



## FEATURE: HIGH-NET-WORTH FAMILIES & FAMILY OFFICES

By **Rebecca A. Meyer**

# Systems Thinking: A Practical Lens for Understanding Enterprising Families

Help clients overcome the disruptions caused by emotional ping pong

**A**s advisors working with families who share assets, we have front row seats to our clients' complex family relationships. So, when an individual family member sits in front of us explaining the set of circumstances that brought him there, it's easy to forget that we're already engaging with his whole family. For most of us, it's easy to align with the logic of the narrative that the client recounts. What can be less instinctive is to see the bigger picture. That means visualizing all the players (siblings, cousins, children, parents, grandparents and great grandparents) who are integral to the situation, each with his own explanation of what's going on. It also means anticipating that the current challenge reflects larger issues facing the family and recognizing that there may be some emotionality that's been kicked up.

The minute we begin to listen to our client's perspective on the challenge his family is dealing with, we face a real dilemma that requires an important choice. We can immediately see our role as becoming an ally of the individual in front of us in his conflict with the family. This approach assumes that our client's understanding of events is "true," rather than one individual's view of the proverbial elephant. It also assumes that defending this view and the relevant set of remedies is more important to him in the long run than preserving his family relationships.

The other possibility is to see our role as helping our client gain a broad view of the events and underlying challenges by seeking out the perspectives of multiple family members. Hearing other family member view-

points typically increases the solution set and gives us the opportunity to help our client and his family craft a resolution that preserves both the family and their shared enterprise.

The types of questions we choose to ask our client send us down one path or the other. So, it's helpful to have a framework that provides clues to understanding how our approach will affect our clients and their families and gives us direction for avoiding unforeseen consequences. Let's look at how this might unfold by considering what's going on with the Esmonds, a four generation business-owning family.

### Emotional Ping Pong

David, the third generation (G3) CEO of Esmond Inc., (Esmond) a large family business, remarked that everything would be great with the business if it weren't for the family. When I asked him what he meant, David explained:

You know, it's the emotional ping pong. My brother Joel was stressed out and rudely dismissed our cousin Ellen's suggestion about changing the location for our next family meeting. Ellen was upset and talked with her brother, Frank, and our cousin, Joan. Frank and Joan both called me. Several phone calls and meetings later, we all agreed that it made sense to address Ellen's idea at the next family council meeting. Sometimes it feels like the emotional ping pong is a time drain, a sideshow to the bigger strategic issues that I'd like to focus on. But I also realize that tending to the relationships is essential to our success as a family business.

David's quip emphasizes how challenging it is, as human beings, for us to manage our reactions to each other.



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In some idealized version of the real world, we imagine that everyone skillfully manages his own emotions. In this perfect world, we all have the ability to think clearly in a calm state no matter what's going on around us. We don't get caught up in emotional ping pong. Instead, we have an easy time talking openly about our perspectives, listening closely to others and putting our effort toward looking for common ground to move forward.

But in the real world, we're sometimes tired or stressed. Our emotions get triggered, especially by our close relatives. Without even noticing, we fall into old patterns of relating and add a new chapter to the often repetitive stories we tell ourselves. We devise these

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stories to explain everyone's actions and reactions. The stories and patterns of relating become so ingrained that we don't realize that they're driving our reactions and affecting our relationships.<sup>1</sup>

### Systems Thinking

David's story about the quarrel between his brother Joel and their cousin Ellen is a glimpse into the emotional complexity that exists in all families and that's particularly challenging when a family shares assets. Systems thinking provides a framework for understanding family interactions by suggesting an additional lens, the lens of the family as a coherent system with feedback loops and distinct boundaries, a lens that can be used side-by-side with a technical (legal, accounting or investment) perspective.

