

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

### Introduction

It is my privilege to share the “Notes from the Field” that I delivered to the Family Firm Institute (FFI) Fellows recently in Brussels.

Where did my talk derive from? Some months ago Francois de Visscher asked me if I would consider offering my thoughts in Brussels to the FFI Fellows on the issues of the next twenty years of our practice. Clearly such a request is daunting and certainly much that I might offer could be proven wrong by future experience. The risks of hubris in agreeing to such a request are high, and the rewards of that are always and forever lightning bolts from Zeus to remind me how little I know. I had to consider if I had anything to say and even if I did, did I have the courage to say it publicly. After pondering Francois’s request I decided that, in my role as an FFI Elder (there is no such category on the books but those who have been members for 20 years are such in reality), I had an obligation to offer whatever I could toward developing our common practice and meeting the future challenges to it that I saw. I also decided purposefully to make my remarks informal, as one among us, with the hope that they might inspire a serious conversation among us and thereby better help us help the families we serve. FFI’s greatness will always lie in its capacity to convene great conversations among the many disciplines of its serving professionals toward higher order thinking and the higher order service that will result.

I thank Francois and Judy for asking me to do this and trust that readers will offer me many remarks on where I got it wrong and a few where I might correctly be pointing to the issues of the future.

### Individual Development

I want to begin with the individual and two changes that are happening now, or that I foresee, with regard to individual development. I will then offer a recommendation, or rather an admonition, in response to these two changes.

#### *Emergent Adulthood*

The first change is the recent appearance of a whole new developmental stage. Jeffrey Jensen Arnett’s book *Emerging Adulthood* introduced a new way of understanding the stage of life of many people in America between the ages of 21 and 30. (I believe that this same change has developed in Europe and Japan.) Many people in this age group are neither adolescents nor mature adults and so Arnett coins the term “emerging adults” to define them. To understand this group is to appreciate that for them life is principally about economic experimentation, with a goal of finding a full-time position that will permit them to live independently. But, Arnett argues, the economics of our time rarely afford such positions until young people’s late 20s. As a result, marriage is being postponed for many men until 30 and for women until 28. Likewise, first parenting for both men and women is being postponed into their mid-30s.

Everyone in our field is experiencing in the families they serve this new demographic reality. It has many consequences for families. Emergent adults may be much more likely to return to the old, somewhat tattered, parental nest. This return brings about new dynamics between these emergent adults and their would-be “empty-nest” parents. Likewise, parenting in one’s 30s or 40s is different than parenting in one’s 20s, and being a child to “older” parents brings differences too.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

Finally, to say that this postponement of career, marriage, and children causes confusion in grandparents—who may still hold much of the family’s wealth—about the worthiness of their grandchildren is an understatement.

This developmental change and the resulting new reality require that we help families recognize the importance of emergent adulthood and plan accordingly. In particular, members of FFI have a role to play in helping all generations understand and empathize with the others.

### *Generativity or Stagnation?*

The second major individual, developmental change I want to highlight is the Boomer generation’s transition into the second-to-last stage of life. Everything about this generation is big. And its aging brings with it a big question: will the Boomers enjoy generativity or stagnation in their remaining 30 or so years? The answer to that question holds great weight for the future of the developed world, and so for members of FFI.

Erik Erikson famously distinguished eight stages of life. The seventh, which occurs in late-middle-age, involves a conflict between two possibilities. On the one hand is generativity, a discovery or rediscovery of life’s purpose that leads to growth and giving. On the other is stagnation, a continuation of past forms in which the self becomes smaller, more rigid, and enclosed. Many social commentators have labeled the Boomers as “narcissistic,” implying that they possess fragile egos. The question, then, is whether members of this generation can

successfully overcome this narcissism, challenge their past lives and beliefs, and live generatively for others.

One crucial way of doing so would be for them to reconnect to the journey of becoming Elders—who act on behalf of their families and communities—rather than just seniors. Unfortunately, the modern West does not openly distinguish a path for people to become Elders. This situation creates an opportunity for FFI members: we will have to be the teachers/mentors/coaches to these would-be Elders.

