



WHITEPAPER

The Power of Family Culture

Authored by Matt Wesley / In collaboration with Angelo Robles

INSIDE

What Doesn't Work

The Persistence of Family Culture

The Tribal Nature of Families

The Impact of Wealth on Family Culture

How to Shift Family Culture

Unlocking Moral Imagination

The Next Step: Core Competencies

Outcomes



The Power of Family Culture

In the second half of the 20th Century corporate executives began to see something that had not been seen before. They noticed that often their initiatives would fail to take root in their organizations. With the increasing complexity of business environments, shifting markets and rapidly changing technology, their companies had to pivot much more quickly and much more frequently than ever before. Yet many companies couldn't make the shifts required. Strategies that looked stellar on paper at senior levels simply wouldn't work on the shop floor. Employees would ostensibly follow orders but something mysterious would go terribly wrong and the initiatives would sputter and die. When this was studied, it was discovered that about 80% of major strategic initiatives failed. Those who were paying attention to such things began to understand that the mystery had something to do not with the individuals in the company, but in the very way these individuals were assembled, how they organized themselves and most importantly with the intangible beliefs, values, attitudes and other intangible attributes they shared. They came to call this mysterious force "corporate culture". This was a radically new way of looking at group behavior. One of the first to understand the power of organizational culture was the famed business consultant Peter Drucker who is said to have said, "Culture eats strategy for breakfast."

As it turns out families are not so different. A great deal of wealth is lost in generational transitions. It is estimated by many that about 80% of wealth is dissipated in the second generation and never makes it to the third. There are very few families that sustain wealth into the fourth generation. Apparently sustaining wealth is at least as difficult as accumulating it. Well over 80% of the Forbes 500 is “new money” with only a few second generation family members represented on that list. Jim Grubman who likens the accumulation of wealth to immigration into a new and unfamiliar land suggests that many of the new arrivals are almost as quickly deported. Why is that? These people have the best planning money can buy and they take advantage of the many strategies designed to pass massive wealth to their children. It is apparently not a problem

of planning or taxation. They also have some of the best investment advice available anywhere and access to investment opportunities not open to the masses. The erosion of wealth is apparently not a problem of poor investing. Most have smaller families so, the prodigious loss of wealth at the second and third generations is not a problem of the law of large numbers. What is the root cause of this loss of wealth?

In working with wealthy families over the past 20 years, first as an estate planning attorney and then as a family consultant, I have come to see that the same problem that plagues corporate transitions plagues wealth transitions in families. Failures of family culture decimate wealth.

What Doesn't Work

Lawyers seek to solve this problem of sustaining wealth by organizing against familial chaos and incompetence. They create tight, rational structures designed to contain the vicissitudes of family dynamics. Attorneys often intuitively sense that there is something going on in the family – though they rarely identify it so sharply as to call it “family culture” – and believe that with the right forms (legal plans, stratagems and structures), they can keep the cultural wildcard at bay. Because their patriarchal clients often share this view as well – that controlling structures will contain family dynamics as surrogates for their own control -- the professional solutions find resonance in their anxious clients. However as Jay Hughes suggests, families often do not have the capacity or capabilities to make these forms actually function as they were designed. Culture takes over and renders the plans, stratagems and structures ineffective. It turns out that, in wealthy families, culture eats structure for breakfast.

Often families sense this problem and they hire people from the consulting classes to help them. If these consultants are former lawyers or

financial advisors, they default to what they know and offer more but different structures – family mission statements, values declarations and family constitutions are drafted and adopted. Very often family culture shreds these as well. Others, who come from therapeutic backgrounds, will attempt to process the issue by teaching communication skills, administering personality profiles and so on. With these consultants, the family will often get bogged down in endless processing and cannot find their way through the complexities of their own emotional maze to effect true shifts in their culture. In this sense families co-opt the psychological approach and make it a part of the family dynamic.

This is how trusts fail and litigation ensues. Family behavior undoes well-conceived financial plans. Family feuds destroy otherwise healthy businesses. And the work of family consultants is a hollow exercise that does not begin to fundamentally shift the family culture. The family culture destroys this good work like a tiger let loose in a Japanese teahouse would tear through shoji screens.

