





“Communication, Communication, Communication”

Risk management is a top concern to most firms and family businesses. Within this context, the often disregarded relevance of good communication is alarming.

Communication is not just integral to the smooth transition of a family business from one generation to the next, it is imperative for the continuing success of a family business where the differing outcomes of commercial and emotional decisions often conflict.

Most business families suffer from the effects of poor communication. In a family business, it is common to see members of the family taking existing, often inherited, communication channels and efforts for granted, despite there often being room for significant improvement.

By their very nature, family members in a business can have several roles—as owners, employees, advisors, as well as shareholders—and this drives the frequency, depth and nature of what ought to be communicated. But families in business are of course also spouses, children, parents, siblings and cousins, and again, communication among them can be affected by prior experience and family folklore as well as the behavior of other family members.

Unfortunately, in many cases, this means that business interactions become complicated when an individual is both a family member and an involved or interested party as the two worlds of family and business collide. The divergence between someone's role and responsibilities in the family and his or her role and responsibilities within the business can create confusion among the family members and within the business, and can ultimately lead to conflict.

Recognizing the nature and dynamics of the different relationships within a family business is critical to effective

communication. However, it is also necessary to be aware that as people and businesses mature and evolve, these relationship dynamics can also change and evolve.

For example, when second generation siblings inherit shares in a business from their parents, the relationship between them is no longer just that of siblings but also now as shareholders and partners in a business. Inevitably this adds a different dynamic and intensity to their natural fraternal relationship.

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It is clear that in any evolving family business, as the number of shareholders and family members increases, so too, does the interaction between them. It is therefore necessary to ensure that the platforms used for communication also evolve with them. The increased complexity of relationships associated with such growth should be a catalyst for a different form of consultation and decision-making within the business.

The constantly evolving and changing dynamic within any family means that

the nature, frequency and channels of communication undergo rapid changes, often without the members even realizing it. In the context of a family in business, it is however important to understand the nature of these changes, which, if not adequately addressed, can often lead to challenges within the family and the business.

Before we understand these potential challenges, it is important to understand why we communicate, and the information we are communicating. In the family business context, one communicates to express emotions, to share ideas, dreams and visions, plans and ambitions for the family and the business. While some of this information may be deemed mundane and routine or irrelevant, some of it is not, and can be critical to the effective operation of the family and the business.

Effective communication within the business oils the wheels that keep the company moving, regardless of whether the communication mechanisms are formally documented and codified, or whether a more informal and ad-hoc system is in place.

Two-way communication among family members should be encouraged, remembering of course that communication can be both verbal and non-verbal. To facilitate this, it is critical to identify situations in which family members involved in the business as well as non-working family members/shareholders need to be apprised of certain information, or kept abreast of developing situations. Defective communication channels pose a number of threats in any business, but

specifically in a family business, such deficiencies can diminish or be perceived to diminish the relative standing of a particular family member within the family and business sphere, and as such, is likely to put him or her on the defensive, and may give rise to so-called “attack and defense postures” among “supporters.”

In a family-owned business, problems with defective communication strategies often arise when key information is only shared with part of the family, while leaving others, and any non-family employees in the dark. Often this lack of communication happens quite innocently with no malicious intent (indeed it is often done with the best of intentions, e.g. to avoid troubling or worrying other family members or employees) but it is important to be aware of the risks of a negative reaction. Excluding those who have a right to be kept informed of certain matters pertaining to the family business can be perceived (rightly or wrongly) as a deliberate attempt to conceal information and as an act of deceit.

Confused or defective communication within a family business can result from a myriad of sources. While no two family businesses are the same, the common denominators are a) a lack of alignment and b) a lack of clarity.

Where families lack alignment, some individuals within the family ecosphere do not understand the motives of the actions of others and this may give rise to inaccurate assumptions about the behavior of the people around them. Consequently, messages can be misinterpreted (or not even passed on)

or suggestions and ideas misunderstood.

Similarly, there is a risk where there is a lack (or perceived lack) of clarity around family business matters. This is because where there is uncertainty, there is also insecurity, which in turn breeds instability. Such negativity adversely affects emotions, and as such impacts the quality and robustness of relationships within the family business.

Clearly, with these potential challenges around every corner, it is beneficial to be able to separate the business from its management, and thus achieve a degree of detachment from emotion and enhance the use of reason. To be truly effective, it is necessary to ensure effective boundaries are drawn between the two systems, while retaining a means of connecting both systems where necessary.

This is particularly relevant in a family business where there are many potential sources of conflict due to having both familial relationships and business relationships simultaneously at play. Be it an issue of succession, a decision about declaring dividends or re-investment into the business, or simply conflicting personal or commercial objectives and priorities, inter-personal dynamics exist.

There are many communication strategies that can be employed to help families in business effectively manage both the family and business components. A starting point is for families to try and identify the issues that currently cause conflict and stress as well as those that have the potential to do so. Policies that pre-empt such issues can then be developed, forums in which such

issues can be discussed frankly can be implemented, and methods to reconcile family business conflicts can be agreed upon.

Introducing the necessary communication channels and decision-making platforms as well as defining a conflict resolution mechanism allows a family to capitalize on its competitive advantage of being a family business, while also manages the risk and threats associated that come with being a family business.

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Just as the realtor’s adage “location, location, location” holds true for real estate, the successful family business adage “communication, communication, communication” is true. Only when a family is able to properly manage the “family component,” and keep it separate from the business, can the latter truly prosper.

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