

LIQUIDITY EVENT

Family conflicts and how to avoid them

By Francis Claessens

Stefan Crafoord-Wiklund and Richard Jansson are an intriguing double act. Both descendants of wealthy Swedish entrepreneurs, they have forged a business and personal relationship from their experiences of family feuds.

Jansson's grandfather transformed the Löfberg Group, the family business, from a small coffee importer to a national brand in the 1950s. In 1984 he and his wife passed on the company to their three children but the consequences of their generosity were unexpected and disastrous.

The son chosen to lead the family business attempted to freeze his siblings out of power and acquire their shares at a derisory valuation. Even the founding father was not welcome in the company. He died estranged from the business he had created leaving his wife, children and grandchildren to battle it out.

Crafoord-Wiklund's grandfather, Holger Crafoord, was a 25% shareholder alongside the Rausing family in packaging company Tetra Pak and founded Gambro, a medical technology company, in 1964. With his fortune he also set up the Crafoord Foundation, the third-largest Swedish philanthropic organisation. After his death in 1982 a bitter family feud broke out over representation on the foundation board.

Six years ago, Jansson and Crafoord-Wiklund used their experiences of family conflicts to set up a business, *Provocare*, to advise minority shareholders.

They compare a family company to a solar system. The sun represents the source of the family wealth, usually the patriarch, around which the interests of other family members revolve. The patriarch thinks he knows his children intimately and cannot imagine they would ever fight over control of his business. He often has a burning desire to leave the company intact and controlled by his successors. At this point, Jansson and Crafoord-Wiklund pose a blunt question for any patriarch: "Do you want your grandchildren to hate each other?"

SUNSET

After a patriarch dies family members realign themselves according to power, financial interests and emotional issues. "Without the sun in place the planets will fly an unpredictable course until they find new positions," says Jansson.



photography: abi hardwick

JANSSON AND CRAFOORD-WIKLUND POSE A BLUNT QUESTION: "DO YOU WANT YOUR GRANDCHILDREN TO HATE EACH OTHER?"

Children invariably have differing capabilities and ideas about their lives. To tie their futures together in a cause they do not share, however hard they may profess to the contrary in the presence of the patriarch, is the prevailing source of drawn-out family conflicts.

Jansson and Crafoord-Wiklund know this from bitter experience: it has taken them three generations to resolve some – not all – of the issues in their respective families.

They say minority shareholders, whether in family companies or not, need time, patience and strategic planning to resolve a dispute in their favour. And while every conflict is different they have some general guidelines that can be used to prevent or resolve disputes.

They say the patriarch should hold

Crafoord-Wiklund (above) and Jansson (right) launched *Provocare* after experiencing conflicts over family legacies

on to power for as long as he wants to have any. The assumption he will retain influence after a transfer of power has led to many well publicised dramas.

However, the next generations should be involved in decisions about the future of the family wealth to get the best possible idea about what they really want. The management of the business should not necessarily go to family members and whoever manages, the goals should be clear: is it optimisation of profits or are other values more important? There should also be a mechanism to replace management if it does not perform or treats the company as a personal fiefdom.

Even if there seems to be agreement today, it is wise to create exit possibilities. Paradoxically, it seems family members who know they have a way out of a business are more inclined to be comfortable staying in. Any gift or inheritance should not only be in company shares that cannot be sold and thus cannot maintain a lifestyle, but should

have a hefty component of cash. Cash is easily divided and gives breathing space to resolve other issues.

Provocare has only five or six clients at any one time and the duo claim to have never failed to secure a satisfactory resolution (its longest-running case took four years to resolve). They generally work for a handsome cut. Regardless, it seems to be a rarity in the wealth management space: an original idea.

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