

LEGACY MATTERS

Communications & The Family Business

by Dr. Thomas Knight
Sauder School of Business

Family business is both a blessing and a challenge. On the one hand, a family business would ideally achieve significant business advantage from family cohesion, support, trust and security that most organizations of erstwhile strangers never achieve.

On the other hand, the fact that the business is family-based inevitably means that family patterns, tensions and historical clefs intrude upon what ideally would be purely business-driven decisions and actions. All the more troublesome is the tendency for family issues to seep into business decision-making unobserved, or at least unspoken – much as the family dynamics themselves commonly are.

In order for the business to fully capitalize on the competitive advantage of the family, business families must first develop the capability to address family issues. The competencies necessary for this place increased emphasis on communications skills within the business family.

Business Communications

More business organizations than would care to admit are ineffectual at internal communications and problem solving – despite the critical importance of these to business success. Many organizations lack explicit means of addressing internal problems and issues, certainly in a manner that conforms to the basic standards of fair process: engagement, explanation and expectation clarity.¹

Coupled with this is a tendency for organizations to deal with issues arising as they occur – rather

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“Effective communication requires that as much attention is paid to the journey as to the destination.”

than cultivating the ability to anticipate and discuss issues before they break out. Hence, many business leaders find themselves “fighting fires” an overwhelming amount of their time, and often only after an issue has “fully engulfed” them.

Partly because of the heat generated and the energy consumed in fighting organizational fires, many companies also lack the explicit means of capturing the learnings existing in both success and failure, therefore committing themselves to chronic repetition of many of the problems and conflicts that are to be expected in organizations.

All of this means in many instances that human and financial resources are consumed unnecessarily, or at least to a degree that could be lessened through investment in developing the missing competencies and processes.

The Family Business Overlay

The negative fallout from a “fire-fighting” approach to managing issues within the organization is likely to be compounded by the overlay of family history and patterns onto the business – again, often without awareness or acknowledgment by business family leaders.²

In the family business, the family itself inevitably becomes a template or “mental model”³ of how the business does or should operate. As a result, patterns of communication, problem solving and decision-making in the business all-too-closely conform to corresponding patterns within the family.

Family norms, often instilled and maintained by strong matriarchs and patriarchs, such as “we don’t disagree with each other” or “mother knows best,” may be highly counterproductive in the

business by stifling constructive disagreement or fresh thinking. Family tendencies to avoid conflict or to “triangulate” differences by enlisting “third party” family members as allies in resolving issues make business issues more complicated to resolve or, worse, entrench and inflame them with the overlay of existing family tensions.

Additionally, communications within the family may be controlled and modulated by key family members in ways that, carried-over into the family business, unproductively distort or limit communication of vital business information. These examples form the tip of an iceberg. The crucial point is that, in addition to having the communications and problem solving deficits characteristic of many other business organizations, family businesses are also likely to be sharply (if unconsciously) influenced by family dynamics.

Appraisal and Planning

As with most business challenges involving human interactions, the first step in traveling a developmental path is to establish awareness and acknowledgment of the problems and shortcomings we seek to correct. A full and open analysis of the state of communications and problem solving in the family business will require a clarification of both family and business missions, values and goals. Then, relative to these, an objective appraisal of business and family dynamics must be undertaken to make



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explicit the family patterns and tendencies that tend to be re-enacted in the business arena.

Such an assessment, though potentially engaging strong family emotional currents, is a necessary first step to achieving agreement on what patterns and processes would be most conducive to maximizing business results. Such an appraisal must be undertaken in a supportive, non-blaming and forward-looking context and will identify specific ways in which the communications and problem-solving orientation and processes (whether shaped by family dynamics or not) of the family business require development.

Enhancing Communications - From Broadcast to Dialogue

As noted previously, despite the importance of communications, most business organizations could do a much better job of it. By “communications,” we mean the exchange of information, ideas, concerns and problems between individuals and across levels of the organization.

