



Complex Change in Family Business:

The interplay of family systems, transgenerational trauma, organizational culture, and decision-making.



KEY LEARNINGS

Why Significant Transitions (Scale, Sale, or Family Succession) Get Messy

How Family System Dynamics Shape Organizational Culture

Why Change in Family Business is More Complex Than Other Business Forms

Definition of Transgenerational Trauma (TGT)

Why the Effects of Trauma Persist Generation After Generation

How Owner Psychology Effects Change and Decision-making

3 Things You Can Do Today

KATE'S STORY

In late 2020, a next generation (next gen) family business leader (we'll call her Kate) asked if I had ever seen a truly healthy family business. Kate is in the third generation (G3) of her family's 63-year-old business in the consumer-packaged goods (CPG) space.

Her question is one that frequently comes up when a significant transition (such as generational succession, sale, or scaling the business in new ways) is eminent, and the question always holds unique meaning for the asker.

As we unpacked her question, she began describing attributes of her family business's organizational culture and family system. Kate worked in the business for about 2 years after having worked at a multi-national company leading operations for its ninth largest subsidiary for more than 11-years. Having worked her way through the ranks, Kate experienced teams with constructive cultures and other teams with challenging cultures that derailed goal achievement efforts.

Kate was head hunted from another role outside her family's business for the COO role in one of the subsidiaries at a larger, multi-national non-family business. In the first 90-days Kate focused on learning, observing, and seeking to understand. It only took 2-weeks for Kate to recognize her team needed to focus on culture if they were going to turn the subsidiary around and meet the goals she was hired to achieve.

She spent three years in the role transforming the team from underperforming to becoming the third largest subsidiary. As she continued to describe the CEO's reason for hiring her, it became clear that he saw competence and grit in her that made her an ideal partner. The CEO-COO pair became a dynamic team committed to changing things that held the company back. Kate was enjoying the power of teamwork, a vibrant culture, and the results they were delivering when her father had a health emergency and the family begged her to come back to the family business.

Raised to believe that in times of trouble family always comes first, she returned. Her father's recovery was slow but, he continued to "rule from this hospital bed".

One of the goals Kate had upon returning to her family's business was to change the "toxic culture that had always existed". There was a deep sigh as she shifted to talking about other family businesses she was familiar with, and finally got to the heart of what prompted her call.

In addition to her father's heart attack and struggling to get change for more than 2-years, her brother had been struggling with mental health issues while serving as Controller. The other family business she was describing was dealing with an attempted suicide of a family member who worked in the business. While the pandemic was putting pressure on both businesses, both adapted to the pandemic's constraints and opportunities, both were financially healthy despite falling short of goals, both had loyal employees with long tenures, and both struggled to find and retain new talent in key roles. Kate's second deep sigh preceded one final question.... "Why is this happening, and why does it seem impossible to change the culture in a family business? I've done it [led through culture change] before, I know what to do. It just doesn't work here."

First, I assured her that other family businesses with challenging family system dynamics have built constructive organizational cultures and that it only takes one person armed with critical insights to begin changing the system. We explored the reality that:

1. All families are imperfect because all people are imperfect, and perfection is not the goal. Understanding the imperfections and building practices that embrace the contextual reality without enabling counterproductive behaviors is the goal.
2. Unlocking culture change in a family business starts by seeking to understand family patterns, the good, the bad, the ugly, and the beautiful in a psychologically safe manner. Helping family members understand their role in the family system will give them greater control over their experience of change.
3. Changing the organizational culture always starts by changing behaviors in the family system. Seeking to understand the history and mapping the family system in the present enables the family to both connect to their history in new ways and better understand the impact on organizational culture.

As we explored these points, Kate recognized that other business forms do not have family system complexities. In her prior experience as COO at the multi-national she was able to get substantial change in relatively short period of time and in 3-years she was able to lead the subsidiary through profound culture change. Recalling this experience, she aptly noted that she did not attempt to make the change until she fully understood the current reality, the organizational history, and had a clear vision for where she and the CEO wanted to take the team. The pieces started to click into place, revealing that the gap in her current understanding of the family business organizational culture was “the size of the Grand Canyon.” Closing the gap meant gaining insights about her family system.

FAMILY SYSTEM & IDENTITY

Dr. Murray Bowen (1913 – 1990) was a psychiatrist and founder of Family Systems Theory who viewed a family system as a complex, dynamic, living structure that acts as an emotional unit. Further, the family fundamentally shapes values, beliefs, thoughts, and behaviors in its members.

As emotional beings, we are programmed very early in life by the emotions of our caregivers. Recognizing that our emotions drive most of our behaviors, we must understand the family system and how it shapes our self-identity to really understand ourselves.

Bowen’s perspective that, “The emotional system affects most human activity and is the principal driving force in the development of clinical problems. Knowledge of how the emotional system operates in one’s family, work, and social systems offers new, more effective options for solving problems in each of these areas.” (Bowen, 1993). Even when we are physically or emotionally disconnected from our families, a profound relationship exists.

From a psychological perspective, human emotions and the

meaning we make of them have a significant impact on the development of self-identity and behaviors. Our self-identity is a set of unique physical, psychological, and interpersonal characteristics and is derived from the interaction of genetics (nature) and learned behaviors (nurture). Our earliest interactions with caregivers have the most enduring impact on our self-identity. Most of these interactions occur between parents and siblings as we seek to get our basic needs met. These experiences shape lifelong patterns of emotion, feeling, cognition, and behavior.

