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Peer Insights REPORT

Q&A with Tom Davidow
Thomas D. Davidow & Associates



Principle Series:

Family Office Insights sits down with Tom Davidow, founder of Thomas D. Davidow & Associates, to get a true sense of how a family's legacy can be sustained by productive family communication and how it can be torn apart from a lack thereof. Below Davidow shares with us how families can learn from each other by transferring wealth to the next generation.

Family Office Insights is a voluntary, "opt-in" collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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Q: Families who are on the brink of a wealth and generational transfer often come across serious issues. What do you think is often standing in their way?

A: There are behavioral and developmental issues between adult children and their parents, and those relationship issues will always be present during succession planning. The senior generation attempts the process of transferring wealth to the next generation by engaging them in activities that will educate them. But the generation gap that exists between adults and adult children contains the same kinds of issues that make it difficult to have any dialogue amongst the generations. The senior generation has the same doubt that parents traditionally have regarding their offspring's readiness to take on new responsibilities. There is also reluctance on the part of the next generation. They think: Now that you've asked me to participate, are you really going to take me seriously? Am I ever going to be able to sit behind the wheel?

It's best to use the issue of succession to enhance relationships and all the issues attached to it. Many people are afraid of opening up a dialogue. They fear opening up Pandora's Box and unlocking a whole set of issues. That fear inhibits people from asking questions.

Q: What are some of the common issues that most families have not addressed up until this point?

A: Nobody escapes life no matter how many zeroes they have. We have all experienced things like death, divorce, substance abuse, serious illness, etc. In other words, we have all experienced loss. Because of that, people go through various stages including bargaining, anger, sadness and resolution. Some people can go through those stages individually, but many do not do it collectively as a family. Consequently, they get stuck; and those underlying issues of anger persist, preventing them from addressing the less important issues. As they begin to talk about those less important issues, those more serious issues bubble up to the surface, and they can't resolve them.

For example, I worked with a family in which a father and three sons were in a state of conflict. The father went to Florida every winter, and the sons took over the family business and made changes within the company. When the father came back, he would reverse all the decisions made. While working with them, I discovered that when the mother was alive, she stepped in and calmed down the familial tension. When she passed away, they lost that person in the system, so the issues kept on bubbling up, preventing them from working through their conflict. It became clear to me that they never developed an alternative system for the function that the mother provided.

When it comes to issues of succession, families need to develop an alternative system. Otherwise all those unresolved issues will bubble up to the top. Family conflict is a threat to the preservation of wealth, and the absence of communication can create some issues down the road.

Q: How do you initially engage the families through the process of succession planning? What are the first steps?

A: The first thing I do is to sit down with all of the family members. I find out the configuration of the family and who the key players are. All of the family members who are ultimately part of the solution need to see the facilitator as neutral. The whole family meets me and signs on 100%; and when they do that, I know I will have a level of commitment from everyone.

The second piece is to do an assessment and sit down with each of them individually. I create agendas and goals assigned to people and the group and develop the structures necessary so that there is an alternate decision making process inside the family council or family office. In this structure, the senior generation can act as historian, librarian and mentor to the next generation, evolving from the decision maker to the advisor.

Q: Why could it actually be a cathartic practice for families to speak about the "family secrets?"

A: The interesting thing about a family secret is that everyone knows what the secret is, but no one ever talks about it. The fear is that if they open it up, the system will explode. That creates an absence of safety. At some level, everyone knows that to have a meaningful conversation, they'll have to talk about the secret. The secret is a barrier. Once somebody articulates it and says it out loud, there's tremendous relief. They suddenly realize that the system hasn't fallen apart. Safety can get stronger because it now gives them permission to talk about a lot of things. I wouldn't necessarily do that alone. Depending upon what the secret is, it's best to have some guidance.

Q: Everyone will agree that it's important for a family to communicate. But in your estimation, what is the right way to talk and communicate?

A: This is much more easily said than done. Family members have a tendency to be relaxed with one another and say things to each other that they would never say to anyone else. They can act in disrespectful ways and lose their tempers because they have a very powerful familial bond. They think that no matter what they say, they won't break the bond. But that behavior will make it hard to talk to one another to resolve differences and meaningful issues. The best way to talk to one another is as if they were strangers and not family members. They say, treat family as you would your friend, and treat your friend as you would family.

