Loyola University Chicago Family Business Center

Family Business Stewardship Institute

Managing Relationships

Andrew D. Keyt
Carol B. Wittmeyer
Joseph H. Astrachan

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No business can operate at peak performance and execute successful transitions if its stakeholders lack the skills and insights to understand themselves and relate to one another in productive ways.

Too often, family enterprises fall victim to poor communication, unresolved conflict, inability to adapt to changes, clashing values and expectations, and lack of a well-articulated, broadly embraced vision.

Stakeholders are born and raised with certain rules and expectations unique to their multigenerational family. But many lack the insight into *how* these unconscious patterns from the past influence values and behavior in the present. Without this awareness—and the tools to successfully navigate unwritten rules and "personality clashes"—stakeholders struggle with persistent problems that hamper business performance and family well-being.

Fortunately, such conflicts and ingrained patterns *can* be better understood and resolved. The person who chooses to work on understanding herself and her family system better will reap great rewards, including an increased ability to adapt in an ever-changing landscape.

The effective stakeholder knows that he cannot force others to function more effectively. Instead, he must take the initiative to better understand himself and his family system, which will help him manage communication and relationships more effectively.

Such efforts strengthen family interactions and build unity. Most important, they lay a foundation for success in family businesses of all sizes and types, in any stage of development, and particularly during times of transition.

Individuals, families, and businesses all benefit when stakeholders commit to exploring the following concepts and tools in depth and applying them to their own challenges:

1. Understanding oneself. A person with poor self-awareness and low self-esteem will struggle to function as an effective stakeholder. Lacking a sense of her emotions and what matters most, she likely suffers credibility and integrity deficits. She may struggle to listen well, to build and maintain trust, and to allow others to be emotional in her presence without overreacting or shutting them down.

The building of self-esteem begins in childhood, when an individual experiences consistency, sees the connection between actions and consequences, experiences a sense of self-control, masters tasks, receives accurate feedback, is listened to, and receives familial support.

Throughout life, self-esteem and self-awareness become increasingly vital for communicating effectively,

gaining a sense of integrity, and managing changes and unforeseen challenges. The self-aware person engages in an evolving journey to establish clear boundaries, pursue goals and agendas transparently, follow explicit rules of trust and communication, and continually expand his capacity to solicit, reflect on, and deliver negative feedback.

Because no one emerges from childhood with fully realized self-esteem, *every adult faces the opportunity to engage in a long-term process of self-discovery.* She who commits to this effort finds herself feeling less threatened and better able to engage in conflict in a healthy, emotionally neutral manner. She exhibits greater integrity and independence,

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Toolbox: The Genogram

A genogram is a diagram outlining the history of a family's behavior over several generations. By creating and analyzing a family's unique genogram, one can gain perspective on how family patterns, attitudes, and behaviors are passed on, often unconsciously, to future generations—impacting how family members think, communicate, and deal with conflict. Once a family experiences a certain behavior or communication pattern—alcoholism or estrangement, for example—that behavior or pattern is more likely to repeat in current or future generations. The same goes for divorce, abortion, certain illnesses, and suicide.

How can a stakeholder benefit from this perspective? Only when he acknowledges that certain patterns have been learned can he choose to behave differently. For example, a parent may have "resolved" a conflict with her sister by buying the sister's share of the business, increasing the odds the next generation will also resort to cutoff when conflict erupts. Armed with genogram information, however, a family member may take the unfamiliar steps necessary to seek true resolution rather than default to estrangement.

Using a genogram also helps depersonalize a conflict: If one sees that a relative's undesirable behavior was learned from an earlier generation, he may shed the belief that the behavior is a personal attack and may become motivated to re-spond more productively, with clearer intent.
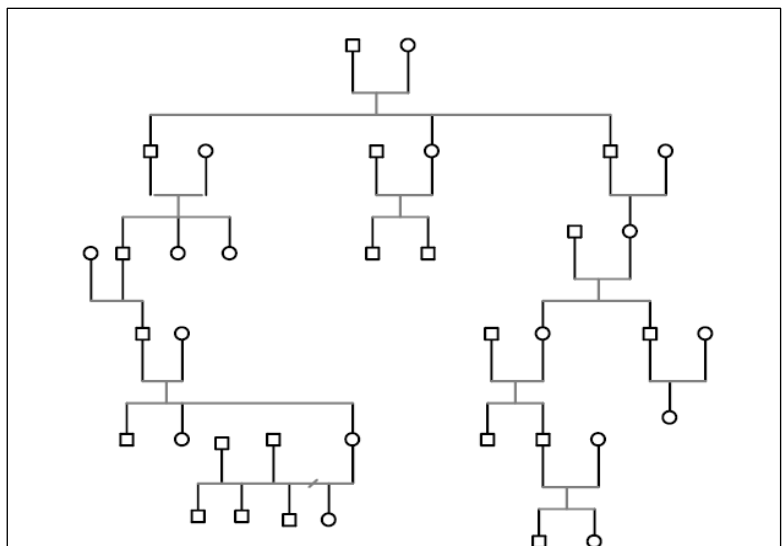

