How to manage behind-the-scenes power players

BY DEBBIE BING

One Monday afternoon, Henry Pullman found himself embroiled in a heated argument with his brother George, co-chair of the board of their family business, about compensation for their non-family CEO. George wanted to reverse a decision they had affirmed the week before. He said it went against the family's values. Henry was mystified. They had worked through a transparent and rigorous process to come to the decision, and he and his brother had been in agreement every step of the way. Where was this coming from?

Henry realized that he and his brother were at odds more frequently. The conflicts took a toll in time, credibility and productivity—and damaged their relationship. Henry realized that these conversations had some common elements: They led to revisiting decisions already made, they were tied to intangible or what seemed irrelevant rationales and they resulted in heated conversations that were difficult to resolve. And they *always* followed a weekend when George had spent significant time with their father.

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George Pullman Sr. had left the business a year ago after an ownership transition from the second to third generation. The Pullmans had managed this transition thoughtfully. They had "professionalized" their company two years ago with a non-family CEO who was doing well. They had an outside board of directors and a flexible governance structure that allowed for appropriate participation of many stakeholders. Yet George Sr. was still exercising the influence of someone in charge, although from behind the scenes. He advanced strong opinions about day-to-day operations through old colleagues in the business, over golf or at social events. He gave his son George endless advice about things to watch out for. Henry was worried that if they couldn't work through this new, troubling (but not entirely surprising) wrinkle, all of the energy and effort to make the transition to the next stage would fail.

The back-channel effect

The Pullmans are not a real family, but their story is a common one. In family businesses, influence is an important currency, as authority is typically tightly held. It is expected that older family businesses will have many stakeholders with diverging interests. But when influence is exerted from the sidelines and disrupts an organization's decision-making process, dysfunction results. This kind of influence doesn't show up on an organizational chart and is difficult to recognize, discuss openly and respond to.

> ***There are things you can do to translate back-channel influence into transparent and productive communication.***

In the Pullmans' case, a patriarch who has put the structures in place to effect succession—and no longer has ownership or any role in the operating company—nonetheless has opinions that influence the principals still involved. We have seen this kind of influence take many forms, all with similar results:

- A spouse creating friction from home.
- A younger owner/employee in an entry-level job who exerts pressure on family members with management roles.
- Alliances among family members—in branches, for example—that play out in critical business decisions.
- A family member who seeks advice from friends outside the business, disregarding confidentiality.

In many of these cases, back-channel influencers have legitimate stakes and good intentions. George Pullman Sr. cared about what happened, and others listened because he'd been so successful. Yet his sons had their own success and needed real room to run the business.

Unproductive outcomes

For family members, these situations trigger unproductive dynamics rooted in old patterns of communication and deeply embedded relationships. Because these are critical family relationships, we feel pulled to pay attention to them, perhaps more so than we would in another setting. Consider these comments:

"My father built this business from nothing; how can I ignore his advice?"

"My spouse is equally affected by the performance of the business, and he/she has my interests at heart more than others."

"Everyone thinks this is the best course for our business, but my cousin will never let it happen."

These types of situations are exponentially more difficult for non-family executives in the family business. While they often feel stymied in decision making on critical issues, it may take a long time to realize what's going on behind the scenes, and the situation may hinder the executive's ability to do his or her job effectively. If not addressed, this kind of influence can have a negative impact on both relationships and performance.

What to do about it

So what do you do when the boundaries of leadership and decision making extend to those who have no accountability for the outcomes of their advice—who express their views in unproductive ways, who undermine the transparency that enlightened businesses depend on? You can't simply remove the web of relationships surrounding the business, or hope that they won't be relevant. Nor would you want to. The relationships surrounding a family business are often its greatest source of longevity and strength. But there are things you can do to translate back-channel influence into transparent and productive communication:

- **Refresh your governance and modes of participation.** Governance structures can clarify who gets to participate in what kinds of decisions. Yet even those with good governance rules can experience this dynamic. When influencers are creating a politicized environment for your business, that can be a flag to revisit governing mechanisms to enhance the avenues for consultation, input, information and discussion, as well as to clarify guidelines about where authority lies for any given decision. Transitions in a family are a good time to do this. Should the habitual ways of working be revisited to incorporate new voices? Is additional education or discussion needed to ensure that the governance fits the current configuration of your business and family?

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- **Be inclusive.** One thing is certain: You cannot shut down the opinions, feelings and ideas that come from many places in a family business. Many people are affected by what happens, both emotionally and financially. Spouses may or may not be allowed to participate in ownership or employment, but they are affected by the outcomes and their children are often the key players of the future. Those who work in the business may have different levels of knowledge and involvement than those who have ownership alone, but they all feel a stake in the future and have interests that they will find ways to advance. There are many legitimate venues to include people in different roles without ceding control inappropriately, from family councils and assemblies to annual reunions or newsletters. The strongest family enterprises seek out their disparate voices, bringing them into the conversation rather than forcing them to find other ways to vent.

