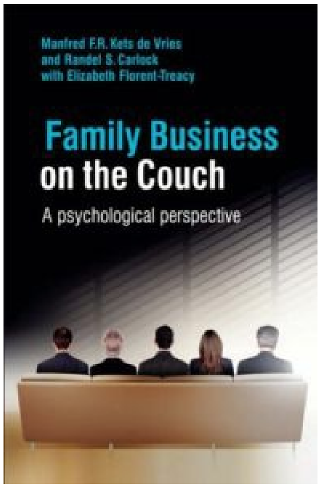

Book Family Business on the Couch

A Psychological Perspective

Manfred F. R. Kets de Vries, Randel S. Carlock and Elizabeth Florent-Treacy
Wiley, 2007

Recommendation

James Michener begins his novel "Hawaii" with the splitting of a cell. This trio of psychologists doesn't go that far, but the authors do lay an extensive framework for applying psychoanalytic psychology, systems analysis and family therapy to the family business arena. *BooksInShort* thinks that this serious text may be more of a resource for therapists, counselors and consultants than reading material for people who take only a casual interest in family businesses or who are looking for a quick fix. Authors Manfred Kets de Vries and Randel Carlock, writing with Elizabeth Florent-Treacy, delve deeply into the human dynamics that affect family-run companies, including the psychology of the individuals involved, the characteristics of entrepreneurs and the business family-paradigm. They look closely at human and organizational life cycles, and study how emotional volatility intensifies in times of transition. The authors make generous use of case studies, diagrams and models, and demonstrate how they've applied their methodology to advise troubled family businesses.

Take-Aways

- Emotional interactions among family members can cause conflicts in the business environment.
- All families have their own unique behavior patterns, but they don't all work together.
- Family members share a common worldview and definition of family.
- To understand family-run companies, apply a combination of systems analysis, psychology and family therapy.
- Family-run companies share certain definable strengths and weaknesses.
- Conflict within a family business occurs in five areas: "Capital, control, careers, conflict and culture."
- Feelings of narcissism and envy developed during childhood can influence interactions among family members in business.
- Family firms face unique challenges and initiating change is not easy.
- Transitions exacerbate family business conflicts, particularly regarding succession.
- "The Family Genogram" and "The Circumplex Model" diagnostic tools are useful in studying family organizations.

Summary

Steinberg Inc.

For many years, in Canada, the name Steinberg was synonymous with "grocery store." To support her six children, Ida Steinberg opened a small neighborhood grocery in 1917 in Montreal's Jewish ghetto. Her son, Sam, joined the business at age 14 and later bought the store next door, doubling their retail space. Subsequently, he opened a new store in a fashionable Montreal suburb and made his brother Nathan its manager. Steinberg's thrived during the Depression due to its customers' loyalty. It became one of the first self-service grocery chains, and continued to expand and earn profits in the 1940s, when Sam opened stores in suburban shopping centers. By 1960, the company had almost 100 stores and a rapidly increasing real estate division, as well as a warehouse operation. A pioneer in the concept of the full service supermarket, Steinberg's boasted sales in excess of $4 billion when Sam Steinberg died in 1978.

> "Being the successor of a formidable parent can be a difficult burden to bear."

Sam always ran his company as a small family business, even when it grew into an enormous enterprise. Sam's employees loved him as much as they feared him. Hard working, ambitious and charismatic, Sam oversaw everything, made all the major decisions and believed that every member of his family – every male member that is – deserved a place in his business. When it came time to step down, he put his son-in-law in charge, even though he clearly wasn't the best choice as successor. The Steinberg story doesn't have a happy ending. After Sam's death, infighting and a battle over control of the company eventually tore the business apart. In 1989, the family was forced to sell to an outsider who, three years later, went bankrupt and sold the business to its competitors. Steinberg's is no more.