Systems thinking invites us to be aware of the interdependence among family members, including what David referred to as "emotional ping pong." Because all of the parts of a system are interrelated, when one family member takes a stance, the other members of the family react. Systems theory provides some direction

and insights about the internal logic of family relationships and the roles that people play to help us make sense of what otherwise isn't easily understood. When we're aware of some of the basic principles of family systems, we can gain some objective understanding into how a chain of reactions, or anxiety, moves through the family.<sup>2</sup>

As family advisors, we're continually exposed to the ebb and flow of family dynamics. It's all too easy to get drawn, unwittingly, into that emotional ping pong. The ability to remain unbiased, that is, to avoid judging who's right or wrong, is key to an advisor's ability to serve her client in the moment and over the long term. For example, without having more data about the family relationship system, we might be inclined to think that Joel is at fault. He was stressed out and didn't treat Ellen respectfully. Or, is there something else we should know? If we take sides in Joel and Ellen's dispute, even privately, we risk helping to turn the dispute into a battle. By looking deeper into what went on, we may discover important information that will allow us to help the family work together to find a productive way to address the underlying issues.

Systems theory can offer a window into understanding more fully what's going on in families. Just as you can see your own reflection in a window, this understanding might be helpful in recognizing some of the choices we as advisors have in how we respond to a family's emotional ping pong. It can also help us evaluate when families are stuck in patterns that make it difficult for them to move forward such that it makes sense to bring in another resource to help.

Let's explore three essential concepts of the rich terrain that systems theory has to offer: (1) take a bird's eye view of the family, (2) examine the triangles, and (3) look for repeating generational patterns.

### Bird's Eye View

To understand a system, it makes sense to gather data about all of its parts. Any one individual's perspective is just that—one set of data points that's part of the bigger picture. Each individual has her own set of stories playing in her head and her own narrative about what happened in her interactions with other family members. No individual's story is right or wrong. Everyone may be somewhat right and somewhat wrong; she simply has a

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limited view of the “elephant.” Taken together, the stories of multiple individuals in the system provide a bird’s eye view of what’s going on.

When we asked Joel, Esmond’s CFO, what was going on in his mind when he and his cousin Ellen had their argument, he reflected:

I lost my patience. But Ellen is always bringing up unrealistic ideas that are expensive and time consuming. This time, she stopped by my office when I was in the middle of getting ready for another meeting. I should have let her know that it wasn’t a good time to talk. Anyway, she suggested having the next family meeting in Guatemala. I just don’t see why we would spend the money to do that when we have other priorities and the family is used to meeting in Milwaukee. It’s challenging enough to get people to come to the Midwest, let

alone Central America. It just doesn’t make sense to complicate the process of preparing for our next family meeting by introducing the idea of a different location.

With this additional information, an advisor who works closely with the business might be swayed to accept Joel’s understanding of the situation as making perfect sense because Ellen caught him at a bad moment, and Joel has the best interest of the business in mind. But for now, we’ll take Joel’s perspective as one data point and see what Ellen had to say.

Ellen, who runs the Esmond family’s foundation explained:

It’s hard to get a hold of Joel, so I stopped by his office the other day. The family council respects Joel, and thankfully Joel keeps tight control over



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the budgets. But that can make it hard to bring in new ideas that require an investment. And Joel is so committed to family traditions. He likes meeting in Milwaukee because that's what we've always done. But I've been talking to quite a few of our next-gen family members, most of whom don't live in Milwaukee. They keep saying they want first-hand experience with some of the new philanthropic projects that the family foundation has been supporting. Maybe it isn't realistic to have the next family meeting in Guatemala. But

Understanding generational patterns and their evolution can help advisors who serve both the family and the family business to be aware of the issues that influence family members' perceptions of what it means to be objective.

if the family council were to plan ahead say a year or two, perhaps it could work. We might even get a better turnout from younger family members.

Gathering data from both Joel and Ellen provides a broader picture and a little more clarity about why Joel and Ellen locked horns. We can see how they both contributed to the situation. We can also begin to understand that there's some natural tension between Joel, who's an "insider" to the business and who's inclined to honor tradition, and Ellen, who's an "outsider" and who tends to think more about the future than the past. And importantly, Ellen and Joel's quarrel may reflect some bigger challenges that the family is facing—their ability to engage members of the next generation who are critical to the sustainability of any family enterprise.

One way to capture and organize this data is by creating a family diagram or genogram, a visual map

of each family member and the relationships among them. Creating a family diagram can help family members appreciate the big picture, as well, and see how one part of the family system might affect the whole. Mapping out the family relationships often facilitates increased engagement and curiosity.<sup>3</sup>

Another excellent use of the family diagram is to bring to the surface some important conversations that have been simmering below the surface. For example, a family diagram might help the Esmonds see in black and white the growing diversity of needs in the next generation and how spread out the family is geographically. This might help raise questions about how to maintain connections with a growing family and whether it would be an appropriate time to free up dollars to invest in engaging the next generation.

