



CHRISTINA R. WING

Note on Difficult Conversations in the Family Enterprise

“The single biggest problem with communication is the illusion that it has taken place.”

– George Bernard Shaw¹

Introduction

The best time to have a difficult conversation is, ideally, as soon as possible.² Engaging in challenging conversations early can produce beneficial results for several reasons, including:

1. **Resolving issues:** By addressing problems or concerns promptly, you can resolve them more effectively and prevent them from escalating.
2. **Improving communication:** By having open and honest communication, you can build trust and understanding in your relationships. Establishing a level of trust and a willingness to be open and honest with each other will only improve the ease of such dialogue in the future.
3. **Preserving relationships:** Having difficult conversations sooner rather than later can help preserve and strengthen your relationships, rather than allowing conflicts to fester and potentially damage them.
4. **Increasing efficiency:** Confronting the problem quickly can allow you to move forward with your work or activities without the issue lingering and becoming a distraction, resulting in a more efficient relationship.

There are additional positives to timely communication beyond the scope of the core four reasons and each resolution likely provides its own unique advantages.

Below you'll find:

- Best practices for difficult conversations.

¹ CEO Magazine, “The Single Biggest Problem with Communication” September 2019. Accessed September 2023, <https://www.theceomagazine.com/business/management-leadership/the-single-biggest-problem-with-communication/>.

² Davey, Liane. “A Game Plan for That Conversation You’ve Been Putting Off.” Harvard Business Review, vol. 95, no. 4, April 2017, <https://hbr.org/2017/04/a-game-plan-for-that-conversation-youve-been-putting-off>.

Senior Lecturer Christina R. Wing prepared this note as the basis for class discussion with the assistance of Vicki Morton, Jack O'Donnell, Kara Perusse, and Madeline Tolsdorf.

Copyright © 2023 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to www.hbsp.harvard.edu. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School.

- An example of how to initiate such communication and prepare the recipient for the conversation.
- Steps to guide the dialogue.
- Methods to uphold the outlined intentions.
- Examples of difficult conversations.
- Options if the conversation goes poorly.
- Thematic questions where Rising Gen members should feel comfortable asking for clarity.

Best Practices for Difficult Conversations

- Give the other person/people **advance notice** about the conversation (ideally 24 hours or more).
- Ensure all necessary parties are included.
- Have the conversation in a **neutral space**.
- **Set norms** for the discussion to enable a healthy dialogue.
 - Norms are mutually agreed-upon standards of behavior.
 - Examples of norms:
 - Be present: no technology (laptop, cell) usage.
 - Be an active listener: do not speak over each other.
- **Be vulnerable – expressing your genuine emotions will lead to more open and honest communication.**
- **Define your ideal outcomes** while remaining sensitive to the ideal outcome others may have prior to having the conversation.
- **Be collaborative** rather than combative.
- **Compromise where you can.**
- **Listen with intentionality – avoid immediate rebuttals – instead, process the information, and respond accordingly.**
- **Remember the goal** – to share your perspective and be receptive to their perspective. View these conversations as a bridge to connection.

Initiating Difficult Conversations

It's best practice to engage in this communication in a manner that demonstrates your investment in the dialogue. Thus, it is encouraged that you prioritize having this conversation in person or at least over the phone. This guide is illustrative and meant as a framework for initiating the conversation upon which you can build. Adding personal aspects to improve the strength of your message is recommended.

Hi {insert name of recipient},

I'm reaching out because I wanted to set up a time {date that is 24+ hours from this conversation} for us to meet and discuss {focus of conversation}. I realized that I'm lacking clarity around {focus of conversation}. I'm confident that upon talking with you I'll be better prepared for the future and ready to improve. I genuinely appreciate you being receptive to this dialogue and look forward to chatting soon.

Incorporating some mutually beneficial language demonstrates best practices within the message. The second sentence highlights a willingness to compromise and a certain level of vulnerability. The third sentence exemplifies that you are ready to change and firmly believe it will be positive for you, thereby conveying a certain confidence the same will be true for your conversation partner. After the recipient confirms a date and time, select the relevant best practices (from “Best Practices for Difficult Conversations”) to share with the recipient and communicate why you are sharing these best practices.

