

Beyond Bloodlines: Building Trust Through Structures and Shared Purpose

By Richa Singh and Joshua Nacht, The Family Business Consulting Group, Inc.

The following representative case is based on real-life client situations.

Bernard Textiles, a highly respected manufacturer established in 1910, was facing its most critical challenge not from the market, but from the boardroom. The business was now owned and co-led by fourth generation (G4) cousins, Elias (Head of Operations) and Sophia (Head of Sales).

They had inherited the business with equal shares, but their increasingly hostile relationship, defined by a complete lack of trust was paralyzing the firm. The core conflict was rooted in unaddressed grievances and a fundamental difference in management styles. The resulting erosion of trust was presenting a serious risk to the future of the company.

Elias (The Traditionalist) believed Sophia was overly aggressive in chasing high-risk contracts, viewing her frequent closed-door meetings with key clients as evidence of an opaque and self-serving approach to deal-making.

Sophia (The Growth-Minded) believed Elias was secretly diverting profits to modernize his preferred legacy manufacturing lines while neglecting the investments needed for new product innovation.

Each cousin thought that the other was taking actions that benefited them personally at the expense of the company. As the trust eroded, each new action reinforced more feelings of mistrust, fostering a dangerous downward cycle.



How Trust Breakdowns Undermine Performance in Family Businesses

Trust is a bridge that connects us. Successful enterprising families often benefit from a strong bond of trust between stakeholders who share history and other important ties. Absence of trust creates friction, and instead of being a resource for the growth of the business, energy is consumed in interpersonal conflict. In some business families, trust is high because it has been sustained through intentional practices and behaviors. In other families, trust has been eroded over time and regaining it is a major endeavor.

Let's look at several commonly encountered factors that lead to a breakdown in trust:

- **Lack of transparency** often occurs in instances where a person in a position of power withholds information to maintain control. Selective sharing of information often leads to mistrust of people in power and their motives, especially among family members.

- **Unresolved issues** no matter how big or small have the potential to cause distrust because the matters tend to gain negative energy in the shadows. The longer time goes, the more difficult these matters are to resolve because family members tend to cement their views and the emotional energy of mistrust.
- **Conflicting words and actions:** When a family member says one thing, and then does another, this quickly erodes trust and accountability. Consistency of words and actions are vital for building and sustaining trust amongst teams.
- **Bias and favoritism** occur when certain people or family lines are favored and given preferential treatment. This behavior can cause a pervasive lack of trust due to the lack of fairness. While bias may be normal, the effects within a family business can be terribly corrosive if decisions are not made according to a fair and transparent process.

Trust Can Be Built!

Trust building is a journey that requires consistency and intention. When we look at family business systems, there are important ways to proactively build trust, as well as to rebuild trust once it has been lost:

Proactively building trust as part of family values and culture.

Values and trust go hand in hand and are the foundation for strong relationships. Families that define their values, live them in action, and hold people accountable when actions and values are not aligned build cultures that foster trust.

Transparency.

Begin with a spirit of transparency and integrate it throughout your interactions. Successful business families have clear guidelines around what information is shared, and with whom, and these guidelines are fair, well defined, and agreed upon beforehand.

Defining roles and responsibilities.

Mutual agreement on roles and responsibilities is another powerful tool towards building trust in a family business. Accountability setting through performance metrics for all family members in the business is another valuable tool for building trust because it brings performance into the light.

Creating open lines of communication and feedback.

Open communication in business decisions, governance, and team meetings is important for ongoing efforts to build and sustain trust. Making a safe space for communication is the responsibility of all the participants and is another way of building a culture of trust.

Building trust where it's lost.

Once trust is lost, it takes a concerted and focused effort to rebuild it. Don't expect one good meeting to erase years of emotional distrust. Start small and work your way back into trust; check-in along the way for progress and to address any misunderstandings immediately.

Address past grievances.

The courage to confront old matters is of paramount importance when trying to re-build lost trust. Unresolved anger and uncommunicated feelings weigh heavily on the overall family business system, and it takes a mutual and genuine effort to address these embedded issues. Many successful families have found value in creating a "forgiveness plan" or a conflict resolution process.

Accountability.

Rebuilding trust requires accountability from all parties involved in reconciliation. Accountability and consistency ensure that people stay on track with performance, behaviors, and agreements.

The role of an impartial, third-party facilitator.

When trust has been eroded, it can be very challenging for family members to effectively confront the underlying issues on their own. The right advisor can help families with specific techniques to explore the roots of mistrust, and agreements to rebuild relationships. Engaging with an expert advisor is dependent on the willingness of family to keep working on mending what is broken, which often needs to take place in a sustained manner over time.

Bernard Textiles Reconciliation

In the case of Bernard Textiles, the corrosive distrust situation was translating directly into business damage through stalled decision-making, poor employee morale, and lost opportunity. It took the crisis of losing a major client to shake Elias and Sophia up. When they asked why the client was changing suppliers, the client replied, "We no longer see you as a reliable partner. We hear different things from each of you, and we don't feel like we're working with a team we can trust."

This shock forced Elias and Sophia to reflect and acknowledge just how much trust had been eroded between them. By engaging with a relationship specialist, they worked to uncover the original source of their mistrust, how that had translated into behaviors that fueled more mistrust, and agreed to engage in a process to rebuild what had been lost between them. Through a process of reconciliation and clear agreements they held themselves accountable to, the two cousins embarked on a long journey toward restoring trust and ensuring the business could succeed.

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