The Real Work of Collaboration:
ARE WE KIDDING OURSELVES?

In any complex system, effective collaboration is essential toward achieving desired outcomes. It follows that if group dynamics are drivers of collaborative success or dysfunction, there is significant industry-wide work to be done toward enhancing wealth advisory collaboration on behalf of families.

A collaboration of G. Scott Budge PhD and Gregory T. Rogers with Brian Douglass

In the perfect world of wealth management, the "management" part is where well-intentioned advisors from tax, investments, insurance, law, fiduciary services and family governance communicate and act in unison to the family's benefit. This virtual team brings the family in at the right moments, and family decision-making processes tuck seamlessly into those of the advisory group to form a unified organism. But are we kidding ourselves to think that effective collaboration on behalf of families occurs in such a consistently applied and high quality manner?

Warren Bennis, in his "Secrets of Great Groups"* sets a high performance standard by extracting the elements driving the success of such collaborations as those of the Manhattan Project, Michelangelo and his team of 16 painters on the Sistine Chapel, Xerox's PARC group and Lockheed's Skunk Works project. The fact that in family wealth management collaborations we are not "on a mission from God" and the fate of the free world does not "hang in the balance" virtually disqualifies wealth

advisory teams from being "great groups". Yet processing family decisions toward desired outcomes is of vital importance to the long-term health of the family system. **In fact, we are suggesting that effective collaboration is a primary ingredient enabling families to perpetuate well-being across generations.**

How, then, should families and their advisors think about collaboration? What are the components of collaboration, and realties that make it difficult to implement effectively?

Collaboration Process

The process of collaboration, when looked at closely, has ample opportunities to either be successful or run off the rails. Group dynamics and the relative autonomy of the participants can make things challenging. To some extent, family offices emerge as a response to the difficulty in getting coordinated action out of advisors and service providers. The following diagram captures some of the core processes in the evolution of the collaborative team and can serve as a roadmap for where teams gain momentum or stagnate. Importantly, this

* Bennis, Warren "The Secrets of Great Groups" Leader to Leader. 3 (Winter 1997): 29-33, and at http://www.leadertoleader.org/knowledgecenter/journal.aspx?ArticleID=140

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FAMILY SYSTEM COLLABORATION PROCESS
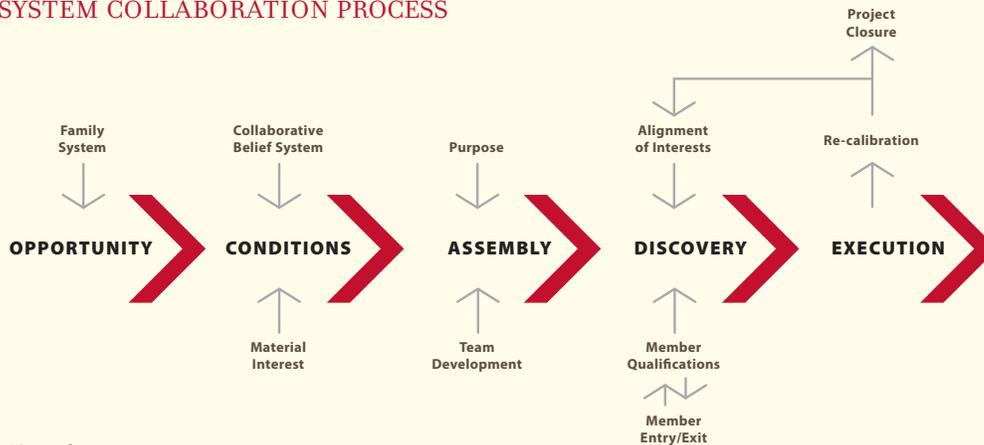
SOURCE: RayLign Advisory © 2010

process may occur over various time frames —from a few weeks in the case of designing an estate planning tactic between lawyer and insurance professional, to months or years in the case of multi-generational operating business succession.

This basic process suggests that initially an opportunity for collaboration is perceived somewhere in the family-advisory system. Conditions are then set and a team assembled. As this team congeals, it becomes capable of effectively completing a discovery process, which in turn leads to solution development and execution. Each of these sub-processes is explained in more detail below.

