

Beware Developmental Illiteracy

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BY IVAN LANSBERG

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PARENTS are rushing to pass on their businesses as family limited partnerships (FLPs) to reduce estate taxes and secure their dream of having their children work together. But if the siblings are not ready to cooperate, the strategy will backfire.

FLPs are hot right now. Farsighted owners are huddling with bright estate planners, delighted to outsmart the tax man and bequeath generous fortunes to the family, yet still retain lifetime control of their assets. FLPs can solve many issues in one neat package.

But who is preparing these sons and daughters to receive their inheritance as partners? Too often, no one. Indeed, parents may choose an FLP precisely because they know the personal diversities of their offspring. "A sibling partnership is almost an oxymoron," says Julie Thomas, vice president of Priority Dispatch, a Cincinnati courier company.

Although some siblings, like Julie and her brother Jeff, now COO, have developed ways to work together, the path for sibling partners threads through an emotional minefield. Before forming FLPs, parents need to take a hard look at whether their offspring are ready to be business partners.

Setting up any kind of sibling partnership in a family enterprise is tricky. If one sibling is made general partner with sole power over his or her siblings' access to their "fair share" of their inheritance, the estate planners must believe that this individual possesses the wisdom of Solomon, the grit of Edmund Hillary, and the wry humor of Will Rogers. It rarely works.

If all the siblings are designated as equal partners, their communication, conflict resolution, and consensus-building skills need to be Herculean. It takes only one disgruntled heir to initiate a lawsuit that can destroy a family, not to mention the assets the parents worked so hard to provide.

Keeping the estate plan a secret until the will is read also breeds trouble. In what other situation do the deceased, who can no longer change their minds, determine who shall be partners with each other?

A single general-partner structure, or equal partners, can work if the siblings have a chance to prepare the arrangement. Diversity within a family is a terrific asset, but sooner or later differences will lead to conflict between any normal adults, especially when the stakes are high. Since conflict is predictable, future sibling partners need to learn how to disagree creatively—how to fight fair. A 1997 article entitled "How Management Teams Can Have a Good Fight," published in the Harvard Business Review by Kathleen M. Eisenhardt, Jean L. Kahwajy, and L.J. Bourgeois III, noted that conflict is an essential part of healthy business decision making. The bottom line of their 10-year research project with top U.S. management teams is good news for emerging sibling partnerships: Fighting can be a source of energy within a partnership.

Here are some suggestions from that article, adapted for family firms, for using that energy successfully.

Focus the debate on sufficient, up-to-date facts. Whether the debate is about which investment adviser to select, or which product line to expand, decision makers do best with more information, not less. Each partner needs to commit to learn as much as possible about the facts and implications of each choice, without getting lost in pointless debate based on opinions. The old rivalries, gender differences, and birth-order prerogatives can be bypassed if the participants have clear data to contrast, until the choice becomes evident on its own merits—not through the clout of any one person.

Develop several alternatives to enrich the discussion. Teams that manage conflict constructively consider lots of options. During a financial squeeze, for instance, sibling partners may look at developing strategic alliances, refinancing, new marketing strategies, cost cutting, or refining core products. As they generate lots of alternatives (even those they never would have said out loud when Grandpa was alive) and digest the facts, they will no longer feel the choice is “my way or the highway.” Also, the role of devil’s advocate can be rotated, so that each sib takes a turn highlighting the dark side of each option. With open discussion, individuals don’t have to win or lose. They can search for an innovative solution together.

Create common goals. Parents may assume their sons and daughters share common goals, but adult experience has made them more diverse. Their spouses, children, and the ever-changing American culture have more day-to-day influence on them than their parents or sibs. Setting up a relaxed time and place for siblings to rediscover each other and define the goals they do share is indispensable. This will help them agree to dump their lifelong pecking order and recognize new adult identities. If they can articulate a common dream, perhaps with a professional facilitator, they may grow closer than they ever were in that backyard long ago.

Laugh together. The laughter at family gatherings has a special warmth when brothers and

sisters tell outrageous stories about the gags they played on each other and the pranks they didn’t tell their parents about until years later. The sibs all know that no one else can visualize these episodes. What makes them laugh is part of what binds them into a unique kinship. Healthy sibling partners haven’t forgotten how to laugh together. A joke dilutes hierarchy, puts the group in touch with the human idiosyncrasies they share, and brings sibs back into the circle of childhood when everything was possible and innovation really was the game of the day.

Balance the power structure. Siblings are more likely to support a decision they don’t prefer if they believe they were heard—that the process was fair. Classic social-psychology studies indicate interpersonal conflict is lowest when there is a strong leader, but each team member retains some power, especially within a well-defined niche. This means that each sibling can claim a share of responsibility and authority for what needs to be done. Each does homework, comes to meetings prepared, can challenge the designated leader, listens to all points of view, accepts the final decision, and works for its implementation.

Another way to balance power is to recognize that, unlike the pope and federal judges, business leaders are not necessarily elected for life. Leaders in a sibling partnership can be designated for a specific term, changing after 5 or 10 years. This also refreshes the energy at the top, and around the table.

Seek consensus with qualification. Most family business leaders prefer to reach decisions by consensus, according to a recent Arthur Andersen survey, because they do want to see the whole family at the July 4th picnic. But reaching consensus is tough, so many people put off decisions. A partnership mired in procrastination is unacceptable.

A manageable process for reaching consensus includes:

- Agree in advance on a deadline for the decision, and on who will break a tie. (Some families rotate the tie-breaker role.)

- Listen to and challenge each viewpoint.
- Take a straw vote to see if consensus is possible.
- If consensus isn't possible, the tie-breaker makes the decision within a reasonable time frame.

Signing the papers in a lawyer's office is only the beginning of a successful family limited partnership. Great sibling partnerships require preparation, hard work, commitment, and a sense of humor. Success will belong to those brothers and sisters who know how to take turns, play by the rules, tell the truth, listen to each other, and even shake hands after a good fight. ■

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- Form identity and separate from child dependency.
- Explore and gather experience.

23-28 Entering adult world

- Articulate a vision for adult life.
- Begin to narrow options.

29-33 Age 30 transition

- Reflect on experiences thus far.
- Make key choices for career, marriage, community.

34-40 Settling down

- Focus on "climbing the ladder."
- Find own voice, and trust in one's judgment.

41-45 Midlife transition

- Assess reality of life against vision.
- Gather courage to commit to rework choices.

46-50 Entering middle age

- Learn to appreciate a broader meaning for life.
- Invest in mentoring next generation.

51-60 Age 50 transition

- Gather wisdom and transfer it.
- Develop vision for life in late adulthood.

61-65 Culmination of middle adulthood

- Learn to let go, face loss, and make space for next generation.
- Define meaningful work challenges for late adulthood.

66-70 70+ Late adulthood

- Accept prior life choices.
- Achieve self-fulfillment transition.

Based on Daniel J. Levinson's books *The Seasons of a Man's Life* and *The Seasons of a Woman's Life*.

DEVELOPMENTAL TASKS AT DIFFERENT AGES

17-22 Early adulthood transition