

CHAPTER 2 - Great Families in Business: Building Trust and Commitment

Unhealthy Family Culture

Characterized by:

- Secrecy
- Lack of information
- Low levels of family emotional intelligence
- Little knowledge of the business among at least some family members

A result of:

- A founding culture that supported autocratic leadership
- The family's belief in benefits of privacy
- Zero-sum dynamics

The Story of Two Very Different Family Cultures

The Bingham and the Louisville Courier-Journal Companies:

- Sold the company after years of bickering
- The sale of the company did not bring the family together as hoped
- Absent was:
 - A commitment to family-business continuity
 - A family "trust catalyst"
 - A board with independent outsiders
 - Family meeting

The Blethens and the Seattle Times Company:

- Continue to own and operate several newspapers in the fifth generation
- Present is:
 - A commitment to continuity (even in the face of a financially crippling strike)
 - Individual responsibility to the group
 - A sense of stewardship
 - Family unity
 - Frequent family meetings

Zero-Sum Dynamics and Family Culture

Zero-sum dynamics are characterized by exchanges in which one party's perceived gain is the other party's perceived loss

The absence of growth (and increased wealth and career opportunities) in the family business is fertile ground for zero-sum dynamics

The us-and-them dynamic can be triggered by any perceived different: male-female, active in management-inactive in the firm, older-younger, richer-poorer, etc.

The Family Systems Perspective

Considers the family to be the building block of emotional life

Uses systems thinking to understand the complex interaction between individual members of the family

Suggests that change in any family member's behavior is more likely to be sustainable at the family than at the individual level

Argues that the interdependence that is the source of social/physical/intellectual/emotional rewards in the family also gives rise to conflicting needs, desires, and priorities as the family grows and ages

Argues that while families often look to an individual to blame whenever there is trouble and tensions mount, sharing responsibility for the difficulty and its remediation is more effective than individual solutions

Argues compellingly for the tremendous influence of an individual's family of origin

- Patterns and processes set in motion from two or three preceding generations still matter
- The analysis of earlier generations is essential to understanding what ails or distresses a family in the present

Bowen's Family System Theory

Because often very old emotions are still quite powerful in the context of a family's history, **differentiation** of the individual through thought and reflection can promote an individual functioning above historic patterns, even under conditions of stress

Triangulation is the predictable emotional pattern among three people, with the third, the outsider, being "triangled" as a result of the emotional outpouring in the relationship between the other two family members

- For example, a husband and wife, in conflict over their respective needs to control or influence the marital relationship to their satisfaction may triangle a young son or daughter, who acts out in some way and diffuses or distracts the couple from the original conflict and creates a new focus for family attention

Cutoffs are unresolved emotional attachments to parents that lead family members to distance themselves from their family of origin, sometimes only to "repeat the sins of their past"

Family Genograms

A cousin of the family tree

- informs about critical events in the family's history
- the quality of particular relationships between individual members of the family
- patterns of illness
- the role that second or later marriages can play in family life

Critical incidents in family life recorded in a genogram can help better understand the implications of family on issues like: business succession, estate plans and ownership transfer, likely alliances and likely sources of conflict, etc.

Family Emotional Intelligence

Refers to the capacity to recognize our own feelings and those of others and the ability to manage our emotions and relationships with others

Ultimately, emotional intelligence seeks to increase the ability to handle feelings with skill and harmony even in the face of differences between family members, so that better decisions can be made and teamwork and family unity can thrive

**Emotional competence inventories with their 360-degree feedback process can be particularly helpful to next-generation members of a family in business

Family as a Source of Value and Competitive Advantage: The Family Unity and Family-Business Interaction Factor
High scores on family unity combined with high scores in career opportunities in the business produced a high score indicating a positive family-business interaction

This positive family-business interaction factor was a great predictor of the number of best management/ governance practices implemented and the source of a hypothesized virtuous cycle

Family Culture and Communication



The Benefits of Family Meetings

Provide a reliable forum for delivering information about the state of the business, its financial performance, its strategy, and the competitive dynamics it faces

Offers a safe haven in which to teach family members about the various rights and responsibilities that accompany being a business owner and manager

Family Unity and Continuity

The degree of family unity, how the family perceives business opportunities, and how positive the relation is between firm and family all influence the managerial practices used and the extent of their use

- Planning activity
- Performance feedback
- Succession planning disclosure
- Advisory boards
- Family meetings

Family unity is a strong predictor of the successful use of a set of best managerial and family practices by family companies

Family unity is also a defining element in the relationship between the owning family and the business

- It affects the firm's ability to capitalize on the unique capabilities and/or resources that family members bring to the company's business model
- It helps the company translate core competencies into a unique set of competitive advantages

Planning and Policy Making

Family councils foster open and safe processes for sharing information

The focus of family councils should be conversations, deliberations, and policy making

The council may suggest policies such as:

- Employment and subcontractor policies
- Board service and family council service policies
- Dividend and liquidity policies
- A family constitution

Guides for Policy Making

*Involve as many family members as are relevant

*Look at the big picture, and formulate a mission statement or outcome goal

*Focus on the future and let go of the past

*Use experienced facilitators

*Agree on the process you will follow to develop, review, edit, redraft, approve, and ultimately enact policies with the confidence that people will support them because, after all, they helped create them

Trusts, Legal Agreements, and Personal Responsibility

"Trying to force people you don't trust to do what you want them to do over generations is doomed to failure. No matter what you write in the trust instrument, there are no ironclad guarantees that the company won't be sold. You have to get the people who can make or influence the decision to keep the company to buy into your vision."

– John P. C. Duncan, Attorney

Conflict Management

Family meetings can provide a forum for minimizing the potential for conflict and addressing the troublesome problems that confront multigenerational families

Family meetings can address existing problems such as:

- Frustration over alienation or lack of inclusion
- Anger over the unfairness of hiring practices, promotions, family benefits, etc.
- Frustration over dividends and lack of liquidity

Canadian Family Business Resources

The **Canadian Association of Family Enterprise (CAFE)** is a national not-for-profit organization established in 1983 with the mandate to promote the well-being, understanding and success of families in business.

Canadian Association of Family Enterprise (CAFE)

- CAFE provides an opportunity for Canadian family businesses to connect with peers and gain access to many resources for success
- 14 Chapters across Canada
- Service and support to 1,900 individuals
- 600+ family businesses
- 200 family business advisors

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