A DEATH IN THE ENTERPRISE FAMILY

Losing a member of the family to death need not spell endless turmoil for a family business, says **Fredda Herz Brown**, but rather a way for a family to clarify its *raison d'etre*

It is a time of great transition in the world's wealth. While we tend to think of the transition in terms of moving money from one generation to the next and the most efficient and wealth preserving ways to do so, we may tend to forget that such a transition of wealth means the death of a generation of wealth generators who were often central to their families.

Families who share assets are unique entities in a number of ways which affect the manner they deal with each other and with life's transitions such as marriage, divorce and of course death. For example, families who share assets have more membership decisions – who is considered family and how are in-laws or spouses going to be included in the family and its assets?

MORE THAN JUST A FAMILY LOSS

The sharing of assets means there is something – money, a business, real estate or a combination of these – which keeps the family organised together and their relationships open to public view. When other family members may go their individual ways into adulthood, families who share assets are usually in closer contact because they are managing their joint assets or their relationships around it. So why should it surprise any of us that family enterprises generally face greater challenges than those families who do not share assets when confronted with the loss of a family member?

Family who share assets are affected in a much more broad manner than other families. So they not only experience a disruption to the ebb and flow of the family's life, sense of balance and the continuity of interaction but also to the web of roles and relationships that make up their lives. Recovery is a slow process of realignment of the intricate relationships and roles. Families must often reorganise their family enterprise lives rapidly while they are still experiencing diminishing loss. It is often important to go slowly and not to force quick action but allow for more thought to situations where planning was not done.

MORE PUBLIC, LESS OPPORTUNITY TO GRIEVE

Grieving is private. In fact, in some ways grieving is even more individual than family-oriented. However, the more public the family, the greater the eyes watching and the greater the responsibility of the family to a greater public – from employees to customers and media. This often means greater expectations on the family members to deal 'appropriately with the loss', which may not be in keeping with the way they are experiencing it. Permitting themselves some quiet private time for their grieving as well as acknowledging the individual differences in grieving is important for the family.

The more central the individual who died was to the family enterprise, the more likely he or she 'held things together', the greater likelihood of things feeling like they are falling apart. Most families worry that the loss of the wealth generator will lead to massive chaos in the family and its holdings, especially if plans are not in place. This is clearly a realistic concern because we know that families who have not made adequate estate plans often put their enterprises at risk.However, it is also true that families must also plan for the human aspects of transition challenges such as governance, leadership, decision-making and conflict resolution strategies.

While it may be true that the siblings often feel like they are free from answering to parental demands, when the wealth generator dies, we have often found that if the other parent is still alive, the siblings still seem to hold things together. It is only with the death of the last of that generation that the sibling system realigns itself, questioning whether or how they want to continue. This is predictable and preparing how to deal with the inevitable is important.

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OUT OF SYNC

The more out of sync the death is with the individual and family lifecycle, the greater the dysfunction can be. When someone dies unexpectedly, the greater the impact to the family's life. Generally such a death, more than those which are anticipated, require some derailment of the usual tasks in their lifecycle so the additional tasks surrounding death can be dealt with. Thus when a young successor dies in an accident the family must deal with the tasks associated with grieving and loss including taking back their hopes, dreams and expectations for the young person's future. I call this process 'taking back the future' – an often ignored part of the grieving process which if left undone, will not permit the family to move ahead to a new future, investing again in each other.

So how can a family and its advisers address the issue of death within the family enterprise system?

DISCUSS DEATH DIRECTLY

With death there is no 'if' only a 'when' and one of the critical challenges for the family is to become comfortable discussing death. While different cultures approach death in unique ways, I have found that the older generation must give the younger generation permission to talk about their eventual deaths. It is near to impossible for a younger generation to address the death of the older one without feeling uncomfortable, especially when one aspect of the subject usually concerns property/inheritance. Viewing death as a normative phase of the lifecycle which can be anticipated gives everyone the chance to express how they feel about each other and to be able to be more complete in their planning.

Often families need someone to facilitate this conversation. And in order to assist a family, the adviser must have examined his or her own views and feelings regarding death. I have found that the failure of clients to complete their estate planning often has to do with their inability to deal openly with this topic. If the adviser feels comfortable or can make a referral to a facilitator who does, the family will generally be more able to move along in the process.

DEATH AND TAXES

There are two things which are certain – we will pay taxes and we will die. For families who share assets, the connection between taxes, especially estate taxes and death are inextricably interconnected. Thus for any family who begins or wants to address their estate planning, they must also be willing to address the issues of family transition and family business transition. Addressing these areas means that family members participate in defining their plan for how decisions will be made in the future, how the family will govern itself and how leadership will be chosen and conflicts handled. Without addressing these topics fully, estate planning is incomplete.

It is important to keep a 100-year perspective. One-way to keep families thinking of death in a more normative manner is to think about their families beyond one or two generations. Having a view of where one would like to see the family in four to five generations vis-à-vis its financial and emotional wealth encourages the family to be less emotional about the loss of one generation and to think more about the future that each generation will participate in. It also focuses more on the positives of the lifecycle rather than directly on the negatives of loss. Using such a framework, each generation sees its place in terms of the others and there can be active and intentional in planning in terms of the family's governance and leadership development over time.

DEVELOP AN ETHICAL WILL

It is important for everyone to believe that they have made a mark on the world and that it is not defined in terms of how much money was generated and is currently available. Defining for oneself and eventually for others, the values and principles by which one tried to lead life is a powerful legacy for any family to begin to develop. Having the family elders of each succeeding generation develop a video or written summation of this information leads to the development of the family archives and to a deepened sense of continuity.

Families who share assets often experience the normative and situational events of life in a unique manner. Being connected to one another in a variety of ways creates a unique set of challenges and opportunities when it comes to loss and continuity. Families that observe some form of guidelines, which permit them to focus on the future as well as to feel and communicate with significant people in their family enterprise structure, tend to fare much better in their adjustment. ■

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