IFB Research Foundation

FAMILY BUSINESS CHALLENGES

No. 9

STRENGTHENING FAMILY COMMUNICATION

Practical guidance for family business owners and managers

SECOND EDITION

No.9 Strengthening Family Communication

Section 1. INTRODUCTION

False assumptions. Communication – the conduit for sharing information – is the basis by which families establish common values, goals and expectations. Families in business often assume they're communicating effectively – "because we're family" – but, in fact, the opposite is frequently true, and close contact is mistaken for communication.

Letting "sleeping dogs lie". Family business people tend to shy away from talking about family issues and how they may be affecting the business. There can be a "forbidden agenda" of important but potentially sensitive family issues, deemed to be risky and too likely to generate conflict. Taboo topics vary, but typically they include retirement, divorce, family wealth, remuneration, poor performance, share transfers and succession.

Psychological barriers. Even where there's a desire to talk openly, it can still be difficult to discuss issues that go to the root of family members' relationships with each other and with the business. Father–son conflict and sibling rivalry, for example, have deep psychological roots, and their uncontrolled consequences can spell disaster for a family business (see the "Managing Differences" Challenge in this series).

Open family communication becomes more critical as time passes. Successful family enterprises are characterised by a clear sense of shared purpose (see Exhibit 1), but with each generational transition there can be a weakening of family commitment and cohesion. Family shareholders not active in the business develop different perspectives, and setting up effective and formal family communication becomes important. Left ignored, a communication breakdown can build to such a scale that the perceptions and aspirations of family members not working in the business bear little or no resemblance to those of management.

Exhibit 1: The Importance of Shared Purpose

"The greatest strength in a family business is a clear and strong sense of shared purpose among the owners and the wider family. It can generate a sense of belonging, worth and shared resolve that non-family businesses are unlikely to be able to generate among their owners. This is a competitive advantage that family businesses should try to maximise. Without a shared purpose, there is nothing to bind family members to each other and their collective investment in the business. As time unfolds, no amount of governance or technical structures can prevent disintegration, often at the cost of much conflict and unhappiness."
Source: Ken McCracken and Hakan Hillerström (2010) "Fourteen Steps to Stronger Family Governance", Campden FB, Summer, pp.46–49.

Communication is often inhibited by fear of conflict. Distinguish between constructive conflict and destructive conflict. Destructive conflict generally centres on disputes about personal identity and relationships, and debate leads nowhere. With constructive conflict, on the other hand, different perspectives are accepted and appreciated, and debate can lead on to positive, creative outcomes.

Drawing up a family strategic plan. Families need strategies that help them approach the business in a unified way and, most especially, they need to recognise family members' responsibilities towards each other, while learning to communicate and share their thinking about the important issues the family must face up to, especially:

• family participation in the business;

• future ownership of the business;

• how communication is to be encouraged and promoted;

• how to organise their governance, including family meetings (see Exhibits 2 and 3); and

• how differences between family members or branches should be dealt with.

Exhibit 2: Organising family meetings

"Planning family meetings requires careful forethought, particularly in assembling the agenda for the first meeting and laying the groundwork for future gatherings. Meeting arrangements should reflect concern for both the importance of the gathering and the comfort and confidence of participants. Meeting leaders should be selected with care, broadening the family leadership base if possible. Family members should be encouraged to share responsibility for a variety of family meeting roles. And the family's ongoing agenda should be carefully monitored to ensure that important ownership and philosophical issues are being addressed."
Source: Craig E. Aronoff and John L. Ward (2011) Family Meetings: How to Build a Stronger Family and a Stronger Business, Palgrave Macmillan, pp.85–86.

Exhibit 3: "Golden rules" for family meetings

• Listen to each other
• Try to understand each other's viewpoints
• Listen for what is not being said
• Show respect
• Be honest, say what you mean, but avoid personal attacks
• Be prepared to explain your reasoning
• Avoid vagueness
• Do not interrupt, even if you disagree
• Avoid making demands
• Focus on goals rather than personalities
• Do not over-concentrate on the past
Source: Peter Leach (2007) Family Governance in Multi-Generational Family Businesses, IFB Research Foundation.

Family governance. Establishing a regime of structured meetings (forums such as a family assembly and a family council) will improve communication and enable the needs and interests of the wider family to be addressed in harmony with the business. A family council helps facilitate communication between the family and the board of directors on ownership issues where family shareholders should have a say (see the "Enhancing Communication with the Board" Challenge in this series).