> **Opportunity.** The collaborative impulse usually originates in an opportunity experienced by a member of the family-advisory system. A family member may think that fewer tax surprises might emerge if better circuitry is built between the key investment advisor and the family accountant. An advisor may see an insurance solution to an estate planning liability but can't really move forward because there's no working relationship between her, the estate attorney and the family stakeholders who might stand most to benefit. Where there is no perception of opportunity in an advisor or the family, collaboration will feel forced and

academic—it will die on the vine. This can be seen, for example, when a family doing work on long-term family decision-making effectiveness passively blocks a governance advisor's effort to work with their estate planner to integrate both the technical realities and meaning behind estate planning completed to date. The family may not value this opportunity over its tendency to compartmentalize advisors—a tendency that might be driven by an historical concern with loss of control or privacy, as well as the risk of exposing inconsistencies between the estate plan and the spirit of the intentions behind it.

Identifying who is genuinely "carrying the opportunity," though, isn't an academic exercise at all. For one, the family member who identifies the opportunity may not have the internal political capital to carry it through. Advisors may spin their wheels providing "client service" to unsponsored opportunities. Secondly, the family and advisory team might not be on the same page - if too much is left unsaid, too much information withheld and/or bad assumptions are made, serving the precise needs of the family is next to impossible. Thirdly, the family may

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not be able to articulate what they want in terms understandable to time and attention-challenged advisors. In order to best serve the family, financial advisors must often abandon their supply-side, product-centric methods of inquiry in favor of a deep listening and probing approach to needs identification. Even so, it is not unusual to find individual members of the family who know what they want but have substantially different interests and outcomes in mind. This is where deep listening must combine with a consideration of the politics of decision-making, and where skilled facilitation may be required to work through the differences.

> **Conditions.** Locating who is carrying the opportunity provides a building block for setting conditions for making collaboration possible. Another input to this involves the presence and strength of a belief system in the family and its advisors in the idea of collaboration. The strength of this belief system can be assessed partly on the basis of whether a family is willing to pay for incremental costs of required project management because they believe that this investment will yield a significant return, even if that return is only calculable in terms of avoiding a financial or familial problem. But many families don't believe in collaboration in part because they've never really seen it. Under this circumstance, advance commitments to project work can be difficult to sell; yet once they've seen strong, coordinated activity with accountability and clear action steps, they typically don't want to go back to the old ways.

Everyone has to collaborate at simple levels just to get through a day. But complex collaborations—which include many required in the wealth management space—require a reasonably strong belief that collaboration can be a good thing across a quorum of participants in the family-advisory system.

Confidence in the value of GOOD COLLABORATION must be fortified by a sustainable "material interest" in doing so.

This needn't be simply financial, but participants in an effective, collaborative endeavor need to have reasons beyond the ideology to stay effectively engaged. The absence of either of these two forces—a belief in collaboration and a sustainable material interest— can doom collaboration from the outset or at any subsequent phase in the process.

> **Assembly.** Team assembly dynamics around unaffiliated members are understandable in theory but often difficult to manage in practice. The Forming-Storming-Norming-Performing framework for group development (see description on page 4) first suggested by Bruce Tuckman in 1965 provides a lens through which we may view team development dynamics.

During the "assembly" phase of the collaboration process, forming and storming forces predominate and, at a minimum, a strong purpose and unifying objectives begin to surface. In this initial stage of team building, the players' behavior is typically driven by the desire to avoid controversy and be accepted by others. This stage may not seem productive because serious issues and opinions can be avoided, and the focus is placed on establishing team structure, identifying roles, establishing protocols and when to meet. All the while, everyone is gathering information and impressions about one another as well as privately thinking about the scope of the project and how it should be approached. The lack of conflict at this stage

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GROUP DYNAMICS:

Forming-Storming-Norming-Performing

In its simplest form, the framework suggests that every group starts by forming, enters a storming period, works out its differences through norming, and finally reaches a state of performing. The group reverts to forming as members come and go, and goals are reestablished. These are not strictly linear steps, but help normalize for participants the lengths a group must go to before becoming productive.

SOURCE: Bruce Tuckman 1965

makes for a safe and comfortable place to be, but may result in very little progress regarding the important issues that must be addressed.

Many times, substantial effort is put toward avoiding conflict early in the collaborative process. In some important ways, however, the group cannot function at its peak until it encounters and ultimately survives its first fight. Families often need to be educated, along with the whole team, as to the normal need at this stage for participants who are relative strangers to find a working rhythm, particularly in the context of conflict management. In this storming phase of team building, competing ideas will battle for attention, and formal and informal leadership will be both asserted and contested. Formal project leaders need to frame challenges to their role as inevitable, not necessarily personal, and as something that will shift as anxiety about getting work done is managed.

In the storming phase, advisors begin vocalizing their individual views on how to best help the family and confront the perspectives to which they are opposed. Questions of leadership, roles, responsibility, scope of services, client relations, time commitment, resource allocation to the client, and compensation are just a few of the issues that may arise in midst of the storm. In some cases, the storming phase can be resolved quickly. In others, the team may never get past it. While a healthy amount of disagreement and discussion is natural, tolerance and patience will ultimately help facilitate this group success.

