

FAMILY TIES

Want to know a secret? It can stunt your firm's growth

By Aron Pervin, CMC

Many family firms believe that privacy and secrecy lead to a competitive advantage. And in some instances they do, when directed outwardly. But they usually cause tension – and, ultimately, a dangerous silence – when directed toward others in the family, firm and shareholder group.

Let's make clear the difference between secrecy and privacy. Secrecy is intentionally concealing information owed to others, while privacy restricts unwanted access from others.

When secrecy rather than privacy shapes relationships, it becomes awkward to talk openly. You can't let anything out without letting everything out.

Business families that respect private boundaries but share information within the group develop a better informed next generation and a more productive work force.

The tension between secrecy and privacy, and who gets to decide for whom, is a direct indicator of power within the family and the business. What kind of secrets do family businesses keep?

High on the list are secrets that define the hierarchy. Secrets about money and how it was made are fairly common. Thus, financial statements remain a secret. "I know what's best for you," is the common message, along with "you wouldn't understand," and "only I can work this magic."

Compensation and how it's determined are also on this list because it's the ultimate status symbol. In one second-generation family firm, the three siblings – all in their late forties – are divisional operators and shareholders, but they never know their final bonus and dividend until they receive it.

Their father controls the consolidated finances with his long-standing advisers. It would seem rude and greedy to ask for some participation in this process, so the three "children" wait and at times lobby for their needs.

Strangely, some of the most troublesome

"secrets" in the family business are not secrets at all. They are "open secrets" – substance abuse and sexual activity, for instance. Then there's the competency question. Often, it's clear to everyone except the parents that the heir apparent is a dud, but still the succession plan continues.

Shared secrets force the family dialogue to become increasingly narrow, lest they emerge. The only practical resolution is to seek outside help.

Secrecy stunts the growth of a family business. It distorts communication. Family members act as though they see and hear nothing when it comes to secrets. They don't respond to serious questions and problems.

Privacy, on the other hand, is mandatory in any relationship. Without it, the family offers no sanctity to its members. Some people need more, some less, but everyone needs to hold back a certain amount of personal information, influence or territory that is closed to all but an intimate few.

Ignoring family privacy shows a failure in the relationship. A father who discusses his children's inadequacies or idiosyncrasies with key staff may be intentionally building the impression they are inept or undermining their authority. A family member who abuses confidences in order to gain approval from outside managers probably doesn't believe he is a secure member of the family's inner sanctum.

Challenges to family privacy most often occur when planning for continuity. The older generation often feels that too much is being revealed too quickly; the incoming generation usually believes the opposite.

It's always best to explicitly list in a transition plan those areas that are open for discussion and those that are private. Nothing should be secret. For instance, parts of the parents' will that affect the business should be shared, while other aspects remain separate and private. It's crucial that everything relating to ownership, management and the family's relationship to the business and to each other be shared.



Aron Pervin, CMC

If you disagree with more than three of the following statements, your management style may be leaning more toward that of J. Edgar Hoover than a family leader:

- Clear, documented and measurable targets are set for everyone in the firm at the onset of the year.
- Financial statements are seen by all.
- Remuneration is based on performance – it's not an arbitrary decision.
- Key staff participate in long-range planning.
- Outsiders outnumber insiders on the board of directors.
- Professional advisers are regularly informed of company goals and decisions.
- Regular and substantive discussion takes place prior to major decisions.
- Everyone has access to a documented organizational chart.

If your need for secrecy is based on wanting your needs to be met above those of others, you cannot work well within a family firm and a participative shareholder group. You must be willing to redirect your personal needs to the organization and to those who will contribute to its success.



See where you fit!

Volume One, Number Three

"I don't want any yes-men around me. I want everybody to tell me the truth even if it costs them their job."

- Samuel Goldwyn

FamilyTies® is a periodical newsletter published by Pervin Family Business Advisors Inc. to inform business family members of trends and information that they may find beneficial to their businesses and to their families.

Publisher

Aron Pervin, CMC

Editor

R. Jeffrey-Saxe

Layout

Phil Westlake

Contributors

Ron Sparrow, MSW, RSW

M. Twohy

To subscribe to FamilyTies®, please drop us a line and we will add your name to the mailing list.

©2001. Reproduction in whole or in part without the express written permission of the publisher is prohibited.

Printed in Canada.

This newsletter is intended to provide general information and not specific legal, accounting, tax or other professional advice. Your own business is unique and presents its own issues which may not be addressed in this newsletter. You should always consult your business advisors prior to making important decisions.

Check out our website:
www.pervinfamilybusiness.com
 for a collection of published articles, survey results and valuable information.



TEL: (416) 360-0177
 FAX: (416) 360-3924
 E-MAIL apervin@pervinfamilybusiness.com
 WEBSITE: www.pervinfamilybusiness.com
 94 CUMBERLAND STREET
 SUITE 604, TORONTO, ONTARIO M5R 1A3

Mini-Survey on Family Meetings and Boards Results to date

The overall results appear to confirm our 1998 Trends in the Family Business Environment survey result - Trend # 7 - which can be viewed on the website in the Features Section.

