



## **The Home Team Advantage**

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Most family businesses give up the home team advantage because they never build a home team to begin with! One business owner with whom I was dealing recently said, "At home I thought my role as a parent was to build unique, strong and confident individuals in my children so that they could blossom and do whatever they wanted to in their lives." This all sounds great, but then he said "At work I thought my role was to take a group of unique, strong, confident individuals (my management team) and get them to work together effectively as a team." What he recognized very quickly was that he had not been encouraging the concept of "team at home" or "Home Team". Quite often business owners will spend a great deal of time bringing their management team to an off-site retreat to go through a testing process designed to identify their abilities, agreeing on their shared values, and thinking through their mission for the future and how they intend to get there. However, at home they often just assume that "family" means all of this and doesn't need to be worked on. Unfortunately, by the time they realize that their family is fragmenting into a group of independent, self-interested individuals, it can be very difficult to reverse the trend.

### **Working Together to Build a "Home Team"**

We at BNY Mellon have found that one of the most valuable services we can provide for our high net worth clients is to help them get started working together to build their "Home Team". Many times it is better for an outsider like us to introduce the process, tools and concepts than it is for a family member such as a parent to introduce them, since past biases may interfere with the family's willingness to participate. The need for a process to prepare the family for their future is particularly important for families who own and run a family business which they hope to pass down to future generations. However, this is not just for family businesses. This is also very important for families who have created significant liquid wealth and are concerned about preparing the next generation for dealing with wealth related issues and addressing an attitude of entitlement, a lack of motivation, low self esteem and other symptoms of "Affluenza".

### **The Goose and the Eggs**

For all families of wealth it is important for future generations to understand the difference between the family "Goose" and the family "Golden Eggs". The Goose is the family business or liquid investments which must keep working to lay the golden eggs. Too many times the future generations never appreciate the difference and end up eating the Goose. At BNY Mellon we find that parents in high net worth families often

spend a great deal of time preparing their money for their family, but they rarely spend much time preparing their family for the money. This leads to the old adage, "shirtsleeves to shirtsleeves in three generations."

Over the last decade much research has been done on families of wealth to figure out 1) if this really is a problem in most families of wealth, and 2) if there is anything that can be done about it. The results of the research prove there is a legitimate problem, and reveal that there are a number of things that some families are doing that have reversed the trend. Whether they have a family business or liquid investments that they wish to preserve and grow, building a strong home team is a very important component in helping successful families prepare for their generational transitions.

We have found that the hardest part of this process for most families is getting started. Because of this, we have developed a five step process to help families build their "Home Team Advantage." Some of the same tools that business leaders have found to be helpful at building teams at work can be implemented within families to build a stronger, longer lasting team at home. We use these tools and strategies to help families start building healthy teamwork, communication, education and ultimately healthy family governance. The five steps of that process are outlined below.

## **Steps to Success**

### 1. Education

The first step is education. The concept here is not to educate the children about the wealth of the family and when they are going to get it, but to educate them on the general issues that families of wealth are dealing with. Difficult questions arise here. Families are looking for insight on how other families are successfully answering. Questions like:

"How much is enough for heirs without demotivating them and creating a sense of entitlement?",

"When and how do you tell them what the numbers are, and when they will have access?",

"What do you do with the dreaded in-laws?",

"How do you bring spouses into the family in a way that allows them to feel welcome, while, at the same time, getting them to sign the pre-nup before the wedding?",

"How do you achieve 'equal' or 'fair' in family distributions, especially when some members are in the business and some are not?",

"You can fire an employee if they don't perform, but what do you do with a family member who doesn't want to participate?",

"How do you create Independence AND Interdependence?"