> **Discovery.** Through conversations within the storming phase, the group members begin to build rapport and trust in one another resulting in a gradual norming process. With a clearly identified goal and a mutual plan for its approach, the team can take advantage of aligned objectives and shared resources. The discovery process unfolds as a means by which this group, now composed variously of family members and advisors, can actually clear the way to frame the problem they are trying to solve. The noise from early forming and storming has not gone but is muted and does not dominate the group's time. Interests may not be in perfect harmony, but they are directionally aligned and re-affirmed.

The ultimate players for execution may not be in the room, but the universe of participants that will lead the process are. Toward the latter part of Discovery, this may change. As an example, a project leader may initially include two different tax specialists. As the project unfolds, it becomes clear that one of the tax specialists, whose skills may be potentially very strategic, may not bring skills believed to be urgent enough to become part of the current project. The strategic input was important in defining the solution set, but is now not required to support implementation. The judgment can then be made as to whether there is a need at this point to keep this advisor engaged.

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The "norming" part of this process says that rules of interaction are set. Participants know more or less what to expect from each other. They know who the point person is, how emails are handled and who to copy, what kinds of separate contact with the family make sense and how confidentiality will be enforced. These norms also have to be calibrated around the larger outcomes sought.

The next step of "performing" helps the team anticipate the real work of execution. A high performing team effectively cycles leadership in ways that fit the circumstance (e.g., when the trust and estates attorney should take the lead, when the insurance or investment professional should lead). High performing teams are on task but are also sensitive to interpersonal processes. Respect is established and the group knows it can manage conflict and be productive.

> **Execution.** At the execution stage, participants know what they have to do and usually go back to their specialist firms to do the work. This takes participants back into their sponsoring organizations and into the midst of forces that yet again affect their ability to sustain the collaboration effort, such as competing projects, personal incentives and scarce resources.

Once again, several forces may conspire to erode each participant's sustained focus, especially if there is not an easily identifiable benefit. These politics of time and resources can act like unconscious headwinds that dissipate commitment levels. A high functioning team will provide a conversational space for these kinds of realities to be discussed and re-calibrated.

In addition, the reassembly and disassembly of the team upon its accomplishment of goals is often a neglected element. Endings, even when successful, are often difficult to play through. Debriefing and celebrating the outcome are not often built in; certainty

about future collaborations may slip by the wayside; the question of "how I did" may elude discussion. The participants will each have their own approach to this ending.

REQUIREMENTS FOR EFFECTIVE COLLABORATION

1. Clarity of project-level and specialist leadership

2. Supportive belief system and sustained material interest by participants

3. Establishment of clear process definition, accountability and role expectations

4. Acceptance and awareness of, as well as skills to handle, process phases and group dynamics

5. Regular re-calibration of goals, commitment and progress

6. Team facilitation that fosters courage to handle conflict, make changes and redirect team energies

Conclusion

It should be clear by now that collaboration is far harder than we allow ourselves to believe. All in, the idea of collaboration is great in concept but difficult to execute in reality. This is not to say, however, that we should give up on collaborating. It does mean that educating both the client and the advisory side about the need, realities, and value of collaboration is an important venture in itself. The incorporation of good leadership, well-defined roles and accountability, and effective communication are highly valuable and need to be understood as such. At this point in family wealth management, collaboration does not just happen organically. It is a deliberate and thoughtful endeavor with substantial opportunities for value creation in and among family-advisory systems. An explicit acknowledgement of the countervailing winds challenging virtual teams—who may or may not be "on the same page" themselves—is perhaps the first step on the path toward effective collaborative work on behalf of families.

Barriers to Effective Collaboration

The harsh reality of collaboration is that some of the things that make us human also make this hard. We all know the theoretical benefits of collaboration, so many of us claim not only to do it, but also to be good at it. But let's not kid ourselves after all and take a look at what can get in the way:

1) KNOWING WHAT THE FAMILY'S PURPOSE AND GOALS ARE – It sounds simple but generally three scenarios arise, that present some difficulties: the family and advisory team are not on the same page, the family is not on the same page with itself, and the advisors are not among themselves on the same page.

> **Example:** Search for an outsourced CIO advisor pits one set of family members against another for equally valid reasons (different beliefs about being protective versus compounding high returns over time) and sets the stage for complicating the search, creating bad feelings among family members, and taking up hours upon hours of candidate firm time sorting through the family's internal conflict.