The Persistence of Family Culture

A hallmark of family culture is that it persists and adapts. It assimilates almost anything that is thrown at it and subjects it to its own dynamic. One family leader saw the problems in his family and attempted to shift the family dynamic. Even with the best of intentions, his efforts were seen as self-interested and manipulative by the family system. His efforts were sabotaged and became one more instance of longstanding patterns he had replayed many times before of being a highly respected and effective business leader but an ineffective husband and father. Family patterns – and the family culture that produces them – are often stubborn, persistent and adaptive. Family culture will do what it must to survive and sustain its complacency.

When families have attempted to change their culture and failed, they are left confused, disillusioned and cynical. Often they will hire consultants for a “one and done” meeting in a vain hope - that the consultant naively shares - that if only they can get on the same page and align themselves they will be fine. Unfortunately, it doesn’t work that way. Families do not “align” – they sprawl. Trying to organize that sprawl rarely works. Most family cultures are too complex for such simplistic solutions.

Every family has roots (whether known or merely felt) that go back at least 100 years. This long history shapes the patterns of the present. Research shows that siblings take on roles for parental attention – he is the smart one, she is the funny one, she is the athlete, he is the black sheep. Family members are in these roles they play and the roles have improvisational “scripts” that repeat almost every time the family gathers. Everyone can usually predict with uncanny accuracy what will happen at holiday gatherings – what the sequence of events will be, when dinner will be served, who will say what, what stories will be told and what tensions will exist. It is as though when the family meets, it is enacting an extended ritual and everyone – people who in their everyday lives are vibrant, engaged and creative people – slip into a kind of trance to support their part in the ritual. In families with destructive patterns, these roles and scripts can become games that are played against the backdrop of family relations. These games become like ancient tragedies or comedies where fatal flaws and mistaken identities wreak havoc on both the tangible and intangible wealth of the family. This is the manifestation of family culture and it reflects the power it holds in family systems.

The Tribal Nature of Families

This all makes families essentially “tribal” in nature. The anthropologists among us might use the term “kinship system” to describe it. Families shift and move around the cycles of life – marriages, births, divorces, death, the raising of the young. Yet this tribal nature of families is also deeply affected by modernity with its tendency to exalt the individual and fracture familial bonds in a thousand different ways. The development of industrial society and the information age after it simply fragments and pulls tribes apart. Layer onto this post-modernism with the social construction of collective and individual identity and the nature of family as tribe seems lost in the noise. So family culture must deal with stresses from within itself – its own stubborn patterns – and from without – the broader societal imperatives that push for independence and fragmentation. Few in the family system think of themselves as a tribe – that is until someone suggests that they are and the light of recognition of the obvious comes on and illuminates what was not visible before. This is a “truth” that hides in plain sight. Once the family understands that it is a tribe, the nature of its culture virtually pops out and becomes self-evident.

Interestingly the tribal/cultural dynamic reflects the tension at the heart of every family. At the center of family dynamics lies, on the one hand, the need for

individuation, autonomy and self-expression and, on the other, the need for connection, support and acceptance. These two drives – the drive for power and the drive for love – often seem to be in tension with one another. To be autonomous seems to require the sacrifice of connection and the drive for connection seems to require laying aside autonomy. This sets up a double-bind or a paradox and every family will find its own way through this maze. Family theorists will tell you that this tension creates a tremendous amount of anxiety on the part of the members in the family system. Currents of anxiety run through family dynamics. Indeed one way to view family culture is to see it as the way families organize themselves around these dynamics of power and love and the anxiety these dynamics engender. In highly anxious systems the results are almost inevitable. When anxiety rises to the level of threat or fear people will fight and tear each other apart, or flee to different corners of the country or even the globe, or build alliances with parents or siblings, or simply become desperate for any fix to the problem to “get back to normal”. And some families become frozen in their roles and their scripts – stuck in the trance that keeps anxiety at bay. The tendency is for power and love either to polarize or settle into a kind of maladaptive stasis.

The Impact of Wealth on Family Culture

In affluent families, the wealth only adds fuel to this already combustible mix of power and love. In many ways wealth becomes part of the core dynamic. For some parents stuck in unhealthy patterns of power, this leads to the reckless and abusive use of wealth as a method of control. In this sense, wealth becomes like a silver dagger in the lives of the children. For parents stuck in unhealthy notions of love, it leads to sentimental and anemic responses that breed entitlement and dependence in the rising generation. This is the silver spoon of infantilization which leads to failures to launch into mature adulthood. Sometimes the dynamic careens between the two poles of unhealthy power and unhealthy love in a kind of schizoid process of over correction and reactive compensation that leaves a great deal of human wreckage in its wake. The question for affluent families becomes how to find a way to create a silver ladder where the dynamic tension of healthy forms of power and love foster competence in the rising generation both individually and collectively.