Guiding the Dialogue:

“Proper communication will always be a main ingredient for building family solidarity and permanence.”

– Marvin J. Ashton³

Going into difficult conversations with a set plan is important to make sure the conversation is productive and successful. These three steps can help serve as a framework for guiding the conversation along.

- Get on the same page.
 - Start the conversation with a connection, mention things you have in common.
 - e.g., I know we both appreciate how much work it took to get our business where it is today.
 - Make sure they are aware of what the conversation is about and what you are looking to get from it.
 - Make sure they understand that you want to know their perspective too.
 - Communicate that you are searching for clarity and understanding.
- Stay objective.
 - Remain levelheaded and honest, instead of accusatory and blameful.
 - Focus on having an open tone, and try to stay positive, even if you become frustrated.
 - Difficult conversations can get heated. If the tone turns too negative and unproductive, suggest taking a break and resuming the conversation after everyone has had a chance to calm down and be reflective.
- Align on the next steps.
 - At the end of the conversation, review key takeaways as you heard them to confirm that you are ending with the same impressions.
 - Come to a consensus if any follow-up conversations are needed to find answers to your questions and/or solutions to any issues discussed.

Upholding the Intentions

- These conversations will likely require a follow-up conversation or a forum that involves other members of the family.
- It is often helpful to introduce a neutral third party, such as an advisor, to be involved in these larger format conversations.

³ <https://quotestats.com/topic/communication-and-family-quotes/>

Example Conversations

Figure 1 Guiding the Dialogue



Source: Created by note author.

Succession

Context: Steve is 29, the oldest member of his family's G3, and about to enroll in business school after working in private equity. He always assumed he would eventually become CEO at Steelworks, a steel manufacturer started by his grandfather (G1). However, his mother (G2), the current CEO, has never discussed succession planning with him.

Get on the Same Page

S: Mom, as you know, I am going to business school next month. I'll miss living close to you but I'm excited to learn more about business and make new connections. I really value how hard you have worked for our family and to make Grandpa proud. I wanted to have a conversation with you about succession planning because I'd like clarity on what role you envision me having at Steelworks before I start school. Is there a path for me to succeed you as CEO?

Stay Objective

M: Sure, Steve. I'm surprised you want to talk about this because you haven't expressed interest in working with us for several years. I thought you were having a wonderful time in your private equity role. I didn't want to say anything about joining the family business because I didn't want to pressure you. Admittedly, I resent your grandfather for forcing me to work at Steelworks right after business school. I didn't want you to resent me the same way.

S: I'm glad you shared that because I thought you knew I always wanted to help grow the company. It's true I've enjoyed my experience in private equity, but I'd like to join

the family business once I graduate from business school if there is a path for me to become CEO. I think with my work experience and education I would be an asset to our brand and could lead the company. Do you currently have a succession plan?

M: I always thought your cousin John might take over from me. He works on our Sales team, lives 5 minutes away from our headquarters, and is always going above and beyond. I'll have to reconsider now that you've shared your desire to join the business.

S: Have you spoken to John about if he's interested in succeeding you?

M: No, I haven't. I just thought that he was a good fit since I want my successor to be a family member and he currently works at Steelworks.

S: I'm glad to know that you want to keep leadership within the family, I assumed that but never knew if it was correct.

Align on Next Steps

S: I would like to have clarity before I go to business school on what my role could be at Steelworks if I join after graduation. Can we have a conversation with John and other members of my generation about their interest in the business? If the family decides John should be groomed to be CEO, I will need to factor that into my plans.

M: When should that conversation happen? I'm a bit busy this month.

S: Mom, I realize that this is a tough month but the sooner the better. My generation needs clarity to help plan for our futures. Can we meet in 2 weeks? I can draft the email for you to send inviting G3 to meet.

M: Ok, Steve, I hear you. I'll have my assistant book us a conference room. Send me the draft email and I'll send it out to you and your cousins.

Inheritance

Context: Jason is 27 and doesn't have any interest in joining the family business, Real Works, a real estate development company founded by his dad, Keith. In addition to his salary from his 9-5 job, he lives off a monthly stipend his dad provides him so he can go out to dinner, add to his sneaker collection, and travel. The family office staff book all of Jason's travel and pay his bills for him. One of his friends, CJ, was in a comparable situation until he turned 30 and his parents cut him off. Jason is now anxious because he doesn't know the inheritance plan his father has in place.