2) THE DIFFICULTY IN VALUING COLLABORATION – With all the lip service paid to collaboration, its explicit value is often subordinated by families and advisors alike. Because of underappreciated role of project management, families frequently have trouble placing a value on the leadership it actually takes to make collaboration work. It is hard for a client to reconcile paying the same amount, or perhaps even more, for what appears to be less work even against the likelihood that a better outcome will be achieved for benefits many years down the road. This is colluded with by a variety of business models that don't include project management as an identifiable component of the value they provide.

> **Example:** One family expected their "most trusted advisor" to coordinate a substantial collaboration over a 12-month time frame but did not want to pay the hourly fees associated with the behind the scenes work implied by the kind of project management they were expecting. The project fell apart, the family was left with a major tax liability, and the advisor was eventually replaced in a way that caused personal pain to all concerned.

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3) CONFLICTING BUSINESS MODELS AND EXPERTISE AMONG ADVISORS – Unfortunately, most business models have different perspectives on time and resource allocation to client work. Despite sharing overarching goal of serving the client, every advisor tends to approach each client situation in a way that fits best with their expertise and business model.

Example: An estate plan does not get implemented because project leadership is not established between varying participants, some of whom are paid hourly, some on transactions, and some on assets under management, but none for the overall implementation and evaluation.

4) FAILURE TO NAVIGATE START-UP GROUP DYNAMICS – Even if an advisory team has worked together before, each new project may have new participants and unfamiliar or complex mandates; this means the team cannot fully circumvent start-up dynamics.

Example: A parent's advisory team may be charged for the first time with helping one of the adult children consumate a private investment that has substantial risks but is important to the individual. This group will be new, and will run risks associated with being new. Regardless of professional expertise, someone will talk too much and someone too little. Some will arrive with bravado and others with false modesty. One may take on a parental persona at this precise moment where individuality is being asserted. Even when you know a person in other contexts, they will often surprise you with a different persona as the need to manage the anxiety of the new situation takes hold.

5) LACK OF TRUST AND INTIMACY – Trust and intimacy are hard to come by, especially when you are working with a group of advisors all competing for the attention of the family. In some important ways, until the group encounters and ultimately survives conflicts, it cannot function at its peak. Trust comes in part from knowing that you can thrive with differences incorporated into the work itself.

Example: During one collaboration, disagreements emerged around the proper staging of wealth transfer strategies. Instead of being debated in the group, back-channel, behind the scenes triangulations began to create two subgroups which cost the team weeks of productivity by circumventing rules for handling differences. The family office head had to virtually lock team members in a room and re-calibrate rules and expectations, an exercise that was not enjoyable for anyone.

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Scott is an expert in the dynamics of wealthy families, having worked directly with hundreds of entrepreneurs, corporate executives and their families. He has also worked extensively as a developer and educator of wealth advisors, which is the focus of his recent book, "The New Financial Advisor: Strategies for Successful Family Wealth Management" (John Wiley & Sons). Scott has published several articles, including works on the psychology of investments, family wealth and family businesses and spoken at numerous domestic and international industry conferences. Prior roles: Scott founded two companies focused on delivering internet-based management services to single- and multi-family offices, and financial advisors throughout the US and Canada; Senior Vice President, SEI Investments where he co-developed their family wealth management unit; Board Member, "Family Business Review"; Founder & Member, creative team at Shaking the Tree Foundation, a professional theater group whose productions focus on challenges faced by families of wealth. Scott is a Fellow at the Family Firm Institute; Founding Member, Money and Family Life Project at the Ackerman Institute for the Family. Education: PhD in Psychology from New York University.

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Greg founded RayLign Advisory LLC to "perpetuate well-being for families through the generations" based on cross-disciplinary principles he developed over twenty years as a member of his own family's investment consulting business, builder of a strategic consulting practice and leader of a publicly-traded, family-driven, asset management and family office enterprise. Prior roles: EVP & COO, John A. Levin & Co.; Managing Director, BARRA Strategic Consulting Group; Director, RogersCasey & Associates. Affiliations: General Partner, Rogers Investment Partners; Director, Rogers Family Foundation; President, RayLign Foundation; Member, TIGER21; Member, Family Firm Institute; Board Chair, Ackerman Institute for the Family; Advisors Council Member, Fairfield County Community Foundation; Teaching Faculty, IPI Wharton Private Wealth Education; Adjunct Professor UCONN "Skills for Financial Independence". Education: MBA International Finance, NYU Stern School; Brown University, BA Economics and Organizational Behavior & Management.

eLigns are published periodically to help families safely negotiate the big bends in the road, the ones that really matter.