



## CORE COMPETENCIES: TEN SKILL SETS SUCCESSFUL FAMILIES MASTER

By Matthew Wesley

Families that are successful across generations are rare. Only 5% of families manage to maintain true wealth into the third generation and only 2% into the fourth. What separates these uncommon families from the many families that fail? There is no one answer and certainly there is no magic bullet that will ensure family success. However, one thing that these successful families share is an ability to come together and collaborate within and across generations. While this seems obvious, the simple notion of “coming together” masks a great deal of underlying complexity. “Coming together” is far more complex than it sounds. Even after years of research, the factors that determine which families make it and which do not are only dimly understood. That said, we do have some understanding of these factors based on observations of highly successful families:

First, families that remain successful across generations come together physically. They meet regularly and, in meeting, hold purposeful conversations that matter.

Second, these families have developed core competencies that are passed from generation to generation. These competencies consist of both “hard” and “soft” skill sets. We have some idea of the nature of these competencies.

Third, these families remain both highly aligned in critical ways across generations but also have remarkable capacities to adapt and change.

Because competencies occupy a pivotal between the first and third aspects of these successful families, this paper focuses on the core capabilities wealthy families must develop to remain successful across generations.

### Competency 1: Action from Values and Purpose

Families that remain successful across generations have moved beyond the initial success of the first generation to a much deeper sense of significance. This significance is rooted in cultural values that the family shares coupled with a deep sense of family purpose that is aligned with these values. However, these values are rarely the expressed in the kinds of statements many advisors suggest that families craft. Instead, they are lived values that arise from deep conversations that the family tribe holds from time to time. Values cannot be successfully imposed or verbally “transmitted” – rather they are modeled and felt and eventually embodied and articulated. Most often these values are reflected somewhat differently in each generation, but with some perspective, one can see a deeper continuity.

Understanding how families become aware of their intrinsic values and then intentionally build on them requires adept and flexible leadership. Out of these values, families come to identify profound purposes that move the family beyond mere success into levels of much deeper significance. These profound purposes then guide family action from generation to generation.

### **Competency 2: Deep and Healthy Communication**

Families that have moved beyond success to significance have conversations that matter. When fully developed these conversations may deal with very difficult and complex issues. Eventually families must deal with questions of when someone becomes a member of the family and what to do with children who are wasting their lives. In the beginning, simply creating levels of civility and creating the space for each person to “show up” without it leading to altercation can be a challenge for some families. In our work, we have often seen families think that this hurdle is insurmountable – the very idea of getting everyone in the same room for a serious conversation seems daunting. However, we have found that when properly facilitated, most families can create vital discussions that are highly productive. Over time, these families begin to learn how to have deep strategic discussions that help to shape the family’s future.

### **Competency 3: Visionary Leadership and Governance**

Creating intergenerational success and significance requires a particular kind of leadership. At some point in every one of these families, there is a person who believes not just that they are great, but that the family as a whole is great. They come to sincerely believe that every individual in the family has the potential to contribute in important ways.

For wealth to exist for generations it must not only be preserved, it must be replenished. This means that each generation must be empowered to succeed. Families in which a patriarch or matriarch does not pass the torch with grace and a sense of grounded confidence will be highly unlikely to produce cross-generational success. However, when great men or women become great family leaders, the sky is the limit.

Over time, the individual leadership of key family members is institutionalized in systems of governance. In very large families, there will be senior generations of sages, people in middle age will be making key decisions as family leaders and younger adults will be doing work that grooms them to be the family's next generation of leaders.

#### **Competency 4: The Creation of Flexible and Effective Structures**

Lots of emphasis has been placed on a mechanistic approach to estate planning that sets up trusts and other entities to hold and manage assets. These are fine for certain purposes, but more and more these structures are seen to inhibit rather than enhance family success. The creation of only inflexible approaches to managing financial and human capital sound the death knell to true cross-generational success. Flexible structures that require family governance such as family banks, educational funds, family councils and various business structures can become the outward manifestations of family coherence and provide the kinds of durable structures that families need to guide their conversations and actions.

