The Second-Best Decision

Why Families Should Optimise for Being Approximately Right, Not Perfectly Advised

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After many years in finance, transactions and family capital, I have learned to be suspicious of decisions that are always one meeting away from being made.

I see the pattern from both sides of the table. Inside the family, the discussion usually feels careful and responsible. Nobody wants to rush. Nobody wants to offend the wrong branch of the family. Nobody wants to ignore the tax point, the legal caveat, the family implication, or the emotional history attached to the asset. From the family's point of view, asking for more time can look like discipline.

From the other side of the table, it often looks different. A buyer, banker, manager or operating partner may say, usually with some frustration, "We like the family, but we cannot get them to decide." They may not say it publicly, and they may say it more politely than that, but the message is familiar. The family is interested, but not committed. It is positive, but not ready. It wants to revisit the question after the next meeting, the next valuation, or the next family call.

I do not think this is because families are irrational. In many cases, the opposite is true. The families I am describing are intelligent, thoughtful and properly advised. The problem is more subtle. Important family decisions rarely come with one clean answer. They come with pros and cons. They affect money, control, fairness and relationships at the same time. So the family waits.

Then other things get in the way. A property issue appears. A child moves country. A tax rule changes. A bank asks for something. A family member is travelling. A market window opens and closes. The next meeting is moved. Nothing dramatic happens. That is precisely the problem. Indecision rarely announces itself as indecision. It usually arrives dressed as prudence.

At some point, I find myself asking a different question: "What imperfection are you prepared to live with?"

That question usually changes the nature of the discussion. The issue is not that the family lacks advice. It has plenty of advice. The issue is that every available decision has a cost, and the family has not yet chosen which cost it is willing to own. There is no option without a flaw. There rarely is.

This memo is my attempt to examine a problem I see often in sophisticated families: the search for the perfect decision in a world where most important decisions are necessarily imperfect. I do not believe this is a criticism of advisers. Good families need good advisers. Complex wealth requires legal, tax, investment, governance and operational expertise. The problem begins when advice stops informing judgement and starts replacing it. Families can become beautifully advised and still strategically paralysed.

The task is not to be perfectly advised. The task is to be approximately right, early enough, clearly enough, and with enough margin for error that the decision can survive being partly wrong.

The Advice Paradox

I want to start with a distinction that sounds simple but is often missed. Advice is not the same as judgement.

Advice identifies risk. Judgement chooses which risks to accept. Advice expands the range of considerations. Judgement decides which considerations matter most. Advice can make a decision safer. Judgement makes a decision possible.

I have no patience for the fashionable idea that advisers are the problem. That is too easy, and usually wrong. In my experience, the better the family, the more seriously it takes advice. The best principals I know do not treat lawyers, tax advisers, bankers or investment professionals as decoration. They listen carefully. They ask hard questions. They want the uncomfortable facts. That is good practice.

But there is a second stage. After the advice has been heard, the family still has to decide. That is where many families struggle.

UBS reported in its 2026 Global Family Office Report that family offices have institutionalised many visible parts of their operations. 68% of surveyed family offices have formal financial performance measurement processes. 60% operate with investment committees. More than half use structured budgeting frameworks. The survey covered 307 family offices across more than 30 markets, with an average net worth of USD 2.7 billion.[1] Those are serious organisations.

Yet UBS also reported that fewer than half have formal governance frameworks with board-level oversight, only 35% have a defined succession plan for the family office itself, and only 27% have a structured process to educate and prepare heirs for future roles.[1] That gap tells me something important. Families are becoming more professional in form, but not always more decisive in substance. The institutional appearance is there. The decision standard is often missing.

McKinsey's research on organisational decision-making, while not specific to family offices, makes a similar point. In a global survey, only 20% of respondents said their organisations excel at decision-making. Respondents reported spending an average of 37% of their time making decisions, with more than half of that time thought to be used ineffectively. McKinsey also found that organisations making decisions quickly were twice as likely to make high-quality decisions as slow decision-makers.[2]

That last point is worth pausing on. Speed and quality are often treated as opposites. The assumption is that more time produces better decisions. Sometimes it does. But often the relationship is not between speed and carelessness. It is between clarity and execution.

A clear decision standard can produce better decisions faster. Not because it makes the future easier to know, but because it makes the present easier to act on. An unclear standard produces more meetings.

The Impossible Standard

The more complex the family, the easier it is to find intelligent reasons not to decide. The tax answer is not perfect. The legal answer is not risk-free. The market window is uncertain. One branch of the family is uncomfortable. Each objection may be reasonable. Together, they can become a prison.

This is the family office version of analysis paralysis, but I do not like that phrase because it sounds as if the family is simply overthinking. The reality is more subtle. Often the family is trying to avoid the emotional burden of choosing between imperfect alternatives. That is different.

Most meaningful family decisions are not choices between good and bad. They are choices between different forms of discomfort. Create liquidity and one branch may feel the family is becoming financial rather than entrepreneurial. Stay concentrated and another branch may feel the family is imprudent. Move jurisdiction and the family may gain flexibility but lose simplicity. Appoint a professional CIO and the family may gain discipline but give up some personal control. None of these decisions has a perfect answer.

