

## When War Breaks Out Over the Family Business, They Get the Call

As baby boomers begin passing down trillions in assets, advisers who specialize in navigating the process — and the emotions around it — have never been busier.

By **BRENT CRANE**

Doug Baumael was in his 30s when his family went to war over the family business. His father, Joe, had founded Controlotron, an industrial products manufacturer in Long Island worth over \$60 million. Baumael was heir apparent.

But as succession questions loomed in the '90s, family members began vying for control. Consultants were hired, but they only intensified the conflict, advising members not to speak to each other and to hire lawyers. The company was sold through the courts at a fraction of its value, the litigation consumed much of the proceeds and family relationships took a decade to heal.

Baumael was appalled. As the smoke cleared, he saw an opportunity. In 2003, he founded Continuity Family Business Consulting, in Massachusetts, to "help families prevent, manage and heal from conflict over business and money."

What Baumael identified 25 years ago as a niche business idea has been supercharged by the so-called Great Wealth Transfer — an estimated \$84 trillion moving between generations over the next two decades. Guiding family-run companies through this fraught process is now a booming industry.



SOPHIE PARK FOR THE NEW YORK TIMES

Doug Baumael founded Continuity Family Business Consulting after his experience with a succession conflict over his family's \$60 million business.

“The field has just exploded,” said Jennifer Pendergast, a consultant to wealthy families and adjunct professor at the Center for Family Enterprises at Northwestern University. “There’s so much work to be done.” Beside the boutique firms, major banks like UBS and consulting giants like Boston Consulting Group are adding new family-focused services.

Consultants use various names to describe their specialty: family wealth adviser, family dynamics officer, family enterprise consultant. They are not lawyers or accountants but something more intimate, employing skills from therapy, mediation and traditional business consulting. Services range from structuring corporate governance to succession planning to guiding philanthropic donations. The consultants’ key selling point is being able to do all of this while navigating the impacts of immense wealth on family dynamics.

Dennis Jaffe, a veteran of the industry, said the job is largely about keeping the peace. “Families are terrified of what can happen when a family war breaks out.”

### Tricky questions

Such expertise does not come cheap. Families pay anywhere from \$100,000 to over \$1 million for a year or two of guidance. And demand is growing internationally, say family advisers, especially in Asia and the Middle East.

Because of the Great Wealth Transfer, consultants are assisting more in matters around inheritance — not legal matters per se but social and psychological ones. Some firms

have started dedicated offices for this, like Baumel’s new Center for Wealth Integration.

“There are all kinds of questions that families have about, ‘Well, do I want my kids to actually have access to this much money?’” said Pendergast. “‘What’s OK to spend when I grew up in a middle-class household, but now I could buy them each a \$30 million home?’”

Inheritance anxieties extend to more prosaic matters, too. For instance, after inheriting a fortune, friends might suddenly expect you to pick up every bar tab. This happened recently to a client of Kedge Martin’s, a family adviser in London. How would you navigate that?

“He could afford it. But it changed his relationships,” she recalled. “The complexities of wealth and relationships are massive.”

Family clients range in size from a handful of immediate members to hundreds of relatives. Their businesses span industries. Sometimes a single family will own several companies plus a philanthropic body, real estate and other assets. Consultants are expected to tackle it all. Devin DeCiantis, a managing partner with Lansberg Gersick Advisors in Toronto, deems this “the entire ecosystem that a family is stewarding together.”

### An emotional process

Typically consultants are brought in before a major event, like a looming succession, the sale of a family business or the hiring of outside executives. Their role is that of a neutral arbiter. The point is to avoid turmoil. This is hard enough in the

context of a normal company. But each family business, a la Tolstoy, creates problems in its own way.

Once, while building a succession plan for one client, Pendergast discovered that the reason siblings didn’t want their brother to run their company was that he was a former heroin addict. Another time, a patriarch admitted that his children resented him because he’d been incarcerated for price-fixing. Navigating such delicate matters with both deftness and C-suite-style professionalism is the essence of the job.

“The only way to have credibility with a founder is to understand how their business works,” said Pendergast. At the same time, clients don’t want to feel like they’re being “psychoanalyzed and put on a couch,” she said.

“To the outside world, families look like they are fighting over money,” added Baumel. “It’s more complicated than that. Mostly they are in conflict over identity issues, complex histories that may involve wealth and, to some extent, differences over ideas around spending, investment and philanthropy.”

This was the case with one of Baumel’s clients, who requested anonymity to speak freely. His family runs a large real estate company and hired consultants to help with succession planning and “intergenerational alignment.”

The client said that transitioning the family business was more complex than most people realize, and he was glad to have someone to guide him through it.

Their fee was in the “low six figures.” He felt it was money well spent.