The question of how Boomers develop carries great consequences for society and for families. It will have immense economic and political issues associated with it, perhaps even a generational war. At the same time, families that don’t have a means of growing Elders from its Baby Boomers will fail. All families to succeed must employ “seventh-generation thinking,” “beginner’s minds,” and deep joint decision making. Without Elders to convene and socially mediate such thinking and processes, the future of any family is bleak. A family that grows Elders from its baby boomers will do well, as that is the path all human cultures have followed for 200,000 years if they were to flourish. Such families will also encourage the highest possible level of productivity by encouraging the generativity of their senior members with all the good that will accrue to the spirits of those seniors otherwise at risk of stagnation.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

For these families, think of the human and intellectual capital accretion of such a process as opposed to the enormous entropy the opposite path assures. This is a huge, twenty-year challenge that is immediately in front of us as the Baby Boomers throughout the developed world are reaching 60 every day in enormous numbers.

### *Stewardship*

As I have mentioned, both these developmental changes bring opportunities for members of FFI. I think they also form the basis of a warning. In response to these changes, we need to stop teaching “stewardship” to the family members in Erikson’s first six stages of life. Why? It isn’t developmentally useful. More importantly it diverts the youngest family members from concentrating on bringing their own dreams to life and moving on to their individuation and differentiation. Stewarding another’s dream—read G1’s dream—is a developmental detour from which very few can ever recover and get back on the road of their own development through their own dreams. Once FFI members get this right many good things will happen to the families they serve. Let’s use the next twenty years to help the younger members of families bring their own dreams to life and accrete human and intellectual capital to the families we serve. Asking them to steward another’s dream, when they aren’t ready developmentally to do so, diminishes these capitals—and it happens too often.

The future lies with serving professionals who appreciate the developmental posture of each family member and seek to both help with the current development of that individual and to prepare him or her well for the next stage of life

transition to come. Bowing to the desire of older generation family members for developmentally inappropriate products and programs (which are then easily sold) often consigns these younger members to failed lives. They do not become themselves. Helping these individuals healthily individuate and differentiate, particularly in the face of the earlier generations’ immensely materialized dreams, is a gift we can give and in turn help their entire families flourish.

### *Family Structure*

Regarding future changes to family structure, I want to make one general comment followed by a specific observation. I will follow up these thoughts with two recommendations.

### *New Forms of Family*

First, in general, it is clear today that forms of family are emerging that are far removed from the “norm” of family as a married man and woman and their biological children. These demographic changes have already begun to reshape the families we serve and our advice to them. I expect that such changes will only accelerate.

### *Family Inversion*

More specifically, I want to draw our attention to what I call the “inversion” of family membership that is taking place due to the deep reduction in children born in the developed world over the last 50 years, with no change in sight. (The same inversion is present in China due to its now 50-year old one-child policy.) This inversion is in direct opposition to the norm for the past 150 years, since Malthus, of the growth in numbers of families.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

That traditional growth led to the situation in which families' assets were overwhelmed by their numbers. Now, in contrast, and for at least the next 50 years if not permanently, most families whom FFI members serve will have one child, at the most two, and many of those children will elect to have no children. This is already the state of reality in Japan, China, Italy, Spain, Britain, France, Germany Russia, the United States, and in most other developed countries.

The greatest reason for this change is the freeing of women through education, the development of effective birth control, and the decline of marriage—see Liza Mundy's book *The Richer Sex*. But this inversion also leads to families suffering a huge and perhaps irreversible reduction in their human and intellectual capital—their most important capitals.

### *Function versus Form*

In response to these two enormous demographic changes, I recommend two changes to our practices. First, the next twenty years will require that we deconstruct and reconstruct each family relationship toward its FUNCTION, all toward making the family joint decision PROCESS more effective as it applies to all joint relationships.