Regarding the Esmond family, while we've heard Ellen's and Joel's perspectives on their conflict, it would also be useful to hear what Ellen's brother Frank has to contribute to a fuller understanding of the situation.

### Triangles

When Ellen reached out to her brother Frank after her disagreement with Joel, it was like she purposely hit the ping pong ball off of the table in an attempt to bring someone else into the game. Here's how Frank described his conversation with Ellen: "Ellen was so frustrated that Joel dismissed her idea, yet again, without even attempting to really understand her. It seems like every time the two of them get into it, I get a call from my sister."

When the intensity of the interaction between Joel and Ellen was too difficult for Ellen to manage on her own, she shared some of her anxiety with her brother Frank. That triangling, or finding a third person to off-load anxiety to, is a natural way people manage their emotions and make themselves, temporarily, more comfortable. Triangles are the mechanism through which emotionality moves around a family system, often in predictable patterns, as Frank described.

As advisors, we can become familiar with the pattern of triangles in the families we serve so that we can see how anxiety moves around the family and become aware of our interaction in that process. We can learn to work with the triangles and avoid inadvertently taking sides, not only in the obvious conflict that's being discussed but also vis-à-vis the underlying issues that

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are often a significant part of what's being played out. For example, if Joel had called his advisor—someone who “thinks systems”—after his interaction with Ellen, the advisor would likely recognize that she's being triangled in to serve as a tension reliever for Joel. After giving Joel plenty of time to share his story, which would help him calm down a bit, the advisor might try to help Joel focus on thinking about how to move forward in his relationship with Ellen. The advisor could ask, “If Ellen were sitting here, how would she describe what happened?” This is a question that keeps us, as advisors, neutral and might help Joel examine his own narrative and be more open to making an effort to constructively re-engage with Ellen.

On the other hand, an advisor who immediately agrees with Joel's perspective and doesn't think about Ellen's point of view creates two challenges. First, she encourages Joel to see his view as right (and Ellen's as wrong), keeping the conflict with Ellen going. Second,

she's building an alliance with Joel at the expense of maintaining a connection to Ellen and those in the family who have a similar perspective. Over time, it's likely that some family members will begin to think that the advisor's advice is more supportive of one family member and see her as Joel's ally rather than the family's advisor.

Wherever you look in a family system, you can see the operation of multiple triangles, especially when family members are at odds. As is often the case, additional triangles were activated after Ellen called Frank. Frank continued his description of events: “I used to run sales at Esmond, so I have a good relationship with David. After Ellen called me, I contacted David so that he could circle back with Joel.” And so, the ping pong continues.

Unsurprisingly, Frank wasn't the only one that Ellen called. She also phoned her cousin Joan. For several years, Ellen and Joan have been discussing the need to find ways of engaging younger generation family members. But, they hadn't been successful at getting

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the family business leaders, David and Joel, to focus on this matter.

### Generational Patterns

In a multigenerational family enterprise, the relationships in each generation are influenced by those in the previous generations. When the intensity of a quarrel seems out of proportion to the matter at hand, that's often a clue that there are deeper issues at play. Having a sense of the connections and conflicts among family members in earlier generations provides a frame of reference and another source of data for understanding what's going on today and what's worked or not worked in the past.

Advisors who have the ability to recognize some of the dynamics that family systems theory describes are in a stronger position to make thoughtful choices about how to advise their clients and their families.

Is there anything from Generation 2's experience that can shed light on Ellen and Joel's tendency to be at odds? Ellen's mother was the only sister in her family, and her father excluded her from getting involved in the business, which she resented. That strained Ellen's mother's relationships with her brothers, David and Joel's dad and Joan's father. Ellen inherited her mother's frustration along with her ownership in the business.