Understanding that these types of questions are universal in all families of wealth is critical. A quote I heard from a family member last year illustrates why this education is the starting point. I was running a family meeting for a client when one of the daughters stopped me during the education portion of the presentation and said "Wow, I feel so much better". Since nothing had been accomplished yet, I asked her "Why do you feel better?" She said, "Because I'm finally realizing that all the things I have been angsty over that I didn't know how to talk about in this family are the same things other people are angsty over in their families. For the first time I'm feeling two things: one – normal! Since my friends didn't have these issues, I thought we were abnormal, but I'm seeing that other families in our situation have struggled with the same issues. Secondly I'm feeling like this is important and we ought to be doing something about it." This is a bottoms-up example of a child's learning the importance of building a family team and wanting to be involved in doing something about it, rather than being told from the top by her parents.

## 2. Communication

The second step in the process is communication. In their book, "Preparing Heirs", Williams and Pressier interviewed over three thousand families that failed at preserving their family businesses, wealth and sense of family. According to these families who failed, "60% of the failure was due to a lack of communication and trust, 25% of the failure was due to unprepared heirs, while only 3% of the failure was due to mistakes made in planning and investing." If this is so, why do so many families spend so little time working at understanding their family members' styles of communication?

When conducting a family meeting for clients, we run the family through a communications styles test. This test is designed to identify the communication styles of family members and show the differences among family members. I have found it interesting that most family disagreements are not about the issues at hand, but rather how the information has been communicated to other family members in the first place. Our "style" of communication is at least as important as the words we use to convey our message.

I am passionate about the need for this communication test because when I was trying it on my own family to see if it was appropriate for our clients, I found my own style of communication was damaging my relationship with one of my sons. Not only was I blaming him for our communications problem, I was punishing him for the problem when it wasn't his fault. Unfortunately I had not known that I was the problem or that I could address it by simply changing my own approach. In fact, my normal approach was making our relationship worse. What a relief to have the tools to improve my relationship with my son. This test was helpful not only for me, but over the years we have found it to be incredibly insightful for families. In this first meeting, family members will learn about their communication styles and, more importantly, how to change their styles to adapt to group decision making. Most of the families we've led through this test have been able to understand many past disagreements, and ways to improve the future, just based on their styles of communication.

### 3. Shared Family Experiences – “Values”

The third step in our five step process is a “values” experiential exercise. Now that the family understand the basic issues around wealth and can communicate positively and hopefully effectively, we find the next step is to start to engage in experiential exercises. We recommend that the first of these is a values test. We would take the family through this during the first family meeting. The test we use here is very interesting because, although people often say they want to transfer their values to their children, they are rarely able to articulate their values very effectively. This exercise is quite helpful in determining and articulating both shared and individual values.

The importance of these "Experiential Exercises" is illustrated in Malcolm Gladwell's book "Tipping Point", where in chapter two, he describes,

"Another study, done on students at the University of Utah, found that if you asked someone why he is friendly with someone else, he'll say it is because he and his friend share similar attitudes. But if you actually quiz the two of them on their attitudes, you'll find out that what they actually share is similar activities."

Gladwell found that shared activities, "experiential exercises", were more important at building a group than shared attitudes and values. Management teams and boards of directors often use experiential, team building, exercises during their offsite retreats to build trust and communication amongst their key decision makers. We are finding the same to be true with families trying to build a group decision making process that prepares family members for their roles in the future of the family. One father, who had sold the family business ten years ago, told me "I remember these tools that you're talking about. Back when we owned the business we would get the management team together and go through these very types of tests. We would do Myers Briggs testing to figure out our abilities. We would come up with a mission statement and a value proposition. We had a culture that was very important to us and we worked hard to preserve it. These things made sense to us at work but we never thought about bringing them home." Well, they work great at home!

### 4. Group Decision Making – “Family Philanthropy”

The fourth step in our process is where family members start to practice their group decision making, using their understanding of their communication styles and their shared values. We have found that in many families of wealth, decisions are made at the top, with very little involvement of the next generations. We have found that family philanthropy is a great place to start making group decisions. Notice that we don't recommend bringing in philanthropy on day one, as the first step. This is because if you go home and tell your family, "Here's \$10,000 which I want you to give to charity, let's step up, come up with ideas and give it to charity," it may seem like a family process is being advocated. But in reality it was really a "ME" decision, not a "WE" decision. However, we are finding that if you introduce philanthropy as step four in this process, it can be perceived as a "WE" decision, with "buy-in" from all. We like the use of philanthropy at this stage because it gives the family a chance to test drive decision-

making with money they've already decided to give away. They are still competing for ideas and ideals based on their values, but without self-interest.