- **Step up to leadership.** Back-channel influence in a family business undermines the credibility and efficacy of the company's organizational and leadership structure. And while leaders may be the "victims" of this dynamic, they have a responsibility to step up to the challenge of addressing it. I have seen this go two ways. Sometimes, an outside executive must raise a difficult issue with a family member:

"I understand that I work in a family business. However, it is difficult for me to play the role you have asked me to play if I don't know the content and source of concerns being voiced. We need to find a way to improve direct talk about legitimate concerns so that we can decide if and how to address them."

More often, family leaders must step up to the challenge of putting appropriate boundaries back in place. When faced with a situation like this, a former client of mine who was the chair of his family company's board went to his parents and asked them to raise their concerns directly through him in his role as chair rather than through their longtime employees at the company. "Look," he said, "if you want to keep this business in the family, you need to let the professionals we have hired do their job, and stay out of the day to day." Not easy, perhaps, but it is the job of leaders to reset boundaries that have been blurred.

- **Attend to transitions.** There is a great deal written about the transition *out* of a role in the family business, but much less attention paid to creating an alternative way for the departing leader to play a role. The transitions out of management and ownership are hard and often require a reorientation around role and control. If your family is experiencing transitions of this kind or expects to, it is good to get ahead of them by thinking about how the role will change before it does. The Pullmans were so focused on making a full ownership transition that they under-attended to the expectations that went along with changing control. As a result, George Sr. did what he knew how to do best: He told his son what to do, with a full expectation that he would do it, just as he always had.

- **Learn from those who have been there.** For better or worse, this is familiar territory for family businesses. Find ways to connect with other businesses or with advisers who have faced these situations and come up with creative ways to get things back on track productively. If you have an outside board, they can also be a source (and an enforcer) of good practice. Often, the best solution is one that you don't have to create from scratch, but one that someone else has tested that you can adapt.

- **Don't avoid the conversation.** Perhaps most important, do something. You may wish that over time, back-channel influence will diminish on its own or that you can avoid dealing with it directly. We worry that having direct conversations will damage relationships or unleash a set of dynamics that will be difficult to control. The truth is, if you are experiencing dysfunctional influence over your business, these dynamics are already unleashed, and they are *not* in your control anyway. It is no harder to have the conversation you don't want to have than it is to deal with the repercussions of letting things lie.

Just raising the topic is the right beginning. Imagine Henry Pullman beginning the conversation with George.

"I think we have done a really good job making a transition to our generation, and that took work on our part and Dad's. But I've noticed lately that Dad sometimes tries to influence decisions that we have all agreed he wouldn't be involved in, and it creates conflict between us. Is it time to revisit this with him?"

Risk taking pays off

For the Pullmans, the ending was a good one, but not without effort. Henry and George, with the help of an outside board member, spent time thinking through their disconnects and ultimately built a strategy to help reorient their dad's contribution—reinstituting meetings with him as a pair. They also reinvigorated their family meetings so they had a place to address issues when they first came up.

It may seem risky to uncover and discuss back-channel influencers in your business. But like so many things in family businesses, once you are able to redirect the well-intended energy and attention to places where it can be productive, you'll wonder what took you so long. FB

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CFAR and Family Business: A Legacy Relationship

CFAR was among the first to systematically seek to understand and help family businesses, beginning in the early 1980s. We offered the first academic workshops of members of family businesses, and were instrumental in the founding of the Family Firm Institute, a global educational association dedicated to improving research and practice. We take our leadership in this field seriously, regularly writing, speaking, and convening groups on topics of interest to the family enterprise. And we practice what we preach: CFAR is currently implementing succession from our founders to the next generation of owners.

CFAR has worked for decades with large owner-led and family businesses in multiple industries, cultures, and across generations. We appreciate and admire the special character of the family business, the attributes that contribute to their longevity, and those that can get in their way.

In all of our work, but especially in organizations where mission and values create a strong culture—typical in family businesses—CFAR is attuned to structures and processes that will actually work. We bring years of experience to questions of strategy, organizational design, decision making, leadership, and collaboration—all applied to the client's unique situation. Our solutions are informed by experience but customized, not just pulled "off the shelf." We are committed to helping our clients learn how to build organizational resilience—and how to adapt when the future requires it. As a result, when we complete an assignment, our clients have the skills and understanding to lead sustainable improvement. Whether it's succession, governance, the growing family enterprise, how to involve family and non-family members as the business grows, family business executives who work with CFAR go forward equipped with the insights and tools to lead successful long-term performance and adapt to future change.

CFAR serves family businesses worldwide from offices in Philadelphia and Boston. The firm's consulting staff is academically trained in a wide array of disciplines including business strategy, economics, finance, conflict resolution, anthropology, and communications.

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