Figure I.1. Sample Genogram of Multigenerational Family

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continually monitoring her own needs, emotions, and reactions—particularly when navigating uncharted territory.

He communicates directly without triangling, modeling such behavior for others. He creates conditions that encourage those around him to engage in self-discovery as well, gaining confidence, motivating themselves, and improving relationships.

2. Articulating common values and strengthening unity. The more unified a family's members, the more they can accomplish together. *Compared to non-family companies, enterprises controlled by families tend to value continuity and long-term thinking—and therefore enjoy a competitive advantage.* Unity and cohesion can manifest as a set of common values, an agreed-upon vision for the business, broadly accepted strategic and financial objectives, and/or feelings of connectedness.

But unity doesn't happen simply because people share blood and history. Consciously or not, a person often assumes that the values she treasures are worthy, while conflicting values are incorrect or unimportant and should be suppressed. Often, such assumptions remain unspoken, generating further confusion and dissonance.

The reality is that all stakeholders in a family business come to the table with a set of values—

influenced by nuclear families, communities, faith, and other environments. In a given family, those values can vary greatly—and that diversity can generate resentment, conflict, and disengagement.

Effective stakeholders know that systematically reducing tension and channeling those diverse values and passions will pay off in improved cohesion and business performance.

How does cohesion matter? A cohesive family is more likely to support the business in times of crisis and weak economic performance and less likely to extract business funds for unproductive purposes. Families that share a joint vision and unified values will handle succession better, will use resources efficiently, and will resist undermining one another.[2]

But building cohesion does not mean suppressing diversity or encouraging groupthink.

With guidance, stakeholders can identify the values that each family member holds and systematically decide which will become tenets of the family business, building a foundation upon which desired behaviors can be laid out. Such behaviors can be enshrined as principles of conduct or a family constitution governing how the family chooses to live and how the

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[2] Pieper, T., and Astrachan, J.H., Mechanisms to assure family business cohesion, Cox Family Enterprise Center, 2008.

business operates. (See *Governance.*)

Further, strategically pursuing initiatives such as family philanthropic activities, tuition payments, training for next-generation leaders, and investment opportunities can bolster both financial and emotional cohesion.

3. Managing communication differences and difficult conversations.

How do stakeholders in a family business learn to talk about their differences? How do they set aside the smokescreens and phantom arguments, and focus on what's truly important?

The stakeholder committed to personal growth will learn to view every difficult conversation as three conversations—the What Happened Conversation, the Feelings Conversation and the Identity Conversation[3]. Acknowledging and articulating all three are essential to generating lasting solutions to problems in a family business.

The What Happened Conversation involves identifying facts and events and separating them from projections and interpretations. The Feelings Conversation requires a look at underlying emotions and what they reveal. And the Identity Conversation uncovers vulnerabilities—doubts and fears about self-image and self-worth.

4. Balancing the needs of three stakeholder groups.

The conflicts for which family businesses are notorious often stem from an inability to balance the competing needs, values, motives, and logic of three stakeholder groups. Each of the three groups—family members, shareholders/owners, and managers—has a financial and/or emotional interest in the success, reputation, or operation of the business.

An individual may belong to one, two, or all three groups.

To understand the competing and overlapping needs and relationships of the three groups, stakeholders may consider the Three-Circle Model.[4]
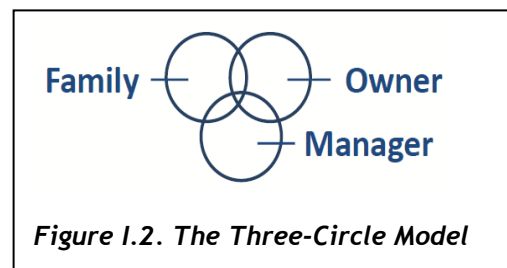

Figure I.2. The Three-Circle Model

Achieving and maintaining balance among the three is important at all stages in the growth of the family enterprise. Particularly at times of transition, and as business and family complexity increases in succeeding generations, the need for balance is magnified.