Get on the Same Page

J: Dad, I really appreciate how much you support me. It's been nice to have a job I enjoy without having to worry about the salary since you supplement me. I wanted to have a conversation with you about the plans you have for my inheritance. Have you done any estate planning?

Stay Objective

D: Jason, I've been meaning to find a time to sit down with you. I can't keep supporting you like this. Some of my investments haven't gone as planned. I just sat down with our

family office accountants, and you spent \$40,000 last month alone. Did you know you were spending that much?

J: I didn't, I don't keep track of what I spend. I just assumed that you would let me know if I was spending too much.

D: Well, that time has come. I want you to make a budget and stick to it.

J: I don't know if I'm ready for that, or at least I don't know if I can budget on my own. Is there a way for me to meet with someone to go over my financial plans and help me budget for the future? I also need to know how much I'm expecting to inherit so I can budget accordingly.

Align on Next Steps

D: I'm restructuring some of my investments, so I won't have a clear answer for you for a while. I can have someone from the family office meet with you to talk about budgeting though. Can you send me a list of the expected necessary expenses you'll need help with?

J: Sure, I can send you that list. I really do need to know what amount I should budget for in the future though. Even if my inheritance will be lower, it would be helpful to have someone share the amount with me so I can plan accordingly. Can we have a follow up conversation a month from now to check in?

D: Ok, I'll have one of my estate attorneys schedule a meeting with us to go over the expected plans a month from now

Family Dynamic, Required Prenup

Context: Crystal, 32, is about to get married to her long-term boyfriend, John, whom she met while studying abroad. Wedding planning was going smoothly until her dad, Lee, CEO, and G4 of their family business, Oil Works, called her unexpectedly and asked her to meet him at his office. When she got there, he had a stack of paper on the desk and told her it was a prenup that she and John needed to sign.

Get on the Same Page

C: Dad, I know you care about me, and I thought you were excited about John becoming a part of our family. I need you to explain why you're forcing us to sign a prenup. I really don't want to sign it because John doesn't even know how much Oil Works is worth. This will be awkward for me to have to explain to him. Can you explain why you don't trust John?

Stay Objective

D: Crystal, this has nothing to do with distrust. It's to protect our family's assets.

C: I don't see how this will affect the family, it would just affect me and my life. If we do get a divorce, he would be getting some of my shares only. Why would the rest of the family care?

D: Some of your shares may seem insignificant now, but we really want to keep everything within the family. By declaring your stake in the business as a separate asset, you'll ensure that you have separate funds to support you. If you get divorced without a prenup, it's the state laws that decide how your assets and debts are divided. Often, the way the state chooses to divide assets and debts might not match our desired outcome. By signing a prenup, you decide how assets and debts should be distributed instead of the state.

C: I didn't know that. Ok, I guess it makes sense. And everyone in the family must sign it, right? Not just me?

D: Correct, it's our standard family prenup we drafted; you're just the first one to get married in your generation. There is nothing personal about it.

Align on Next Steps

C: I'm ok to move forward, I just need some backup. I need you or someone else to help me explain to John that it's the standard family prenup and nothing personal.

D: I can do that and get our lawyer to explain it too. Why don't we all get lunch this Thursday and have this conversation?

C: Sounds good, I'll text John now and see if he's free then.

"Often we go through an entire conversation – or indeed an entire relationship – without ever realizing that each of us is paying attention to different things, that our views are based on different information."

– Douglas Stone⁴

When A Conversation Goes Wrong

"If you speak when you are angry, you'll make the best speech you'll ever regret."

– Groucho Marx⁵

Ideally, your concerns will be met well, and the conversation will end with mutual satisfaction, but this does not always happen. There are many reasons a conversation can go wrong. Often, it is because of lack of communication on one or both sides. Sometimes it is because one side does not want to listen to what the other is saying. This can leave everyone feeling defeated and frustrated. In some cases, you can recognize when a conversation is going badly and pivot to recover. In other cases, it is best to step away to recollect.