That is why the search for perfection becomes dangerous. It allows the family to mistake delay for prudence. It also creates a convenient illusion: if the family has not decided, it has not taken risk. That illusion is false.

Remaining concentrated is a decision. Staying illiquid is a decision. Leaving a governance issue unresolved is a decision. Allowing a market window to pass is a decision. The family may not have signed a document, but the balance sheet has still made a choice.

I see this most often when several advisers are involved. Each adviser is doing what he or she has been asked to do. The lawyer identifies legal risk. The tax adviser identifies tax risk. The banker identifies execution risk. The governance adviser identifies family risk. The principal then receives a collection of valid warnings, but not a decision.

That is not the adviser's fault. It is the family's responsibility to decide which risk it is willing to own. The line I often use is this:

A family can be over-advised and under-decided.

That does not mean it has too many advisers. It means it has not converted advice into judgement.

Approximately Right

The title of this memo is deliberately imperfect.

I am not suggesting families should aim for poor decisions. I am suggesting that, in many real situations, the best available decision will still be second-best when compared with an imaginary perfect one.

The right standard is not perfection. It is approximate rightness.

An approximately right decision has five characteristics.

It is good enough to act on. Not certain. Not complete. Not immune from criticism. Good enough. The family understands the main facts, the main risks, the alternatives, and the reason for acting now rather than waiting indefinitely.

It is clear enough to explain. A decision that cannot be explained to the next generation is probably not fully understood by the current one. The explanation does not have to be long. It should answer the basic questions: why this, why now, why not the alternatives, and what would cause us to change our mind?

It is conservative enough to survive error. This is where investment discipline matters. A good decision assumes some part of the analysis will be wrong. The tax outcome may be less favourable. The valuation may be lower. The reinvestment opportunity may take longer. The family reaction may be more complicated. The family should ask whether the decision still works under ordinary disappointment.

It is flexible enough to adapt. Some decisions are reversible. Some are not. Some are partially reversible if structured carefully. Families should not demand the same level of certainty for every decision. A low-risk, reversible decision should not require the same process as a generational transfer of control.

It is documented enough to outlive the room. A family should be able to look back in five years and understand why the decision was made. Not to assign blame. To preserve memory. Many future disagreements are caused not by bad decisions, but by forgotten reasoning.

I find this framework more useful than asking whether a decision is right or wrong. Important decisions rarely reveal their quality immediately. Sometimes a good decision produces a bad outcome because the world moves against it. Sometimes a poor decision produces a good outcome because luck intervenes.

Howard Marks made this point beautifully in his memo "You Bet". He wrote that "you can't tell the quality of a decision from the outcome" and argued that the best decision-maker is not necessarily the person with the most successes, but the one with the best process and judgement.[3] That is exactly the point. Families should not judge their process only by whether the last decision worked. They should ask whether the decision was made in a way that could be repeated intelligently. That is what approximate rightness means. It is not casual. It is disciplined humility.

Perfectly Advised

Now let me describe the opposite. A perfectly advised family has identified every risk. Every memo includes caveats. Every alternative has been considered. Every stakeholder has been consulted. And still no one knows what to do.

This is not a caricature. I have seen versions of it often enough to take it seriously. The family has received excellent advice, but the advice has accumulated rather than clarified. The more the documents grow, the less the decision improves. At some point, another memo does not reduce risk. It gives the family permission to postpone the moment of judgement.

There is also a subtle incentive problem. Advisers are usually rewarded for being thorough, not for saying, "You have enough to decide." Lawyers are trained to identify risk. Tax advisers are trained to optimise and defend. Bankers are trained to execute when the client is ready. Investment advisers are trained to produce analysis and alternatives. Governance advisers are trained to encourage consultation and alignment. All of that is understandable. But someone has to own the trade-off.

In a well-run family office, that should be the decision-making institution: the principal, the family council, the investment committee, or the family office CEO. The problem is that many families have never clearly defined which body has that authority, what standard of evidence is sufficient, and which imperfections are acceptable. So the advisers keep advising. The family keeps waiting.

The decision becomes heavier over time because delay creates its own history. Once a family has spent a long period analysing something, it becomes psychologically harder to decide. The family begins to think that if it has taken this long, the answer must be more complicated than it first appeared. Sometimes it is. Often it is not. Often the family is simply avoiding the fact that every route involves a cost.

The Cost of Waiting

The most underappreciated cost in family office decision-making is the cost of waiting for a perfect answer.

Waiting feels safe because it avoids visible mistakes. If the family does nothing, no one can point to a decision and say it was wrong. But inactivity is not neutral. It has a cost. Sometimes it is the most expensive decision of all, precisely because it does not look like a decision.

I want to be careful here. Waiting is not always wrong. Sometimes waiting is discipline. Sometimes the price is poor, the family is not ready, the tax risk is real, or the information is still incomplete. Patience is one of the great advantages of family capital.

But patience and avoidance can look very similar from the outside. The difference is whether the family can explain why it is waiting, what would make it act, and what risk it is accepting by not acting.

