

Durable Family Harmony: Navigating Family Business Dynamics

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Terry Johnson, the third generation Chair and CEO of Johnson Family Industries (JFI), found herself in a tough spot. She was responsible for achieving strong business results and ensuring excellent communication with the board and Johnson family council. As Terry's 62nd birthday approached, she faced significant work in implementing the carefully developed leadership succession plan.

The Johnson family now consisted of four branches with four G4s working in the business. Their family council's robust NextGen development program helped two of the G4 family employees realize that their best fit in the business would be at a middle-manager level. However, the other two G4 family employees, each from different branches, aspired to be the next CEO. Both had developed sufficient experience, credibility and expertise to be strong candidates.

Terry's sister, a shareholder who didn't work in the business, was also the mother to one of these finalists. She frequently lobbied Terry, the board, the family council and anyone else who would listen about the excellent choice her daughter would make as the next CEO.

To further complicate matters, Terry's son was the other finalist. While the board would make the final decision regarding the next CEO, Terry was significantly involved and felt pressure from all sides to make a decision that created the best chance for ongoing business continuity while maintaining family harmony both in her immediate family and the entire Johnson family.

Terry is not alone. Our clients in large and small businesses commonly face the tension of achieving business success while also maintaining family harmony. The challenges they face can feel like the storms that buffet a lighthouse. In this article, we want to identify the factors that often contribute to lasting harmony and create stability that

stands both the test of time, and the individual storm that can occur in both business and family.

Navigating Family Dynamics

We all have families and we all navigate life's ups and downs, but why do family dynamics seem so much more complicated in a family business? In our previous "[Durable Family Harmony](#)" article, we shared how to actively pursue family harmony and make it more durable by creating a strong foundation. The reality is that there is an inherent togetherness that keeps families connected in both family and business. This fosters several characteristics that can prove frustrating to family members, yet also provide opportunities to move forward with increased strength.

The key becomes recognizing how family dynamics play a role in family business, and learning to communicate openly about this. Often business-owning families get mired in decision making or find themselves in opposite corners not feeling heard. While these issues seem related to family business, many of these challenging issues have their roots in family dynamics. In this article, we examine specific family dynamics related to Identity, Money and Communication as core issues that can dramatically strengthen or weaken a family's sense of harmony.

Identity

Identity is related to the question "Who Am I?" This is a question that we frequently ask — and answer — throughout life. This can complicate family dynamics since any individual, family, branch or business employee can have overlapping identities, and those identities can shift over time.

Our clients share powerful stories that include not only "where we came from" but also how the business was

started, what gives the business meaning and what is the legacy to carry forward. These stories are tied to their identities and represent where they came from, how to make sense of who they are and even direct them on where they want to go. Stories provide answers to the question: Who am I?

However, navigating these identities can also create challenging decisions, as we saw with Terry, who was struggling with balancing her roles as a business leader, governance leader, parent, sibling, aunt and family leader. She was facing some important decisions that might have conflicting impacts on all those identities.

Money

Money is a complicated dynamic in family business because it can create a level of “forced connectedness.” One way to think about this is that the family takes care of the business, and the business takes care of the family. This exchange means that family members stay financially intertwined through jobs, compensation, distributions, dividends and perks. While family business can create financial security, it also creates a mechanism to keep family members tied to each other and to the business, even as family members move through adulthood.

Money and wealth are associated with many traits and emotions including guilt, security, influence, entitlement, competitiveness and privilege. Introducing tools to communicate more openly and explore the role of individual and family values and their relationship to money can help to support family harmony. It’s important to consider individual goals in balance with collective goals, and how money and wealth can provide both opportunities and challenges to family dynamics as family members make decisions about who they want to be as adults.

Navigating the complexity of money and wealth in family enterprise requires a delicate balance and the right communication and structure in place to protect relationships. This allows families to think through tough issues such as fairness and equality, interdependence and independence, appreciation and entitlement, and what it means to be closely financially tied to a family business. Empowering the rising generation with education and decision-making skills to become financially responsible adults and make independent life decisions will provide a stronger foundation for both individual development and family harmony.

Communication

All families possess a wide range of communication patterns, preferences and skills. For business-owning families, the overlapping roles of family members, owners, governance, managers and employees add further complexity. This natural interconnectedness often leads to two communication dynamics:

1. Families share an overload of information including financial and job details and spend an excessive time discussing business — sometimes to a fault.
2. Families communicate inconsistently which creates distance and sometimes resentment between those “in the know” and those who feel left out.