During the Conversation

If the conversation begins derailing or getting heated, follow these guidelines to try to get it back on track:

⁴ Douglas Stone, "Difficult Conversations: How to Discuss What Matters Most"

⁵ <https://quoteinvestigator.com/2014/05/17/angry-speech/>

1. **Recognize when and why you are getting emotional.** Family members know you better than most people and can know which buttons to push to anger and upset you. Recognizing these triggers within yourself while it is happening can help control your emotions and guide the conversation.
2. **Avoid getting defensive, even if the other person is.** It can be very frustrating when a family member refuses to hear what you have to say, and it can be easy to fall into a pattern of defending yourself and adopting a “right or wrong” mindset. If the person is challenging you, ask open questions, such as “why do you feel that way” to make them reflect on why they are challenging you. This can also help you understand where the person is coming from.

After the Conversation

Sometimes, the best thing to do is recognize the conversation is at a stalemate, and to step away to recollect. This is best done before the conversation gets too heated. When this happens,

1. **Reflect on what you learned.** Are there reasons why the conversation got off track or emotional? Consider the concerns raised by the other person. What can you do to reframe your approach to address these concerns?
2. **Follow up and acknowledge the conversation.** Don’t be silent. Follow up after the conversation and acknowledge that it did not go the way you wanted it to go. Focus on the parts of the conversation you felt went well and thank the person for taking the time to listen.
3. **Set up another time to talk.** Take responsibility for the parts of the conversation you could have handled better, and approach asking for another conversation with clear intentions. Discuss your hopes of solving the problem at hand and express your desire for learning the other person’s side.

Conclusion

Difficult conversations are always challenging, but there is additional stress when they involve both your personal and professional lives. Making sure you are aware of the goals you want to achieve, and can clearly communicate them to your family, is key to the conversation’s success. Families are made up of individuals, each with their own desires and perspectives. It is not unusual for there to be conflict. What is important is addressing conflict in a timely and productive manner so that everyone feels heard and resentment is not allowed to take hold and fester.

Appendix: Thematic Questions for the Rising Generation

Family

1. What are our family's values?
 - a. How and why were these values formed for our family?
 - b. Are there any values we want to remove or add?
2. What is your vision for our family? Both our immediate family and the broader family?
 - a. What impediments do you see detracting from our ability to achieve our vision?
How can these obstacles be prevented?
3. Do you think our family interacts in a healthy way with one another?
 - a. If not, how can we adjust our interactions to create a positive environment?
4. How can we increase family unity? (e.g., traditions, holidays, reunions)
 - a. What do you think are the biggest risks to maintaining family unity and how can we mitigate these?
5. Pre-nuptial agreements
 - a. Does our family have a standard pre-nuptial agreement to protect family assets?
 - b. If yes:
 - i. Do we require that every family member sign one?
 - ii. What if a potential spouse refuses to sign? What does that mean for the affected family member?
 - iii. In case of a separation, what will the spouse receive?
 - c. If no:
 - i. Why not?
 - ii. Can we create one to protect our family's assets?
 1. If so, what are the first steps we can take to begin to create one?
6. What information about the family can be shared with non-family members? What information is for family members only?

Governance

- a. Have we defined our family's values?
- b. How does our family make decisions?
- c. Family constitution
 - i. Do we have a family constitution?
 1. If yes, when was the last time it was updated? Do we have plans to revise it on a recurring basis?
 2. If not, when can we form one?
 - a. If so, who should lead this effort and what would our next steps be?
- d. Family meetings
 - i. Do we have family meetings?
 1. If yes:
 - a. Who is included?
 - b. How often do they occur?
 - c. What is discussed?

- d. What should be discussed?
- e. How can we enable these meetings to be psychologically safe?
- f. If there is a disagreement, what is our conflict resolution mechanism(s)?
- 2. If not, should we begin to have them?
 - a. What would your expectations around family members' involvement be?
- e. Family assembly (typically family members above a certain age (e.g., 18, 30, 50) who appoint the family council)
 - i. Do we have a family assembly?
 - 1. If yes, who is a part of it? What are the criteria to join?
 - a. What are your expectations around family members' involvement?
 - 2. If not, should we form one, and who should facilitate doing so?
- f. Family council (oversees the family assembly, includes family and non-family, appointed by the family)
 - i. Do we have a family council?
 - 1. If yes, who is a part of it?
 - 2. If not, should we form one, and who should facilitate doing so?
 - a. What would your expectations around family members' involvement be?