In addition to experiences, genetics play a major role and, even when we are physically or emotionally disconnected from our families, a life-shaping connection exists. Studies with monozygotic (identical) and dizygotic (fraternal) twins who were separated at birth and raised apart demonstrated strong heritability of psychological traits (Bouchard, et al., 1990). For entrepreneurial families like Kate’s, these findings have additional implications.

ENTERPRISING FAMILIES

Over the past 50+ years researchers have examined the unique nature of family business owners who conquer obstacles and scale their business where most fail. Every five years the US Economic Census provides data about businesses that we can use to spot numerical patterns.

For example, as of the 2017 US Economic Census there were 31,720,139 businesses in the United States. Only 4% had over \$1M in annual revenue, 0.4% exceeded \$10M in annual revenue, and there are precipitous drop offs for each major growth curve between \$10M and \$100M. In fact, according to the 2017 census, only 1,903 businesses exceed \$100M in annual revenue (0.000058%).

That begs the question, what other patterns emerge in successful enterprising families that set them apart? Our initial research and whitepaper [The Psychology of Transitions –Moving Owners to Action](#) examined the nature of family business through the lenses of entrepreneurial identity, 5 personality attributes, and motivational forces that drive behavior. In this paper we will extend those insights to include the prevalence of mental health issues, transgenerational trauma effects, and the intersection of family systems to contextualize the unique experience of complex culture change in family businesses.



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Welcome to the complex, inner world of successful enterprising families! These families and their remarkable accomplishments demonstrate resilience, drive, innovativeness, and a family system that works for whomever is the holder of power and those closest to them. This dynamic enables the holder of power to build a psychological castle that fosters their ability to do things others simply cannot.

Sumner Redstone is the son of serial entrepreneur Michael Redstone who dropped out of high school and started his first business as a trucking company with a single truck. He went on to become a partner in two night clubs, a drive-in theater, and a loan company. Eventually he started a chain of drive-in theaters on land he purchased and developed under the operating name Northeast Theater Corporation and later renamed National Amusements. Sumner Redstone took over National Amusements and used it as a springboard to build his media and entertainment empire. He famously said, his business exit plan was “to live forever”.

At the time of his death in 2020, he held 70% of the voting stock for ViacomCBS. He had been forced out of the Chairman role when the Board legally challenged Redstone's mental competency. In his 2010 book, “A Passion to Win,” Redstone describes his fierce competitive drive and relentless pursuit to dominate the entertainment industry. He also describes traumatic experiences and aspects of his psychology that epitomize the term entrepreneurial personality.

His descriptions of the relationship with his father and significant traumatic events are hallmarks of a man who overcame adversity and built a self-identity tied to winning at all costs. He won through sheer force of will. The book recounts his story of hanging from a hotel room on the third floor of the Boston Copley Plaza with one arm. By the time he was rescued he was burned over more than half his body and doctors did not expect him to live. These formative experiences made him a formidable adversary who drove over anyone who got in his way.

Elon Musk offers us another example of a successful billionaire that drives over obstacles to get what he wants. In October 2022, he famously took over Twitter, summarily fired top executives and half the staff, then forced those who stayed to commit to working “long hard hours at high intensity” or take “three months of severance” and exit if they refused to consent to the job requirements. Steve Jobs, co-founder of Apple, is another example of an entrepreneur with a history of trauma that overcame obstacles to build an empire. A history of personal traumatic experiences is an interesting connection for Jobs, Redstone, and Musk.

TRANS-GENERATIONAL TRAUMA

They are not alone. Jobs, Redstone, Musk, Jeff Bezos, James Dyson, and Donald J. Trump are all famous billionaires with a history of trauma that profoundly impacted their identity, motivations, and leadership style. Reading the stories, many of the behaviors that helped them become successful appear to have served as coping behaviors as they made meaning of the traumatic event.

It was their way of surviving. The greater their success, the more intense the expression of these behaviors. Many are known for leading from the dark side, demonstrating negative leadership attributes like being autocratic, tyrannical, utilitarian and/or transactional. That begs the question, does trauma always produce leadership behaviors characteristic of the dark side of leadership?

Oprah Winfrey is a self-made billionaire, entrepreneur, television personality, author, producer, actress, and philanthropist. She describes a childhood riddled with sexual abuse and neglect starting at age 9. Winfrey turned her pain into fuel that drove compassion and generosity. Employees describe her as a charismatic leader who invests in her people and inspires them toward her vision. Go Daddy Billionaire, Bob Parsons, was deployed to Vietnam as a Marine. Facing intense combat, he won a Purple Heart, developing post-traumatic stress disorder (PTSD) due to the experiences. Parsons is widely reported to be an inspirational, charismatic, and collaborative leader. The coping mechanisms of goal achievement, teamwork, self-leadership, and choosing gratitude seem to have emerged as equally powerful forces for Winfrey and Parsons's success.

Beyond the rarified billionaire circle, many successful owners and enterprising families have similar stories. Over the last twelve years we've worked with hundreds of successful entrepreneurs and enterprising families. Reflecting on that journey, we find that each owner we have worked with has a story, most filled with traumatic journeys.

There are stories of conquering childhood neglect and abuse to fight their way to the top, being forced out of their country of origin to start over in America, facing 'mental health challenges and being unable to hold a job, finding escape in a creative endeavor that grew into a business doing hundreds of millions of dollars annually.

Researchers continue to pursue scientific insights that explain the complex biopsychosocial mechanism for successful entrepreneurship. While van der Kolk, Maté, and Yehuda are studying the phenomenon from the epigenetic perspective, Koellinger et al., (2010) and Rietveld et al., (2020) assert that a partial explanation rests in the genetic code itself and that the research in this area looks promising. One intriguing aspect is the intersection of their research as it relates to an entrepreneur's ability to successfully navigate the emotional journey (Fig. 1.0) and the nature of traumatic response.