Many families simply cannot see their own patterns with any clarity. They are so deeply embedded in the family culture it is simply the water in which they swim. They feel the tidal flow of these forces of family culture, but these forces feel primal and irresistible – too complex and overwhelming to address. These patterns are insidious and would be comical if their consequences were not so tragic. In one family we worked with, the current patriarch had been given the business but saddled by his father with the responsibility of employing his incompetent older brother and carrying him for life. Almost thirty

years had passed and the fraternal resentments and tensions were keen. In the transition that was about to happen, the current patriarch's plan was to install his younger son as the head of the business and to bring his less competent older son in at a later date. He simply didn't see that he was replicating with eerie precision the same generational pattern that had brought him palpable misery. When this was pointed out to him, he had all sorts of reasons why "This time it will be different" – it was as though he couldn't help himself or wake up from his trance. As we have said, the cultural imperatives are stubborn and entrenched. Advisors and therapists will tell you that this sort of thing is not uncommon. Families can and do repeat the same patterns – playing the same uninterrupted games for generations.

For those family members who do see the patterns, they are often unable to change them from within. Their efforts are simply co-opted and assimilated into the blob of family culture. For most families to change, outside intervention is necessary. What is required for this work is not someone who will bring merely more structure or even process solutions to the family, but someone who knows how to shift family cultures. Unfortunately these people are few and far between, but they do exist. These rare people do not offer therapy and they do not offer the organizational consultant's solutions of mission statements and family constitutions or step-by-step solutions. Process and organization may be part of what culturalists do, but the real work is much deeper than that.

How to Shift Family Culture

Perhaps the heart of change in family culture lies in the quality of the thinking the family is able to do together. Anxiety shuts down thinking. Organizing this anxiety and attempting to contain it through forms – the solution of the structuralists – also shuts down thinking. Processing and understanding one another – the solution of the behaviorists – counter-intuitively shuts down thinking as well in favor of self-expression. What culturalists do is different. They actually create environments in which families can address difficult questions in ways that blunt the edge of family anxiety. They create first “safe space” and even “sacred space” in which the family can begin to find their own deeper collective wisdom. This is a facilitative or catalytic process, not a therapeutic one. It is based on a notion of coming to agreements that form a kind of tribal covenant. The first part of this process involves “waking up” from the trance and allowing the patterns of family culture to become visible. This waking up can rarely be approached head on in the beginning. There is simply too much resistance. What the family must begin to imagine is that its future can be different than its past. It must come to believe that history is not destiny. It will not believe that possibility until it is able to do something that its history would say couldn’t be done. That creates a chink in its cultural armor and begins to nurse the kindled ember of cultural change.

In shifting family culture, there are certain elements that must be secured by the family. The first chink in the cultural armor – and the first step to waking-up - is the development of what I would call “moral imagination.” This rests on the collective development of something of deep moral value for the family as a whole. This development of moral imagination is not a vision statement – usually such documents (borrowed from corporations) are dry,

rational statements that move no one to do much of anything. Such statements are not tribal. Unlike a sterile corporate intervention, the development of moral imagination touches the heart, rests on curiosity about each other and what is possible, engages the creative mind, and calls each member of the community into a fundamental moral commitment to the best interest of the community and the individuals in it. If vision statements are left brain artifacts what emerges in the enactment of moral imagination are its right brain analogs. A vision statement rarely gains the power of moral imagination whereas the act of moral imagination can generate a compelling vision statement. To illustrate, John Locke wrote wonderfully rational treatises on the nature of freedom and political liberty, but until moral imagination took root in the patriots of the Colonies, Locke’s ideas were stillborn, arid and impotent. When that fire of liberty kindled – when a new vision of a new kind of society never seen before on the planet came to fruition - it was articulated in the Declaration of Independence – one of the greatest vision statements in history. Moral imagination is thus more than a mere vision – it is the development of the heartfelt and creative collective calling that puts the family in relationship to one another and with the promise of its own future in community. The word “courage” is derived from the French word for “heart” (coeur) and so means “wholehearted”. Moral imagination creates that kind of wholehearted courage. Moral imagination also has a catalytic way of liberating the dynamics of power and love so that they can become generative – and the result is the sort of sentiment of Dumas’ French musketeers when they cried “One for all and all for one”. It balances individuality and community in ways that can become productive.