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[3] Stone, D., Patton, B., and Heen, S. Difficult Conversations [Viking/Penguin, 1999], 4, 7

[4] Tagiuri, R., and Davis, J.A., Family Business Magazine. http://www.familybusinessmagazine.com /index.php?/articles/single/pioneer_qa/

Consider a business in which a family member is performing poorly as a department manager. Were the enterprise not family-controlled, the decision to fire her might be easy. In this case, however,

Figure I.3. The Three-Circle Model, with Family needs dominant

an unwritten rule that guarantees all family members a job has created an unhealthy situation: The needs of the family reign, while the needs of owners and managers are sacrificed. *(See Figure I.3.)* When such a situation persists, the business and family both suffer.
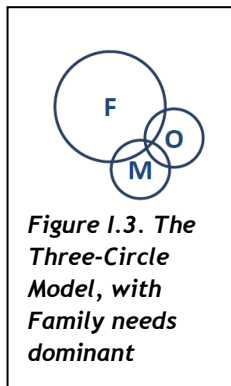
Typically, the values and logic that motivate family members are emotion-based and include mutual cooperation, loyalty, unity, permanence, and stability.[5] For owners, the needs and motivators are wealth-based, with return on investment and liquidity most important. For managers, key needs are task-based and impermanent, likely involving competition, profit, and financial rewards.

Conclusion

The ability of a family enterprise to perform optimally and execute successful transitions depends significantly on its stakeholders' mastery of relationship and communication skills.

Far too many family businesses fall short of their vast potential because they resist a systematic, ongoing exploration of the kinds of unconscious patterns, unresolved conflicts, communication deficits, lack of cohesion, and other challenges *that afflict every family*.

The most effective stakeholder, then, is he who commits to that lifelong journey—generating invaluable dividends for himself, the family, and the business.

About the Authors

Andrew D. Keyt is Executive Director of the Loyola University Chicago Family Business Center and President of the Family Business Network USA. He is also President and Founder of Keyt Consulting.

Carol B. Wittmeyer, Ed.D., is Family Business Center Consultant at Loyola University Chicago and associate professor of management sciences at St. Bonaventure University. She is Founder and Owner of the Meliora Group.

Joseph H. Astrachan, Ph.D., is Executive Director of the Cox Family Enterprise Center at Kennesaw State University and Editor of the *Journal of Family Business Strategy*.

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[5] Tagiuri and Davis.

About the Family Business Stewardship Institute

The Family Business Stewardship Institute (FBSI), a program of the Quinlan School of Business at the Loyola University Chicago Family Business Center, prepares family business owners, shareholders, and stakeholders (including non-owner spouses and future owners) for effective stewardship of their enterprises. Using a comprehensive, real-world curriculum, FBSI equips stakeholders, both financial and emotional, to navigate the significant and unpredictable transitions and decisions that determine the success and continuity of the family business.

Each of the six modules—Managing Relationships, Governance, Leadership, Strategy, Finance, and Managing Transitions and Family Business Continuity—consists of two- to three-day sessions taught by Loyola faculty and nationally recognized family business thought leaders. Participants engage in confidential small group discussions and peer group and social media networking. Those who complete each facet of the program earn certificates.

Continued online education, follow-up events, and connection to a lifelong network of professionals facing similar challenges help participants apply their new knowledge to current business challenges.

Participants in the Managing Relationships module of the Family Business Stewardship Institute can expect to learn:

- *Why engaging in ongoing self-discovery is crucial to better managing communication and relationships.*
- *Why effective communication is a prerequisite for successful governance.*
- *How to use genograms to illuminate the unconscious communication patterns that were established by previous generations and continue to influence future attitudes and behaviors.*
- *Awareness and tools for beginning the hard work of choosing new, more productive behaviors rather than defaulting to ingrained habits.*
- *Tools for creating a foundation of trust and openness crucial for success in a family business.*
- *Techniques for building family cohesion and unity.*
- *New skills for conducting difficult conversations about what matters most.*
- *Insights into group dynamics and decision-making.*
- *Guidelines for assessing problems and seeking assistance.*

For details or to enroll, visit luc.edu/fbc, email us or call 312.915.6490.

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