#### **Competency 5: Robust Networks and Ecosystems**

Successful families exist in complex webs of social relationships. How the family manages these ecosystems is critical to its ongoing success. Among the critical people in these ecosystems are professional advisors. Also within this are the family's relationships to civic and social groups and the formal alliances that exist with various family structures. Finally, philanthropic connections become critical to building community connection and good will. Families that are deeply connected locally, regionally and nationally create for themselves opportunities that sustain and replenish wealth. Intentionally maintaining and building this social capital is a key focus of successful families.

#### **Competency 6: Sound Financial Management**

Families that succeed across generations make smart financial decisions. This is based both on "homegrown" wisdom of people in senior generations and through the education of members of the family who have interests in business or investment, but is tempered by networks of professional advisors. Often successful families create family offices or even chartered banks or trust companies that employ people whose sole job is to maintain and grow the family asset base. Of course, this means that the family as a whole retains some level of consolidated assets. The common notion in estate planning that the entire estate is parceled out to the children (either outright or in trust) is a recipe for wealth erosion. Families that sustain wealth over time have common funds that are seen to belong to the family as a whole. Often this starts as a family business that is passed to the next generation, but there are also families that have created family funds out of pools of liquid assets. These common funds are most often used for philanthropy or are seen as pools for investing in the family's human, social or cultural capital.

### **Competency 7: Individuality and Interdependence.**

Families that find cross-generational significance tend to foster both individuality and interdependence. They spend very little time trying to control the decisions of children but are much more interested in character and in building the gifts and talents of each person. This emphasis on individuality means that children are encouraged to develop their unique potentials. At the same time, there are expectations that these individuals have commitments that run back to the family. These are reinforced by family structures (Competency 4). All children are mentored to be familiar with family business interests and their place in them even if their role is largely passive. Those with aptitude and interest in business or investment are encouraged and supported in their endeavors. The family will invest financial capital in them and provide support and advice as needed - and it will take a share of these ventures to replenish and sustain the whole for the good of the entire family.

### **Competency 8: Cultural Agility and Adaptive Capacity**

Times change and families must change with these times. Families that have maintained wealth for centuries have had to find the flexibility to change direction when required. These families are highly strategic and have a good sense of the tactical deployment of their assets and family resources. While their values and purposes may change, they change slowly over time. However, the expression of these in strategic decisions is highly flexible and situationally aware. This ability to change is often a core value (whether stated or not) of the family as a whole. Often the stories of the founders of these families highlight their capacity to adapt in critical ways to their environments and thereby amass their fortune.

### **Competency 9: Intentional Education and Mentoring**

Families that succeed across generations spend significant time in the education and mentoring of their youth. Children are given opportunities to cooperate with one another in projects of consequence, often starting with the investment and distribution of philanthropic dollars. Family mentoring is focused on education around family values and purpose and the skill sets necessary and appropriate to management of family assets. The extended family is brought together from time to time to create connections between cousins of varying degrees. Spouses of children are intentionally mentored and brought into the ways of the family. This type of education and mentoring is coordinated with each individual's formal education and the individual interests of the family members. Artists are encouraged to be great artists, scientists are encouraged to do good science, philanthropists are educated to give money wisely, politicians are encouraged to reflect well on the family, and business people are trained to do well in business for the good of the family as a whole.

### **Competency 10: Performance and Accountability**

Families that succeed across generations have high expectations. It means something to be a member of the family. These expectations need to allow for a high degree of individuality, but they do not encourage or support certain types of counter-productive behavior. These families expect that their children will lead lives of significance and they expect this of in-laws as well. Of course, no large family is without problem children or difficult situations. Successful multi-generational families that face these issues have clear rules of engagement for dealing with such situations. People who need and deserve care are cared for. People who are squandering their potential are not encouraged to continue to do so. People who are creating chaos are sanctioned. People who are taking the mantle of responsibility too seriously are comforted. These rules of engagement for each family are unique and are rooted in the family's values and its deep sense of collective purpose.

### **Conclusion:**

Families that succeed across generations tend to have certain characteristics. They work together, they are highly aligned and they develop core competencies that allow them to succeed. Creating these core competencies takes time and often guidance. Families that are seeking to develop these competencies often require advisors who can provide perspective and facilitation that the family itself is not in a position to provide. Such advisors, to be effective, must not see the work as “doing something to a family that needs to be fixed” but see themselves as partners who can help families find their own ways to come together to create what they need to move forward in their cross-generational journey.

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