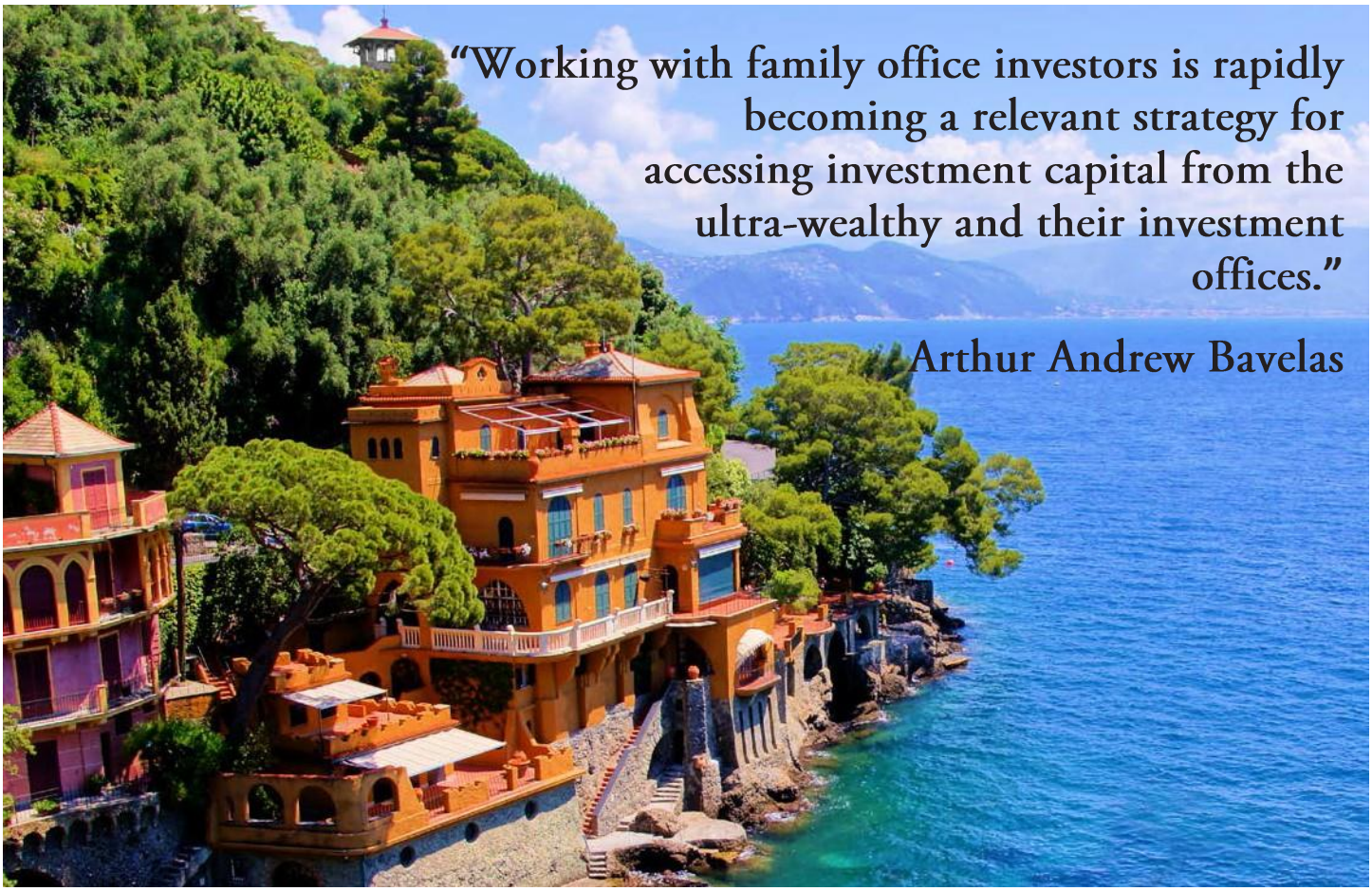
Q: How critical is succession planning in the grand scheme of a family's success and legacy?

A: It's the very key to the preservation of one's wealth and one's family. Russ Prince did a study years ago about failures of family businesses. Both the senior generation and the next generation said that their businesses failed because the next generation wasn't prepared. Ironically, they agreed on the problem, but never participated in the actual process. Instead, they let the business get to that point where it actually failed.



Thomas D. Davidow

Thomas D. Davidow is the founder of Thomas D. Davidow & Associates and has more than 35 years' experience working with hundreds of national and international family controlled enterprises. He pioneered the interdisciplinary approach to family business consulting and created The Davidow Interdisciplinary Method™, which addresses family issues that typically interfere with sound business decision making. For more information, please visit http://www.tdavidow.com/.


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Arthur Andrew Bavelas