Accidental Partnerships: A New Lens on Sibling and Cousin Partnerships

By Rebecca A. Meyer, Partner, Senior Consultant

At first, it seemed ridiculous—how could they possibly fill the shoes of their father, Greg, who built such a remarkable portfolio of commercial real estate holdings? And how would they ever figure out how to work together?

Carla, Gabe, and Jesse Field were raised to be independent and pursue their own interests. All three have had successful careers outside of Greg's business, although Jesse did start working for Greg a couple of years ago.

And while the three siblings have always had a lot of fun at holidays and on family vacations, they never spent much time thinking about how they would work together as co-owners of their father's real estate business. Now in their 30's, with their father's recent diagnosis, they are just beginning to contemplate how to prepare for a new reality.

This is a story of an "accidental" partnership.

When siblings or cousins become partners in the management of family assets—real estate, an operating business, an investment partnership, a private foundation or even the settlement of a complex estate—they are often "accidental" partners.

Accidental partners have not made an active choice to have a long-term economic relationship - one that comes with commitment, substantial demands, opportunities, and risks.

Some accidental partners think of themselves simply as inheritors of family resources, without having a clear sense of what will be required once they become the primary owners responsible for the management of the assets.

At the other end of the spectrum, siblings or cousins are prepared for the idea of becoming partners with their generational cohort, but haven't had the opportunity to practice working together or begin developing an agreement (implicit or explicit) about what a successful partnership will look like.

While it may be obvious to an outside observer that the next generation of siblings or cousins will become partners in the future, some wealth creators, and even many multi-generational family businesses, don't prepare for this inevitable aspect of generational succession until circumstances make it unavoidable. What is often left unaddressed is the difference between what it takes to be a connected and supportive family, and what it takes for the next generation to also become committed partners that can successfully lead a substantial economic enterprise that is a big part of the family legacy.

While much is written about generational succession in family businesses,[i] the focus here is using a new lens to zoom-in on a specific aspect of preparing the next generation—fostering successful next-generation partnerships. Three challenges that "accidental" partnerships often face are: feeling trapped, relationship obstacles, and managing differences. Since these challenges, unaddressed, can become a threat to family enterprise sustainability,[ii] let's explore each and consider some approaches to preventing or mitigating them.

Feeling Trapped

Carla and Gabe couldn't have had more different reactions to learning that Greg and his wife Marta would like their adult children to get ready to run Greg's business. Carla is ready to leave the start-up world, where she's run operations for a number of entrepreneurial ventures, and is looking forward to the excitement of learning the real estate business at a deeper level. In contrast, Gabe has just made partner at the firm where he's enjoyed working since law school. He's concerned about whether he can manage the time demands of his work, his young family, and now Greg's business, too. Gabe is feeling pretty overwhelmed. He doesn't want to offend his parents or his siblings, and he doesn't see any graceful way out.

Greg and Marta planted the seeds of their children's partnership when they first began to give Carla, Gabe, and Jesse shares of their properties in trusts as part of their estate planning. Certainly, when Greg started out, he and Marta never imagined that the business would be so successful. They raised their children to be independent and self-sufficient, just as they were raised.

Just as early tax- and estate-planning provides the greatest financial benefits, time is critical for preparing family members for the multiple ways that the parents' planning will impact their children's lives. At the point where they began making significant gifts of assets, it would have been helpful for Greg and Marta to embark on conversations about the next generation's role in managing family holdings, even if the children were too young to be part of those initial discussions, and the timing seemed far away. This is especially true if several next generation family members each receive partial ownership of illiquid assets, like real estate, or shares of an operating business that will demand significant joint decision-making.

There are a number of undertakings that can help prepare the next generation be successful partners, while minimizing their sense of feeling trapped:

- Use stories to make a connection between the financial benefits that the next generation receives, and what goes into managing the assets. This connection may be obvious to the older generation but isn't necessarily understood by a twenty- or thirty-something.
- Set and evolve expectations appropriately, over time. Balance the messages. Encourage the next generation to find their own passion and let them know that, at some point, they may need to get involved in order to continue to enjoy the financial benefits of the family holdings.
- Create choice. Most parents are keenly interested in their children's happiness and would hate for them to feel trapped. Ask your adult children if they want to become involved in the business and become partners with each other. Making them part of the discussion might result in better planning for the whole family. What are the options for liquidity or separating assets? You may need to get creative to figure out opportunities for exits in the future. Giving people the freedom to go their separate ways often creates more possibilities for them to choose to work together.
- Differentiate between ownership and management through appropriate governance, processes and structures. While the first generation may fuse the two roles, many members of the next generations may prefer to act as owners while continuing to pursue their own interests, with professional managers running the day-to-day.

Relationship Obstacles

Carla and Gabe think that Jesse, as the youngest, is the favorite and "gets away with murder," while Jesse has a chip on his shoulder for having been under the microscope during high school when his older siblings were off at college. This lingering resentment isn't a big factor on Thanksgiving. However as soon as Greg and Marta begin to include the next generation in conversations about the future of the business, these sibling dynamics quickly show up. When Marta expresses her enthusiasm for Jesse's entrepreneurial idea for one of the properties, Carla and Gabe roll their eyes and immediately bring up several reasons why it won't work. Jesse doesn't say a word for the rest of the meeting.

