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Shared Value

# How to Prepare Your Family Business for the Unexpected

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About 7 years ago, I had what I considered at the time to be a brilliant idea for my students. In order to help them gain an understanding of entrepreneurship, I would have them work on an entrepreneurial project involving their family businesses. Their ideas for their projects were thoughtful and ambitious.

One student whose family owns tea plantations developed a plan for the family to enter the tea-tourism market. For another, the focus was on selling her family's clothing line in a country where they had not done business before. Another designed a webpage and online store for the family's boutique hotel. Each project was unique to the specific family business. As the semester came to a close, I was eager to hear the entrepreneurial insights students had acquired. I could not have been more surprised. Student after student stood to report on their project and instead of astute reflections about entrepreneurship, they spoke mainly about their relationships with their family members: *"Because of this project I now understand why my mom is so stubborn."* *"The most difficult part of my project was figuring out how to schedule time with my dad."* *"I had no idea why my family was so risk averse, but now I do."* *"My parents view me differently now, they talk to me like I am an adult."* *"I had no desire to ever work for my family business, but now..."*

The positive, but unintended consequences of this teaching experiment reveal what is just the tip of the iceberg of developing a relational approach to preparing family businesses for future unexpected events and leadership transitions.

As part of a pitch, one of my students described to the class his family's interest in producing civet coffee. I noticed a few students nodding their

head at the mention of the idea. The rest of us were looking up civet coffee on our phones. The coffee part made sense, but the idea of civet coffee as a product had no meaning. This is an example of symbolic interactionism, a theory in the field of social psychology that describes how we make sense of the world around us. According to the theory, as we interact with people, ideas, or things, they take on meaning for us. For example, something as simple as an apple has no meaning until it is described, seen, touched, or tasted. Similarly, if I grew up in Switzerland, the idea of a hurricane would likely be very academic for me. If I move to Florida, however, hurricanes will become much more personal and real for me. Meaning is how we understand the world around us, but shared meaning is what allows us to accomplish tasks together.

Shared meaning occurs when two or more people mutually understand something in a way that allows for action. For example, a raised hand in a classroom has an almost universally understood meaning, and facilitates action. At the other end of the spectrum, most of the students in my class were unable to even consider, let alone provide, feedback to the idea of entering the civet coffee market. Keep in mind that shared meaning is not necessarily agreement. I don't have to agree with using civets to harvest coffee in order to effectively interact with others on the topic. Mutual understanding implies that I know your approach, beliefs, goals, etc., that you know mine, and that we're both aware that we know these things about each other. This type of meaning in families is often neglected. We spend so much time with our families that it seems impossible that there are things we don't understand about them or that they don't understand about us.

Problems related to a lack of meaning in family businesses do not occur because family members are out of touch. It is not a lack of relationships, but rather a lack of experience with the situation that causes problems. Consider a next-generation family member working with a parent in the business for the first time. Any family that has experienced this event

recognizes that working with a parent or a child is very different from home life with the same people. Communication, processes, expectations, and consequences are often completely different than the norms established at home.

Any event or situation that is novel to the family or its individual members will result in a need for the development of new meaning. Business conflicts, illness or death, divorce, financial hardship, marriage, going away for school, *pandemics*, and a multitude of other changes represent situations that have the potential to disrupt the status quo. Left to develop organically, shared meaning around these new situations can take months or even years. These events are generally accompanied by quite a bit of stress, emotion, and ambiguity. As a result, shared meaning may never fully develop. Successful family businesses work proactively to develop shared meaning around key topics in advance of future events.