Psychological Perspective

The Steinberg case study shows that emotional interactions among family members who share a business usually lead to conflicts. To understand the psychological issues that influence a family business and to unravel the tangle of problems facing them, you have to pull information together using psychoanalytic psychology and studies of human behavior, plus a combination of systems analysis and family therapy. To analyze human behavior in the setting of a family business, therapists can apply both the "psychodynamic" structure and the "family systemic" structure:

- **The family systemic perspective** – The therapist takes an in-depth look at current relationships between family members, examines behavioral change, and studies how the family interacts – with an added look toward future interactions. This requires a collaborative approach between the therapist, coach or consultant, and the family. The family system perspective takes the family as a whole and suggests that when one part of the system changes, it affects the entire system. As such, the actions of one person have an impact throughout the family.
- **The psychodynamic approach** – Using this reflective study method, the therapist focuses on one client's behavior and thinking, explores how past experiences affected the client, applies clinical insights to initiate change and observes how family relationships may have contributed to the individual's problems. In this structure, the therapist takes on the role of a detached observer of the family's problems.

> "The challenge for many family members is how to stay connected to their family while, at the same time, creating sufficient space for themselves as individuals."

People create their own "myths, scripts and rituals" that are unique to each family, and give them a common view of the world and a definition of their family circle, as well as making one family different from another.

The Good and the Bad

A dynamic entrepreneur-founder who makes most major decisions often heads small family businesses. Problems may develop when the business grows as members of subsequent generations attempt to carve out their niche, sometimes choosing to spend their time on activities outside the business. Conflict occurs when family shareholders who do not have a role in the business dilute the company's vision. An unclear transition plan is often responsible for creating conflict, so is the philosophy of putting the family first, instead of making the business the priority. Arguments among family members who share ownership of a business occur in five primary areas**:** "capital, control, careers, conflict and culture." So, families fight about finances and who governs them, about who makes decisions, about who sits in the executive suite, about work problems that invade the home and vice versa, and about family and corporate values.

> "Immersing yourself in the non-rational world of family dynamics can be baptism by fire."

Five strengths and weaknesses are uniquely important to family companies:

1. **"Networking"** – Successful companies develop a system of internal and external networks. Family businesses with clear goals and responsible leaders develop relationships among their workers, customers, suppliers, colleagues and community. The social framework of the family provides a strong internal network. However, if the family fails to define its business goals clearly or runs the company with a "family first" approach, then secrecy, poor communication or an "us" versus "them" attitude will weaken the network system.
2. **"Goal alignment"** – Family businesses cultivate an unusual sense of stewardship and responsibility because the management's identity and reputation are tied closely to public perception. When the company treats employees as part of the family they, too, adopt this caring attitude. However, if the family's values and strategy are not aligned, any number of conflicts can result.
3. **"Control"** – The issue of who controls the company and makes major business decisions is much more volatile in family-run firms.
4. **"Time frame"** – Family businesses usually have a more long-term perspective than their publicly held counterparts; they plan more objectively and strategically, and the market and stakeholders scrutinize them less closely. However, this strength can be a weakness if the company weds itself to the notion of "this is how we've always done things."
5. **"Organizing structures"** – The informality of family-run businesses gives them flexibility, even as they grow, particularly in the area of decision making. However, this same flexibility may cause problems if documentation is lax, if jobs overlap and if management ignores areas of responsibility.

> "Family activities turn into plays in which everyone has a well-defined script but the drama never ends."

Psychologists have developed various models of human development. Sigmund Freud isolated six developmental stages, while Erik Erikson defined eight cycles: "infant, toddler, pre-school, school-age, adolescence, young adulthood, adult and late adulthood." Families also have life cycles, including marriage, the childbearing and childraising years, the "empty nest" years, retirement and the death of a spouse. In family-run businesses, the cycles of "individuals, organizations, industries and families" intersect. The stages of a company's life include the entrepreneurial or start up, the family partnership including sibling and extended family participation, the family business structure and decline.

Vanity and Envy

Developmental psychologists maintain that what happens to people during childhood greatly influences how they behave later in life. Circumstances and experiences during individuals' first three years shape their personalities. In the early phase of a person's growth, clinically termed "narcissistic development," the parents' role is of the utmost importance. However, even the most wonderful parents can't meet their child's every need or desire. To compensate, children create a "grandiose self" and an "idealized parent." Eventually, reality tempers these two overblown ideas and, when parented well, the child develops a realistic worldview, steady values, strong self-esteem and a well-balanced identity.

> "The behavioral and personality characteristics commonly found in entrepreneurs make for individuals armed with two-edged swords."