Operating Companies

- 1. How can we keep family issues separate from business issues?
- 2. What are your goals for the business?
- 3. How is our company doing financially?
- 4. Do you see me having a leadership role in the company, why or why not? If yes, what is the expected timeline for the transition to a leadership role?
- 5. Family employment/compensation:
 - a. How are decisions around whether a family member can enter the business made? Do you agree with the process?
 - b. Should in-laws be allowed into the business?
 - c. What rules should be in place for a family member to be able to enter the business?
 - i. Is outside work experience required, if so, for how many years?
 - ii. Is international work experience required, if so, for how many years?
 - d. How should compensation for family members entering the family business be decided?
 - e. What career path will a family member entering the business follow, will the same path be available to non-family members or different?
 - f. How do you think about ownership? Dividends? Salary? Other forms of compensation?
 - g. If a family member does not perform, what rules should be in place to enable a smooth exit from the business and a healthy family dynamic afterward?
- 2. How (and by whom) should core decisions within the business be decided? What if there are disagreements?

3. Succession:
 - a. What do you think about succession today?
 - b. How do you think about developing the next generation to be prepared to take over key responsibilities?
 - c. How does the older generation transfer responsibility? Will the older generation be fully removed from the business or still involved to some extent?
 - d. What do you think about roles within the company?
 - e. What is the timeline for current leaders to exit the business?
4. Blood vs. sweat equity.
 - a. Do we have a policy where people who work for the company are compensated differently than people who don't work for the company but are part of the family? Or is compensation to family members the same, regardless of whether they work for the company?
5. Buy-sell agreements.
 - a. Are these in place?
 - b. If not, would you be open to creating buy-sell agreements?
 - i. Whom do you see facilitating the creation of the buy-sell agreements?
6. Exit strategies.
 - a. What exit strategies would our family business consider, if any?
 - b. Is selling the business ever a possibility? Do you want this philosophy to carry on even after the next generation assumes leadership of the business?

Education of Family Members

1. Is a certain level of educational attainment required for family members?
2. Do we have any financial education programs in place?
3. Do we have any life planning programs in place?

Family Office

1. Who has access to the family office? Are there criteria required to be allowed access to it?
2. Can family members work in the family office?
3. What can the family office team do to help me / support me both now and in the future?
 - a. Concierge services (e.g., paying bills, booking travel, transportation needs)?
 - b. Wealth management / financial planning?
4. Will the family office continue after one or both principals' passing?
 - a. If yes, what is the succession plan?

Estate Plan and Inheritance

1. What is both my family's and my individual estate plan?
 - a. Does everyone in the family have a will that has been adequately updated?
 - b. Does the estate plan ensure ownership is retained within the family?
 - c. What is the estate distribution plan and timeline?
 - d. Does the estate plan address taxation implications?
 - e. Trustees and guardians
 - i. Who are they?

- f. Communication of decisions
 - i. How is this done? When will decisions be communicated to all relevant parties?
2. What assets do I currently have ownership of?
3. How can I know what amount of wealth I currently have and will have in the future for budgeting purposes?
4. Is everyone in my generation inheriting the same amount of assets?
5. What assets will I inherit and what is their current value?
6. Does anything about inheritance change if one member of our family passes before another?

Giving and Philanthropy

1. What do you think about philanthropy and our family's duty to society?
2. What are our family's community impact goals?
3. What giving themes matter the most to us?
 - a. What organizations do we currently support?
 - b. What organizations do we want to support in the future?
4. What is our philanthropic budget? How much can we/must we give away in a year?
5. What expectations do you have of me and other family members about our involvement in giving/philanthropy?

Legacy

1. What do you want our family to be remembered for?
2. How can I aid in achieving that vision?
3. How can I enable other members of our family to carry on your legacy?
4. Have we documented our family history or our family wealth origin story?

Openness

1. Is there anything you wish to tell me that you wished the generation above you had informed you of?
2. Is there anything I know that my siblings/cousins do not? Is there anything they know that I do not?
 - a. If so, is there a reason?

Source: Note author.