While much of business communication takes the form of “broadcasts” of information to employees, customers, suppliers and other stakeholders, the most productive form of communications from a problem-solving perspective is dialogue, an iterative, two-way exchange. As much as anything, dialogue depends upon a willingness to invest time in the process and an open attitude toward surprising, contrary or conflicting points of view. Neither of these is a given and therefore both need to be cultivated as core values in the operating culture of the organization – especially if existing family norms represent obstacles!

Simultaneously, organizational members need to participate in enhancing individual-level communications skills and, hence, raising the level of organizational communications competence. Starting with self-awareness, these are the fundamentals that all of us can strive to become better at: listening, purposeful speaking, listening, asking good questions and listening.

Anticipating Problems & Developing Policies

In many families “conflict” is to be avoided at all costs. While the desire not to have family members pitted against one another is laudable, it is not realistic and potentially damaging if the result is suppression of legitimate differences of

perspective or need. This is particularly so within the family business to the extent the result is to deprive the business of the beneficial and creative fruits of disagreement and dialogue. As well, suppressed conflicts tend to fester, deepen and mutate – particularly as they feed on family dynamics.

A positive response to these realities is to “normalize” conflict by viewing it as one potential form that business problems may take. By embracing, rather than shying away from differences, it will also be easier to anticipate problems likely to result, for example, from the adoption of a particular succession plan or over the use of family business assets by family members.

Indeed, developing explicit family business policies is essential to both avoiding many disputes and resolving those that crop up.⁴ Anticipating problems and developing skills, policies, and processes is the best way to counter the tendency to “fire-fight.” The critical point is that codifying business policies and practices separately from family ones is essential to keeping the two distinct and, incidentally, to resolving differences that may arise between family and non-family employees of the family enterprise. As well, having explicit reference points also encourages the business family to continue learning and developing its ability to communicate and solve problems.

Business Families are in a potentially enviable position vis-à-vis most other enterprises. The inherent trust and commitment to the business shared by family members can be a very powerful competitive factor if managed effectively. Essential to this is developing the habits, skills and processes conducive to effective communications and problem solving – in both the family and the business.

¹ See W. Chan Kim & Renee Mauborgne, “Fair Process: Managing in the Knowledge Economy” Harvard Business Review January 2003.

² See generally, Quentin J. Fleming, **Keep the Family Baggage Out of the Family Business** (New York: Fireside Books, 2000).

³ See Peter Senge, **The Fifth Discipline: The Art & Practice of the Learning Organization** (New York: Doubleday, 1990), pp. 174-204.

⁴ See Craig Aronoff, “Family Business Policies: Why You Need Them” **Legacy Matters**, Fall 2005 and Craig Aronoff et al. **Developing Family Business Policies: Your Guide to the Future** (Marietta, Georgia: Family Enterprise Publishers, 1998).

A Word from the Chair

Lorraine Cunningham, Business Families Centre



The Business Families Centre has progressed a very long way in our five years of existence and the future looks very bright as we continue our efforts to serve the needs of Canadian entrepreneurs. This past June, Canada's leading universities came together with the support of the Business Families Foundation to form a national coalition of universities committed to collectively develop programs for Business Families. Four Universities, including UBC, Alberta, Western Ontario and Memorial in Newfoundland, have each developed vibrant Centres for Business Families separately. This summer's discussion has led to a unique partnership to share resources and efforts in serving the needs of our clientele.

This strategic collaboration will enable our centres to collectively build on each other's unique strengths and to develop a comprehensive range of world-class services for business families. The first manifestations of this joint effort will be evident in the upcoming year. As with all families, extraordinary success will result from our cooperative efforts!

Lorraine Cunningham
Chair, Advisory Board

CAFE MEMBER UPDATE



Wendy B. McDonald, Chair of The BC Bearing Group, received the Order of British Columbia on June 22, 2006 in Victoria, British Columbia.

The Order of British Columbia recognizes those persons who have served with the greatest distinction and excelled in any field of endeavour benefiting the people of the Province or elsewhere. The Order represents the highest form of recognition the Province can extend to its citizens.

