Balancing Personal and Professional Relationships in Family Businesses

By Sonny Iqbal and Xuemei Bennink-Bai

Managing family relationships at work is one of the thorniest issues in family-owned businesses, particularly when relationships cross generations (e.g., parent-child or uncle/aunt-nephew/niece). Many family members are committed to professionalism and strive to separate work and family in their dealings with each other. (In China, where a one-child policy was in place between 1979 to 2015, the parent-child relationship has its own unique challenges.) However, simply decreeing such a separation between work and family is not enough. Both family leaders and the rising generation have work to do to ensure cohesion on a familial and business basis.

What Non-Family Businesses Know

Attempts to separate oneself into professional and personal personas are well intentioned but ultimately futile. Non-family businesses have begun to recognize this and are increasingly embracing a philosophy of "bringing your whole self to work." These enterprises understand that one does not stop being, say, the parent of a toddler or the child of an aging parent once the workday begins.

If separating work and family is difficult in non-family businesses, consider how much more so it is in a family-owned company. The child of a family business owner likely grows up with the business as a constant presence—from where and how the family lives to when vacations are taken. If the business is prosperous or well known, its shadow follows the child to school and at play. As the child grows, he or she is exposed to more and more of the business' workings and issues, and the business begins to shape the child's self-image and ambitions. If the business still has a family member at the top, by the time the son or daughter formally joins the enterprise he or she is likely to have been talking shop with the CEO for a decade or more. For second-generation of Chinese Founder-led families, many have had the opportunity to study abroad and are away from the family business and Chinese culture in their formative years. When and if they return to the family businesses, the new generation often brings fresh perspectives and innovative ideas but can also cause clashes with the Founding parents.

Focus on Standards and Behaviors, Not Relationships

It is no surprise that in the workplace family relationships are often poorly defined with unspoken assumptions and expectations, despite the best intentions to be professional. Instead of attempting to wish these personal histories away, it makes more sense to reinforce desired standards and behaviors at key stress points in the organization where the complexities of intergenerational family relationships are likely to cause problems:

Succession and professional development: The younger generation, having grown up with the business or having attained higher and more international education, may overestimate its readiness for greater responsibility and underestimate the challenges of business transformation. For example, the younger generation may perceive rotation through various functions and business lines as merely killing time until "Dad thinks I'm ready," while the older generation may be reluctant to give more responsibility to "the kids." The younger generation needs to understand that a structured path through the organization is a well-established best practice and form of integration. The older generation on the other hand, can benefit from open-mindedness, objective, third party benchmarking of the next generation against talent in non-family firms.

Innovation: Younger generations can be an important source of new ideas at a time when innovation is king. In today's VUCA world, where digital and other forces are disrupting cross industries, innovation is becoming essential for longer-term sustainability of any business. However, their status as family members should not mean their ideas are exempt from testing, refinement, and evaluation in a marketplace of ideas. (As Harvard Business School Professor Linda A. Hill pointed out, it is this messy, iterative process that makes innovation happen.) The younger generation needs to accept that they may not have the free rein simply to implement their ideas, no matter how compelling; their elders need to create a culture that encourages and supports the innovation process. It will benefit all if both sides can genuinely listen to each other while examining and questioning their own perspectives to ensure contrastive co-creation.

Transparency: In an organization of any size, knowing what senior management is thinking is a highly valuable asset and a mark of influence. In an owner family, however, family members will naturally have an advantage over non-family members in this regard. As the younger generation moves into the business, the older generation should be conscious of the information asymmetry between family members and non-family members and do what they can to minimize it. The younger generation, for their part, needs to appreciate that in their case, personal proximity to senior leaders or board members does not necessarily equate with seniority or power. Knowing when one is acting as an executive or as a sounding board of another family member/non-family executive will help eliminate confusion in the family business.

Performance orientation: As more and more industries are faced with disruptive business models and more demanding and informed customers, an organization's performance orientation becomes increasingly essential for success. Younger family members should be held to the same performance standards as non-family members so that there is a cohesive company culture and a common understanding of "what good looks like." The older generation needs to ensure that standards are clearly established and applied fairly. Indeed, relying on objective standards is one of the most powerful things a family business can do to attract and retain non-family talent and keep the business growing beyond where the family alone can take it. Family members are also shareholders of the business, so it can be confusing for the family members to separate their duties in these different dimensions. It is important to have a clear understanding of the respective duties and competency required for a defined executive role. To this end, structured and planned development of future generations of family business is essential for its long-term future. This is particularly challenging and deserves even more attention in countries such as China.

Feedback: High performance requires not just a clearly defined set of standards but the ability to give and receive feedback. Personal relationships between family members are often loaded with "things left unsaid," and that will likely continue to be the case when those family members are professional colleagues. However, when it comes to work matters, family members must communicate in the same frank and honest way that is expected of non-family members. This may sound simple, but such feedback conversations often require artful communication skills with authentic delivery and genuine intent; sometimes-constructive conflict is also required to build deeper understanding.

Managing family relationships is a central challenge in any family-owned firm. Nevertheless, those relationships also provide a cohesion and authenticity—what we referred to in a Harvard Business Review article as a family's "gravity"—that are a distinct market advantage. Rather than try to pretend that those relationships don't exist, family businesses would be better off establishing clear standards of behavior that creates a common culture for family members and non-family members alike.

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