

If You're Not All In, You're Not in at All: Part 1

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In life, you spend more time with your family or working than doing anything else. When you combine these two areas of your life into one and create a family business, the commitment required to managing both is immense and you often don't know where family ends and business begins. To sustain a family business for generations to come requires that family members be "all in" in the work they need to do to effectively run the company as well as manage the family dynamics that can be at play.

The following two-part series looks at the challenges and opportunities family businesses face when effecting change in areas of the lifecycle of a family business and, in particular, the transition from one generation to the next. The first part will explore two case studies of family businesses that were not "all in" during these lifecycle moments and the impacts of this lack of commitment. The second part will explore two case studies of family businesses that were "all in" and the successes that resulted from this work.

While the following engagements both began with the intention of creating meaningful change in different areas of the family business, they were both ultimately unsuccessful due to a lack of commitment or alignment on the part of one or multiple family members. This failure to commit to the work can manifest in different forms, ranging from false promises on the willingness to change to an inability or desire to align with other family members on the direction in which to transition the business. Each of these case studies describes an engagement with a goal for the company that never came to fruition and shows how family members not being "all in" encumbers the process and negatively impacts a successful outcome.

Case #1:

New Leadership for Generation Three

John is the second-generation CEO of a third-generation family-run real estate development business. Over the past 35 years, he has grown the company into what it is today, and while John's two children, Amy and Andy, are in the business as well, it's always really been John's show. Now it's come time to transition the family business leadership from John to the next generation, and I was brought in to facilitate this process.

Ego vs. Leadership

While John said he was ready to work with a consultant, his narcissistic tendencies around his role in the business would not allow him to commit to the work. Amy and Andy were actively participating in the leadership development plan, while John was just kind of running through the motions. Meetings that could have been productive conversations broke down due to John's resistance and unwillingness to shift his perspective.

He would allow his emotions to dictate his actions, getting frustrated when he felt we were pushing him to do something he didn't really want to do. John would lash out, blaming me, the consultant, for dynamics that had been a problem long before I got involved. John would create stories in his head, fabrications of events that never actually happened in an attempt to create the reality he wished were the truth. You can imagine how hard this was for Amy and Andy, sitting there while their father disengaged, completely hamstringing the process and hindering the engagement.

This harsh dynamic that was created had the most significant impact on John and Amy's relationship. Already partially damaged from years of John's

narcissism, the relationship was further hurt by John's behavior during our work together. It left Amy questioning whether she even wanted to continue to be in the family business. When it came time to implement the plan we eventually decided on, moving Amy into an executive leadership role with the stage set for her to succeed John in the coming years, John pushed back, almost as if he didn't remember what we had set out to achieve in the first place and all the work that had been done thus far.

When Trust is Destroyed

The story of John and his children exemplifies the breakdown that tends to occur when a family member says they're ready to change but truly aren't. Not only did it impact the transition of leadership for the business, but it also puts tremendous strain on the family as a whole.

John's words of commitment at the beginning of the engagement meant nothing when it came time to implement the plan we had laid out, resulting in a stalemate of progress with John still holding tight to control and leaving Amy and Andy both dissatisfied in their roles and questioning the future. What could have been a gradual transition of leadership from a father to his daughter instead became a story of words over action and a father's inability to let go leaving Amy and Andy to question if they want to be in the family business going forward.

Case #2:

Transitioning Ownership from Siblings to Cousins

The struggle in the transition of ownership can often rival that of a transition of leadership. In the case of the Thomas family, a fourth-generation large-scale distribution company, I was brought in to facilitate the transition of ownership from the second generation of siblings down to the third generation of cousins. The Thomas family had 12 family members in the business, with 80% of the company owned by the second generation, all of whom were in their late 60s and early 70s. The number of family members across three generational age ranges coupled with this family's history of poor communication, trauma, and differing family values created a complex setting in which to transition ownership.

What does "Family" Mean

The Thomas family reached out to me with their goal of transitioning ownership of the company but were unable to separate the complex family dynamics from this business-oriented

goal. In this family, there was a constant practice of blaming other family members for problems in the business without seeking solutions, with the addition of being unable to let go of family interactions from the past. This emotional turmoil that permeated the company created an environment that was not conducive to decision-making. Some family members could not let go of decision-making control, while others were trying to make decisions for the wrong reasons. For example, family branches focusing on protecting their own bloodlines rather than make decisions in the company's best interest.

In addition, with respect to the senior generation of the Thomas family, there was the question of what they would do after a transition of ownership. This is an essential question during times of transition and one that should be met with thoughtful consideration and caring communication. Unfortunately, in the case of the Thomas family, this wasn't possible due to the extreme dysfunction of the family and their unwillingness to work together.

We worked over the course of 2 ½ years, attempting to address and work through these family struggles resulting from past distrust, yet were unable to keep them out of business discussions. The three brothers and one sister who made up the second generation were unable or unwilling to separate the deep family history of conflict, which influenced the business aspect of the family business.

Communication within the family was inconsistent and ineffective. Family members would say one thing while meaning something else, and there was an inherent lack of alignment when it came to the commitment to the business or the willingness to change. Owning your role in this type of work is crucial for an engagement such as this to succeed, but there were simply too many family members skirting responsibility to have any clarity when it came to making progress on communication, addressing the past, and the overall goal of passing the business to the next generation.

Partnership to Ownership: Requires a New Paradigm

Additionally, the family dynamic accentuated the differences between the sibling generation, known as the sibling partnership, and the cousin generation, known as the cousin consortium. While the brothers and sisters all grew up together in one family system, the cousins grew up influenced by their respective parents. The cousins may share the same last name and family business, but they grew up in different towns with different nuclear families. Because of this, the perspectives, opinions and values in the cousin generation are often more varied compared to the sibling generation. In this situation, the cousin consortium complicated the work of creating fair ownership because the conversation shifted into protecting family lines rather than what was in the business's best interest.

A family of this size will always be complicated compared to a smaller nuclear family. Despite the shared family name, you have decades of family history combined with increasingly different family views. For me, in a situation such as this, the ultimate goal of ownership transition has to be able to stand above any challenging family dynamics or communication issues. With the Thomas family, it didn't. In the end, the family was unable to work through their differences and ultimately needed to part ways and dissolve the business.

Summary

The problem in these engagements wasn't that the goals that these family businesses set out to achieve were unrealistic or unobtainable. The work broke down when different family members weren't "all in" on the process. Significant change can seldom happen in a family business unless all members are open to change. When family members are not committed, not ready to let things go and do the work, or not aligned on the direction of change, the progress can be impacted. The dynamic of having some, but not all, family members engaged in the work leaves everyone dissatisfied and some questioning their continued involvement in the company, which could ultimately lead to the demise of the family business.

But when family members are all in? That's where change can truly happen. In the second part of this series, I will look at two other cases. One is a case of family governance and the other is another leadership transition. In these examples, we will see the success that can come from an engagement where all family members are all in on the process. Stay tuned...

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