Wendy is a dynamic entrepreneur and leader in the field of business in British Columbia. Since 1944, she has built a highly successful international organization in The BC Bearing Group, which has 60 locations and over 500 employees. The company is also a past recipient of CAFE's Achievement Award for Family Enterprise of the Year in 1997.

A dedicated humanitarian and leader in the community, she has served in various leadership capacities including the BCIT Board of Governors and as a Trustee at UBC's University Hospital. She is also a Director of the CHILD Foundation, and a board member of the British Columbia Paraplegic Foundation.



THE UNIVERSITY OF BRITISH COLUMBIA

2006-2007 Business Families Programs

For more information on our programs, visit our programs page on our website: www.sauder.ubc.ca/bfc/education

REGISTRATION
www.sauder.ubc.ca/bfc/register
604.822.0102

FALL THEME: COMMUNICATION	WINTER THEME: STRATEGY	SPRING THEME: GOVERNANCE
BREAKFAST BRIEFINGS Breakfast Briefings are designed to provide succinct information on the key tools and knowledge for families and businesses. Join us for Breakfast, connect with CAFE members and others, and learn the latest from leading experts.	Financial Statements for the Non-Accountant Improve Your Understanding of Corporate Finances January 19th, 2007 - 7AM to 9:30 AM Dr. Jeff Kroeker - UBC Sauder School of Business Valuing Your Business February 15th, 2007 - 7AM to 9:30 AM Pirooz Pourdad - Vice Pres., PWC Corporate Finance Inc.	Essential Value of Shareholder Agreements Gain Insight Into Their Use In Succession, Estate & Tax Planning April 19, 2007 - 7AM to 9:30 AM Josephine Nadel, Partner - Borden Ladner Gervais
COURSES These programs are designed to provide in-depth knowledge and abilities to develop your family business, and are based on the latest research on leading-edge practices. Visit our website for complete information about these courses.	Problem Solving for the Business Family Through Effective Communications Developing essential skills and strategies for maximizing family and business performance. December 7th & 8th, 2006 Dr. Thomas Knight	Governance for Family Business Protect Family Wealth Throughout Generations June 6 & 7 - 2007 Dr. Nancy Langton David Bentall

All programs are located in Downtown Vancouver
Each Breakfast Briefing is \$115 or purchase the series in advance for \$345. The CAFE Members price is \$85 for each briefing.
Each two-day course is \$995. The CAFE Member price is \$747.

UBC Executive Briefings

In addition to family business programming, our Executive Briefings Series is designed for business leaders and is focused on Managing Growth in the Booming Economy. For all briefings, check-in and breakfast begin at 7:00 a.m. The presentations run from 7:30 am to 9:30 am and are co-facilitated by subject matter experts and industry leaders,

Innovation and Creativity
October 11th, 2006
Dr. David Dunne - Sauder School of Business.
Alvin Wasserman, President & Writer, Wasserman + Partners

Leadership Development
November 8th, 2006
Dr. Nancy Langton - Sauder School of Business.
Donna Wilson - Executive Vice President of Human Resources, Sustainability and International Client Services, Vancouver Olympic Committee (VANOC)

Branding Strategy
December 4th, 2006
Dr. Darren Dahl - UBC Sauder School of Business
Larry Donen - President, Traction Creative

Each Executive Briefing Seminar is \$125. The CAFE Member rate is \$110.
More information at www.sauder.ubc.ca/exec_ed

Managing Conflict & Change in Rapid Growth
January 31th, 2007
Dr. Thomas Knight - Sauder School of Business.
Dave Galloway - Former Group Vice President of Customer Support, Business Objects

Managing High Growth Firms in Dynamic Industries
February 21th, 2007
Dr. Thomas Hellmann - Sauder School of Business.
Bruce McDonald - Vice President & General Manager, Sophos

Attracting and Retaining Employees in a Competitive Economy
April 4th, 2007
Dr. Nancy Langton - Sauder School of Business
Grace Pulver - Vice President of Human Resources, Vancity

Our public educational programming is designed to help business families develop capabilities to ensure their long-term success. This year's program is designed to provide a wide-range of learning opportunities in the fundamental themes of business family development: Communications, Strategy, and Governance. We have also grouped these three topics by season with the Fall focusing on Communications skills, the Winter addressing Strategic issues for Business Families, and the Spring dedicated to Governance issues. Our newsletter follows these themes as well and this issue is all about building on the inherent strength of business families by developing effective communications skills and processes.

