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The Family Drama in HBO's 'Succession' Is Surprisingly Common. How to Avoid it, According to Advisors.

By Daren Fonda Updated Dec. 27, 2019 2:45 pm ET / Original Dec. 27, 2019 3:19 am ET

Cast members of HBO's 'Succession.' Photo Illustration by Joel Arbaje & Robert Di Ieso Jr.; HBO (Source)

When the Golden Globes air on Jan. 5, one of the shows up for best drama will be the HBO series *Succession*. The show portrays an aging patriarch and his squabbling children, who wrestle for control of his media dynasty—a Learian tale of greed and corruption set against a backdrop of obscene wealth and privilege in modern-day America.

Yet behind the drama are complex questions around real-life succession planning. Advisors who watch the show say that while it is exaggerated for TV, it illustrates situations they see every day.

"It implicates so many questions about our place in the family, how we're perceived by parents and siblings, expressions of love and fidelity, and the role that money and power play," says Glenn Kurlander, head of family governance and wealth education at Morgan Stanley Wealth Management.

"If it were only about working with taxes and legal structures, the challenge would be manageable."

Indeed. While many families on the wealth spectrum develop succession plans, estate plans, and trusts, those are only blueprints. Tax and legal rules provide a template for financial arrangements, but there is none for long, simmering disputes, jealousies, and perceptions of inequality. Estate and governance plans are like tranquilizers, lulling family members into believing there is an orderly succession strategy in place.

"They aren't effective because the next generation hasn't bought into them, so they just create a tranquilizing effect," says Amy Castoro, head of the Williams Group, an advisory firm for wealthy families.

What's the best way to avoid the dysfunction and squabbles portrayed on TV? Conflict is bound to happen when family and money mix, but advisors say that careful planning and understanding the psychological dynamics can help smooth out issues.

Here are some parallels between the show and succession issues that arise in real life:

Are the kids the best choice to take over the family business?

Probably not, both in the show and reality. None of the heirs in *Succession* are remotely qualified to be CEO; none are entrepreneurs or managers that would be adept at running Waystar Royco, the fictional, publicly traded media empire that includes a news division, theme park, movie studio, and cruise line (making it something of a cross between Walt Disney and News Corp, the parent of Dow Jones and *Barron's*). Logan Roy, the patriarch, is a Machiavellian firebrand octogenarian. Vying for his approval are his children —Connor, Kendall, Roman, and Siobhan—along with a feckless son-in-law, Tom, and doofus great-nephew, Greg.

The characters wouldn't come close to passing an executive search led by an independent board: Kendall is a drug user and petty shoplifter; Siobhan works as a political consultant; Roman has no business training (he gets shipped to management training camp and wears a turkey costume at a theme park); Connor is a dilettante who lives in New Mexico with his former escort/girlfriend and dreams of becoming U.S. president.

Logan sets up a *Gladiator*-style contest for his succession, putting his children through a series of tests to prove their loyalty and business acumen

But he undermines them constantly and moves the goal posts—something that occurs often in real-life succession contests.

"Typically the family wealth creator will say, 'Hang out with the chief financial officer or work in sales and you'll learn the business,' " says Peter Begalla, a succession-planning consultant. "But then the benchmarks change. That capriciousness and lack of commitment to the process is classic for a wealth creator."

Even written succession plans often fail because of unresolved conflicts among family members, says Arne Boudewyn, head of the Institute for Family Culture at Abbot Downing, a division of Wells Fargo. "Complex family dynamics in the business stack the odds against being able to keep it in the family," he says. "The rules of the road are often poorly defined, vague, or abstract."

Plenty of giant businesses remain under family control through the generations—think of Fidelity Investments or Koch Industries. But if it is going to work, there needs to be formalized planning and clearly defined roles for family members. In many cases, that doesn't take root until the third generation because conflicts between the first and second generations tend to be so intense. "The second generation is like the Wild West," Begalla says.

Formal processes don't exist in *Succession*—part of what makes the show so much fun. Logan dangles the top job to Siobhan only to retract it after she blurts out at a dinner with another media dynasty (which Logan is trying to buy) that she's next in line. He makes Kendall and Roman co-chief operating officers, but then dangles the top job to the head of the rival media company.

While the show dramatizes it for effect, family succession planning "can turn into a madhouse," Castoro of the Williams Group says. According to her research, 70% of families lose control of the business or assets by the third generation. In 60% of cases, lack of trust and communication were the main causes for loss of control, and 25% of the time it was because the heirs weren't equipped to take over. Children growing up in a life of abundance "know how to be wealth receivers, but not contributors," she says. "They jump in an Uber and their friends ask them to pick up the tab. They don't know how to say no."