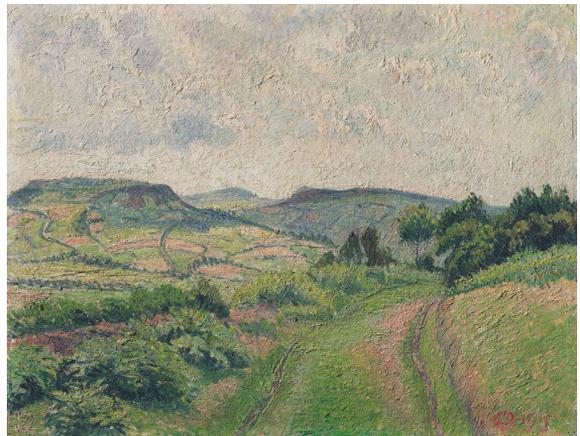
David and Joel's father ran Esmond for years. They don't have any sisters, and they haven't been particularly tuned-in to the aggravation that two generations of women in the family experience as a result of having limited opportunities to contribute their talents and efforts to the family economy.

Things have begun to evolve in G3. Joan is head of the family council, and both Ellen and Joan now sit on the company board. But, they're still working on getting their voices heard at board meetings, and men contin-

ue to hold the key business roles. Ellen and Joan are committed to helping the women in Generation 4 (G4) have the same opportunities and influence as their male siblings and cousins.

Perceptions of objectivity are contextual. Understanding generational patterns and their evolution can help advisors who serve both the family and the family business to be aware of the issues that influence family members' perceptions of what it means to be objective. Knowing the backdrop of generational patterns may shape both our advice and the manner in which we communicate it. For example, an advisor who understands the sensitivity of the generational issues around gender dynamics would immediately understand that the recent encounter between Joel and Ellen isn't an isolated issue but part of a larger family dynamic that has tentacles that go in multiple directions. Using this information to form questions can help contextualize the dispute, calm the system and maintain the family's perception of the advisor's objectivity.

At this point, it seems as though G3 has the ability



### SPOT LIGHT

#### Countryside

*A Hilly Landscape* by Lucien Pissarro sold for GBP 23,750 at Christie's Modern British Art Day Sale on June 18, 2019 in London. Pissarro was a landscape painter who employed the techniques of Impressionism and Neo-Impressionism. He's the oldest son of famed Impressionist Camille Pissarro. Pissarro was born in Paris, but he spent much of his career living in England.



to have productive conversations and make progress in their work together. An advisor who thinks systems will see that the family's efforts to engage G4 are related to their ability to address the balance of power between the men and women in G3. Because these are issues that affect the family's long-term sustainability, if the G3s can't make progress on their own, the advisor would be wise to recommend bringing in someone who can help the family become unstuck.

### Using the Clues

Family systems thinking provides clues for how to navigate, as gracefully as possible, the complex relationships that are natural in enterprising families. Advisors who have the ability to recognize some of the dynamics that family systems theory describes are in a stronger position to make thoughtful choices about how to advise their clients and their families. The benefits of having the freedom to make those choices are that the advisor is able to:

- Maintain objectivity in the perceptions of family members so that she can serve her client without inadvertently undermining family relationships.
- Stay above the emotionality as it ebbs and flows and be a calming presence so that her advice can help the family find a path forward.

When family dynamics become more anxious, systems thinkers remember to ask questions of themselves and of family members. How do each of the people involved interpret what happened? What triangles have been activated? What generational patterns are showing up? Is the family making progress in their conversations, or are they stuck and need additional help? Slowing down and examining your own narrative can help you avoid getting drawn into a family's emotional ping pong and give you the ability to collect data that will help you serve your client without further complicating the challenge at hand. 

### Endnotes

1. Fredda Herz Brown, "The 'Softer Side' of Consulting to Business-Owning Families: Understanding Our Clients and Ourselves," *Family Business Review*, Vol. XI, No. 3 (September 1998), at p. 196.
2. Roberta M. Gilbert, *Extraordinary Relationships, A New Way of Thinking About*

*Human Interaction* (John Wiley & Sons, Inc. (1992)), at p. 32.

3. Fredda Herz Brown and Fran Lotery, *The Family Wealth Sustainability Toolkit: The Manual* (John Wiley & Sons, Inc. (2012)), at pp. 7-8.



### SPOT LIGHT

#### Alter Egos

*Abstract Masks; diptych* by John Banting sold for GBP 16,250 at Christie's Modern British Art Day Sale on June 18, 2019 in London. Though he initially associated with the Vorticism movement, Banting is considered one of the most important and radical British Surrealist painters. In addition to painting, Banting was also a writer and a producer of commercial and decorative designs.