For an example of such deconstruction and reconstruction, I would point to the book that Keith Whitaker, Susan Massenzio and I have just published with Bloomberg Press, entitled *The Cycle of the Gift: Family Wealth and Wisdom*. This book will change the conversation forever about gifts versus transfers, as it looks at their effect on recipients' ability to adapt to that

which will always be alien to themselves. The quality of recipients' resilience will determine whether such an action on them will be able to be integrated and be helpful and accretive to the families' energy. The recipients' resilience and the relationship between recipients and givers will therefore determine whether families avoid the shirtsleeves proverb's predicted outcome: disintegrative entropy and family dissolution. We ask Mindful Donors and Thoughtless Transferors, "What is in your meteor?" since that is exactly what a gift or transfer is when it hits the homeostatic atmosphere of the recipient.

Other authors will also help us define relationships towards their function rather than just around their form. They include Thayer Willis on how all the different family relationships can be deconstructed and reconstructed, Hartley Goldstone and Kathy Wiseman on positive beneficiary/ trustee stories and relationships, Kaycee Krysty and Rob Moser on Baby Boomers' life journeys—all about their higher functioning in this stage of life as they transit from paid work to "generative" or "stagnant" next stages of life—Ellen Perry on the complex combination of family dynamics and significant wealth, Fredda Herz-Brown and Fran Lotery on family toolkits, and Gregory Curtis on the dynamic stewarding of wealth from a human intellectual, financial, and social capital perspective.

All these books will add measurably to FUNCTION. They move the discussion away from an emphasis on FORMS, most of which families themselves haven't been able to make FUNCTION because the forms are alien to the families' own living and growing.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

They will move us toward the next twenty years' emphasis on FUNCTION, by clearly coaching readers in how to make these varied relationships work. They will thereby move the field toward true professionalism, in which families themselves manage their lives and make the best use of professionals when they need them.

Only if the field moves this way, I predict, will family joint decision making processes flourish and the shirtsleeves to shirtsleeves proverb's entropic outcome be avoided. Form will again follow function as it must in our universe.

### *Morphing the Diagram*

My second recommendation in response to the great changes in family structure concerns the famous "Davis-Taguri" Venn diagram. We are all familiar with the three equal circles—at least they appear equal on paper. In practice, however, many families and their advisors currently morph the three circles so that the Management circle is twice as large as the Board/Stakeholder Owner circle and the Board/Stakeholder Owner circle is twice as large as the Family Circle. Doing so makes G1's happy, since they are often focused on management, but it is deeply entropic for families. It distracts them from their Achilles heel, which is inattention to human and intellectual capital.

In contrast, we must come to recognize as a field that in a properly morphed diagram the Family circle will be twice the size of the Board/Stakeholder Owner circle and the Board/Stakeholder Owner circle will be twice the size of the Management circle.

To help further that recognition, we have such

books as Williams and Preisser's, *Preparing Heirs*; my *Family Wealth and Family: the Compact*; and Bonnie Brown Hartley's and Gwendolyn Griffith's, *Family Wealth Transition Planning*. We also have many books and articles by John Ward, Randy Carlock, Ivan Lansberg, Kelin Gersick, Dennis Jaffe, and other notable authors. Finally, all these studies are buttressed by the Family Office Exchange paper entitled, "The Family Office as Risk Manager."

The reality that family joint decision making is the most critical issue for a family to focus on toward family flourishing is NOT IN DOUBT. The steps in reaching this goal involve, first, helping families concentrate on their joint decision making systems. Then we need to help the families make these systems function. Next, we must help families learn to be great, dynamic, stewarding, conserving, stakeholder-owners of their enterprises. Next comes helping them develop strategic boards that can represent them as such owners. Only then need we focus on helping them find managers who execute on the tactical issues. I believe that the advisors who follow this path will be successful. Why? Because the families will be successful and enabled as owners to enable the managements of their enterprises to take enough risk for the enterprises to be successful.

