



Five Questions

Episode Eight | Mitigating Risk in Family Decision Making

Allison: Welcome back to season two of Five Questions with Grayhawk. I'm Allison Comeau, Chief Experience Officer and I'll be hosting today's conversation. I have a special guest with me today, Patrick O'Connor. Patrick is the founder of Blackwood Family Enterprise Services, and he's been serving families for over 23 years across Canada. Patrick is a big believer in collaboration with all advisors, including those of us here at Grayhawk, in order to really deliver value to the families that he serves. Blackwood is a boutique firm that is growing and adding other like-minded professionals across Canada. Welcome, Pat. I'm so pleased to have you here today.

Patrick: Well, Allison, I'm really excited about this. It's great to talk with you.

Allison: Yes, you as well. So, we connected a couple of weeks ago over breakfast in Winnipeg, and we started a great conversation that I would love to explore and more with you today. So, both of our roles have us meeting families in various stages of wealth transfer and transition, whether it's bringing in the next generation to run their operating business or preparing the next inheritor to manage a portfolio of assets. What do you see as the key success factors for each of these types of transitions?

Patrick: Allison, I remember that breakfast because the Jets had just got exited from the season, so thank you for bringing that up again. I would say, you know, I'm thinking about this. The success factors that I see that are most important is, first of all, the founding generation needs to be willing to plan with the family versus for the family. Right. That's yeah. If that's it's almost a nonstarter. If the founding generation doesn't see the value and planning with the family. So that's a really key, key to success from my perspective. I think as we know, the secret to this is communication. So having an open, honest, transparent communication structure is certainly important. Right. And helping families put that together is a big part of that because they're not used to talking about this stuff. So, it's certainly communication is a key element. And something you alluded to in the intro, I really believe that the more of us that can collaborate together to help these families, it's super important, right? From a tax to legal and investment, all the technical stuff to the more like I would call it, the communication and software things and governance that I do. So, I think those probably be my top three for sure.

Allison: So just going a little deeper into one comment you made there Pat, around the founder recognizing that it is time to start bringing in the next generation, what are those signals to a founder like? What are those moments they might be watching for? To realize that, hey, you know what? Maybe this is the moment that I need to engage someone else.

Patrick: That's a great question. You know, often unfortunately, often it's a health event, right? That that they all of a sudden realize there's some vulnerability in the planning or it's best seen is they're starting to observe the rising generation and they're starting to look at them as young adults versus, you know, teenagers. And they're more open to thinking, oh, this this person might be somebody I could mentor. But it's it I think that founder as a as a as a unit the partnership that the spouse and the founder need to play is such a key role in this because it's we've been there, I've been there where if they're not willing to see that there's an opportunity to pull people together, it's difficult.

Allison: You know some of those signals they seem obvious or they, it seems like they should be easy to move forward. However, you know, we see families that pause or sometimes even freeze for several years, almost paralyzed. What do you think causes these pauses when they've started to head down the path where they suddenly just stop making progress?

Patrick: Yeah, I think that's critical. And I even when I talk to accountants and lawyers who have shareholder agreements that aren't signed like, you know, what is it? And I, I believe that that in those types of cases, there hasn't been an appropriate amount of time spent thinking about the big issues or the, the why issues. You know, why do I want to do this? What's, what are my family's values? What is the vision for this family? What are our goals that we see for the family? And it's usually when if you don't have good clarity around that future, it's very difficult to then start thinking about tactical implementation of legal structures that sometimes are irrevocable in nature. Right. So, you better be darn sure that you're comfortable with an estate freeze or a succession of a business. So, I think the big the big reason people stall is they don't have clarity, which means they don't have confidence in moving forward.

Allison: And, you know, we talk to our families, too, you know, I know, I know we're mission aligned in terms of, you know, understanding that naming values is really important for families. And we do talk to them a lot about those as decision making filters. And, you know, decision making as an individual is hard enough. And then you add decision making as a group. And it's a new level of complexity which has its own set of business rules and protocol. And then you layer on the family side of it, right, where, you know, different ages, different stages, different needs, different experiences in life. And it's not surprising that they can freeze rather than risk family harmony. So, you know, what steps can we take, or can you recommend for families to really help support decision making that also keeps the family harmony intact?