Trauma is not what happened to a person, that is the traumatic event. Trauma is what happens inside the person as a result of the meaning the person made of the event and how it shapes identity, their behaviors, their health, and their overall functioning. Some who experience trauma and achieve business success develop constructive coping mechanisms and become great leaders. Others adopt behaviors characteristic of what is commonly referred to as toxic leadership. Which path a person takes and why remains an open question.

What we do know is that the residue of unresolved trauma permeates families for generations. Even though many owners did not personally experience the traumatic event directly, the resulting behaviors are driven by the biopsychosocial nature of how the body keeps the score (van der Kolk, 2015). That scorecard drives some to build organizations with constructive cultures like Winfrey and Parsons, while others build organizations reputed to have toxic cultures like Trump, Redstone, and Musk. In entrepreneurial families, this dynamic has a profound impact on the leadership style and culture in the business.

Have you ever reflected on the patterns in your family that repeat generation after generation? Carl Jung, the famous Swiss psychiatrist, father of modern personality typology, and psychoanalyst said, "until you make the unconscious conscious it will drive your life and you will call it fate." More recently, experts in the field of trauma, like researchers and practitioners Basel van der Kolk, Gabor Maté, and Rachel Yehuda, have described the nature of trauma as being held in the body. They have advanced the understanding for generational transmission of trauma through biopsychosocial mechanisms referred to as Transgenerational Trauma (TGT).

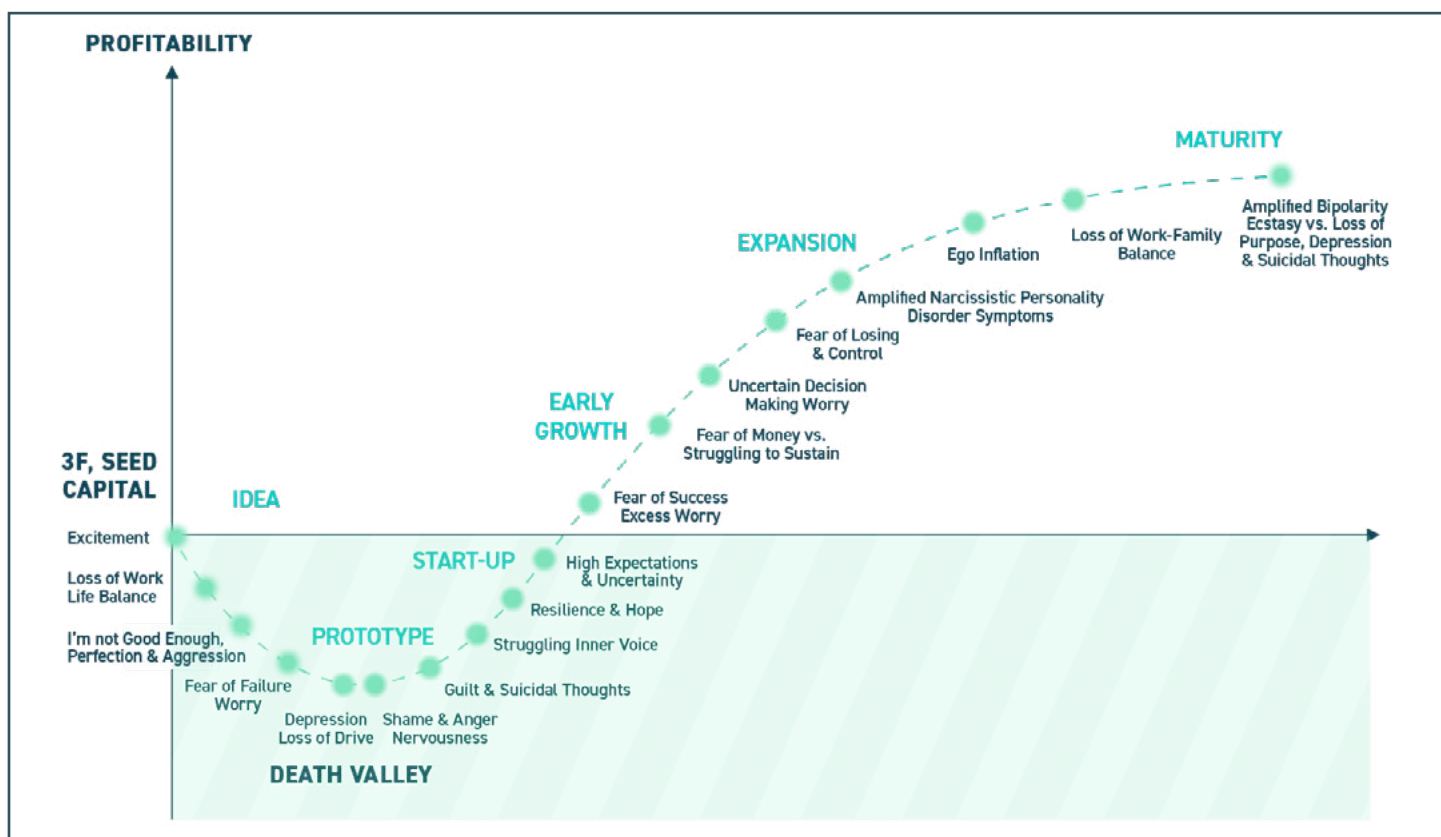


Figure 1.0 Clinical view: major emotional challenges along entrepreneurial phases. Adapted from the J-Curve (Love, 2016; Aly & Audretsch, 2021).