Building communication skills. It's vital that family owners, their spouses and their children learn to communicate and to share their thinking about the important issues the family must face up to. In working to build inter-generational communication skills, cultivate:
• awareness ("what's going on now, in you, in me, and between us?");
• clear thinking (avoiding the use of vague and emotionally charged terms);
• empathetic listening ("listening with your heart"); and
• being prepared (when developing communication strategies, you can expect certain differences and tensions to arise – they are predictable – so it makes sense to be prepared).

Unlocking potential through communication. Lack of open communication among family members is arguably the single biggest problem in family businesses. Setting up effective, fair and inclusive communications takes hard work and patience, and continued vigilance is needed making sure processes are kept up to date and relevant.

Section 2. ACTIONS TO CONSIDER

- What work could we do to keep family members engaged and to build a culture of open communication?

- How could we make taboo topics open for debate, so that family members become more willing to talk about them in a non-judgemental and calm way?

- Do we devote enough attention to the quantity and quality of next generation education and engagement programmes?

- How could we develop methods to increase the unity, commitment and trust of family members who are not active in the business?

- What role could education play in strengthening family communication? Are there courses that could provide opportunities to learn from the experiences of other family businesses?

- How could we make family meetings more effective? Should we introduce etiquette ground rules?

- Could we communicate a "press release" of agreed conclusions to be circulated to family members who were not in the meeting?

- How could we be more prepared, individually and collectively, so that we learn to manage communication issues more effectively?

Add Your Questions

CASE STUDY: M. Wright & Sons Ltd

"We didn't want history repeating itself" explains sixth generation George Wright, describing the objectives behind his family's 2003 governance project at M. Wright & Sons. Their Leicestershire-based business, founded in 1860, started out making fabrics for the footwear and corset trades, and now produces high-technology textiles for a variety of industries including safety, aerospace, marine and the military.

The "history" George refers to was the breakdown in family communication during the 1970s transition from the fourth to the fifth generation. Maintaining family unity becomes a difficult issue for such mature businesses, as ownership and family involvement spreads out to more remote relations who have different outlooks and expectations – and it emerged that one of the shareholding relations at M. Wright & Sons was seeking to extract value from their shares with the help of external investors. These investors took a stake and the resulting upheaval threatened the survival of the business, with George's grandfather and father forced to leave. It took them until 1984 to regain control, at which point George's father, Michael, became managing director.

Not surprisingly these difficult events cast a long shadow, and in the early 2000s the Wright family decided to set about building a family governance programme for their business, with the declared intention of "insulating the business from the family" and preventing history repeating itself. They organised a new family charter designed to improve family communication and help the family "speak with one voice".

These discussions acquired added purpose because (following Michael's sister Georgina's marriage) the principal shareholdings were now divided between two family groups. Family members working in the business today comprise group chairman Michael Wright (now retired from day-to-day involvement), George as MD, and George's cousin Charles Maltby who is a non-executive director.

The 2003 arrangements also included conflict resolution procedures, along with a share buyout of family members who no longer wished to be involved with the business (which of course helped to limit the scope of future communication obligations). The charter defined "family" and set up opportunities for regular family meetings around the idea of keeping communication channels open between active and inactive family members, and between family shareholders and non-shareholding family members.

With their new structures and procedures set up and working, George admits it became a challenge to maintain the energy and impetus behind the 2003 family communication arrangements. "We're not a huge company," he explains, "and with little changing year to year our regular family meetings became a bit repetitive. Some family members quite reasonably started to question the value of these quite expensive gatherings, so we decided to make a change."

Instead of involving the whole family, communications have become focused on a small group of shareholder representatives who meet around AGM time. "I think in 2003 we might have got the scale wrong," reflects George: "Family governance must fit the business like a glove, but we were putting big family company structures into our quite small setting. I think our new arrangements have now addressed this, and we've good two-way communications between the family and our independent board."

Today's shareholder group: (Rear) Edward Maltby, Amelia Wright and Henry Wright; (Front) Michael Wright, Charles Maltby, Georgina Maltby and George Wright.

Section 3. RESOURCES

Articles and reports

Enhancing Communication and Avoiding Misunderstandings
Bernard Kliska (2017), published by Family Business Consulting Group (and available at: www.thefbcg.com/Enhance-Communication-and-Avoiding-Misunderstandings).