Many of the most successful long-term businesses are family-run and this success is due in-part to the competitive advantage that results from healthy family dynamics. This healthy dynamic can only come from well-developed communications skills and policies.

Whether you are just contemplating these issues or are already benefiting from your efforts and skills in this area, I think that you will find value in exploring this newsletter and our educational seminars this Fall. The Business Families Centre and CAFE Vancouver are here to help - here's to your success!

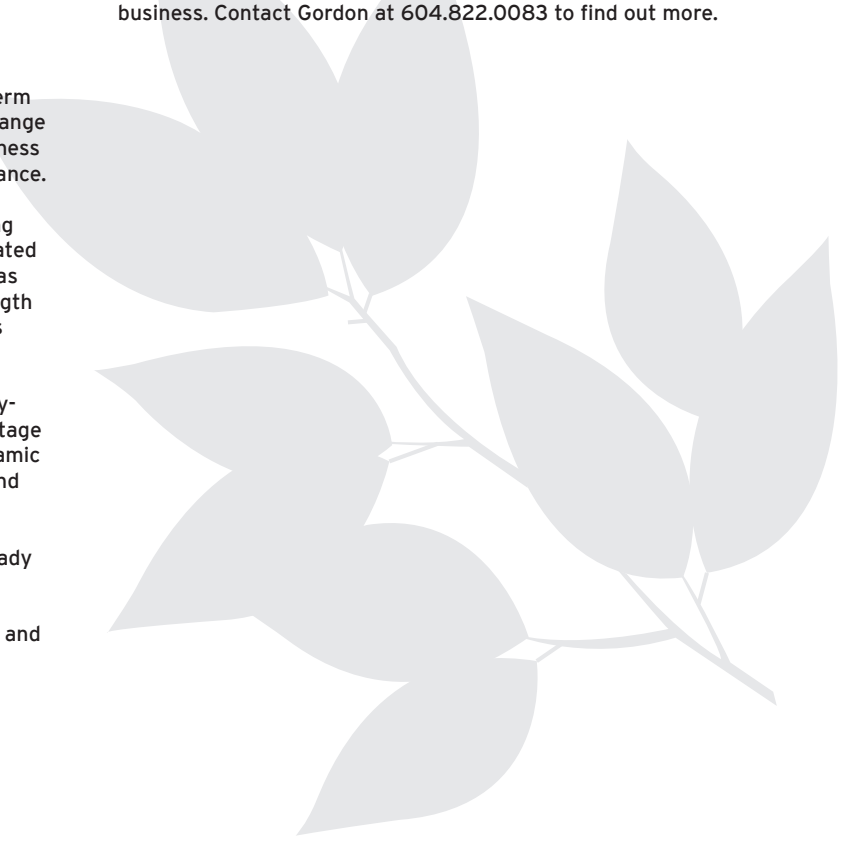
Garry Zlotnik
Chair, Business Families Education Committee.

2006 Outstanding Lecture Series featuring Gordon Pitts

Join us on November 16th, 2006 for a seminar and luncheon with Canada's leading chronicler of Business Families. Gordon Pitts is a business reporter at The Globe and Mail's Report on Business. His bestselling Kings of Convergence, Storming the Fortress and In the Blood were finalists for National Business Book Awards. Visit our website to get the full details on this event.