In contrast, children who do not receive proper care and attention do not learn to trust other people. They might end up with an exaggerated sense of self-importance, with a need for excessive adulation, an overstated sense of entitlement and a tendency to exploit others. When negative emotions provide peoples' primary motivation, they experience "reactive narcissism," where their need to prove to the world that they deserve love and attention fuels their ambition. Larry Ellison, founder of Oracle, is a prime example. Critics and friends alike often accused him of being a ruthless, controlling, single-minded zealot.

> "As a family moves through its life cycle, the relationships of each member with others in the family will inevitably change."

Envy is when you want something that someone else possesses, such as money, power, beauty or love, and, as a result, you feel frustration, anger, self-pity and helplessness. This disagreeable basic, powerful emotion can begin in early childhood, most often in regard to a sibling. Feelings of sibling rivalry can last through adulthood, though they lose their punch as people grow up, separate, and experience their own joys and achievements. However, when siblings work together in a family business, they give up this autonomy and sibling rivalries can intensify. The Gucci family is a perfect example. Guccio Gucci, founder of the fashion dynasty, brought his sons Aldo, Vasco and Rodolfo into the business, and played them against each another into the next generation until the business succumbed to the greed, envy and rivalry of its family members. The drama culminated in the public eye in 1993 when the board voted Maurizio Gucci out and he sold his interest in the company. In 1995, a gunman murdered him right outside his office. Later, a jury found his ex-wife guilty of hiring a hit man to do the dirty deed.

The Trauma of Succession

When the head of the family business decides it's time to step down, he or she has four choices: Sell, go public, liquidate or pass the mantel of power on to another family member. If the CEO dies without a succession plan in place, the fourth option is usually the default taken, although it can have a negative impact on the organization's structure and morale. Successors who are thrown into heading companies face many difficulties. They might be following a beloved, revered leader – a hard act to follow especially if they are not as talented or have different skills. New leaders must create two-way lines of communication to prevent becoming isolated at the top. They need to encourage the open exchange of opinion and information, so their subordinates can speak freely without fear of repercussions. In times of organizational crisis, employees might hail the new leader as a messiah. However, if things don't turn around quickly enough, they might blame the CEO for all the problems facing the company.

> "...even when there are clear signs that change is required within an organization, it is often resisted because people know it will involve moving into the unknown."

Two diagnostic tools are useful for exploring issues within family organizations – "The Family Genogram" and "The Circumplex Model of Marriage and Family Systems." A genogram is a multigenerational, pictorial diagram with simple symbols that show a family's relational patterns and provides demographic information, such as marriages, gender, births and deaths, as well as characteristics such as mental or physical ailments. Counselors work with the family to create the genogram which provides compelling insights into the family's workings. The Circumplex Model is a grid with two clinical rating scales that measure a family's "cohesion and flexibility." Cohesion connotes the family's emotional connectedness while the flexibility variable represents how the family reacts to changes and stress. When a family's levels of cohesion and flexibility are balanced, it functions healthily. If the numbers are out of whack, it doesn't.

> "In life, as in business, there are two cardinal sins: the first is to act without thinking and the second is not to act at all."

Change is crucial to the success and survival of any organization. Yet, instigating change within an established company is never easy. People feel upset when change disrupts their work patterns and they are fearful of an uncertain future, of losing control or of becoming incompetent. In most firms, management can counter resistance to change and reinforce new learning by following a "change model," that goes from a triggering event to engagement, assessment, data collection, intervention and action planning. The stages of the change process in family-run businesses are slightly different, particularly when firms work with outside consultants to handle their transitions. The stages are: 1) "Family or business triggering event," 2) "Consultant engagement: Discussing change objectives," 3) "Data collection: Gathering and analyzing family feedback," 4) "Intervention: Action planning to create and implement desired change," 5) "Implementation: Develop new behaviors and improved relationships," 6) "Follow up: Learning and reinforcing new plans," and 7) "Disengage: Create a self-reliant family system."

About the Authors

Manfred F.R. Kets de Vries is a psychoanalyst, consultant, professor at INSEAD and author of *Leaders, Fools and Impostors*. **Randel S. Carlock**'s books include *Strategic Planning for the Family Business*. **Elizabeth Florent-Treacy** also works at INSEAD and has written or co-authored several books, including *The New Global Leaders*.