TGT research describes how effects of traumatic experiences are passed along family lines through epigenetics, physiology, psychology, and relationships. **Let's break it down:**

- **Transgenerational:** Passing from the family generation that experienced the traumatic event(s) to future generations.
- **Epigenetics:** When a parent or future parent experiences a traumatic event it can change the way genes are expressed without changing the DNA sequence. This change is passed to offspring.
- **Physiology:** The way organs work in the body. Trauma adversely impacts the hypothalamic-pituitary-adrenal (HPA) axis starting a complex cascade of hormone responses that are thought to underly Post Traumatic Stress Disorder (PTSD).
- **Psychology:** The study of the mind and behavior.
- **Relationships:** The social, emotional, and interpersonal interactions between two or more people.
- **Post-Traumatic Stress Disorder (PTSD):** An adverse mental health condition that occurs after a scary, dangerous, painful, shocking, or other intense negative experience.
- **Traumatic event:** The scary, dangerous, painful, shocking, or other intense negative experience.
- **Trauma:** The meaning the person made of the event. It is how they internalized the experience and developed beliefs and behaviors to cope with what they experienced.

Kate's unfolding story revealed a family pattern of depression, anxiety, and addiction. With compassion, we gently explored her maternal grandparents' journey from war-torn Austria through Canada to America and her paternal grandparents' similar journey from Norway to America through Argentina. Both sides of the family had success and prestige in their countries of origin. In fact, it was their success that enabled them to flee where many were forced to stay due to lack of resources.

Family members in Kate's generation know the stories of hardship her grandparents faced as children moving from country to country. Kate recalls the stories being told with a mix of passion, pride, and great sadness. With each move the hardships started over and the options became fewer and fewer. Both of her parents were raised by parents that lost their sense of identity, struggled to learn new languages,

adapt to new cultures, build new ways of providing for their families, being labeled, and rejected, having to fight for everything they got. Their scrappiness was a central part of their identities.

Landing in America, her maternal grandfather graduated American high school and eventually went to medical school. Her paternal grandparents were introduced by family friends when both were 16-years old. Her grandfather had been working at a dairy to help support his brothers and sisters after his father's death from pneumonia 2-years earlier. After dating for three months, they were married, and her grandmother began working as a cook and baker for a wealthy family.

Nine short months later, her grandmother gave birth to her father on the 1-year anniversary of the day her grandparents met. With a growing family, immigrant spirit, and the desire for a better life, her grandparents saved everything they could until they had enough to start a small bakery. By the time her father was a teenager, they had thirty-five employees and her father was one of them. He worked his way up from sweeping the bakery floor at age 9 to delivering goods on his bike at 13 and driving the delivery truck at age 16.

Kate's father "Rick" inherited his work ethic, immigrant spirit, and drive from her grandparents. He graduated summa cum laude with a bachelor's degree in marketing and immediately married his high school sweetheart before leaving for graduate school in Chicago. During finals week of his second semester, he received the news that his father died of a heart attack. With his pregnant wife in tow, the young family returned to help his mother run the family business. Kate's brother, "Jeff" was born 4-months later, and Kate would follow 18-months after that.

Overnight Rick became responsible for the care of his young family, his grieving mother, and four siblings. His mother struggled with depression and grief for the rest of her life. Rick took over the business in 1984 and continued to run it until his heart attack. Kate and Jeff grew up working in the family business just as their father had. Both went to graduate school and while Kate was recruited by a prestigious corporation her senior year, Jeff was expected to return to the business. This afforded Kate opportunity to gain experience, mentoring, and expertise outside the family business. She was groomed for leadership.

Jeff returned to the family business as was expected of him. He put his accounting degree to work as a junior clerk, then staff accountant, and eventually as Controller, where he has worked for more than 18-years. Kate describes her brother as feeling trapped and unable to choose a different life. She reports feeling resented by her brother who resists every change she tries to make to improve the culture and grow the business. Her father continues to lead the management team and often pits the siblings against each other. Kate feels a sense of responsibility to her family and describes herself as being “just as trapped as Jeff”.

This may sound more like a typical family business story rather than a story of trauma. However, trauma is not the event(s) that happen(s) to a person. According to Dr. Maté, trauma is the meaning a person makes of the event(s) and the behaviors they adopt to cope. What's more, the stresses of forced migration, dramatic changes to identity, intense fear, and insecurity likely led to alternations in gene expression that were passed down from one generation to the next.

The repeating pattern of sudden paternal death and the need to redirect one's life to care for the family are flags that signal TGT is present in the family.

The very coping behaviors that helped the family survive have become the challenges Kate is seeing as obstacles for change in the family and the business.

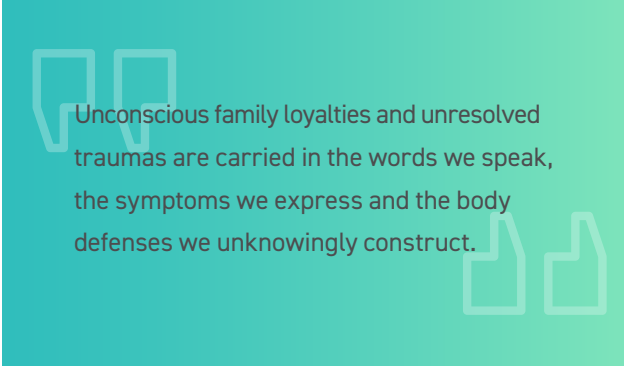
According to leading expert, Mark Wolyn (2022), “Unconscious family loyalties and unresolved traumas are carried in the words we speak, the symptoms we express and the body defenses we unknowingly construct.” The family business was created to ensure financial security for the family and the culture was built to ensure the psychological safety of Kate's father, Rick.