## 5. Family Governance – “Home Team”

The fifth step in our process is Family Governance. Here the family can start to engage in consequential, group decision-making on some of the group issues. We suggest the family start small and work up to bigger decisions. For example, start with decisions such as "What do we do for family vacation this year?", "What education resources should we bring in this year to our family meeting?", and move on to bigger issues such as, "What do we want to do with the family foundation?", "What do we want to do with the family business?", "Should we be advocating prenups for family members?", and many others. These are difficult questions and we have found that if the family tries to jump into them without building a foundation of communication and trust, they can be fraught with emotion and can lead to disaster. However, if introduced after the "Home Team" has been built, these issues don't become easy, but they become easier.

### **"You Will!" vs. "Will You?"**

Sometimes problems transitioning family wealth are exacerbated by the very nature of the kind of people who build wealth. In our experience, most of the wealth creators are entrepreneurs and business leaders who like to make decisions themselves. They are strong and confident decision-makers; many refer to themselves as "Type A". Although this is great to build wealth and run a company, it isn't as helpful when trying to build leaders in the family. Strong and confident decision-makers like making most of the decisions in the family themselves, so too often children of these individuals not only do not participate in making family decisions, they don't even see the decisions being made. Most of the decisions are made behind closed doors.

For example a group of young teenagers was asked "what's the process of buying a new family car?". Those who came from a modest financial background could describe the process in detail. They had seen most of it happening right in front of them. They had often been strapped into the back seat for the test drive and had heard during dinner what the family could and could not afford. However, those from affluent families typically said "Dad just drove home a new car today". The more expensive the car, the less likely the parents were to involve the children in what they were doing. Clearly there are sound reasons for this – does it make sense to talk to an eight -year-old about an \$80,000 car? However, the unintended consequence was that these children had rarely had a chance to see how their parents made decisions about resources. This contrasts with the experiences of children who had grown up in more modest backgrounds.

As the oldest and largest fiduciary in the country, BNY Mellon is often chosen as trustee for family trusts and as executor of client's estates. Over the years we have found that often the first time children get together to make decisions about wealth is when they are settling their parent's estate. This is a tough time to begin making decisions as a group. Understandably, in times like these family dynamics are seldom positive.

However, we've found that our "Five Step Process", if begun well ahead of the anticipated wealth transition, is very successful. As families learn to build a family "Home Team", they are also able to end the paradigm of "shirt sleeves to shirt sleeves" and begin to build their family legacy. They become skilled in the group decision making process and are prepared to engage the next generation in making positive, intelligent decisions regarding their family wealth which last long into the future.

Let me end with one last story about a group of business owners that illustrate the need for building a home team. Recently I was with a group of about ten successful entrepreneurs and one of them asked the rest of the group ' "How many of you would like your children to have great communication with each other, work well together as a group and help each other out long after your no longer here?" To this, all of them raised their hands, but then he asked, "How many of you have this type of relationship with your siblings?" Here, only one raised his hand. They said the biggest reason their relationships had deteriorated with their siblings was due to wealth related issues. They had not built trust and communication with their siblings when they were younger, and they had no idea of how to start now. In most cases they were the financially successful child, and wealth and success had become an issue with most of their siblings. Whether it was jealousy, unpaid loans, not giving their nephew a job, or any number of issues, because they had not built a "Home Team" early on, they had easily drifted apart. They have now embarked on a process of changing the dynamic with their children, AND with their siblings' families. They are not bringing their extended families into major decisions regarding significant wealth. But they are trying to get them involved in smaller issues such as group philanthropy and plans for family retreats where we will help them introduce the Five Step Process to Healthy Family Governance. Go "Home Team"!

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