

## Significant Advice for Complex Business Families

### Angst Family Case Study: “More”, or “Meaningful”?

The Angst Family: Peter (74), Flossie (72), Phillip (42), Amore (40), and Rupert (38) are a 1<sup>st</sup>/2<sup>nd</sup> generation Business Family with agricultural, manufacturing, and commercial property interests in South Australia.

Peter is a smart, driven entrepreneur who loves his family, has high emotional intelligence, and has always directed 120% of his intellectual and emotional energies towards building businesses. Emotional interactions with family members tend to frustrate and exhaust him.

Making money is not Peter’s main driver. He’s always ploughed most of the considerable profits his businesses generate back into growth. As a consequence, the family is worth well over \$200M, but there’s never been much spare cash available, and the family has lived relatively modestly for the past 40 years.

Peter’s father lent him the money to buy a small and struggling manufacturing company, acting as his mentor and silent partner. Peter made a great success of the business, buying Ron out after 3 years, and paying him back 3x his original stake money. Peter was only 24 then, and he’s been acquiring and developing businesses ever since.

Flossie is a devoted, strict, and very untrusting wife whose horror at what she saw happening to relationships in other wealthy farming families drove her to stick like glue to Peter whenever he went off on his frequent business trips.

They have a strong, if somewhat prickly relationship, which is more than can be said for their relationships with their 3 children, all of whom developed serious fears of being abandoned during childhood. Flossie always hired new nannies whenever she travelled with Peter and dismissed them soon after her return, however well they’d got on with the children.

Flossie herself had a very unhappy childhood – her mother was very strict, very proper, emotionally distant, and exceedingly domineering – which may be why the father she adored maintained a secret second family. She discovered that shortly after marrying Peter, when her father was terminally ill and trying to make sense of his life, and peace with his whole family(s). The emotional fallout on Amy and her family was cataclysmic.

Phillip and Amore are well-educated, intelligent, and highly strung. Both suffer from severe depression and have been on heavy medication for many years. Neither have their own families, nor have ever had any long-term relationships.

Rupert is the golden child, although expelled from 4 private schools by the age of 12. He’s bright, charming, and highly extroverted. He’s also currently heading towards a fourth marriage, having had two children with each of his first 3 wives – all of whom are now being financially supported by Peter – as they receive very little attention from Rupert.

Peter is slowing down and has unilaterally decided to sell all his operating businesses, notwithstanding the separate and conflicting promises he's made over the years (in private) to all his children that, *"one day this will all be yours"*.

Phillip and Amore have spent almost their entire working lives in operational roles in various of Peter's businesses. They haven't been trained to do anything else, and they're almost certainly unemployable outside the family's businesses at anything like the remuneration levels they've learnt to enjoy.

Rupert has always flitted in and out of whichever family business took his fancy at any given time, never staying anywhere for more than 12 months. He usually spends piles of money "improving" the businesses he inserts himself into – mainly being wined and dined by consultants and salespeople who flatter him and sell plant, equipment and IT systems the businesses doesn't need, and can't commercially justify.

But if Rupert wants it, Peter makes it happen.

If Peter is successful in selling the operating businesses he's grown tired of (partly because he doesn't believe his children are up to managing them, because they're not enough like him, whatever that means), he'll emerge with around \$120M in cash; \$60M in a commercial property portfolio, and around \$20M in lifestyle assets. These are conservative estimates.

### **Problem!**

Peter has suddenly realised that he's charting a path that will put him out to pasture. He's visualised the future (ie: his future), and it looks like a black hole. He's had 3 good mates pop their clogs in the past 2 years – all within 24 months of stepping down from ownership and leadership roles. They were all younger than him, too! He feels there's nobody he can really talk to, as he's used to dominating family, friends, and staff, who all just agree with him. Trying to work stuff out with Flossie, or his kids, just leaves him exhausted. He's starting to panic.

Flossie can't wait to get rid of the businesses, so she has more time to "heal" her family. She recognises that having 2 out of 3 children at serious risk of suicide, and another at serious risk of complete dissipation, does not indicate great success as a parent, or as a family, despite their wealth (of which she's only vaguely aware).

She feels guilty that her family is so dysfunctional - suspecting, but never acknowledging, that she's probably the root cause of many family issues. She's dragged everyone through a range of psychologists, family counsellors, priests, rabbis, yogis, and faith healers over the years. None of which have achieved much.

The siblings have nothing to do with each other socially, and family gatherings for high days and holidays are always powder keg affairs, where at least one person storms out after some heartfelt screaming and cursing. Nobody knows who will be next to blow up.

Because there's so much tension, verbal violence, and bad blood in the family, none of Rupert's 6 children are ever brought to family gatherings. His former wives appreciate the maintenance payments they receive, but all feel they need to shield their children from what they see as the aggressive, and highly corrosive culture, of the Angst family.

Peter and Flossie are devastated they have almost no relationship with any of their grandchildren, having talked about all the wonderful things they'd like to do with and for them for many years, especially when they get together with friends who have grandkids and more normal family relationships. Paying school fees, buying expensive birthday and Xmas presents, and occasional facetime meetings, are about all they're allowed to do.