When I gave my students the project assignment, I inadvertently caused them to interact with their family in a way that, for most of them, had not happened before (the novel situation). The semester structure of the project required regular discussion, interaction, and reflection. But there's no need to participate in a class to build shared meaning. Interested families should follow the following four steps (together as a team). Think of it as a family business homework assignment:

1. Consider potential, not-yet-experienced events or situations that are likely to disrupt or differ significantly from the current understanding of how things work.
2. Understand, by discussing together, what it is about those potential events or situations that will likely cause difficulty for the family.
3. Create an interaction (experience) for the family related to the expected difficulties, such as choosing between siblings for next generation leadership, dealing with the sudden loss of a family leader, or disagreements regarding strategic decisions for the family

business. Interactions should be planned activities within the family that simulate aspects of the expected difficulty — the more realistic and engaging, the better. For example, a discussion as a family about how to choose a future leader is good, but creating a set of possible scenarios regarding future leadership decisions and solving those scenarios together as a family is even better.

4. Reflect together and individually about the shared interaction.

Interactions can be as simple as just having a conversation about a topic. But powerful interactions — those most likely to result in substantial shared meaning — are experiences that challenge family members intellectually and emotionally. Powerful interactions should not just uncover the thoughts, beliefs, and feelings of those involved; they should expose the reasoning behind them, compare and contrast them with others in the family, and apply them to real-world situations. The more intense the interaction you are able to design, the greater the learning and impact.

### **Examples of events that build shared meaning**

Since the accidental experiment I asked my students to do, I've altered my classes to include facilitated interactions as the core purpose. Below, I outline some of the interactions used in my courses, along with reactions from participating students and their families. These interactions revolve around four possible future events:

#### **Event #1: The need to make a difficult, values-driven business decision**

*Description of the interaction:* Family members complete an exercise where they choose values that reflect their beliefs and then rank them. The family then comes together to compare, contrast, and ultimately understand the similarities and differences.

*Sample reaction of families:* “Listening to and understanding the core

values of both my son and my wife was interesting. Some were evident and others gave me an aha moment. While we all had similarities in our values and a few that made it to the top of the list, our priorities also reflected differences.”

### **Event #2: Illness or death of a family member**

*Description of the interaction:* One parent is assigned to ask the family in a formal discussion: What happens if I die tomorrow? The family then attempts to answer the question as a group, addressing emotional and practical implications.

*Sample reaction of families:* “When my son and I were talking about death and if I have a plan in place...it really made me think about how I didn’t have one and how that would affect my family, their financial situation, and my employees. I immediately wrote down notes and I’ve begun the process to put a “What if I die” plan in place as soon as possible. It also made me reflect on my decisions to date and their future effect on my family.”

### **Event #3: Conflicting ideas from different generations**

*Description of the interaction:* Family members are asked to individually list the top growth opportunities for the business along with constraints. They then share their ideas with the rest of the family and the family has to work together to decide on the best idea.

*Sample reaction of families:* “I find it very interesting that many of the challenges discussed by my father are relational, whereas in my mind, challenges were mostly due to technology or profitability constraints. I know that business relationships have always set my dad and the company apart from competitors, but I have never heard him talk about the inability to forge relationships as a hindrance to expansion. Personally, I think it’s very cool to hear this from him, as I feel like I’m

finally old enough and mature enough to understand why he forms these relationships and how crucial they are to the future of the business.”

#### **Event #4: Conflict and difficult conversations**

*Description of the interaction:* Family members practice giving each other constructive feedback by sharing things that they think other family members can improve in order to become even more effective.

*Sample reaction of families:* “After listening to what I said, my dad thought about it. Then I asked him to repeat what I had said to him. Although it felt a bit weird, after he was able to repeat what I said out loud, it seemed like my words had almost become his words. It seemed as if we reached a mutual agreement on what had to be done. We both felt like this experience would help us move in a better direction in the future.”

The future is unknowable, but families can work now to prepare for many of the potential challenges and changes ahead. When family businesses encounter novel situations, shared meaning needs to be created before the family is able to effectively work together to adapt to the new situation. This process can take time and can be hindered by the stress and ambiguity associated with change. Proactive families can mitigate the impact of future challenges by taking a relational approach to their preparation. By designing and participating in prepared interactions, families can create shared meaning in advance of the change. This will minimize the time required to adapt and reduce the pressure and stress on the family so that they can focus on the success of the business.

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