KATALYST ADVISORS

FROM FOUNDER TO FRAMEWORK · PART 2

Economic Entitlement and Decision Authority Are Different Systems

Ownership Is Not Control
and Why Each Must Be Designed Separately

Entitlement | Authority | Structure

The Confusion	The Mechanism	The Answer
Two Systems Treated as One	Control Through Several Layers	Define Each Separately

Swipe →

01

THE PERSISTENT CONFUSION

In the Founder Phase, Ownership and Control Sit in the Same Hands

Ownership Is Economic Entitlement

Ownership entitles a stakeholder to participate in economic value through dividends, capital appreciation and, in some configurations, voting rights.

Control Is the Capacity to Decide

Control operates through authority over strategy, leadership selection, information flow and capital deployment.

Growth Loosens the Alignment

Economic participation widens across family members and investors. Decision authority cannot widen at the same pace without the enterprise losing coherence.

An Unarticulated Distinction

A branch may hold substantial equity with limited influence, while control rests with a trust, holding company or board. If this is not articulated, succession planning becomes unstable.

Two Separate Dimensions

Ownership determines who participates in the economic value of the enterprise.
Control determines who decides its direction.

02

HOW CONTROL ACTUALLY OPERATES

Control Operates Through a Network of Mechanisms

Voting Rights — LAYER I

The most visible layer. Voting rights pass resolutions, but they are only one of the mechanisms that determine direction.

Board Composition — LAYER II

The board appoints leadership, approves major transactions and shapes long-term strategy. Influence over board design translates into authority over the enterprise.

Leadership Roles — LAYER III

The operating layer. Even with dispersed ownership, continuity in leadership can sustain direction, provided governance supports it.

Information — LAYER IV

The least visible and often the most decisive layer. Those with timely, accurate and complete information influence outcomes before formal decisions are taken.

Control as a System

Control is produced by the interaction of ownership, governance, leadership and information, rather than by shareholding alone.

03

WHERE CONTROL SITS IN PRACTICE

Signing Authority, Relationships and Established Practice

Who Can Bind the Company

THE SIGNATURE

Bank mandates, authorised signatories and powers of attorney determine who can bind the company, irrespective of the shareholding.

Who the Outside World Calls

THE RELATIONSHIP

Lenders, key customers and regulators deal with the person whose credibility they rely on, and that relationship carries authority of its own.

Who Has Always Decided

THE PRACTICE

Families tend to defer to the person who has taken decisions in the past, and authority stays in place after the ownership has moved.

Control That Is Not Documented

THE RESULT

Much of the control in a promoter enterprise is not documented, which makes it difficult to transfer in an orderly manner.

Look Beyond the Shareholding

Who signs, who deals with lenders and whose judgement is followed indicate where control sits today.

04

HOLDING STRUCTURES

Holding Structures and Consolidated Authority

WHAT THE STRUCTURE DOES

A family trust, holding company or layered structure holds the controlling stake in the operating company.

Family members hold economic interests in the vehicle rather than in the business directly.

Economic participation can widen across generations without splitting authority over the business.

WHAT IT DOES NOT DO

It does not settle who decides inside the vehicle itself.

If trustee powers, board roles or beneficiary rights remain ambiguous, fragmentation shifts from the operating company to the holding structure.

The legal form may exist without clarity of governance.

Governance Within the Vehicle

Holding structures require the same level of design as the operating entities they hold.

05

WHEN THE TWO DIVERGE

Divergence That Is Not Articulated Unsettles Succession

Economic Participation Widens

THE DRIFT

Equity spreads across branches and investors. Decision authority cannot spread at the same pace without the enterprise losing coherence.

Equity Without Influence

THE GAP

A branch may hold substantial equity with limited influence, while another directs the business through the board, the bank mandate or the trust.

Succession Under Pressure

THE COST

When the separation is not articulated, each succession discussion reopens the question of who decides, and it is answered under pressure.

Decide Early

Record who owns what and who decides what, while the founder is in a position to settle both.

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The Takeaway

Ownership is economic entitlement, and control is the capacity to determine outcomes. A durable structure defines each separately.

Ownership	Who participates in value: dividends, capital appreciation and, in some configurations, votes.
Control	Who decides: the board, leadership, signatures, information and the matters reserved for approval.
The Gap	Where the two diverge: branches with equity but no voice, and authority held without equity.
The Design Brief	Identify where the two diverge and settle it in the family's documents before a transition requires it.

Once ownership and control are separated,
the next question is how the ownership should be divided.

NEXT → Equal Is Not Always Fair