

How Family Dynamics Shape Family Businesses

Joseph Astrachan (Generation6 | Family Enterprise Advisors and ,Jönköping University (CeFEO))

Claudia Binz Astrachan (Affiliated Researcher at Jönköping University (CeFEO) and Witten/Herdecke University)

KEYWORDS: Family Business, family relationships, Help with a family business, Running a family business tips, Successful family businesses, family business conflict.

In this interview, Joseph Astrachan – one of the world’s most well-versed experts on dealing with issues pertaining to business families – shares his thoughts on family dynamics and family business conflict and explains why business families must understand how those dynamics affect how they engage with one another. His interviewer is Claudia Binz Astrachan, his wife and a researcher and lecturer on family business at the Lucerne School of Business in Switzerland.

This discussion, the first of two parts, is adapted from one originally published in Lucerne’s Family & Business blog. Part 1 focuses on the foundations of family dynamics, and some common behavioral patterns that can be observed in families. A second part will address the do’s and don’ts of family dynamics, and include hands-on suggestions related to bringing up the next generation as responsible owners.

Claudia Binz Astrachan: *Let’s start with an easy question. How do you define family dynamics?*

Joseph Astrachan: I like to define family dynamics as the patterns of relationships that define the emotional life of the family. They come from all kinds of places, and the ones that have the most profound effect come from significant stressors, like the death of a loved one, sudden illness, and the loss of employment. They can cause family fights and bad feelings for several generations unless they actively managed and changed. Such family feuds can, in themselves, cause significant stress that can again change family dynamics. And it’s not just big stress that can have an effect; even small stressors, like having children or getting married can have a significant effect. For example, I like to say that one of the *first rules of family dynamics*, for families that

don’t have significant stressors like substance or physical abuse, is that the first-born child develops a special bond with the emotionally dominant parent. The emotionally dominant parent is not necessarily the emotionally demonstrative parent, not the loudest or most emotional parent. It is the parent who tends to get their way because the other one gives in or gives up. I remember one person describing it to me. He said, “Joe, I think I understand. My girlfriend and I decided to get a pet dog to see how we would do together. I wanted that dog to be well trained, not jump on people or furniture and so on, but my girlfriend allowed him to sit on the sofa with her and engage in a bunch of bad habits. After arguing for a while I decided that it was just not worth the fight, she can have the dog the way she wants. I am the submissive one!”

This dominance-submissive pattern then affects all family relationships. If the parents have a disagreement, the special bonds come into play and each child will support the parent with whom they are bonded. This has a clear and important consequence: The children will have conflict with each other if the parents are not completely aligned. So, the *second rule of family dynamics* is that if you want to avoid sibling rivalry, make sure that you and your spouse are completely aligned and tension free. That kind of relationship takes lots of work. One more thing I need to highlight here is that problems and difficulties arising from family dynamics, in a family business context, are often the reasons behind classic “business” problems. These include things like differences about dividend policies, risk tolerance, hiring and keeping employed children who are damaging to the business, complaints about compensation policies, corporate image and the like. When family dynamics are taken into consideration and

when they are improved, these other issues often quickly resolve.

Sibling Rivalry and Parent Relationships

CBA: *Let's talk about some common dynamics you observe in your work with business families, for example sibling dynamics, or parent-child dynamics.*

JA: I already mentioned how sibling rivalry comes to be for many families. In such situations, siblings tend to compare themselves and often try to make their other siblings look bad in the eyes of their parents in order to reinforce their parental bonds. Another common dynamic comes from birth-order effects. First-born children experience life differently from later-born siblings. Everything about their early years tends to special and met with parental excitement. In some cultures, rather than excitement they are under a magnifying glass. The results are similar. The first-born expects, at a neural-chemical level, excited and typically positive responses to almost everything they do. When they get such responses, their brains are bathed in serotonin and they feel good. When they don't get that response, the absence of serotonin creates unease and anxiety, and this may cause them to act aggressively or act in ways that they believe will garner positive attention. Later-born children often don't understand this and create a dynamic in which, in order to make themselves feel good, berate their older sibling, and that just causes the sibling to seek ever greater performance. Later-born children would be wise to give the first-born what they need and just provide the compliments that keep the first-born calm and engaged. Doing this will generally improve their relationships. Last born children, for example, like to be taken care of and generally will feel calmer when told they will be cared for. These simple tactics can go a long way to making relationships inside the business more conflict free and productive.

As for parent-child relationships, a common dynamic happens with the aging of the father. Different things are important at different stages of life. For example, in one's 50's, people are more inclined to teach and train others, in one's 70's people typically are worried about being irrelevant and not being included or listened to. On the other hand, for sons, when in their 20's and early thirties, they are typically inclined to learn and practice, while when they are in their 40's they are concerned

with proving they are capable adults, or as late psychologist Daniel Levinson said, they want to become their own man. It is not hard to see how a father in his 50's with a younger son would have a good relationship and how a son in his 40's with a father in his 70's could have a conflict-ridden relationship—the son hears that he is not capable or competent whenever the father gives advice and stops communicating about the business. When that happens, the father believes his deepest fears have come true since his son no longer consults him and avoids his counsel.

Deep Discussions Matter

CBA: *How would you define a good relationship? What are some of the ways that support family members in establishing good relationships?*

JA: That's a great question and one that I have devoted a considerable amount thought to. It always struck me as odd when someone would say, "I have a great relationship with my sister or brother," and then, when asked how often they talk, they would respond, "once or twice a year." Unfortunately, that really is not a good relationship, it is more indicative of no relationship. I break down a good relationship into three components: 1. How often do you talk? All else being equal, the more often you talk, the better a relationship you have. And if you want to improve your relationship, you need to engage the other person around things they like to discuss. Only later can you move to discuss more sensitive issues. 2. How long do you talk on average? All else being equal, the longer you talk, the better a relationship you have. Again, improve this first before moving to sensitive topics. 3. How deep are your conversations? All else being equal, the deeper your conversations, the better a relationship you have. Depth of conversation is defined by how easily you can talk about things others would find too controversial or uncomfortable to discuss. If you can talk about anything, you likely have a good relationship. One of the benefits of looking at relationships this way is that if you talk often, for long amounts of time, about any and all topics, then chances are very high that you can, and you are willing to, spot problems and challenges early and easily solve your differences. This is essential in a family business and saves people from acting in ways that upset others, cause resentment, and risk permanent damage to relationships.

Joseph Astrachan is Professor emeritus of Management and Entrepreneurship, and the former

executive director of the Cox Family Enterprise Center at Kennesaw State University in Georgia (USA). He comes from a family business background, which his extended family owning businesses ranging from container and tanker shipping and shipbuilding, coal mining and pharmaceuticals. After earning his B.A., M.A., M. Phil., and Ph.D. degrees at Yale University, he focused his academic careers on family businesses, founding the first internationally accredited Executive MBA for Families in Business, an 18-month program focusing on the family and the business, which graduated over 60 members of business families in 9 years. He has received numerous awards for his and service from family business, entrepreneurship, management, and research-oriented associations. In addition to his academic engagement and non-profit board service, he serves on the boards of nine privately owned family businesses covering a wide variety of industries from heavy equipment and automotive to quick service restaurants real-estate development.