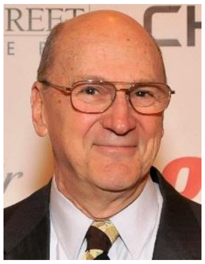
The Hardest Problems in Family Firms



Kenneth Kaye

As often as I am asked, "What's the biggest cause of problems for family firms?" I usually cite Tolstoy's famous assertion that unhappy families are all unhappy in their own unique ways. But I can be more helpful if I'm asked what kinds of conflict are *hardest to fix*, even after owners have recognized they have serious problems and have reached out to a consultant for help.

The easy problems to tackle are just normal fuzziness about people's expectations in the business itself: failure to clarify duties, responsibilities, and authority. Many entrepreneurs seem to assume (or wish) that it wouldn't be necessary to spell things out for family members. Or they assume that "family" means "trustworthy". But when their mistake is pointed out to them, they get it, and generally adapt as needed: written job descriptions, performance evaluations and *earned* trust; more regular communicating, minutes of meetings, and for the larger firms, real boards of directors. For those clients, consulting amounts to little more than sensible advice on best practices, coaching the members through changes as they wake up to the realization that it all works better when they commit to the formal procedures of a professionalized business.

The Hard Ones

Hardest to fix are the conflicts that result from dragging family unhappiness into the business.

Problems that originated in the family, on the other hand, don't lend themselves to simple changes. Fairness issues, for example, can often be traced to unresolved parent-child or sibling conflicts that the family is trying either to compensate for or to perpetuate through business roles. An owner may not hold his daughter accountable, or he may create a job for an unqualified family member who has dropped out of school or failed elsewhere. You can tell the parents this was a mistake, but don't expect them to undo it—even when the next child comes of age and feels equally entitled.

A different kind of business conflict that has roots in child development and family history is "passive aggressive" behavior. An example might be a brother withholding information about his department's projects from a younger brother or sister who, he says, has always been Dad's favorite.

A common family dynamic that prevents solving problems in the business is a taboo on talking about painful subjects: for example, extramarital activities, a history of physical and/or psychological abuse, apprehensions about an in-law, or (as is very common) addiction. Such matters usually aren't really secrets within the family, but they are afraid to discuss them. Unpleasant, scary topics *can* be addressed constructively in our client families when they are acknowledged, but it takes work and patience to help members transcend their denial or pretended ignorance of the facts. Avoiding taboo topics only prolongs conflict. Heavy topics need to be addressed frankly, the sooner the better.

On the other hand, unresolved interpersonal problems can also be ***over***-acknowledged, where members vocally use them against each other, pointing the finger of blame anywhere other than at themselves. Decisions that may or may not have been good from a business point of view are said to have been retribution ("payback"), or collusion, or undue influence by one individual or faction. The consultant has to sell the proposition that naming others' faults isn't effective; that none of us can change others except by modifying how we engage with them. In a family business, that amounts to family therapy.

Of course, any family in business together is bound to blur the boundaries to some extent. The healthy ones acknowledge that “we’ve always been rivals,” or “he’ll listen to ____ but not to me.” They laugh about it and keep it within limits. They don’t need to set aside their emotional ties, and they don’t necessarily need a psychologically trained business consultant. The less healthy families experience a *chronic conflict* or a *blocked transition* through generational stages. In those cases, careful communication, clarification of roles, policies and by-laws won’t be enough to resolve their conflicts or take them to the next level. Chronic conflicts that originate in the family defy resolution by business advisers alone; this is where ownership transitions require advisers who will cross the line into family history and psychodynamics.

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That is the reason my published articles include topics like “Penetrating the Cycle of Sustained Conflict”, “The Kid Brother”, “Terms of Entitlement”, “When the Family Business is a Sickness”, “Mate Selection and the Family Business”, and more recent papers on the complexity of healing broken trust. [Note: All my published articles in the leading family business journals are collected in *The Dynamics of Family Business*.]

Impossible

I don’t include under “Hard Ones” the case when an owner isn’t willing to give up total control, no matter the consequences. That problem isn’t merely challenging, in my experience. It is beyond fixing. The person in power may hire a series of family business consultants to address everyone else’s deficiencies: The kids are “spoiled,” or fighting each other, or “want to put me out to pasture.” All of which are often true, but those owners’ impregnable defenses are generally a waste of my time and their money. The family business won’t get better until they either decide to share power or they shuffle off, and the longer that takes, the more likely is a train wreck for the business and/or family. (The future may be better for sons and daughters who get off the track.) My job in those cases is to say that, and leave them to it.

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