Willingly and freely giving up freedom to any group is the hardest thing any human being does, because of the apparent loss of freedom. The choice do so will always determine whether there will be another generation of a family in its deep sense of affinity rather than genealogy. Helping the members of a family appreciate that they will actually gain freedom and security toward their personal flourishing by joining their families' joint decision making process is our highest calling and work.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

### Social Changes

The changes I have predicted above in individual development and family structure will bring with them huge social changes. These alterations will combine with other, ongoing developments. Some of the most likely such developments include climate change and the restrictive availability of food and fuel; the decline of the United States as sole world hegemon, resulting in an increase in global instability and conflict, the rise of China and other Asian powers allied to state-capitalism, and possible restrictions on capital flow; global instability and continued interconnection of financial instruments, so that 2008-2010 becomes more a cyclical norm than an aberration, which will lead to slower growth rates or even declines in wealth (family and corporate); and an increase in philanthropy because there will be fewer children (and hence fewer heirs) in the developed world and because wealth-holders will demonstrate a greater commitment to strategic philanthropy

### *Regenerating the Four Noble Professions*

Responding to all these changes is not the responsibility alone of any one profession or group of professionals. We each play our part. But one shared response that I believe it is important to consider and, I believe, advocate for is this: the regeneration of the four noble professions, as practices not businesses. No society can function without the four noble professions providing four essential functions for a flourishing society.

What I mean by the four noble professions and their functions is this:

*Medicine*—integrally caring for the mental and physical health of the community/patients it serves, NOT providing fixes as engineers that do harm while making lots of money, worse increasing suffering by unnecessarily extending life where its quality has disappeared because one can.

*Ministry*—seeking to mitigate the existential fear of death of the congregation it serves and aiding the growth of the spiritual capital of its congregants, NOT building businesses and edifices that accrete money and wealth to itself and, worse, engaging in politics that deprive people of the right to live their lives as they choose to live so long as they do not harm themselves or another.

*High Academia*—seeking to inform their communities and students by teaching, often through being the bards of their times, what it is to be human, what the lineage of being human is, what family is and how it flourishes so that the communities of which families are the building blocks flourish, NOT masquerading as teachers to build consulting practices that serve only to make themselves rich;

*Law*—seeking to be the social mediators, counselors and Elders of their communities to provide orderly, fertile places for the human beings within them to evolve and thrive, NOT to be advocates for dissension and, worse, to provide products to their clients that result in making their clients the means to their own financial success.

## Notes from the Field

By James (Jay) E. Hughes, Esq.

---

The next twenty years will either see the regeneration of the four noble professions to their essential functions in a flourishing society or their continued collapse. Families' futures depend on the success of the professions in performing their high functions, so that families and their communities have the highest possibility of flourishing. We will know when the professions are again thriving when they are peopled with *personnes de confiance* and not entirely by *personnes d'affaires*. FFI has the ability through its members to be a light in the darkness toward this regeneration. Will it act to be such a light? I profoundly hope so.

### **About the Presenter ...**

#### **James (Jay) E. Hughes, Esq.**

*A resident of Aspen, Colorado, and a retired attorney, Jay is most recently the author (with Susan Massenzio and Keith Whitaker) of [The Cycle of the Gift: Family Wealth and Wisdom](#). His other books include Family Wealth: Keeping It in the Family and Family – The Compact Among Generations. Jay has written numerous articles on family governance and wealth preservation as well as a series of "Reflections" which can be found on his website [www.jamesehughes.com](http://www.jamesehughes.com).*

*Jay was the founder of a law partnership in New York City. He has spoken frequently at numerous international and domestic symposia on the avoidance of the "shirtsleeves to shirtsleeves" proverb and the growth of families' human, intellectual, social and financial capitals toward their families' flourishing. He is a member of various philanthropic boards and a member of the editorial boards of various professional journals.*

*Jay is a graduate of the Far Brook School, which teaches through the arts, The Pingry School, Princeton University, and The Columbia School of Law.*

*Jay can be reached at [jehughes@jehl.com](mailto:jehughes@jehl.com).*