Unlocking Moral Imagination

Sometimes moral imagination is unlocked by asking a profound question and finding a common answer. In one family, the question was borrowed – For the Sake of What? In another it was developed in conversation with one another – How do We Evolve? These are both obviously moral questions. If truly answered with open minds, open hearts and open wills these questions have the power to “change everything.” When I ask families to come up with such a question, I will often ask precisely that – “What question, if you answered it as a family, would change everything?” When the question emerges from the family as a whole – in well facilitated discussion - it has immediate power and it can become the first seed of family transformation. Another key to unlocking moral imagination is to engage in telling a story of the future. As William Gibson famously said, “The future is already here, it is just not evenly distributed.” In fact the seeds of multiple futures are present now and to guide a

family on a process of telling stories of four of those possible futures and then intentionally picking one can begin to shift the family culture. One family we worked with has as its mission statement “Mai Tais for All.” It is the title of the story they told and chose for themselves about their future. It is story of togetherness, effective business practices, education, philanthropy, fun and a number of other elements that are important to that 80 member family. This is not a typical vision statement in the corporate vein, but rather something that has arisen from the moral imagination and creativity of this particular family. It speaks to their hearts, engages their minds and compels action. The family knows what that story means and they are working together to make it a reality. They are not aligned – they never will be - but they are attuned and therefore moving in parallel towards the future they imagined. They are not a marching band, but they are playing jazz together.



The Next Step: Core Competencies

Having moral imagination is only the beginning. It is not sufficient in itself. After the family has imagined a path where power is used constructively to build love and where love is seen as the way to empower one another, the family must build skills. These skills have to do with sustaining a dynamic relationship between autonomy and connection and to do so in the shadow of wealth. Among these skills is developing fluency in five literacies – in all wealthy families, family members must develop financial literacy (how money works), wealth literacy (how wealth works), and governance literacy (how collaboration works). In families with ongoing enterprises, they must develop business literacy (how business works) and for those families with philanthropic endeavors they must develop philanthropic literacy (how collective philanthropy works). Fortunately these literacies are related and lessons learned in one area can accelerate learning in the others. As families gain literacy in these areas, and as their competence grows, they will move into stages of fluency and eventually a few will become masters.

Other core competencies families must develop have to do with working with their advisory ecosystems, learning to communicate effectively, gaining facility in resolving disputes, developing family leadership and so on. Many of these skills are nascent in the five literacies, but some go beyond them. Coupled with this developmental work with the family as a whole, individual members may need help. Beyond education, family members may need coaching or even therapy. These are not the province of the true culturalists, but the culturalist will work closely with those in the therapeutic community to support that individual work. Likewise, there may be matters

of business performance that require outside consultants, non-family board members or the like. The good culturalist will work with the family to help them gain the kind of professionalism they need to be successful. Often there are problems of structure as well. Trusts that need amending, organizational documents that need to be drafted, governance practices that need to be established in writing. The culturalist will work with the ecosystem of advisors to help develop the appropriate structures. Finally, the culturalist will lean heavily on the expertise of financial advisors who often can be of real help in teaching both financial and wealth literacy and who work diligently to protect the financial capital of the family. In short, the family wealth has at least four dimensions – a financial dimension, a structural dimension, a human dimension and a cultural dimension. There are professionals who can help in each of these domains, but each professional domain has different competencies and skills, each has different ethical constraints, and each has different business models. Each professional domain must be aware of the others, know how to collaborate with those others and recognize their own boundaries. Each will spot issues for the others and some may gain facility to introduce families to unfamiliar territory before their competence, ethics or business models no longer allow them to go further. The more that those who work in each of these dimensions of family wealth can understand the necessity and value of the other dimensions and the more they understand the workings of other professionals who touch the family, the more likely the family will be well-served by genuine collaboration among their advisors.

Outcomes

And what happens when family culture's shift? In one sense the family will continue to be the family – the change is typically not a wholesale renovation of the family structure and culture. Rather the culture will be more productive. It will be attuned and play better together than they did before. Old games will fall away. Roles will shift. New scripts will be written. In short the family will become adaptive to the new stage in its evolution. The family will better support the development of individuals within the family to the point that they are more likely to thrive in their personal lives. It will support the expansion and deployment of financial wealth to the point that it is more generative in creating greater value for the family. The structures will contribute and support the family culture rather than the other way around. And the family culture will flourish. The forms will function as designed. Beyond that, there will be much deeper authenticity throughout the family system as anxiety diminishes, and there will be much greater

trust as the family culture and structures become truly consistent with one another and thus become worthy of the trust placed in both the culture and the structure by the individuals within the family.

