Will the Circle Be Unbroken? Managing a Family Business Disaster

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Sam and Jim were the boisterous and passionate owners and leaders of a thriving manufacturing company near Boston with 85 employees. They were also friends of mine. On the last Saturday in March, they went on a flight to Block Island, off Rhode Island. Their plane developed engine trouble and crash landed on Interstate 495, not far from their company, killing both men instantly.

Occurring just prior to the holiday season, this crash was especially agonizing for their families and friends. But Jim and Sam Snyder were also the owners, the board of directors, the CEO's, and the leaders of Polymer Design, which they founded and grew from nothing to sustained success.

What happens to their employees and their customers, to their community, and the network of people who depend on their company? Their tragedy received extensive local coverage, but not the national coverage of the tragic deaths of Secretary of Commerce Ron Brown and the heads of nearly a dozen large businesses in another plane crash several days later. Yet the deaths of Sam and Jim are actually a bigger story. It is the story of what happens to a family business that loses its leadership, its heart and soul, and its owners in the blink of an eye. It is a story that is repeated often, all over the United States.

What do you do when there is no one to sign the payroll check due to be issued in 48 hours and there is no board of directors to authorize anyone new to sign? How do you handle the calls of the vultures who phone the company's advisors expressing sympathy and ask within moments whether the company is for sale? Who helps the employees who have decades-long personal relationships with the deceased owner/managers to manage their grief? Who supports the surviving key managers as they strive to manage the company and their own grief simultaneously? There is no end to the questions.

Certainly these are the kinds of questions that a formal succession plan is supposed to anticipate. I thought about what a formal plan would have done for those they left behind at Polymer Design. Clearly, it would have many practical benefits. Their plan might have included having a third party on their board of directors who could have authorized their CFO to sign the paychecks. The plan might have stated clearly whether it was their intent to sell or not to sell the business in the event of a disaster, and it could have enumerated those advisors they trusted to advise on such a transaction if it should be appropriate. Many companies have such plans and there are a growing number of professional advisors who know how to facilitate their preparation.

As necessary as succession plans are, however, they are not sufficient. And they are not even what is needed most in these situations.

The issues faced by spouses who inherit the ownership and the managers and employees who assume responsibility for operations after a family business tragedy like Jim and Sam's deaths are not captured by the notion of succession. Family businesses are not like the American presidency. It is not as if on a tragic day or even a normal day one CEO leaves and another arrives. The idea of continuity best describes the successful outcome of a change process in a family businesses. For a family business like Sam and Jim's–and unlike the Department of Commerce run by Ron Brown–relationships are paramount. Policies matter, just like at the Department of Commerce, but what matters most is the reality and power of relationships.

It is in the aftermath of tragedy, in the middle of adversity, that the power of relationships within families and within companies founded and run by families can be seen most clearly. For in companies infused with respect for the power of relationships, everyone–relatives and non-relatives–becomes family and rallies to support the company just as family members rally in support of one another. This is the paramount strength of family business, the competitive edge that is never studied or taught in business school–the power of family and the power of respect for family shared by individuals of competence who join family businesses and remain with them proudly, even after the death of the founders.

At the same time, the power of family and a good succession plan comprise only two thirds of what is necessary for a company to endure a tragedy and flourish thereafter. In the long term, the strength of relationships, a good emergency mobilization plan, and a little luck will support the company. But in the short term, everyone involved–surviving family members, managers, employees, advisors, and members of the community–must all realize that the power of relationships, which is a long term strength, can in the short run become an equally powerful roadblock to doing the effective thing for the company.

Again, while there are many respectful admirers of Ron Brown at the Department of Commerce, his term of office only began with President Clinton's election. In a family business, the sense of loss is magnified by the duration and power of the relationships individuals have with the family members at the helm of the company. The loss is personal, enduring, powerful and private.

Yet the company's immediate requirement is for leadership at all levels that is unemotional, immediate, steadfast and public. Reconciling private grief with public duty in a family business is the fundamental duty of the survivors. And it can be an overwhelming task.

Moreover, even if each individual with heavy responsibilities rises to the task of performing his or her duties in the manner that is required, another powerful obstacle to continuity must be confronted: the loss of any clear sense of authority. Who is in charge of what? of whom? and when?

The surviving spouses are the new owners, but may have no knowledge of the business. The managers may have a clear sense of operational duties, but who replaces the directors to set policy, hold management accountable, or renew the vision of the company? The advisors have the expertise the company needs in moments such as these, but may be unsure whether dignity and propriety permit them to assert themselves. And all of these constituencies are burdened by the overpowering sense of loss they feel. The company and its employees need clear authority to function and serve the customer.

What does one do? Here are some suggestions:

1. Recognize and respect the power of the relationships and of the grief everyone feels. Call in experts in the grieving process. Either family business consultants with strong clinical skills or clinical psychologists know how to handle powerful emotional issues generated by family business tragedies. Include them in the “SWAT Team” section of a disaster recovery plan. Remember that their work needs to start immediately.
2. Make sure that a broad range of both managers and family members know the key advisors to the company. Convene an annual meeting of advisors with the CEO and another with the family to ensure that there are active personal relationships between and among the advisors and between both the family and the company and these key advisors.
3. Create a supervisory board of directors, or at a minimum a Council of Advisors–one that actually meets and deals with important issues. Be certain to include at least one non-family senior manager on the board in case of emergency.
4. Communicate within the family. Have an annual family meeting, if need be, with a facilitator who understands families and the power of relationships. Many business advisors offer to help with family meetings and there may be topics they understand and can discuss with the family. But the crucial issue is that the family that controls the company meets and talks about family issues. Facilitators for these meetings need to be trained first and foremost in family systems.
5. Remember that information is the source of strength for everyone. In a post-traumatic situation like an airplane crash, no one in the system can have too much information. It is an antidote for anxiety and the currency of the rebuilding program.

I will always remember Sam and Jim and the passions they felt so strongly. One loved sailing and one loved golf. Neither shared the other’s athletic passion. So they became passionate about flying together and enjoyed themselves as brothers and friends just as they worked passionately at the business they shared.

I choose to believe that their family business will do okay because they did many things right to ensure their continuity. The Boston Globe described their company as the kind of place anyone would love to work, with good pay and full benefits–the kind of company where 85 loyal employees and managers who shared their sense of family will go the extra mile. Their advisors all know each other and share both a respect for family and an understanding of the special needs of family-controlled businesses. Most of all there are still two families that care deeply about their family business. They have suffered a loss, but they will endure.