A major cause of family disintegration is a lack of clarity around the roles that the children will play in managing the business. Of the 2,500 families Castoro studied—with net worths ranging from $5 million to more than $1 billion—not one remained intact in subsequent generations without clearly defined

Otherwise, "the cousins or kids are all jockeying for positions with no clear sense of who's competent for what role," she says.

Adding to the chaos, parents face conflicting goals: They don't want to look as if they are favoring their offspring in business, since the optics of nepotism hurt everyone, but that winds up happening anyway.

"CEOs don't execute the same logic with the kids that they do with the company," says Amy Zehnder, a family wealth-planning consultant at Ascent Private Capital Management. If a son or daughter in the business has a pet project—hey, let's build a new theme park ride, something that Roman wants to do in the show—the battle for corporate resources can trigger more internecine battles. "CEOs will do something for family members what they'd never think of doing in a business," Zehnder says.

Can fiduciary and family responsibilities be balanced?

If Waystar Royco were real, its officers would face criminal charges, the company would be indicted, and civil suits would fly from shareholders and regulators. The internal hazing and humiliation would be unconscionable. At a dinner with executives and family members, Logan orchestrates a game of "boar on the floor," forcing his son-in-law and others to oink like pigs and wrestle for a sausage. In another scene, Tom pelts Greg with water bottles in a company "safe room," after Greg proposes that he work elsewhere in the firm.

The malfeasance makes Enron look like Sunday school. Executives conspire to cover up sexual assault and possible murder on a cruise ship, engage in witness tampering, bribe shareholders in a proxy battle, and seek foreign ownership to avoid criminal and civil charges. Financial crimes like those at Enron—which cost real people their life savings—are only the half of it in the show.

If the family members have a fiduciary responsibility to their shareholders as officers of a publicly traded company, it isn't apparent. But that conflict between family and fiduciary responsibilities is quite commonplace in family-run businesses, whether publicly or privately held (since private enterprises often have shareholders outside the family).

"Family members in business together have several identities—they're CEOs, parents, siblings, vice president of sales," Morgan Stanley's Kurlander says. "That's what makes it challenging—those conflicting identities and responsibilities."

Advisors suggest that families develop governance plans well in advance of game time. Stuart Smith, managing director of family advisory at Wilmington Trust, recommends setting up a "family council" to deal with the company board and financial issues; the council could include family members and impartial outside advisors.

And it can help navigate the maze of competing interests. "You'll often see an entrepreneur who wants to do something charitable, avoid taxes, and leave money to the family," he says. "You're playing with a Rubik's Cube—when you change one face, it changes another."

Families also need to accept that things won't be divided equally, and that can still be a fair outcome: The sister who worked her way up in the business should receive more equity than the brother who slacked off.

"It comes up all the time—fair isn't equal," says Michael Liersch, global head of wealth planning and advice at J.P. Morgan Private Bank. "Equal effort, equal shares, equal participation—that doesn't always make for a viable path forward."

Will the business be treated like a child?

Entrepreneurs tend to view their business as their baby. They shower it with attention, grow emotionally attached, hitch their ego to its success—breeding resentment by their biological kids or spouse. The family members in *Succession* are billionaires; they take private jets, party on super-yachts, and toss around $20 million like confetti, as with the bribe Logan is willing to pay his ex-wife to vote her shares his way.

The real prize is patriarchal approval and stewardship of the corporate baby, the object of their father's affection. Indeed, you would be hard-pressed to find a more doting corporate father; Logan is willing to sacrifice his biological son, Kendall, to prison to preserve the business (before Kendall double-crosses his dad, yet again, in the final episode of the second season).

Families need to untangle these priorities to avoid a dysfunctional wealth transition, says Richard Orlando, a wealth planner and head of Legacy Capitals. "We ask the adult heirs, 'Is the family here to serve the business, or is the business here to serve the family?' " he says.

The best estate plan won't help if the family doesn't agree on priorities—whether it is the business, charity, or family unity. "No matter how much structure you put in place, if you have people focusing on power and money

Justin Schinkel, 34, knows from experience that business and family can be a toxic brew. He works in real estate with his father and brother in Winnipeg, Canada. When he and his brother were developing a building together, they fought every week, he says, and “it wasn’t healthy.” They resolved their differences, but it taught them a lesson.

“Our parents told us that all they want is us kids to be friends,” he says. “That way if we get a bombshell, we can at least have a discussion about it.”

Write to Daren Fonda at daren.fonda@barrons.com

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