Shifting family cultures is not easy. Many choose not to take up this work. They decide to let the family fall apart and each person go in their separate direction. This may be the right choice for many families. But for the few who see a better way, these families create engines of that generate great value – they hold enterprises that benefit society, they raise happy and productive children who know their cousins and are shaped but not dominated by common values and mindsets, they make a difference in the world through philanthropy and they steward wealth with the kind of generous wisdom that values the planting of acorns simply because the long view rests easily within their essential morality.

Authors

Matt Wesley

Matthew Wesley is an internationally recognized advisor to families navigating the complexities of substantial wealth. He leverages his 38 year professional career to catalyze shifts in family culture through tailored, targeted and transformative engagements designed to develop the capacities and core competencies of the family. As families traverse their arc of development, they become more connected, attuned and effective. In this process, they solve not only today's problems, but are equipped to address the challenges of tomorrow. Before establishing The Wesley Group, Matt was a respected estate planning attorney with over twenty years of experience in both Seattle and the Bay Area. For the last ten years he has worked with highly successful families doing inter-generational planning in business and legacy families. Matt holds a J.D. from Stanford Law School and a M.Div. from Fuller Theological Seminary.

Angelo J. Robles

Angelo J. Robles is the Founder and CEO of the Greenwich, Connecticut-based Family Office Association (FOA), a global membership organization that provides private educational and networking forums with top experts, plus thought leadership and proprietary research about and for multiple generations of wealthy families and the professionals who run their single family offices.

A member of the Princeton Council on Family Offices and the NYU Stern Family Office Council, Mr. Robles has a long track record of leadership positions at top financial service companies, including UBS. Before launching FOA, he engaged in several successful entrepreneurial ventures: He founded the New England chapter of the Hedge Fund Association (where he also served as president) and pioneered online retirement planning for Fortune 1000 executives with two Internet startups: 401KRollover.com and IRARollovers.com.

At FOA, Mr. Robles has spearheaded a series of provocative and groundbreaking Q&As with industry experts, and white papers that address the unique needs of ultra high net worth families in the U.S. and around the globe. These publications provide in-depth case studies of vibrant, multi-cultural single family offices as well as sophisticated approaches to wealth protection and growth, philanthropy, technology, social media, legal, tax, insurance and lifestyle concerns.

Mr. Robles has written several books and articles, and has appeared on *Bloomberg Radio & TV* and quoted in *Thompson Reuters*, *Institutional Investor*, *Opalesque*, *Registered Rep*, *HFM Week*, *Investment News*, *EurekaHedge*, *The Luxury Institute*, *Private Asset Management*, *The Greenwich Times* and many others.

Disclaimer

The Family Office Association (FOA) is an affinity group dedicated primarily to the interests of Single Family Offices. FOA is intended to provide members with educational information and a forum in which to exchange information of mutual interest. FOA does not participate in the offer, sale or distribution of any securities nor does it provide investment advice. Further, FOA does not provide tax, legal or financial advice.

Materials distributed by FOA are provided for informational purposes only and shall not be construed to be a recommendation to buy or sell securities or a recommendation to retain the services of any investment adviser or other professional adviser. The identification or listing of products, services, links or other information does not constitute or imply any warranty, endorsement, guaranty, sponsorship, affiliation or recommendation by FOA. Any investment decisions you may make on the basis of any information provided by FOA is your sole responsibility.

The FOA logo and all related product and service names, designs, and slogans are the trademarks or service marks of Family Office Association. All other product and service marks on materials provided by FOA are the trademarks of their respective owners. All of the intellectual property rights of FOA or its contributors remain the property of FOA or such contributor, as the case may be, such rights may be protected by United States and international laws and none of such rights are transferred to you as a result of such material appearing on the FOA web site.

The information presented by FOA has been obtained by FOA from sources it believes are reliable. However, FOA does not guarantee the accuracy or completeness of any such information. All of such information has been prepared and provided solely for general informational purposes and is not intended as user specific advice.

To learn more about FOA contact:

Angelo J. Robles of Family Office Association
203-570-2898 . angelo@familyofficeassociation.com

Family Office Association
500 West Putnam Avenue, Suite 400
Greenwich, Connecticut 06830

www.familyofficeassociation.com

