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.

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.

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:
...
ers 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—reinstating 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.
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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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