Patrick: Yeah. Allison, you nailed it. I think it all starts right back at the beginning where our common values are worked on together and it's having that foundation of common values that then will help lead them to building a common vision for the family. I find it very difficult for families that don't have or haven't spent the time really working on their values and working on a vision to then expect to get in a room together and make tough decisions right. If one branch of the family is all about growth and wanting to grow and grow the business or grow their assets, get the others in the harvest mode. Well, there are two competing visions. So, to make effective decisions, you have to be aligned on values, I believe, and have to be aligned on a common vision for the family for sure.

Allison: So I run into situations where, you know, part of the reason families don't want to go deep into the values is they're worried that it gives up who they are as individuals, or that if there's a value that the rest of the family shares and they don't, you know, do they have to give up their individual values in order to have common values, or how do you help them get past that obstacle.

Patrick: Yeah, I believe that we see this all the time where particular when there's a, you know, two or three generations in the room working on values, it's very common you know, the young teenager or 20 something crowd will have values like adventure, exploration, you know, and grandma and grandpa going, hey, wait a minute, that ship sailed, you know? So, it's OK. It's OK to have some different values. I think what we try to do is can we build consensus on the top four or five? You know, are there – can we agree? And what I also find, it's interesting, Allison, is, is watching the dynamic within a family of how they define that value. Like what does family mean to you? What does it mean to you? And I think there's lots of ways to bring consensus and common ground around a few not to have to be aligned on 15 values but can we find alignment on four or five.

Allison: Yeah, and I love your circling back to definition right because we've seen conflict in families where they might have chosen a word that represents the value, but they didn't go to that next level in terms of definition and they each walked away thinking that it meant something different. Right. Yeah, that's, that's a super important part of it. What are the other nuances that you see other than decision making that will really help with the healthy wealth transfer or transition?

Patrick: Well, Allison, I know you're super familiar with this, but it's our three circle Venn diagram, right where we have family on one theme. We have ownership and we have the business and where that Venn diagram overlaps is where we have all these nuances tucked in there. And whether it's a wealth transfer or a business transfer, or what some of the things of roles and responsibilities that the family members are going to are going to take up, compensation for those roles and responsibilities and feelings of entitlement. You know, how do you handle that? And a lot of it can be resolved by coming back those earlier conversations where there's alignment on values and vision. But that three-circle model that you and I know so well that is in this family enterprise

space is where all those nuances kind of can crop up for sure.

Allison: Yes, I like that you brought up responsibilities because that always takes the conversation to a deeper, different level as well. What do you do in cases where either multiple family members want the same responsibility or, you know, on the flip side, where those responsibilities that nobody's put in their hand doesn't work?

Patrick: Yeah. It's interesting when you've created a structure where there can be good communication and part of that is giving the family some tools on how to communicate effectively and also how to deal with conflict when they do come across conflict cause it's not something naturally, we're all born with, so teaching skills to help families with this is key. Because if you've got a competing situation where there's siblings or brother-in-law, sister-in-law, all both capable, how do you decide on, on, on who gets that role? So there needs to be a family employment policy. There's typically the role of a family council can come into play. But very often, as you've seen, Allison, some of the best practices involve having a non-family advisory board above the family so that they can be part of the decision making because often if it's left to the family to have to pick and choose among, you know, who in the family might be best for it, it's difficult. So having some non-family advisers, not necessarily a fiduciary board, but a, you know, a board of advisors is super helpful. And we know that some of the best practice is establishing that family advisory board.

Allison: And what about the scenario where nobody wants to touch that?

Patrick: Well, you know that and that's OK. Like I think often we find that the only successful model forward is that somebody in the family is going to step in and want to take over and run the business. There's lots of great models out there that that recognize that maybe it's time to have a professionally managed company and the family takes a seat on the board and guides the business from the board versus being the person in the CEO chair. So, I think there's, you know, often families might look at themselves as, you know, they weren't as successful because they didn't transition to a child. But that's not the case. There are all kinds of great models to look at from a transition of business and transition of wealth and some of the best success stories I've seen. They've recognized that early on. And they said, you know what, we're going to we're going to get different skill sets in here and we're going to build on our family side over here to do – together build on the philanthropy side as an example, versus running the business or the or the assets right.

Allison: So, if you could give our families listening today three actions to walk away from when it comes to getting started on this kind of work. What would that be?

