[97] Lansberg, *Succeeding generations*.

Foreman-Peck, J. and L. Hannah, 'Extreme divorce: the managerial revolution in UK companies before 1914', *Economic History Review*, 65, no. 4 (2012): 1217-38.

Gordon, E., and G. Nair, *Public Lives. Women, Family and Society in Victorian Britain*, New Haven: Yale University Press, 2003.

Gordon, E., 'The family' in L. Abrams, E. Gordon, D. Simonton, and E. Yeo, eds., *Gender in Scottish History since 1700*, Edinburgh: Edinburgh University Press, 2006, 235-67.

Green, D., 'To do the right thing: gender, wealth, inheritance and the London middle class', in A. Laurence, J. Maltby, and J. Rutterford, eds., *Women and their Money. Essays on Women and Finance,* London: Routledge, 2009, 133-50.

Green, D., A. Owens, C. Swan, and C. van Lieshout, 'Assets of the dead: wealth, investment, and modernity in nineteenth- and early twentieth-century England and Wales', in D. Green, A., Owens, J., Maltby, and J. Rutterford, eds., *Men, Women and Money. Perspectives on Gender, Wealth, and Investment, 1850-1930,* Oxford: Oxford University Press, 2011, 53-80.

Honeyman, K., 'Doing business with gender: service industries and British business history', *Business History Review*, 81, no. 3 (2007): 471-93.

Howorth, C., M. Rose and E. Hamilton, 'Definitions, diversity and development: key debates in family business research' in M. Casson, B. Young, A. Basu and N. Waddesden, eds., *The Oxford Handbook of Entrepreneurship*, Oxford: Oxford University Press, 2006, 225-247.

James, H., *Family Capitalism. Wendels, Haniels, Falcks and the Continental European Model,* Cambridge, MA: Belknap Press, 2006.

Jeremy, D. J., 'The hundred largest employers in the United Kingdom in manufacturing and non-manufacturing industries, in 1907, 1935 and 1955', *Business History*, 33, no. 1 (1991): 93-111.

Johnson, P., *Making the market. Victorian origins of corporate capitalism,* Cambridge: Cambridge University Press, 2010.

Ketelbey, C.D.M., *The History of R. Tullis & Co. and Tullis Russell and Co. Ltd., 1809-1959*, Markinch: Tullis, Russell & Co., 1967.

Lansberg, I, *Succeeding Generations: Realizing the Dream of Families in Business*, Boston, MA: Harvard Business School Press, 1999.

Lockhart, J.Y., *Kirkcaldy, 1838-1938. A Century of Progress,* Kirkcaldy: Allen Lithographic Co., 1939.

Mackie, R., 'Family ownership and business survival, Kirkcaldy, 1870-1970', *Business History*, 43, no. 3 (2001): 1-32.

Mackie, R., '"To provide for the settlement of my affairs": inheritance and ownership in family firms during the transition to limited liability' in S. Fellman, A. Kuusterä an E. Vaara, eds. *Historical Perspectives on Corporate Governance: Reflections on Ownership and Different Modes of Organizing,* Helsinki: Finnish Society of Letters, 2008, 157-71.

Maltby, J. & J. Rutterford, '"She Possessed her Own Fortune": Women investors from the late nineteenth century to the early twentieth century', *Business History*, 48, no. 2 (2006): 220-53.

McCrum, A., 'Inheritance and the family: the Scottish urban experience in the 1820s' in J. Stobart and A. Owens, eds. *Urban Fortunes. Property and Inheritance in the Town, 1700-1900*, Aldershot: Ashgate, 2000, 149-71.

Morgan, N. and Trainor, R.H., 'The dominant classes' in W. H., Fraser and R. J. Morris, eds., *People and Society in Scotland, II, 1830-1914,* Edinburgh: John Donald, 1990, 103-38.

Morris, R. J., 'The middle class and the property cycle during the industrial revolution' in T. C. Smout, ed., *The Search for Wealth and Stability,* London, Macmillan, 1979, 91-113.

Morris, R. J., 'Reading the will: cash economy capitalists and urban peasants in the 1830s. The making of the middle class?' in A. Kidd and D. Nicholls, eds. *Studies in Regional and Cultural Diversity since the Eighteenth Century*, Stroud: Sutton Publishing, 1998, 113-29.

Morris, R. J., *Men, Women and Property in England, 1780-1870*, Cambridge: Cambridge University Press, 2005.

Muir, A., *Nairns of Kirkcaldy. A Short History of the Company, 1847-1956*, Cambridge: Heffer & Sons, 1956.

Nenadic, S., 'Businessmen, the urban middle class, and the "dominance" of manufacturers in nineteenth-century Britain', *Economic History Review*, 44, no. 1 (1991): 66-85.

Newton, L. A., and P.L. Cottrell, 'Female investors in the first English and Welsh commercial joint-stock banks', in A. Laurence, J. Maltby, and J. Rutterford, eds., *Women and their Money. Essays on Women and Finance,* London: Routledge, 2009, 115-32.

Oakley, C. A., *Scottish Industry To-day,* Edinburgh: Moray Press, 1937.

Owens, A., 'Property, gender and the life-course: inheritance and family welfare provision in early nineteenth century England', *Social History*, 20, no. 3 (2001): 299-317.

Owens, A., 'Inheritance and the life-cycle of family firms in the early industrial revolution', *Business History*, 44, no. 1 (2002): 21-46.

Payne, P, 'Family business in Britain: an historical and analytical survey', in A. Okochi and S. Yasuoko, eds., *Family Business in the Era of Industrial Growth. Its Ownership and Management,* Tokyo: University of Tokyo Press, 1984.

Popp, A., *Entrepreneurial Families: Business, Marriage and Life in the Early Nineteenth Century,* London: Pickering & Chatto, 2012.

Rose, M. B., 'Beyond Buddenbrooks: the management of family business succession' in J. Brown and M.B. Rose, eds., *Entrepreneurship, Networks and Modern Business,* Manchester: Manchester University Press, 1993, 127-43.

Rose, M. B., ‘The family firm in British business, 1780-1914’, in M.W. Kirby and M.B. Rose, eds., *Business Enterprise in Modern Britain*, London: Routledge, 1994, 61-87.

Rubinstein, W. D., *Men of Property. The Very Wealthy in Britain since the Industrial Revolution,* London: Croom Helm, 1981.

Rutterford, J. and Maltby, J, ‘”The widow, the clergyman and the reckless”: women investors in England, 1830-1914’, *Feminist Economics*, 12, no. 1-2 (2006): 111-38.

Schmitz, C., ‘The nature and dimensions of Scottish foreign investment, 1860-1914’, *Business History*, 39, no. 2 (1997), 42-68.

Scranton, P., *Proprietary capitalism. The textile manufacture at Philadelphia, 1800-1885,* Cambridge: Cambridge University Press, 1983.

Smith, A., *The County of Fife. The Third Statistical Account of Scotland*, Edinburgh: Oliver and Boyd, 1952.