In general, when the primary management and ownership decisions are being made by the older generation, unfinished business between siblings and/or cousins is often sidestepped without significant consequences. However, once the next generation partners have a seat at the table, reactivity among the siblings or cousins can get in the way of productive business conversations if the underlying dynamic remains unaddressed. When the older generation is no longer around to keep a lid on their offspring's behavior, there can even be a deterioration in the next generation's ability to work together if their "accidental" partnership hasn't evolved into something more intentional.

An advisor who can name the relationship obstacles, whether they are between members of the next generation, members of previous generations, or some combination of the two, may be able to help family members see how those obstacles are in the way of their business partnership. For example, in the case of the Field family, the advisor can suggest that each individual examines their own narrative about what went on when the older two left for college and Jesse was still at home, and help them work together to create a shared narrative about the events that took place and the impact they had on their relationships. That effort can allow the charge of those events to recede, so that the business conversations don't become stuck on that old dynamic. Similarly, if there are hurt feelings because of past actions, the advisor can help the individuals involved consider their part in what took place and offer an appropriate apology. This can provide a needed opening for moving forward on a new path in the relationships, so that the next generation can more comfortably work together on their shared business interests without the intrusion of unacknowledged subtexts.

Managing Differences

The three Field offspring are all warm and gregarious—and of course, different from one another. Carla is entrepreneurial and goal-oriented. Gabe is analytical and risk averse. Jesse is creative and a little disorganized. When they recently planned a surprise 40th anniversary party for their parents, they struggled a little with their different styles, but they managed to divide up the tasks in a way that played to their strengths. With the stakes quite a bit higher in their work together in the family business, they've each expressed concern about how they'll learn to work together constructively.

Every partnership has to contend with the basic task of managing differences—differences in styles, skills, and personal preferences, among others. These differences are both a benefit and a challenge in partnerships. For example, when one partner is more detail-oriented and the other more strategic, the partnership benefits from a diversity of skills and focus. That diversity can create challenges when the partners' priorities don't align.

The partnership can benefit as long as the partners can bridge their differences without undue emotional reactivity, specifically if they can learn to talk to each other directly and listen to each other thoughtfully to address and manage their differences.[iii]

"Accidental" partnerships also have to manage normal human differences—and it may help them to be reminded of this. Family members may assume that what they have in common, such as shared experiences and beliefs, makes mutual understanding easier. And it does, to a point. On the other hand, family members share a long-term emotional history, meaning that patterns of relating are passed down from one generation to the next.

So, differences that one generation struggled with may still have a strong impact on family relationships one or more generations later.

There are a number of ways to help "accidental" partners more effectively manage their differences and learn to work together:

- Help them take an interest their family's multi-generational patterns of functioning and relating and where they fit. Being able to see the patterns provides family members with the ability to make a choice about whether they want to replay or change them.[iv]
- Provide education or workshops about partnering, and find opportunities for the next generation to gain experiences in joint decision-making.
- Develop governance practices and processes that make room for different styles and allow individuals to feel heard, while keeping decision-making on track.
- Invest in learning skills for high stakes conversations. *Crucial Conversations* by Al Switzler, Joseph Grenny, and Ron McMillan is a helpful resource.

Preventable Accidents

Using the lens of "accidental" partnerships provides a perspective that can alert families and their advisors to a set of challenges—including feeling trapped, relationship obstacles, and the need to manage differences—that may be important to address as part of their efforts to prepare the next generation to lead the family enterprise. Undoubtedly, there are additional challenges that this lens can reveal, which may be useful to explore in the future.

Successful next-generation partnerships require a degree of intentionality that is often challenging for "accidental" partners to attain without preparation and guidance. The time to begin taking action to address the challenges of "accidental" partnerships is when tax- and estate-planning efforts are creating the structures and the need for future joint decision-making in the next generation. An advisor who is using this lens can guide family members to address the issues, rather than have them persist and undermine the family's efforts to foster a successful partnership in the next generation. It can be helpful for sibling and cousin co-owners just to know that some challenges are normal for all partnerships, and that there are ways to mitigate the unique challenges of "accidental" partnerships.

Note: This article was previously published in FFI Practitioner.

[i] Two examples of many are: John James Cater, III, Roland E. Kidwell, Kerri M. Camp "Successor Team Dynamics in Family Firms", Family Business Review, 2016, Vol. 29(3) 301–326; and Ivan Lansberg, Succeeding Generations, Harvard Business Review Press, 1999.

[ii] These implications arise out of the six dimensions of the Relative Solutions' Family Enterprise Sustainability Model: Family Legacy and Connection, Governance Structures and Processes, Financial Management and Accountability, Human Capital and Leadership Development, and Generosity and Gratitude. These are described in detail in Fredda Herz Brown's forthcoming book, The Essential Roadmap: Navigating Family Sustainability in a Changing World.

[iii] Roberta M. Gilbert, M.D., Extraordinary Relationships, A New Way of Thinking About Human Interactions, Wiley, 1992, p. 40-41.

[iv] Fredda Herz Brown, PhD and Fran Lotery, PhD, The Family Wealth Sustainability Toolkit, The Manual, Wiley, 2012, p. 8-9.