Rick built a psychological castle that accommodated his personality inclinations, mental health status, and means of satisfying his motivational drivers to develop coping behaviors that allowed him to thrive. These coping behaviors impacted the type of employees he selected and learned to rely on, the systems and processes that were implemented and any exceptions to processes he reserved for himself, the culture, leadership style, and the approach to decision-making in the business.

The results spoke for themselves, Rick built a successful business and developed a success bias. A success bias is a faulty mental model that leads owners to believe that the way they behaved in the past led to their success and any future success depends on them continuing those same behaviors.

In other words, the behaviors that were strengths for growing the business have become weaknesses that are causing the business to struggle from underdeveloped organizational capacity, over dependence on Rick, and leading to emotional pain and frustration in the family and non-family executives. Kate was not exempt from this experience.

As we talked, she also realized that stepping into the role of owner and President to rescue the family is a repeating family pattern. This awareness caused Kate to begin exploring why her situation was different from Rick's and how what happened to her father would not happen to her. Yet, she could not escape the fact that while she wanted things to be different, she was now living in her father's psychological castle and what worked outside the family business wasn't working in the family business. This is the core belief that led to her feeling of being trapped.



Unconscious family loyalties and unresolved traumas are carried in the words we speak, the symptoms we express and the body defenses we unknowingly construct.

FAMILY SYSTEMS & ORGANIZATIONAL CULTURE

While we all take our families to work with us, it is a very different experience in a non-family business. In non-family businesses the culture is shaped by the leaders at the top who come from different family systems, backgrounds, and diverse sets of knowledge, ability, skill, and experience (KASE).

The primary motivation is maximizing shareholder value. Those who fail to deliver are readily replaced and forgotten over a very short period.

For family businesses, the behaviors and emotions of the family system are reflected – and often magnified in the organizational culture where preservation of family cohesiveness and socio-emotional wealth (SEW) are often more important than the bottom line. When family members fail to deliver in the business, they remain part of the family even if they are removed from their role. Practically speaking, the biggest difference for changing culture in a family business is the presence of family system dynamics as the central and defining feature.

Kate started where she had gotten results in the past. By working with staff to create a set of values-based behavioral expectations, setting a clear goal, and aligning the team around a set of achievable actions. She attempted to reinforce the new ways of being and doing through messaging, performance reviews, and reward systems. No matter how hard she tried, people continued to engage in triangulation, work arounds, artificial harmony that would swing to mean spirited attacks, and the absence of accountability. Performance targets were missed, and the business was showing early signs of financial weakness.

Faced with disappointment and frustration about her inability to get results, Kate was at a crossroads. She threw down the gauntlet and told her father and brother that unless things changed, she was going back to Corporate America. Kate admitted that she immediately felt guilt and shame at the thought of abandoning her family. She wanted things to be different but couldn't find a way through.

After our call, Kate went back to her father and brother with an olive branch. They agreed to a family retreat focused on gaining shared understanding and alignment for the future. The family also invited the adult children in G4 to participate. Jeff's three sons were in college, as was Kate's daughter. Kate's son had graduated and started his first professional role at another company a few months prior. All G4 members had worked in the business during summers and holidays starting their freshman year of high school. Only Jeff's oldest had interest in joining the family business but, they all came to the retreat.

THE ROLE OF EMOTION AND MENTAL HEALTH

During the retreat, we started by mapping the family journey using family stories to go back in time to Rick's grandparents. Family patterns slowly emerged and could be traced through the generations.

In each generation, there was a hero who rescued the family in moments of crisis and the crisis pulled the family together, resulting in patterns of innovation, resilience, grit, as well as depression, dependency, and anxiety. This insight led to deeper insights about the individual emotional experiences of Rick, Jeff, Kate, and the next gen.

We explored the nature of emotion as biochemical and physiological reaction to stimuli. We do not have control over our emotions, they happen to us. Control exists at the feeling level. Feelings are the meaning, we make of our emotions, and it is our feelings that drive thoughts, behaviors, and results. Murray Bowen taught that knowledge of how the emotional system operates in the family, work, and social contexts is the key to change and improvement. Additionally, Bowen believed that personal and relationship problems stem from exaggerated responses to sensing a threat to family harmony.

For example, the reaction to a family disagreement can produce an exaggerated pull for unity to the point that the family cannot tolerate differences of opinion. Another common example is when a child is distressed and acting out, the parent might engage in over-parenting to the point that the child is prevented from developing the capacity to self-soothe.

In family businesses, this type of reaction might look like enabling a member of the family to remain in a role they are unqualified for by rescuing them rather than holding them accountable. Or holding fast to “the way we have always done things” even though there is dissatisfaction with the results.

Successful entrepreneurs engaging in these behaviors build psychological castles to protect themselves from emotional pain, avoid threats to their psychological safety and identity, and prevent themselves from being overwhelmed by the outside world. Their castle grounds extend beyond the theater of their mind to the business and its organizational culture. People who survive in the owner's castle can adapt to the owner's ways of being and doing. Those who can't (or won't) adapt choose to leave.

These psychological castles become emotional prisons that limit the owner's ability to change. They feel safe in the castle they created, doing things as they always have. In the face of a threat requiring significant change to their ways of thinking and behaving in their castle, emotions get triggered, and the defense begins. Defense mechanisms may include passive-aggressive behaviors (pulling up the drawbridge while someone is walking on it), creating double-binds and no-win situations (filling the moat with alligators), or direct mean-spirited personal attacks (fire breathing dragons). In the theater of the owner's inner world, they rationalize these thoughts and behaviors as necessary to protect the business.