If you have not filled in the survey, please visit the website (www.pervinfamilybusiness.com) and share your thoughts; if you have already filled it in, please check it out again as it has been modified and expanded to include more data on ownership matters.

2001 Mini Survey Respondent Results

Boards

- 60% have a Board; 10% have an Advisory Board; 30% have none.
- Average total # Directors = 3.5 and the range is 2 to 7.
- Average # outsiders on Board = 0.75 and the range is 0 to 3.
- 30% meet monthly; 60% annually and the rest meet as needed.
- Typical topics were: business planning and strategy, goals setting, budgets, performance, sign resolutions, finances, succession.

Family Meetings/Council

- 70% hold family meetings (of which there was one identified Family Council).
- Families with Boards were more likely to have family meetings.
- Greater than 70% only involved those family members who were active in the business. 20% involved all family members.
- There was a range of meeting frequencies: from twice a month, once or twice a year to as needed.
- The range of topics identified were business, operations, estate, cottage, finances, and ongoing projects, everything to not enough. Business and/or operations were chosen by 90%.

General

- Shareholders ranged from two to eighteen, with only 20% active in the firm.
- 30% had a Founder who was actively involved; 50% were 2nd generation firms and 50% were 3rd generation firms.
- 100% plan to keep the business in the family.
- Sales: 20% to \$10 million; 30% to \$25 million; 20% to \$100 million and 30% greater than \$100 million.

Other Results, Interpretation and Needed Research

It appears that business family members are still confused over the value of an outside Board, as well as the difference between a Board meeting and a Family meeting and a Family meeting and an Owners meeting. Business topics continue to contaminate family meetings. This appears to be reinforced by only inviting those family members active in the business to participate. Few business families appear to understand the value of separating their meetings as to personal, business, family, and owners topics. Few business families indicate that they meet to deal specifically with relationship concerns. Few business families choose an Owners Forum as an arena to meet separately to discuss owner concerns; these topics appear on Board and family meeting agendas. Finally, the difference between an Advisory Board and a Board of Directors does not appear to be clear and the terms Family Meeting and Family Council appear to be interchangeable.

More research and education regarding how business family members can successfully separate their personal, family, business and owner concerns and issues in order to better understand how to make effective decisions and find a balance that helps preserve their family and business is needed.



Relationships & Interpersonal Conflict

Ron Sparrow
MSW, RSW



Recent business surveys suggest that the main source of stress in the workplace, at every level of the organization, is interpersonal relationships. Businesses are now spending money to create wellness programs, which include counselling and consultation services, to help employees cope with this negative organizational issue. These studies further indicate that the two most important factors that make staff feel positive about their work environment are the respect they are given and the recognition of their contribution in the workplace. Organizations are beginning to understand that respect is a core value that cannot be overlooked.

Interpersonal work problems can be exacerbated when the other person in the conflict is a family member. Conflicts are often intensified in the family workplace since the individual must not only work with the family member, but often has to interact with that same person outside the business milieu in a family or extended family situation. The question to be asked then is: Are family conflict problems and their solutions different from other work-related interpersonal relationship problems? The simple answer is no; they are not different. Family conflicts can potentially be more intense, have more levels of complexity, and have a longer history, but like all interpersonal relationship problems, they are about people struggling to communicate and to relate to one another.

Recently the Canadian Policy Research Networks Inc. - an Ottawa think tank - released the findings from their national survey. The results showed that what the 2500 employed Canadians surveyed considered "very important" in a job was to be treated with respect. One of the lead investigators said there are clear links between low morale, increased

absenteeism and high turnover.

Before going any further, let us consider for a moment the concept of conflict. In western culture, conflict carries a negative connotation, whereas in some eastern cultures; it is seen as an opportunity for change. At its core, conflict is really a difference of opinion concerning a particular issue. Some people would argue that no real learning or creative thinking could take place without differences of opinion and information.

Conflict changes from positive to negative when differences of opinion are expressed in a disrespectful way. Once one has been verbally or physically accosted or humiliated they may choose to retaliate and defend themselves however they judge best. This leads to a negative, destructive spiral. All too often, the actual content of the disagreement gets lost in the negative interpersonal conflict and the emotional injuries are all that are

themselves, each other and the organization itself accountable for all actions and for respectful communication. Remember, talking the talk is different from actually walking the walk.

The above commitment and processes will assist organizations in creating respectful workplaces, which in turn positively change the corporate cultures. Reinforcement of corporate culture change is important for all people in the organization to understand that the standard has been raised for good. The literature states that change happens more quickly and lasts longer when it is endorsed and supported by the executive of the organization. The shift to respectful communication and positive relationships at the family business level will spill over from the executive and permeate every part of the organization.

Interpersonal workplace changes are all part of larger societal value changes.

In western culture, conflict carries a negative connotation; whereas in some eastern cultures it is seen as an opportunity for change.

remembered. When the conflict turns negative and emotional, logic and reason are among the first casualties. Many of us have ended up defending an irrational position simply because we have felt under attack or were trying to redress an affront to our pride.