Patrick: Wow, That's a good question. Three actions. One, I would say to get in the room and have an intentional conversation around this, not just, hey, it's Sunday, you know, pass the coffee or by the way, what do you guys think about the family business? Not that kind of conversation, but to have an intentional conversation about what people are feeling about the business, about the

world, and that's a first step. It's a tough conversation. But having that first conversations to me would be that, you know, just to get a check in, it's awesome. We and I know you and I talked about it when you were in Winnipeg about the role of the family cottage is a great example with transition. So, so often the founding generation just assume that everybody wants the business or just assume they want the cottage. And once they are open to have the conversation with them with their kids, great things can start to happen. So, I think the first step is, is communication and that and that's a key piece of it. There's tough thing to navigate on your own. So that's why you'll often hear, you know, getting a third party in the room for those communications. Right. It will help because you can tend to mitigate conflict or, you know, raise temperatures if you have if somebody's in the room to kind of play referee if that's important.

Allison: Well, then even to you know, mitigate some of the parent child dynamics that happen. Right. In terms of recognizing that side of it.

Patrick: Well, that's so interesting, right? As all of a sudden, we expect, like in a family unit, you grow up with these patterns of communication for decades and decades and decades. Why all of a sudden do we expect that when, you know, the sons 40 or the daughters 42 and mom and dad are in their late seventies now they can sit down and have a professional conversation as you know, business owner transition. They're still your kids, right? So, it's really tricky. Communication is tricky. So, it's that's at the end of the day and all successful transitions of wealth or business, it ultimately does come down to effective communication. So, the second point, Allison, I would suggest is that is key in this piece is education, educating the family. There are some tremendous books out there, I could have a book list. I could suggest. But there's no shortage of information on this subject matter and how important it is FEA, which we're both members of the association, Family Enterprise Advisors, has some great material to educate not just the founding generation, but sometimes even the second generation don't know how to approach the subject or topic with their parents so that sometimes education's going to be required. And the third the third thing is taken action. Take a step, take a step you know, as you know so often, we have the same conversation with families five, ten years later. And, you know, they took a step. It might not be the first best step, but it's a step in the right direction towards getting some enlightenment around this really complicated space.

Allison: Yeah. Yeah. Great thoughts, great thoughts, and maybe coming back to your list of books, Pat, and putting you on the spot a little bit. You're right. There's tons out there. What would be that starting step in terms of what, one, two, or three books would you say? Here's a great place to start.

Patrick: Well, I'm a I'm partial to Dr. Jim Grubman's book on Strangers in Paradise. I think it's a fantastic book for people that are exploring this area because it gives you some great language to use when you're thinking about wealth and wealth transfer and a business transfer. So that would be one of my favorites. I've always recommended Dr. Jim's book. The second one I'm a real fan of is

that Tom Dean's A Willing Wisdom, and Tom Dean's a Canadian author and his book, Willing Wisdom, gives the family seven questions. They could if nothing else, the family could take this book, everybody read it and get together and answer the seven questions together around the coffee table. So those would be two of my top two.

Patrick: Well, Alison's more to it because I also own a Leaf's jersey, so I can't stop bidding at auction. So that's part of a sickness I have I think it's number one, but also, it's kind of if I'm in Edmonton working with the family, I better be – I better have an Edmonton Oilers jersey handy to pull out or I'm not getting very far at that family meeting. So, you know, I am a little bit transparent when it comes to the team I cheer for. But now it's all about the Oilers because they're the only Canadian team left. So, I'm all over the Oilers and wanted to see them go real deep this year.

Allison: It is. It is. And I will say I will now be donning the Oilers jersey as well and support them.

Patrick: So, you there, you go.

Allison: Yeah, yeah, a little tough to swallow but definitely headed in that direction. Pat, thank you so much for today. We appreciate you sharing your experiences with our listeners. And, you know, providing some action items that, you know, they can go away and think about for their own families as they focus on their next stage of their journey.

Patrick: I really enjoyed it. Alison, thanks so much.

Allison: Thanks, Pat. Well, that's it for episode eight of season two of five questions. I'm Allison Comeau of Grayhawk and on behalf of Patrick O'Connor, founder of Blackwood Family Enterprise Services, we want to thank you very much for listening. We'll be back in two weeks with a new episode. This podcast is for informational purposes only. It is not meant to be relied upon for investment or tax advice. It is the opinions of those on the podcast and does not necessarily reflect the opinions of Grayhawk Wealth. If you'd like to offer any feedback or pose a question for inclusion on the podcast, please reach out to me at acomeau@grayhawkwealth.com. We will see you back here in two weeks.