Kate inadvertently became a threat to both her father and her brother's psychological castles. Drawbridges were pulled up, the moat was full and stocked with alligators, dragons were circling above ready to devour further attempts at change. She was doing what they begged her to do for the company, so why was this happening?

People who live with the effects of trauma often experience an emotional response to triggers that cause a biochemical and physiological cascade resulting in a fight, flight, or freeze reaction that is out of proportion to the experience. Despite wanting to change, they are driven by psychological and biological forces they cannot control. That was the case with Rick and Jeff.



As we peeled back the repeating family patterns, they began to discover how the challenges of the past were keeping them stuck in the present. The family began to move their unconscious experience to their conscious awareness, allowing new insights to create clarity and shared understanding. Slowly, they began taking control of their psychology rather than letting it continue to work against them.

One of the layers we unpacked sparked awareness that depression and anxiety had been present in the family for many generations. This insight opened the door to deeper conversation and Rick was able to share some of his parent's journey in ways neither Jeff nor Kate had appreciated. When we explored further, the family recognized that in some cases the coping behaviors they developed were tied to traumas they had not directly experienced. In other cases, their behaviors were a reaction to struggles they had gone through as a family when Jeff and Kate were very young. In addition, Kate was beginning to suspect mental health issues may be present in the family.

Kate revealed that she had been treated for depression and anxiety. She was shocked to learn that the prevalence of mental health conditions are higher in entrepreneurial families than in other populations. Freeman, et. al. (2018) conducted a mental health study that compared the prevalence of depression, attention deficit hyperactivity disorder (ADHD), anxiety, addiction, and bipolar disorders among entrepreneurs and a control group. They found that entrepreneurs had significantly higher prevalence for (Fig. 2.0) depression (2x), ADHD (6x), addiction (3x), and bipolar disorder (11x). What's more, they had a higher prevalence of co-morbidity (having more than one disorder) than that of the control group.

The only mental health disorder with similar prevalence is anxiety, which mirrors the prevalence rates in other studies of approximately 25% of the general population. Bessel van Der Kolk (2015) cites these disorders as common among people that have experienced traumatic events. This was initially alarming to Kate until she recognized that the family had been successful despite, or perhaps because they faced these challenges. The coping behaviors the family had developed allowed them to push through obstacles that crushed others.