Call for Cases Families in Business Casebook

Can your family business serve as a teaching case for educators around the world? A new casebook dedicated to management decision making within the unique context of family controlled business is in development, and we are looking for your help. Any business family that has made, or needs to make some management decisions and would be willing to discuss with a researcher is eligible to participate. Identities can be disguised if need be. The result will be a comprehensive review of your family's case to be used by teachers and students to develop their skills in this area. We are working with the Ivey School of Business, one of the largest publishers of case studies internationally to develop much needed teaching resources for family business. Contact Gordon at 604.822.0083 to find out more.





Five Steps to Better Communication in Family-Owned Businesses

by Ruth Steverlynck
PricewaterhouseCoopers

Effective communication is the cornerstone to positive relationships in friendships, business and families. This challenge is all the greater in family-owned businesses where communication requirements often intersect all these relationships at once. The potential for misunderstanding and conflict is heightened and once misperceptions are entrenched, it can be more complex, time-consuming and costly to unravel the knot of miscommunication. Family ties run deep, but so can family problems.

A survey of 800 heirs of failed family businesses found that poor communication and conflict with family members were major causes of the business failing.¹ In another study of 673 family businesses, a clear relationship was found between decreased family tension and increased business revenues. The goal of all family-owned businesses should be to ensure that effective communication is understood and practiced at all points. Good communication does not eliminate conflict, but can help manage it effectively to prevent the destructive course conflict can take. The following steps will help your business family move towards harmony whether in the family room or the boardroom.

Never Assume

Family members often feel confined by old definitions; too much is assumed about them and too little allowed for. The family system locks each member into their role, real or perceived, and negative assumptions and conclusions are reached based on the limiting perceptions of each member's role. In this scenario, new thinking is stifled or never heard, curbing a vital source of honest, open communication. Businesses are focused on the future, but families can be burdened by the past.

To avoid this burden, family businesses must allow individual members to communicate their thoughts as if for the first time. By shaking off the roles of the past and treating each other as peers, new thinking can emerge. Avoid assuming how a question will be answered – even when dealing with an issue that has previously been considered. In so doing, subtle or significant shifts in thought will be more likely. Assuming an answer is like building a box to put someone in - such boxes inevitably come to feel suffocating.

Understand the Other Person's Perspective

Once you have ensured that new thinking can emerge by not assuming the answer your

family member might give to a particular problem, the next step is to better understand each others' perspectives. By better understanding your differences you will better understand the points on which you agree. It is not good enough to hear only what you want to hear. You must hear everything they say.

Try to achieve a broader understanding of your family member's view by asking a broader array of questions. Learn your way forward; rarely does an answer exist in isolation. By engaging in conversation with learning as the goal, you may be able to overcome key differences. Understanding another person's view does not mean that you agree or that you must give up your own side; all views are valid, but you could learn something that significantly impacts the way you understand the problem. By showing appreciation for another viewpoint, you open up their appreciation for yours.

Adopt a Neutral Stance

Once you have opened up the lines of communication, you must be careful that all roads are similarly graded. No one likes to believe that they are pushing upward while the other gets to coast along. All thinking must be afforded the same respect, even if you believe your answer has more merit.

In adopting a neutral stance, you remove all emotional or value-laden words from the discussion - words can be weapons. Too often discussions in family business can seem like a battle over what is thought or what gets decided. I call this "trench warfare". Try putting your thoughts in very simple language. Pare down to what is essential. Doing this will avoid complicating issues with unnecessary information and will dilute any strong emotions.

Move From "Blaming" to "Contributing"

With few exceptions, most problematic relationships implicate everyone involved. The default is to assume we know the intentions of others and fault for the negative outcome lies at their door. Focusing on blame hinders problem solving. Blame is about judging. Contribution is about understanding - it encourages change and learning.

Once the nub of an issue is known, especially where different opinions merge, the next step is to find a way to contribute to an answer. In order to resolve key differences, start with ones that are less than central. This creates confidence and momentum. If you have

truly listened for and heard your other family members and taken responsibility for your part, the way forward becomes clear. Start here and other answers may, by deduction, fill themselves in.

