

Staying connected while growing apart



By Kelin Gersick

THE MAIN CHALLENGE facing business families as they move to the second, third and later generations is maintaining a sense of connection across an increasingly disparate group of relatives. Can 50 (or 200) cousins spread across many countries and around the world retain an identity as a family? So far, most of the literature on family firms focuses on the first-generation nuclear family – one pair of parents and their children moving through their life cycle. In fact, the most difficult dilemmas for business families arise as they become more complex. We need new models of family development that take us through multiple generations and branches, to help family and business leaders understand how their cousins, nephews, nieces, grandchildren and all *their* spouses and children see the enterprise, and how they hope to be involved in its future.

In the first of a two part series, Kelin Gersick explores the implications of family development in the context of family business growth, development and success. Part two will explore specific applications of the model in governance design

‘The watershed events for many families are the marriages of the second generation – as they become originators of their own families ’

New model

The maturation of a nuclear family from the marriage of the parental couple through the various ages of their children is only the beginning. The expansion of the number and diversity of relationships increases year by year in these families. New members enter the family and must be taken into account. People move away, get married and have children – often more than once.

As a result, we have introduced a new model of family development, based on the last ten years of our work with complex families. The model covers three stages: a nuclear family stage; a multi-generational family stage; and a network of families stage. It describes the development of the

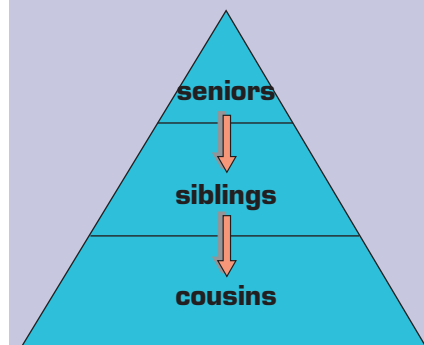
family from its origins in one nuclear unit to the complex network of branches and generations of the family clan.

Multi-generational family stage

One of the most interesting periods in business families’ development is the multi-generational family stage. This stage begins when the oldest child enters adulthood and continues until the youngest child has reached independence. This entire stage is really a transition from the nuclear family of the parents to the network of their childrens’ families that will continue for generations into the future.

The most important characteristic of this stage is the evolution, for the first time, of very different views of the family by each generation. In most cases, the first generation sees the family as a pyramid: the parents are in the peak, the children form a base and the generations that follow, at least in the imagination of the parents, will continue to broaden the base into the future (see Fig. 1). The culture, history, experience, values, traditions and identity of the family as a whole trickle down through the pyramid. As the second generation move through adolescence into their 20s (and sometimes beyond), they usually share this concept and carry it with them as they begin to explore the world.

**Figure 1 –
The multi-generational stage**



However, personal growth and maturation of the second generation begin to put pressure on the parents' concept of the unified family (the pyramid). The watershed events for many families are the marriages of the second generation – their first 'horizontal expansion'. No matter how similar and comfortable the new in-laws are with the family culture, the fact remains that they did not grow up in the same house, eat at the same table, breathe the same air or hear the same stories over and over. A fundamental change occurs in the identity of each member of the second generation as they establish their own marriages and homes. They are not only the next layer down in their parents' family, but they are also the originators of a family of their own.