So, what are some solutions? The business needs to start by identifying what significant values the family members and their organizational members hold regarding respectful communication and interpersonal relationships. A survey should be conducted to establish what these values are for all members of the organization. The similarities in the results will undoubtedly outweigh the differences by a large margin. Then, with everyone's agreement and support, the organization can co-create with their employees a respectful workplace model based on these mutually held values. Everyone in the organization, family members as well, must agree to hold

Many types of behaviours that were acceptable twenty years ago are no longer acceptable today. What people can do and say at work has changed dramatically over the years. In general, expectations within family life about the treatment of extended family, spouses and children have changed as well. Why should respectful communication and relationships be any different for family members and their employees?

In today's changing world, the long-term success of organizations and their personnel is tied to the establishment of respect as a cornerstone of relationships. Mutual trust, open communications and fair treatment seems like rather sound values to help organizations and their employees face the new global economic realities.

Ron Sparrow is vice president of Source Line Corporate Wellness Services Inc. in Toronto. He may be reached at reachus@sourceline.net



The many faces of control freaks

By Ann Perin, CMC

In one business family, every member had a technique to control the others. The oldest son, who began leading the firm after his father's sudden death, frequently suffered stress-related fatigue that caused him to miss work. This allowed the mother to do many tasks to help out, which she held over the others heads.

The youngest son was an alcoholic. The daughter constantly excelled in all areas, but continually complained about her siblings to earn her mother's attention.

In this family, as in others, control is the art of getting one's own way. Everyone likes to be in control, and few people enjoy being controlled.

There lies the fundamental conflict in every business and every family. In family businesses, control is twice as contentious — and it's in family businesses where you often find the true virtuosos in the delicate art.

Let's debunk a popular misconception about control — it's really not about a thirst for power. Instead, it's usually motivated by a drive for predictability and safety. Beneath all the manipulation, you'll usually find a frightened individual fighting the forces of change.

That's why controllers are usually manipulators rather than dictators. And that's why control-mongers rarely see themselves as responsible for the havoc they cause. After all, they are trying to suppress change — and therefore it is precisely because they are not in control of others that bad things happen.

So with this understanding that the need for control arises from fear, not power madness, let me introduce you to the four leading control artists who most frequently enter my office.

Keep in mind that it's often difficult to separate these characters—they often come in as amalgams—but I'm sure you'll recognize them:

The Blamer: Everyone knows The Blamer. Whatever decisions are made in the family business, The Blamer knew better all along and is happy to share how everything should have been done. The Blamer typically focuses on the person and not the problem. He or she aggressively seeks to find fault and offer

condemnation.

When The Blamer is in top form, you feel inferior, incompetent and unappreciated. But - surprise - The Blamer typically considers the exchange to be constructive criticism and is baffled by the declining performance that follows.

The Pleaser: Underneath The Pleaser's kind exterior is a tough character. You'll have a hard time nailing this operator. When someone is so considerate, "doing good" and peacemaking, how do you tell him or her to back off? But it's a helping hand that slowly, relentlessly places a pillow over your head and presses down.

You will hear phrases such as, "I thought you needed some help," but for

and centre and make no bones about it. Their needs must be met at the expense of all others. Frequently capricious, evasive and thoughtless, Schemers are often "holics" — alcoholics or workaholics who can be emotionally seductive but seldom emotionally available. But despite being self-righteous, rigid, secretive or volatile, The Schemer avoids taking direct responsibility — the earmark of a true control artisan.

The Schemer will assure you that he or she wants to share power, cultivate other leaders and so on. But when decision time comes, the phrase you hear most often is, "yes, but . . ." The Schemer is the owner who constantly withholds full authority, moves the goal line, and then does part of

It's not about a quest for power; it's about a fear of change. Whether it's overt or sneaky, here are the types to beware.

some reason you find yourself feeling an obligation to your rescuer. As your guilt grows, The Pleaser gets increasingly intrusive. Finally, you're in a double bind—either you capitulate to this person's way of doing things or you set yourself up as ungrateful and unwilling to accept help. The Pleaser wants family partners for whom—not about whom—they can care.

The Whiner: No one dares confront The Whiner. You will upset someone who is under stress and needs rest. Their entire being resonates with, "Poor me!" Through helplessness and sickness, The Whiner displays victimization. Decisions don't get made because he or she is unavailable. Work doesn't get completed, but it's not The Whiner's fault that no one else picked up the ball. "I wanted to do it but . . ." is the mantra of the character who doesn't want to take responsibility, but wants others to feel duty and obligation.

The Schemer: These types are front

everyone else's work while berating them.

I have met many other controllers—avoiders who control through constant subject changes, seducers who control through cuteness, superheroes who control through high achievement, and intellectuals who control through micro-analysis of all experience. The variations are countless. But it's the unifying characteristic of all controllers that is fascinating. They are never accountable. Their techniques of control are so deft that they stay out of accountability's reach. Who can take someone to task for being sick? How can you challenge someone who is only trying to be helpful? If no one ever does anything right, how can it be wrong to seize control?

It's really a tremendous waste of energy, of course, because you can never fully control someone else — at least, not forever. Letting go of the control urge frees up energy and makes the family-business-ownership world much more comfortable and enjoyable for all.