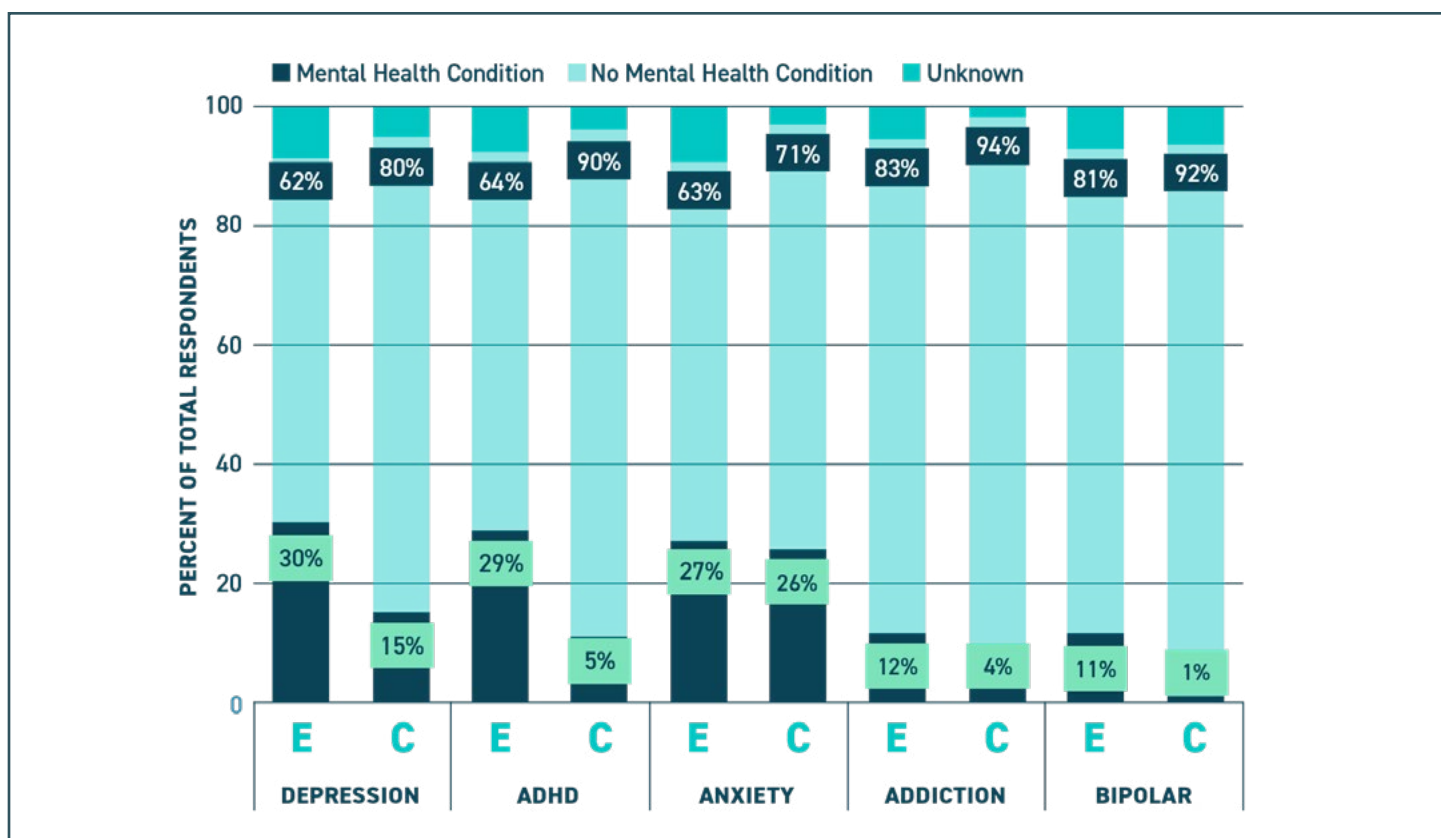


Figure 2.0: Prevalence of mental health conditions in entrepreneurs and a control group. (Freeman, et al., 2018).

Unfortunately, the past had been catching up with them for several years. As their business grew, leadership demands shifted markedly, requiring skill and ability neither Jeff nor Rick had developed. In addition, the market environment during the 2019 – 2022 COVID-19 pandemic was increasingly volatile and uncertain. What worked in the past was not working anymore. Rick and Jeff knew something had to change and they believed bringing Kate back would fix things.

Leaning into that realization, we were able to pinpoint changes the family believed needed to be made. Jeff acknowledged he was dealing with anxiety and agreed to seek clinical help. This process also revealed that Jeff struggled with alcoholism in a vicious cycle fueled by shame, guilt, and insecurity. Kate compassionately helped Jeff see how his behaviors mirrored their grandfather's coping mechanisms of self-medicating through alcohol and Rick began to sob. Rick knew his dad was an alcoholic but never spoke the words aloud out of love and fear.

Rick had taken on the role of caretaker for his mother and protector of his father's memory and legacy. Kate was the family observer who internalized issues and determined she would not fall into the same family patterns. She identified these beliefs as major motivating factors for not wanting to participate in the family business and yet she reluctantly returned to rescue the family. As Jeff and Kate's children listened to the family story, they began to lovingly ask questions that challenged the older generation's paradigms.

By the end of the retreat, the family had a deeper appreciation for each other and greater pride in what Rick's parents were able to accomplish. They had long viewed family business ownership as both a blessing and a curse. While they were on the path to getting free of this mental model, they all knew they had a long way to go. Yet, their mind maps for what the family business meant to them and what the future could look like were filled with more hopeful thoughts than points of discouragement or old ways of thinking. They left the retreat with shared understanding, awareness, and a commitment to change.



FROM AWARENESS TO CHANGE

Over the next several months, the family took a multi-faceted approach to addressing their issues. They documented their family story and continued to intentionally challenge long-held mental models. We brought a clinical therapist specializing in family trauma onto the team to address the mental health issues.

With the help of their longtime external accountant and the addition of a fractional CFO, Jeff took a 60-day sabbatical to focus on his health. Kate began leading the Management Team meetings, while Rick focused on separating governance and operational management decision-making.

The family formed a board of directors (BOD) and included two members of the next generation. One of the most significant changes they made at the end of the first year was to fully transition accountability for operational management to Kate, moving her from COO to President. In this role, she implemented a new strategic planning and accountability process. The process began with SWOT and organizational culture assessments to establish shared understanding for their current reality and what needed to change to achieve results.

Kate and Jeff agreed that he would remain CFO, but they would build out the accounting team to include experienced professionals with proven strategic capabilities in finance, analytics, and treasury functions. This created another round of friction in the family, and it was difficult for Rick to navigate the rapidly changing ways of being and doing. Kate insisted on creating transparency and accountability in all areas, including how the family finances were supplemented through the business.

They created accounting practices that moved the family perks to the BOD budget and tied strategic initiatives to the corporate budget as the financial expression of strategy. It took nearly 16-months to build the management team and the new practices in to align the top team with culture and strategy goals. As Chairman of the Board (COB), Rick had voice into the process of hiring sales, marketing, and other top operational leaders, but acting in her role as President, Kate was the ultimate decision-maker. These new behaviors surfaced challenges that threatened to derail the entire process.

Triangulation and artificial harmony were the two most challenging issues the family and their new leadership team had to conquer. Rick's natural wiring was that of a typical entrepreneur and his need for control and significance were consistently being triggered. New faces were coming into the business and taking on decision-making he had always reserved for himself, believing he "always knew the right things to do even when they didn't sound right to others." Rick's positional authority as COB was limited to governance activities and his influence with the new management team was also limited by Kate's leadership skills and ability to build trust with the team. The corporate bylaws and operating policies supported Kate's authority and legacy employees were held to account when they engaged in counterproductive behaviors.

Being constrained in this way was a source of painful emotional change for Rick. His most challenging moments involved changes to what he believed was "core to the company's success." In these moments, Rick experienced triggers that generated anger and fear. One of the biggest blow ups was over the modernization of the brand expression. Kate had a mandate from the board, it was part of the strategy and budget the BOD unanimously approved. Rick's tirade was so severe that it led to him being asked not to come to the office for 2-weeks.

When the loss of power triggered these emotions, Rick would pull Jeff into the conflict using the father-son relationship to get his needs met through Jeff's positional authority, control, and sometimes influence. This example of triangulation fueled by PACI (Power, Authority, Control, Influence) dynamics was consistent with old ways of being and doing. Rick's tirade was so severe because Jeff held the boundary and would not intervene with the management team on Rick's behalf.