### **Advisory Challenges**

For this family, wealth management and estate planning don't even register as urgent issues, although if the sales of businesses go through, they'll soon have great need for good, long-term financial advice and estate plans.

If this family is to survive as a Business Family, it needs a comprehensive Family Plan, and a load of non-financial advice, training, and support - to enable the family system to get into some sort of workable balance.

The family is approaching a critical tipping point, where almost everything about their lives could soon change around them. They're facing a huge liquidity event, which should be tied into long-term family plans, to avoid family disintegration over the use of that money.

What James E Hughes calls the "Rising Generation" has a once-in-a-lifetime opportunity to step up in the family to commence some form of succession process.

Family counselling and psychological support are clearly needed, to help members of the family do a far better job of managing themselves and their relationships with other family members. Because this is a Business Family, any support provided will need to produce results within businesslike timeframes. It should probably look more like "goal-driven executive coaching and team building" than "empowering personal therapy".

When family dynamics have settled to the point where it's possible to have constructive meetings, and make good, collaborative decisions, a Family Plan should be developed that charts an outline course for the family for at least the next 25 years (ie: including the probable passing of the current Patriarch and Matriarch).

**Question:** *Given the huge material success they've achieved, what legacy do Peter and Flossie want to leave behind to benefit current and future generations of their family? What will make them feel proud, and give their lives meaning?*

They need to answer this question, and help to put things in place so it will be achieved, even though they may have to wait until they're looking down through the Pearly Gates (or up from somewhere less savoury?), to work out whether the plans they help to put in place now will achieve their desired, long-term results.

This is powerful emotional stuff - a commitment to do a better job of parenting and grandparenting than they've done so far, and a big improvement on the achievements of their own parents. Most importantly, it marks the transition from a life devoted to "more", to a life that contains "meaning".

Now we've placed some maggots of *meaningful pursuits* within the family's apple, we can start exploring the values and visions of family members, and shape them into agreed family goals. Nothing helps to build teams and teamwork like a well-guided, shared project.

Issues between family members will surface as they work together and, if they have the courage, the right support, and operate within a benevolent, disciplined, and accountable framework, those issues will be resolved, lifelong tensions will be relieved, and the family will become a happier unit.

None of this provides immediate financial reward. However, when you ask a selection of families whether it's more important to them to have a healthy family or a healthy family business, the smart ones usually say something along the lines of:

*"You can't have a healthy family business without a healthy business family".* (David Smorgon)

As relationships improve and the family gets more settled, forward-focussed, and happier, their advisers' work increases – the family finally understands what they need to do to lead more meaningful lives - and that generates an urgent need to put everything in place they neglected to do when they were solely focussed on "making more", including:

- Plans (**Strategies**), supported by:
- Appropriate **Governance Structures** (Family Council, Advisory Board, Family Office, and Family Forums), supported by:
- Appropriate governance **Systems** (Policies and Procedures, Family Constitutions, Charters of Mutual Obligations, and other agreements) that need to be collaboratively developed and supported to enable the new structures to work efficiently, supported by:
- Required **Skills**. Everyone knows what they must do and has the confidence to do it.

There's a mass of work in there for an appropriately multi-skilled advisory team.

Any adviser who wants to be a Trusted Adviser working with families across generations needs to know about, recommend, and be able to help implement Best Practices for Business Families.

It's the prime task of every Trusted Adviser to ensure that whatever their clients need to have happen, does happen, when it needs to happen. They don't have to do it all themselves, and they shouldn't even try - they just need to ensure it all happens.

That requires a fair bit of skills diversity, beyond what any conventional advisory business could bring under one roof, AND maintain excellence. It needs a more adaptable, flexible, virtual group of experts, offering a relevant spread of "best of breed", professional advisers, working collaboratively through a mutually supportive network.

**Angst Family (Complex Business Family) – Small Group Activity (in groups of 3).** Use the form, or make group notes for discussion.

Questions	Responses
1. What are the Angst Family's 3 highest priority needs?	1.
	2.
	3.
2. What do you advise the family to do: <ul style="list-style-type: none"> <li>• Now?</li> </ul>	
<ul style="list-style-type: none"> <li>• Over the next 12 months?</li> </ul>	
<ul style="list-style-type: none"> <li>• Over the next 10 years?</li> </ul>	
3. How will you make it happen?	
4. What support resources do you / they need?	
5. Currently identified and potential blockers?	

Questions	Responses
6. How will you overcome these blockers?	
7. What will good outcomes look like: <ul style="list-style-type: none"> <li>• Immediately?</li> </ul>	
<ul style="list-style-type: none"> <li>• In 12 months?</li> </ul>	
<ul style="list-style-type: none"> <li>• In 10 years?</li> </ul>	
8. How will you structure the engagement?	
9. Anticipated Fees?	
10. How will you bill (basis, frequency, accountability)?	