Interesting notes on enhancing open communication within families, encouraging "healthy conflict" and cutting down on mis-communications. The latter are analysed in some detail, and the author recommends looking out for clues that communication has gone awry – such as unexpected emotional reactions, blank stares, lack of feedback, "or your own internal sense that you have just spoken into a vacuum" – going on to offer guidelines for re-establishing collaborative communication.

Is Family Governance an Oxymoron?
Harry F. Martin (2001), Family Business Review, 14(2), June, pp.91–96.

This discussion paper focuses on the process required to create a lasting family governance plan. The author proposes six steps, the first of which is establishing and maintaining a culture and structure of open communication. But all the steps emphasise how a viable governance system must rest on open family communication and transparency, helping to create and sustain a culture of mutual trust.

Guidelines for Dealing with Dilemmas that Lead to Conflict
Chapter 3 (pp.51–77) in Managing Conflict in Family Business by Kent Rhodes and David Lansky (2013), published by Palgrave Macmillan.

Lessons on improving family communication, organised under headings such as "Check your assumptions", "Practise active listening", "Ensure clear and fair processes" and "Utilise structure".

Talking it Through: A Guide to Conducting Effective Multi-Generational Family Meetings about Business and Wealth
Dennis Jaffe and Stacy Allred (2014), published by Bank of America Corporation.

Practical suggestions for setting up and conducting family meetings about money, wealth and family business. The authors emphasise the importance of planning family meetings "with everyone's comfort in mind" and they divide the groundwork into six steps: obtain agreement; establish purpose and goals; design collaboratively and create expectations; clarify expectations and format; obtain information and invite participants; and create a safe environment.

Books

Effective Family Communications: It's Not What's Said That's Important, but What's Heard
Chapter 8 (pp.147–159) by Jean L. Kahwajy, in John Ward (ed.), Unconventional Wisdom: Counterintuitive Insights for Family Business Success, published by John Wiley & Sons (2005).

A psychological perspective and practical guidance on family communication, emphasising that meaningful communication actually creates and requires conflict. "Conflict is the mechanism that invites discussion," the author proposes, "and conversation truly begins when two people hold their own views but maintain an openness to hearing new ideas and potentially having these new ideas update their own understanding."

Family Governance in Multi-Generational Family Businesses
Peter Leach, published by the IFB Research Foundation (2007).

Includes practical discussion on the importance of family communication strategies for older, cousin-owned family companies. There is an insightful discussion (on pp.33–34) on the qualifications and role of a facilitator in helping to build open communication – managing group interactions and the special dynamics that operate within families.

Family Meetings: How to Build a Stronger Family and a Stronger Business
Craig E. Aronoff and John L. Ward, published by Palgrave Macmillan (2011).

A guidebook on effectively using family meetings to achieve family and business milestones. Particularly useful is the discussion on how to hold effective meetings, with sections on overcoming misconceptions and fears, setting a balanced agenda, deciding who should take part and who should lead the meeting, and how best to avoid pitfalls.

The Family Council Handbook
Christopher J. Eckrich and Stephen L. McClure, published by Palgrave Macmillan (2012).

Although mainly about the mechanics of organising a family council, the book includes insights on building open family communication, especially in Chapter 13. Here the authors discuss the main types of communication required to make the family governance system operate properly and to promote transparency.

Conflict and Communication in the Family Business
Joseph H. Astrachan and Kristi S. McMillan, published by Family Business Enterprises (2003).

This book focuses on improving communication as the most effective approach to managing differences in family businesses. "Good communication doesn't eliminate conflict," the authors argue, "but it does help you manage it effectively so that it doesn't become poisonous, overly emotional and destructive."

Family Business Challenges

The Family Business Challenges second edition series includes 18 guides overing three areas:

Family business dynamics
No.1 Understanding Family Business
No.2 Maintaining Family Values
No.3 Developing Stewardship
No.4 Engaging the Next Generation
No.5 Planning Succession

Family business governance
No.6 Building Family Governance
No.7 Managing Differences
No.8 Fostering Responsible Ownership
No.9 Strengthening Family Communication
No.10 Professionalising the Board
No.11 Enhancing Communication with the Board
No.12 Employing Advisers

Family business management
No.13 Fostering Entrepreneurship
No.14 Embedding Long-term Orientation
No.15 Promoting Sustainability
No.16 Maximising People Capital
No.17 Branding the Family Business
No.18 Selling the Family Business

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Simon Perry, Author. Simon is a law graduate and trained as a barrister. He moved into publishing in the early 1990s. His work focuses on family businesses, writing academic and practitioner analyses and family enterprise histories.

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