THE BLIND SPOT OF SUCCESSION

By Matthew Wesley

> *It takes a great deal of boldness mixed with a great deal of caution to acquire a great fortune…and it takes ten times as much to keep it.*
>
> Nathan Rothschild

There is a great deal of evidence that the skill set required to create wealth is not the same as that required to sustain it. Those who build wealth have a rare set of characteristics. They tend to be highly independent, extraordinarily focused, remarkably decisive, strong willed, and exceptionally risk tolerant. Those of us in the advisory communities have seen that when faced with issues of succession, most wealth creators look for the person most like themselves to help lead the family into the next generation. They may, however, be barking up the wrong tree.

We know that few families sustain wealth past the second generation – about 80% of wealth is gone within fifty years of the death of the patriarch. The reasons for this are complex, but study after study has shown that wealth disappears because of endemic failures of family cohesion – breakdowns in communication and trust, failures of common mission and vision, and the under-preparation of heirs. This means that those families that succeed are the ones that learn how to get along with one another. It turns out that as wealth passes to the next generation, the rugged individualism that gave rise to the wealth must give way to a form of collective engagement if the wealth is to be sustained. The competencies that are required to sustain wealth in Generation 2, in stark contrast to the skills that built the wealth, are such things as cooperation, consensus building, flexibility, open-mindedness and risk aversion.

This means that the leadership skills that will work in the second generation will be radically different from the skill set of the first generation. If the mantra of the first generation of wealth creators is “Stand on your own two feet”, the mantra of the second generation has to be “One for all and all for one.”

Most advisers can tell you that when dad dies, things in the family usually go along mostly as they have. Nothing much changes – if dad was a good man, he is missed and the dynamics will flutter a bit, but rarely do the wheels come off. It is when mom dies that all hell is most likely to break loose. It is as though the glue that was holding the family together has suddenly dissolved. This seems to be supported by research and anecdotal evidence. A recent Fidelity study showed that mothers are more likely and have far greater success in broaching financial matters with their children than fathers. Matt noticed when he was drafting estate plans for families with young children that about seventy percent of the initial calls came from mothers. Marcia has noted that family leadership on the issues of family cohesion and engagement often rests with the mother. In short, the legacy of the family, at least in our culture, is apparently mother's work.

Yet, when it comes to "legacy" as conceived by legal and financial professionals, the vast bulk of attention is placed on areas of concern to patriarchal succession. Who will succeed to leadership in the business? How will the money be managed? How will we avoid estate taxes? How will we ensure a strong work ethic? These are questions that consume the advisory community and most often these are the core concerns for fathers. Over the years we have found that mothers tend to also be concerned about such things as family cohesion, the happiness of their children, sustaining emotional well-being and the like.[1] Unfortunately, the advisory communities have few solutions to offer that address these concerns.

If, indeed, wealth disappears because of human dynamics and if a great deal of that dynamic falls within the province of the work of mothers, then the core question of succession begins to take on a different tone. The issue of matriarchal succession becomes not secondary, but paramount. The core question becomes not how will we replace dad, but rather how will we replace mom.

One of the core problems that families face is that the leadership skill set of Generation 1 (rugged individualism) often disdains the skill required to hold the family together (coalition building). Where Generation 1 was independent, decisive, strong willed, and risk tolerant, leaders in Generation 2 have to be conciliators, flexible, multi-perspectival, cautious and collaborative. These skills are often viewed as signs of weakness, prevarication and dysfunction by Generation 1 patriarchs. This derision creates a significant – and often fatal – blind spot in planning for succession.

If the role of the wealth creator is the rugged individualist, the role of the second generational leader is that of peacemaker. After dad dies (and even before), that is often the role that mom fills – she keeps the lid on conflict through skillfully navigating the matrix of issues involved, exercising power judiciously and working to ensure equity. This is not a weak role – strong, compassionate matriarchs are formidable. But their role is essentially one of social mediation. They understand and work the dynamics of their families. When mom dies, if this role is not taken up by one or more of her children, the wheels often come off and chaos ensues. Whoever succeeds mom in the role of peacemaker (and it is often more than one child) must be skilled at navigating this social matrix and weaving together family collaboration. This is not "weak" work – it requires a kind of steely statesmanship to succeed effectively.

A good bit of our consulting work with families and advisors can be seen through the lens of the development of the structures, competencies and practices associated with matriarchal succession. It is the succession of matriarchal leadership that will determine the success or failure of the family over generations. Failures to create environments of trust, collaboration and mutual engagement in Generation 2 will inevitably result in failures of sustaining family wealth across generations.

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[1] This is not to say that mothers are not concerned with the things fathers are or vice versa – they clearly are and to stereotype only oversimplifies – rather we are saying that the weight of work in advisory services is skewed towards more "patriarchal" issues based on outdated images of male hegemony in family life.

Matthew Wesley is the founder of The Wesley Group. He graduated from Stanford Law School and practiced as an estate planning attorney with successful families for over 20 years. Matt left active practice to help families do what estate documents alone could not - help to ensure successful intergenerational wealth transfer. In addition to his legal background, Matt has extensive consulting experience and a deep background in psychology, personal development and family systems, and organizational communication and development. Matt works closely with his wife, Marcia, who is a licensed psychologist with over 20 years of counseling experience.

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