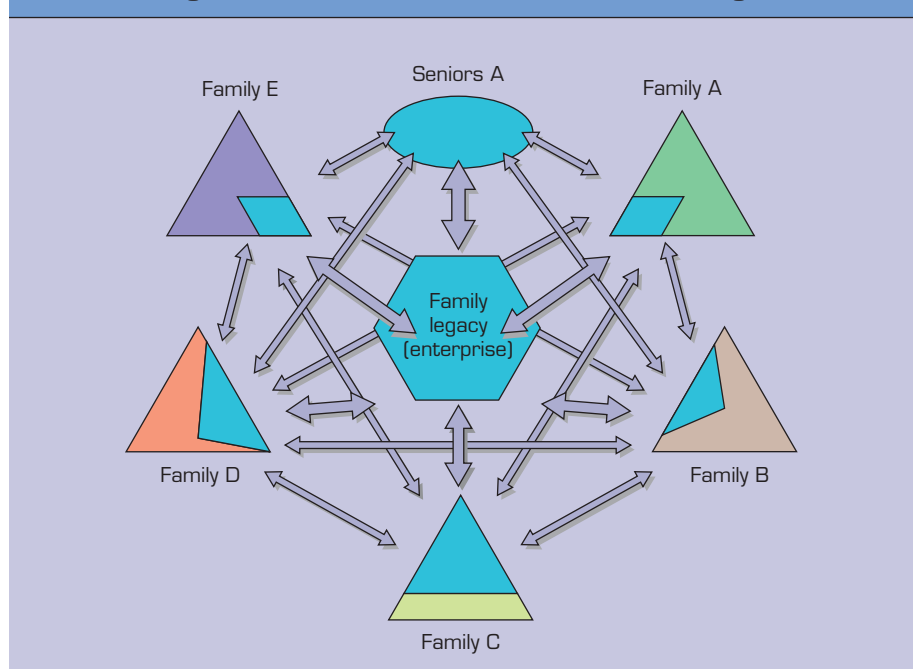
Network of families stage

In our model, the representation of this third stage is the family network (see Fig. 2). The pyramid has exploded. Each family is connected to the family of origin and to all the other families via a network of mutual relationships, which change continuously as time passes. Particularly in business families, one of the most important relationships is back to the common enterprise of the original family. The enterprise, whether an operating company, a common asset base managed by the parents or a family office, a philanthropic foundation, or simply a set of norms and policies that comprise a strong family culture, is what remains of the original pyramid.

The most significant dynamic of this new architecture for the family is that it is typically much more visible to the sibling generation than to the parents. The senior generation, trying to protect the pyramid, interprets their offspring's behaviour as either supportive or non-supportive of 'The Family'. Moving away, choosing not to attend a family function or adopting childrearing styles that run counter to the parents' values or experience are interpreted as challenges: "That's not the way we do it – why is she being so hostile?" If parents can not let go of the pyramid view, the potential for conflict is high. Adult children feel controlled and misunderstood; parents feel rejected.

The offspring, however, are engaged in a continual re-negotiation of the ties among families. They try to balance mutual obligations to their parents and to their sibling families while at the same time discovering and developing their own unique identity as a family. The behaviour that their parents see as withholding or misguided, they experience as necessary to protect their scarcest resources: time, attention and energy.

Figure 2 – The network of families stage



Successful business families resolve this dilemma by coming to a fundamental realisation about family dynamics: true collaboration only arises when there is recognition of both the individual differences of stakeholders and their commonality. Even in the most self-aware families, this typically does not happen all at once. The dissolution of the family pyramid is a disruption in most families, and it takes some time for the new network equilibrium to be established. Obligations, mutual dependencies, competition and concerns about favouritism all complicate and often hold back a full recognition of the transition.

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The Conroy family

The Conroy family illustrates the complexities of family development. They are owners of a large manufacturing company (names and details have been changed for the purposes of this article). The father began with nothing, returning from the army to his family's farm without much

money. An uncle got him started as a salesman and after a few years he was able to buy a small machinery manufacturing company. By 1970, after 20 years of hard work and good luck, the company had sales of €50 million (US\$50 million) and was diversifying aggressively. A major break occurred in 1973, when they were able to acquire a competitor at very favourable terms. The company is currently number one in its market (annual sales approaching €600 million), diversified enough to weather cyclical downturns, and relatively debt free. Mr Conroy, now aged 73, has withdrawn from operations and is ready to leave his position as Chairman. His oldest son is CEO, and two other sons are division presidents.

While building the business, Mr Conroy married and raised a family with strong values and a clearly identifiable culture. Both he and his wife are serious about religion and philanthropy, and about raising strong independent children. Over the years this has led to an interesting dilemma.

Independence and congruence are the pillars of the Conroy family culture, but have unfortunately led the parents into a common trap: "Make up your own mind, as long as you come to the same conclusion that we do". The 'Catch 22' of this approach is completely invisible to the parents, as it was to their eight children until they reached adulthood. They all strove to learn the code and to live it. Because they had talent and energy, they flourished under their parents' tutelage, and each child had a pow-

erful sense of 'The Family'. Mr Conroy says, "I am so proud of this family. Our children are all different, and they have had their problems, but we stick together. It is like we are on a road, travelling through a wide desert. There are turn-offs and branches that would take us in one direction or the other, but we have a main road, and we stay on it. That is the way our family will reach the other side – ie reach our goals – provide for all of our children and their children and so forth. We need to keep on the main road".