These dynamics can also bounce back and forth, creating anxiety in the family system. Adding to this stress is the common pattern of triangulation. Instead of communicating directly to each other, family members talk about each other in a dysfunctional and damaging game of telephone. It is not surprising that families may feel tension when this occurs.

Without the necessary communication tools, and appropriate transparency, family members may experience resentment and mistrust over time. This often leads to individuals, family groups and generations becoming polarized, fostering an unhealthy family branch mentality with family members blaming each other, or comparing compensation, ownership stakes and roles in the business with incomplete information and a pre-set negative mindset.

Effective communication skills are crucial for collaborating and creating lasting family harmony, whether at the dinner table, boardroom table or conference room table.

How Does a Business-owning Family Apply these Concepts?

We believe it is essential for all family members to seek awareness of the unique family dynamics that impact relationships and shared activities whether as employees, managers, board members, shareholders or family council members.

In Terry’s case, let’s consider the key impacts of Identity, Money and Communication and how they might help her navigate the challenges of leadership succession while maintaining family harmony.

- As family business decisions arise, Terry can consider the multiple identities at play such as when she needs to act in a parenting role vs. a Chair or CEO role. Additionally, she can examine how branches without involvement in the business can better understand upcoming changes. Engaging those members in family council activities could help them feel like they are a part of the family business. It's also important to explore how past family stories have shaped perspectives and how they can be retold to bring family members closer together.
- As Terry decides on family members' roles as owners and in the business, she can provide valuable education on the complexities of money in family business. This is an opportunity to discuss the different types of compensation such as salaries for those working in the business, salaries commensurate with qualifications and experience, distribution of dividends as shareholders and perks. By exploring concepts of fair vs. equal, the family can have an open discussion that supports durable family harmony. Related, making sure that current board and executive decisions support the continued financial health of the business is critical to all involved.
- To ensure the smooth continuity of the family business, Terry can establish a mutual agreement with all parts of the family and business that information is communicated in a timely and appropriate manner — and not just in one direction. The family needs a clear process for asking questions, giving feedback and developing a deeper understanding regarding policies and decisions. This includes a plan of who needs to know what, when and in what order. For instance, if Terry's niece is selected as the next CEO, who needs to be informed at what stage? Terry must also manage her identity of being the parent to an unsuccessful CEO candidate even as she makes sure to maintain proper boundaries and protocols required by her own CEO role.

As we work through Terry's many decision points, it becomes clear that these challenges are overlapping and deeply intertwined. By fostering open dialogue about identity and money dynamics, and establishing transparent communication channels, families like Terry's can navigate obstacles with greater ease and success.

Key Questions to Answer

Family harmony is achieved when there is an intentional effort to pursue it as a high value. The following questions can serve as conversation starters to help align your family:

Family Dynamics

- What is the size of your business-owning family? How many branches?
- What generations are working in the business?
- How many family members serve multiple roles? (i.e. family, management leader, employee, shareholder, board member, family council member? List each family member and the roles they hold. For those with multiple roles, what are the implications you are seeing?

Identity

- What is the story of the founding of your company? Does everyone understand that story the same way?
- What are the stories that have passed down in your family about the business, your family and your values? How are these helpful and where may they be retold in a different way?
- Have any family members left the business? Under what circumstances? If that was difficult, has there been reconciliation?
- How many instances do you have of employees who are being supervised or governed by family? How do family relationships (i.e. siblings, uncle-niece, parent-child) affect both working and personal relationships?

Money

- How does your family approach the topic of money? Is the information shared openly or withheld? Might there be different perspectives on this question? Why?
- How are you seeing money affect family dynamics, forcing family connectedness in both challenging and/or opportune ways?
- What steps can you take to better understand the impact of money on family dynamics and encourage transparency as needed?

Communication

- Generally, do you feel that family business communication in your family is fairly open, or could

it be improved? How so? Might there be differing perspectives on this question? Why?

- Does your family have the capacity and tools to navigate conflict and have hard conversations?
- In what ways are you willing to address conflict openly?
- How frequently and in what context are you checking in with all family members to gauge their understanding of family business-related matters?

Conclusion

Our hope is that these questions can increase both understanding and action. Some of these topics can be sensitive, which could point to a need for further development so you can continue your progress toward durable family harmony. In our experience with many clients, the hard work is worth it!

We value confidentiality. The examples mentioned in this article are composites based on our client experiences.

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To learn more about our firm and how we serve families like yours, call us at (773) 604-5005, email info@thefbcg.com or visit www.thefbcg.com. There is absolutely no obligation.

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