Problem Solve Together

Once you have "learned" your way together to the most significant, challenging and (possibly) divisive issues, start by offering options that meet each side's most important concerns and interests. Ask for input in return. By going back and forth in this way, you begin to weave your way to a stronger base from which you can resolve more complex differences.

Conclusion

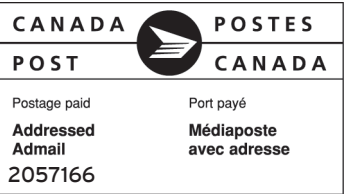
Effective communication requires that as much attention is paid to the journey as to the destination. Still, it may be the case that even after taking such useful steps to better communication, the hoped for solution to a key problem may not be achieved. Generally, learning to communicate more effectively will benefit your family business in the long run more than any one decision might. Conflict offers opportunities to be creative and strengthen human relationships. When family members work together to resolve issues, they often arrive at solutions far more compelling than simple compromise or "giving in" to another.

The goal of learning conversations and shared problem solving should always be worked toward. This effort can result in transformative change for your company. Brainstorming creative ways to meet all needs, rather than just going with your initial plan, can result in new ways of thinking which can benefit your business. Understanding can carry with it a current of electricity if it results in new and inventive ideas. Instead of slipping into old patterns and tired ideas, family-run businesses can get charged up by breaking through with more effective communication. All parties can benefit not only in a more productive business but in more successful relationships.

Ruth Steverlynck is Director for PricewaterhouseCoopers' Centre for Entrepreneurs and Family Business, Western Canada. She is a lawyer and trained facilitator and Associate Member of CAFE Vancouver.

¹ Joseph H. Astrachan Ph.D. & Kristi S. McMillan, "Conflict and Communication in the Family Business"

Business Families Centre & CAFE Vancouver
The Sauder School of Business
The University of British Columbia
800 Robson Street
Vancouver, BC Canada
V6Z 3B7



Business in Vancouver: Top 100 Private Companies

The July 2006 issue of Business in Vancouver recently celebrated BC's Top 100 Privately owned companies. CAFE Vancouver is pleased to note that many of these top firms are also CAFE members. Congratulations to all who made the list!

- ABC Recycling
- Arrow Transportation
- BC Bearings Group
- Golden Valley Foods
- HY Louie Co Ltd
- Inland Group
- JJM Construction
- Kal Tire
- Tolko Industries

Comprehensive Support for Your Family's Success

Do you or your family own a family business? Does your family business have adequate governance, ownership or family support structures to face the unique challenges involved with family enterprise? Are you prepared for ownership transition to the next generation?

The Business families Centre (BFC) and The Canadian Association of Family Enterprise (CAFE) are dedicated to supporting families in business. Through a comprehensive program of family networking, educational programming, and peer support, your family can develop knowledge necessary for future success.

Join a Personal Advisory Group (PAG)

A PAG is a group of 8-10 individuals, each from a CAFE member company, who meet monthly to share personal and business ideas and support. It provides the members with expert, objective and confidential advice. PAG's are open to all family members who are active in the business.

For more information, please visit:
<http://www.sauder.ubc.ca/bfc/cafe/>

Contact us to find out how you can join a PAG.

Call for Submissions

Legacy Matters is always interested in news, articles and ideas from business families and their advisors. If you would like to contribute in any way please contact us with your ideas.

Business Families Centre & CAFE Vancouver
SAUDER SCHOOL OF BUSINESS
UNIVERSITY OF BRITISH COLUMBIA
800 Robson St, Vancouver BC, V6Z 3B7
tel 604.822.0102
fax 604.822.8496
email bfc@sauder.ubc.ca or cafe@sauder.ubc.ca
web www.sauder.ubc.ca/bfc
www.cafemembers.org/cafenational/

Sauder's activities in the Family Business community are comprised of The Business Families Centre and the the Canadian Association for Family Enterprise (BC). We are committed to assisting business families, their advisors, and their enterprises through research, programs and academic education.

Contact us to find out more about:

- how you can become involved in the Business Families Centre
- joining CAFE Vancouver
- how to make your tax deductible contribution to the Business Families Centre