



Acting quickly to repair short-circuits in a family's communication process can save a great deal of hardship down the line

It's good to talk

By Dennis T Jaffe

THE LEADERSHIP GROUP of a family business enjoy a much longer tenure in office than their counterparts in public companies, and therefore they have a wider time-frame – often a lifetime – to guide the business through challenges and opportunities. Longevity offers many opportunities to develop: wisdom, patience and take initiatives that may not pay off for decades. However, the downside of family business leadership is the tendency to narrow one's openness to new information and change as time passes.

While the business leader should be alert to threats arising in the external business landscape, more often the decline of a family business takes root from within. In my work with business leaders I have found that their confidence, success and power to govern the family and its resources can lead to some bad habits in communication that can actually set this decline in motion.

The world of business is a deep and omnipresent backdrop to the life of the family. Their identity is moulded by it, success is often defined in terms of it, and the shifts of fortune of the business, and family members who work within it, are the subject of endless dinner table and late-night conversations. Like a royal family, the family business can be the source of endless politicking and intrigue, as various family branches seek to further their fortunes and gain power and access.

Survival of the fittest

While some families can thrive despite – or because of – the Darwinian competition of such a feudal climate, the family must develop certain qualities as a whole system. These include ways of communicating, facing issues and resolving them that can be characterised as direct, open and collaborative.

The piece of this task that I want to tackle is the ways that family leaders inhibit communication within the family, and

how to reverse these tendencies. There are several common ways that a leader, or indeed any family member, can shut down communication in a family business – avoidance and denial, secrecy, and distrust. Each of these is set in motion by some danger or threat, and then tends to compound and escalate the problem that originally set it in motion.

Let's take a common example of the first issue – denial and avoidance. A young son enters the business in a responsible position and begins to get into trouble. He promotes the fortunes of his friends and cronies, disparages women employees, and ignores important aspects of his job. If he were a regular employee sooner or later someone would wonder, "How did he ever get into this job in the first place?" His patron or protector would be called to account.

But if he is the boss's son or cousin, another dynamic comes into play. People protect him, excuse him, work around him, or simply do not share the truth with the family leader. This is misplaced loyalty. The problem is that it's often fostered by the family leader. Denial and avoidance arises when the parent does not want to hear that his relative is less than stellar or has a problem. Or if he or she becomes aware of the problem, the family relationship makes it difficult to confront or challenge the offender.

This leads to a negative communication cycle or lack of communication. The young person does not get confronted or feedback, and his behaviour is never challenged. He has no incentive to shape up. Other people are demoralised and avoid him, isolating him further. Others see in him a chance to curry favour and move up without producing results.

The negative consequences multiply, on the family, the individuals and the business. Examples of the cost of avoidance can be seen in families where a drug or alcohol problem worsens, where illegal actions are initiated, where staff desert

en masse, or where the efforts of helpful or positive family members to contribute are blocked and they move away from the family.

A second communication short-circuit is secrecy. This behaviour has more complex roots. A business leader has a responsibility to keep counsel and limit sensitive business information to those who need to know. Most family businesses are privately held and maintaining business secrecy is a competitive advantage. Secrecy is also comfortable for the leader, because he or she does not have to account for difficulties or discrepancies. The leader shares his figures and plans only with a small coterie of people who are characterised by their acceptance and willingness to cheer on the leader.

Who is out of the loop in a deeply secretive business? First, there are the family owners (current and future), young people emerging in the family with skills and capabilities, and disparate branches of the family. Lack of information and contact with the business causes a vacuum, where rumours and misinformation replace fact. Well-intentioned actions by the family leaders can be viewed by others as damaging or irresponsible. Family members may feel that they are being unfairly rewarded. Young people of talent may feel there is no place for them, unless they are willing to become one of the sycophants giving good news to the leaders.

Next, and most ominously, the leader is cut off from information that can challenge poor judgement and avoid decline and erosion of the business. In a public company, the board, especially with a majority of independent directors, can challenge and even remove the leader if necessary. But in a closed family business there is no one to ensure the leader has not succumbed to arrogance or ignorance in stewarding the business. Secrecy narrows power in the leader and makes it less likely that new ideas, new directions, positive challenges and innovation will take place.

Banishing distrust

The third communication cut-off is distrust. A family adviser says or does something that is uncomfortable to the leader. For example, an accountant challenges the use of the business jet for personal expenses. The leader is embarrassed or hurt and is not accustomed to being over-ruled. In response, he or she begins to withhold information, starts confiding in others that the adviser costs too much, or is not being helpful. Rather than look at the message, distrust is a process of shooting the messenger.

In a family, since the messenger can't be sent packing, distrust leads to all sorts of barriers. Instead of working directly on an uncomfortable issue like succession or financial accounting, two proud family members, representing different branches, will begin to question each other's integrity and motivation. They will stop talking to each other and instead begin to recruit other relatives to one camp or the other. People will have to choose sides, and the sides will become more and more polarised. This cycle leads to splits where family wealth is divided, family members go out on their own, and a business is sold. This is not necessarily bad in the long-term for the business, but the negative consequences for the family usually linger.

Denial, secrecy and distrust all erode family communication with negative results for family and business. Either a family leader or member can take steps to repair these breaches and establish greater positive connection in the family. These actions begin with yourself: any family member, by virtue of their membership in this club, can initiate actions to reverse this negative trio.

You can directly address an issue. In the case of a family member whose problems are denied or avoided, you can challenge the family member or the family leader directly to address it. This sort of challenge is tricky, because your own motivations and intentions become suspect. The cycle of avoidance can only be broken if the people who carry an issue deal with it directly. Unless the relevant parties involved get together and talk about the issue, a resolution will not be achieved. One aspect of the avoidance cycle is that everyone talks about an issue, and the people who are involved are not in the loop.

The key to making a challenge to an avoided issue is your own personal stance. If you are seen in a negative or hostile way as, say, an attack on another family member, you won't make much headway. Any challenge to a family should be made with the intention of a positive outcome. You want the family member to get help or succeed, you are concerned about the morale of non-family employees, or want the business to succeed. Raise the issue and ask the people involved to work it out.

Second, you can promote the airing of information in a family forum – a family council or a meeting of key family members. The cycle of secrecy ends when a family meeting raises an issue without your motives being questioned, and where information and divergent perspectives are shared. As owners, family members are entitled to information about the business, though they are required to keep it confidential, and certain aspects of operations such as details about pending

decisions are out of bounds. If a family has an opportunity for informal exchange about key business issues, in an advisory not decision making capacity, then some short-circuits can be overcome.

The limiting of information and communication can drain the energy from a formerly hardy and strong family system. As a family leader, family member or adviser, you must take steps to open up the system to a higher level of communication and addressing key issues.

Third, you can initiate a process of checks and balances on family behaviour and decisions. In a business, this means naming independent board members to the business board, or as family advisers, who would work with the family to review information and deal with areas where there is potential conflict of interest within the family. Some types of decisions or operational areas are regularly reviewed by independent advisers and family members. ■

How to improve communication

- Raise an issue that you feel is unfair or makes you uncomfortable and make sure that the family addresses it
- Help the family create a council or regular family gathering to discuss agreed-upon key areas
- Create a process for review of the decisions of family leaders, with independent advisers involved

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