Kate and Jeff met with Rick offsite twice a week for those two weeks. They worked with the family therapist to better understand the emotional journey Rick was experiencing and help him find new ways of getting his needs met. Triangulation is the behavior that took the most time and effort to change, and they are slowly creating new behaviors but, it remains a work in progress.

LEADING CHANGE

Having negotiated family agreements for the separation of operational management from family governance and organizational governance structures enabled Kate to step in as President to lead through new, constructive behaviors.

It took the family nearly 2-years to put these new behaviors, agreements, systems, and processes in place and it was not a straight line. Many of the twists and turns had to do with Rick going through iterative periods of having to re-negotiate his inner world and let go of long-held beliefs that no longer served him. This included defining who he was without being the President of his company and finding satisfaction in seeing his children and grandchildren thriving.

Remaking identity when it is fused with his role as owner is never a straightforward journey. The advantage Rick had was the compassionate and informed support of his children and grandchildren. Rick's big aha moment came when Kate's son, "Mark" who had graduated college and went to work for another company, asked to come into the family business. Mark went to Rick and described why he had adamantly refused to join the business until this point.

While Rick had sarcastically remarked to Kate many times that Mark didn't want to work for the family business because her choices to work elsewhere "poisoned Mark's mind," he finally learned the truth. What Rick learned through that conversation is that Mark saw the stress Rick and Jeff were constantly under, how neither ever seemed happy and they were always fighting. Mark described his anger and frustration at Rick for demeaning his mother's career choice. Mark quoted Rick's words back to him, "Kate abandoned the family to trot around the world as an executive for someone else," adding that couldn't have been farther from the truth.

Mark watched his mother work hard, receive recognition, prioritize her kids over her work, and still rise to the top of her field. Mark did the math and realized he could achieve his financial goals with less stress and a more satisfying life if he followed in his mother's footsteps and worked outside the family business. While Rick viewed this as Kate poisoning Mark's mind, Mark looked at it as Kate "having the courage to break free of the traps that kept Uncle Jeff and Grandpa Rick in a prison of their own making."

Rick loved his family deeply and it was painful for him to hear Mark's perception. Through tears, Rick recounted the conversation for Kate and Jeff. This turning point allowed Rick, Kate, & Jeff to care for one another and break down the walls that kept them from having the honest family conversations they needed to have. Today, Jeff describes the difference as "feeling like I can breathe." Rick still struggles with feelings of being irrelevant and wanting to express his entrepreneurial style but, he admits that he is happier and more at peace than he has ever been.

Kate is in her third year as President of the company. The family and business governance meetings are allowing her to experience constructive accountability and support from her family. They have expanded their BOD to include two non-family advisors with skills the business needed to grow. One of the advisors has mentored two of their new non-family executives. Both the family and the business still have challenges, but, in Kate's words, now they have the "right kind of challenges."

Unlike Rick and Jeff, Kate finds joy and satisfaction in leading a team of highly skilled professionals who challenge her and each other. She thrives in productive conflict and feels a sense of pride when the team wins! Kate is also quick to point out that her father and Jeff are the family members that took a small bakery business and grew it through sheer grit and determination.

They were the team that overcame challenges of growth in the early stages where personality, dogma, and force of will are the traits that are needed. They took the business to the top of what their natural inclinations were well-suited for. Kate is keenly aware that the business is in a stage of its organizational lifecycle that make her unique talents and psychological wiring the right fit. She also knows that there may come a time when it needs another infusion of Rick's brand of entrepreneurial strengths. For today, Kate is grateful for her father's courage and willingness to do the hard work on himself and the business. Kate, Rick, & Jeff are united in their mission to ensure the family and the business are thriving for future generations.

SUMMARY

- Organizational cultures in family owned and managed businesses are tied to dynamics in the family system.
- Recognizing that safety is “not the absence of a threat, it is the presence of connection” (Stephen Porges), is crucial for helping the family learn how to be present and connect with one another.
- Creating a safe space for family members to courageously explore the issues is essential for changing the family system and creating constructive family business cultures.
- Awareness comes by compassionately going below the surface to understand how the family system is functioning and, perhaps more importantly, why it functions as it does.
- Change comes when we create self- and other-awareness by making the unconscious conscious.
- Mapping the family history visually and in words to create a positive connection to the past, identifying repeating patterns, and connecting historical patterns to present-day family experience increases shared understanding and compassion.
- The 5 mental health issues that are more prevalent in enterprising families are also common to people with a history of trauma.
- Trauma is not the event(s) that happened, it is the meaning the person makes of the event(s). Trauma is personal and internal.
- Trauma creates biochemical, physiological, and behavioral effects that are passed through both nature (genes & epigenetics) and nurture (experience).
- Freedom from behaviors rooted in family patterns that once served the purpose of protection from pain and suffering but now are the source of pain and suffering creates greater opportunity for the family and the business to thrive.



Clear Water Insights provides the business transition tools advisors need to fully prepare clients for their business transition journey.

Unlike traditional transition planning solutions, which mostly focus on financials or business attributes, our transition assessments provide the personal insights advisors need to empower owners with greater clarity, confidence, and control.

Our assessments were designed and developed by Dr. Allie Taylor, Ph.D. from the business transition consulting firm, Orange Kiwi. They are based on her award-winning research into the psychology of owners and management teams at points of significant transition. Part diagnostic, part roadmap, our tools help advisors measure transition readiness and capacity on multiple levels and deliver more satisfying transition outcomes for business owners.

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Web: clearwaterinsights.com

Email: info@clearwaterinsights.com

LinkedIn: <https://www.linkedin.com/company/clear-water-insights>

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