'The more traditional the family's culture the more slowly and hesitantly the young adult may come to see other models of living'

As they grew, each offspring's experience away from the nuclear family began to put pressure on this concept. It is inevitable that a young adult will be made aware of many other 'main roads'. Still, the concept of the pyramid is remarkably strong. The more traditional the family's culture – whether personal, national or ethnic – the more slowly and hesitantly the young adult may come to see other models for living. The first response of the Conroy's as they entered college or their careers was that others had their ways, but 'The Conroy Family' was still intact, with its legacy of traditional assumptions and behaviours. One of the Conroy sons said, "My father and my uncle run the company their way, which is only right – they built it. My time will come. I just have to be patient". And a talented daughter, observing that only the men in the family were invited to consider working in the company, concluded, "No, we didn't all have the same opportunities, but that's the way it has always worked in our family. Besides, it was their business and they could do whatever they wanted with it".

And then things began to change. The last 10 years have been surprisingly complicated for the Conroy family. Seven of the eight siblings are married. Three of the sons and two of the sons-in-law currently work in the company. As heads of regional divisions, they live in all parts of the country. All of the siblings have multiple responsibilities as directors, trustees, committee mem-

bers and investors in the family. However, even though they are frequently in contact with each other at one meeting or another, they all feel that the family connections are dissolving. Scheduling is nearly impossible. Family outings, which used to take place several times a year, are now annual at best, and only some of the family members attend. There are 15 members of the next generation, ranging in age from 4 months to 23 years. Mr and Mrs Conroy worried that their grandchildren are not "as close as their parents were." In fact, the cousins report that they "hardly know each other". In the words of Mr Conroy, "I used to feel confident that whatever happened, nothing would threaten our family. We were one. We didn't always agree... there were the normal conflicts and rivalries... but that was on the surface. I felt that I knew (we all knew) what we stood for and who we were. Now I'm not so sure. People are moving away – not just from our home, but from our heart. Has it all been for nothing?"

By holding on to the pyramid view of the family, the senior Conroys were at first not able to see that their family had evolved, not dissolved. For example, the oldest Conroy son is the successor CEO of the company. He and his wife dedicate a significant portion of their family activity and attention back to the Conroy core family. They are financially dependent on the success of the enterprise. They live in the same town as the senior Conroys, and they and their children see them frequently. All of these, and countless other connections, keep the 'rope' that ties this new family to the core family very short and strong.

'Continuity depends on the sum of all these individual family slices reaching a critical mass of commitment'

In contrast, the youngest daughter has moved much further from her parents' core family – the triangle that existed when she was younger. She and her husband are not connected to the company. They have never worked there and they do not rely on company dividends to support their lifestyle. She has declined most invitations to sit on boards. They live far from her parents and see them infrequently, and their children only see their grandparents once a year at most. They are, how-

ever, very close with her husband's family, and also with three of her siblings. So while the 'rope' that connects her new family to her parents is long and thin, the connections to other family members in the network are very strong.

In the end, the Conroys were able to accept the new structure of their family and move ahead. The siblings began meeting without their parents, to explicitly discuss their mutual obligations. Realistic events were scheduled for the cousins to spend time together. Those siblings who chose to be more financially independent were given honourable 'departure packages', and have remained connected to the social aspects of the family. Mr and Mrs Conroy are coming to terms with how this reality differs from their expectations; the next generations are learning how to stay connected without feeling trapped.

Conclusion

Family development can be more complicated than business growth. Understanding this common phenomenon requires a more complex model than the original stages of development for the family circle.

Appreciating that a multi-generational family is no longer 'one business family' is essential to creating conditions for continuity. Each later-generation family makes a choice about how much it can invest in the core enterprise – money, time, support, career and attention. Continuity depends on the sum of all these individual family 'slices' reaching a critical mass of commitment. Leaders working from a network of families model can facilitate periodic reconsideration of whether that critical voluntary commitment still exists.

The network also has implications for designing governance systems. In creating boards, family councils, family offices, and all the policies on financial matters and employment that go with them, a network model suggests taking a serious look at the tradeoffs and constraints affecting each later-generation family. A careful analysis of the point of view of each family in the network is certainly more complicated than a simple 'pyramid' approach, where you are either in the family or outside it. However, the more complex view is much more realistic. It offers a better opportunity to keep the family working together into its diverse future. ■

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