Market windows close. A sale that was available in one quarter may not be available in the next. A refinancing market can change. A buyer can disappear. Families often recognise this in hindsight, but not while delay feels prudent.

Family consensus deteriorates. Difficult decisions do not become easier merely because they are postponed. One branch becomes suspicious. Another becomes impatient. The next generation loses interest. Delay can turn a decision problem into a trust problem.

Adviser positions become entrenched. The longer advisers work on a question, the more invested they become in their own framing. This is human. The tax adviser defends the tax answer. The lawyer defends the legal structure. The banker defends the timing. The family then has to manage not only the decision, but the architecture of prior advice.

The world changes. Deloitte and The Wall Street Journal reported in a 2026 family business succession article that 85% of surveyed family-business leaders acknowledge the importance of CEO succession planning for long-term viability, while only 23% have taken proactive steps to formulate a strategy.[4] The gap is familiar. People know they should act, but they wait because the issue feels too personal, too complex, or not yet urgent. Then urgency arrives on its own terms.

The family mistakes activity for progress. This may be the most common problem. Meetings, memos, models and calls create the feeling of movement. But movement is not progress unless it brings the family closer to a decision.

I am not arguing for speed for its own sake. Fast mistakes are still mistakes. The point is not that families should decide quickly. The point is that they should know why they are not deciding.

There is a difference between waiting because the answer is not yet good enough and waiting because the family has not agreed what good enough means.

What Would Actually Help

Let me describe how I would make this practical without turning it into bureaucracy.

Before asking for another opinion, I would ask the family to answer five questions.

1. **What are we actually deciding?** Many family meetings begin with a topic, not a decision. "Liquidity", "succession" or "relocation" are not decisions. Sell or hold is a decision. Move or stay is a decision. Appoint or delay is a decision.

2. **Which risks are unacceptable, and which are merely uncomfortable?** Families often treat both categories the same. That makes every option impossible. A risk that threatens the family, the business, the structure, or the law may be unacceptable. A risk that creates regret, embarrassment, tax friction, or awkward conversation may simply be the price of acting.

3. **Who has authority to choose between competing advice?** If no one owns the trade-off, the most cautious voice often wins by default. That may feel safe. It is not always wise.

4. **What would have to change for another view to matter?** This question is useful because it separates genuine diligence from delay. If one more memo could change the decision, get the memo. If it could not, the family is probably not seeking information. It is seeking comfort.

5. **Is the imperfect decision better than waiting?** Families rarely compare an imperfect decision with the real alternative. The real alternative is usually not a perfect decision. It is delay, drift, continued concentration, or another round of advice. That is the honest comparison.

I would also write down the trade-off in plain English. Not a legal note. Not a tax memorandum. A decision note. "We are accepting some tax complexity in exchange for jurisdictional flexibility." "We are accepting a lower valuation in exchange for liquidity and reduced concentration." "We are accepting slower decision-making in exchange for broader family legitimacy."

That sort of sentence has power because it prevents the family from rewriting history later. It says: we knew this was imperfect, and we chose the imperfection deliberately. None of this removes uncertainty. It makes uncertainty usable.

The Role of the Family Office

The family office should be the place where advice becomes judgement. That sentence may sound obvious, but I think it is the centre of the issue. If the family office merely collects opinions, organises calls, circulates memos and schedules the next meeting, it is not really a decision institution. It is a coordination mechanism. Coordination matters. But it is not enough.

A serious family office does not eliminate uncertainty for the family. It helps the family carry uncertainty without becoming paralysed by it. It translates expert advice into a decision the family can understand, own, explain and revisit.

This is especially important for families with multiple branches and generations. The first generation may decide by instinct because the wealth is closely connected to the person who created it. The second generation may decide by trust because it grew up around the founder's judgement. The third generation often needs a more explicit standard because memory is weaker, ownership is wider, and legitimacy has to be earned rather than assumed.

That is why the second-best decision is not a compromise with mediocrity. It is a discipline for families that can no longer rely on one person's instinct. It says: we will not wait for certainty. We will define the trade-off, protect the downside, document the reasoning, and act when the decision is good enough to carry. That is not perfect. It is better than drifting.

A Final Thought

Howard Marks wrote that "you can't tell the quality of a decision from the outcome." I think every family office should keep that sentence close.[3]

Families are often judged by outcomes. The sale worked. The structure failed. The investment made money. The market moved against the decision. But outcomes are mixed with luck, timing, regulation, personalities and events no one could fully know in advance. The more important question is whether the family had a sound process for choosing under uncertainty.

I do not believe families should worship decisiveness. That would be a mistake. Some of the best decisions are delays. Some of the worst decisions are made quickly and confidently. But I do believe families should be wary of the kind of sophistication that produces endless advice and no judgement.

There is dignity in making an imperfect decision carefully. There is danger in waiting for a perfect decision that the world will never offer.

The best family offices I know are not perfectly advised. They are approximately right more often than not, and they know why they decided. That is enough. In the real world, it may be the best decision available.

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