

CULTURE CLASH

James Grubman and Dennis T Jaffe explain how to manage cultural differences in global business families

KEY POINTS

What is the issue? Three main cultures exist globally, affecting family enterprises. As families become successful, they must learn to adapt, moving towards a blended culture, with significant western influences.

What does it mean for me? Advisors must understand the basics of culture and assist families in negotiating cross-generational solutions.

What can I take away? Practitioners should assist business founders in accepting that some family differences may be cultural, not personal, and in blending their various perspectives.

Most successful business families operate in more than one cultural environment. Modern companies may have headquarters in London, factories in China, warehouses in Brazil, and markets on four continents. Family owners may have multiple residences and educate their children in far-away schools.

Emerging research points to three major cultures around the globe. Exposure to these different cultures, previously insulated from one another, can lead to tensions as younger generations develop new perspectives that are unfamiliar to or unwanted by elders. Families and their advisors can adapt by understanding other cultural perspectives and using a negotiation approach to achieve solutions.

THREE MAJOR GLOBAL CULTURES

Cultural theorists have identified three broad types of family culture: individualist, collective harmony, and honour cultures.¹ There are unique differences among societies within each culture.

The individualist culture

Northern Europe, North America, the UK and Australia share a cultural style steeped in individualism, rationalism and

the elevation of personal dignity. The individual is pre-eminent. The purpose of family is to support each member in maximising their potential and seeking their own path. Individualist values include meritocracy, accountability and personal success through hard work. Trust depends on reliable individual performance in accomplishing tasks or in individual relationships.

An individualist business family uses logical analysis to solve problems. Communication is direct, assertive and explicit in meaning and context. Transparency and input from younger generations are permitted or encouraged.

The major challenge posed by the individualist culture arises from its elevation of the individual over the family or the clan: 'me over we'. It risks devaluing tradition, loyalty and established wisdom in pursuit of self-interest.

When individuals are unwilling to make compromises in pursuit of collective goals, family objectives and cohesion may suffer. The focus on the individual may also lead to neglect of the skills needed to nurture the interdependence resulting from sharing assets in wealthy families.

Collective harmony culture

Collective harmony cultures (largely encompassing south and east Asia) have traditionally been premised on Confucian principles emphasising loyalty and obligation to family, respect for authorities, knowing one's place, and supporting the group, rather than one's individual position. The family is pre-eminent.

Identity is defined by honouring one's family and fulfilling one's assigned role. Children have a duty to protect and nurture the family, respect traditional wisdom and uphold the family reputation. The concept of 'face' is central. It encompasses prestige, honour, respect, reputation and influence. Yet face is much more socially derived than westerners often imagine. People collaborate in maintaining face for each other due to its significance and vulnerability. As a result, harmony is prized and conflict is avoided.

The collective harmony culture has time-tested rules, not to be challenged lightly. New ideas are benchmarked against their effect on community, company or family. Elders are venerated. The head of the family derives authority from their position and by acting in a wise, benevolent manner. Leadership models typically feature a strong solo leader, passing power to the next solo leader and dividing assets into branches, if necessary, to avoid conflicts. Young people must await roles of responsibility. When called to the family business, next-generation members must respond.

Communication and behaviour are orientated to sustain relationships and mutual respect: language is more indirect and ambiguous, and trust is built through relationships and networks.

The collective harmony culture's connectedness, stability, predictability and social support also create its challenges: slow innovation and difficult succession. Elders may cling tightly to tradition, discouraging the family communication necessary in a changing world. Younger generations may be reticent to share feelings or ideas. Many Asian families facing their first major generational succession are now encountering cultural constraints around leadership and family communication.

Honour culture

Honour cultures have their roots in originally tribal societies common to southern and eastern Europe, northern Asia, South America, the Middle East and India. Here, the family is the social and economic focus of life, organised in a hierarchy of obligation and role, with strong leaders who may be loved but more likely feared, and certainly obeyed. Women are respected and worshipped, but until recently they had only limited roles in terms of true leadership.

“What are often framed as personality or generational differences are actually cultural differences”



- Each family member should address the central dilemmas at hand. Explain the basis for any differences in views. Next-generation members must remain respectful to elders when articulating their perspectives. Elders must manage feeling threatened and remain open to discussion. It may then be possible to hold a calmer discussion of alternatives.
- Enlist peers and networks as needed to introduce options, discover what other families do, and build support so that reasonable adaptation can be successful.
- Create agreements honouring each generation's approach to specificity, trust, obligation and responsibility.

SUMMARY

Advisors can help families by serving as mediators when trust is damaged and emotions are running high. They can frame issues within the family's unique blend of cultures, including the communication styles familiar to each, and keep the parties at the table by suggesting creative solutions.

Advisors must also stay vigilant to avoid their own cultural pitfalls. These include identifying too much with one generation or one cultural approach, simply because they share that heritage. Advisors must exercise particular care in advising elders who are struggling with accommodating the next generation. A trusted advisor is able to support their primary client while advocating flexibility that will enhance the family as a whole.

Modern family businesses and their advisors must learn cross-cultural skills for understanding, discussing, and negotiating the challenges of wealth and ownership. When enterprising families adapt by blending their perspectives, they ensure their success for the future.

1 A detailed explanation of these cultures is provided in the authors' forthcoming book: Dennis T Jaffe and James Grubman, *Cross Cultures: How Global Families Negotiate Change Across Generations* (provisional title) (2015). We draw extensively from concepts outlined by Jeanne Brett of the Kellogg School of Management, Northwestern University, including in her 2007 book *Negotiating Globally: How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries*, 2nd edn (Jossey-Bass), and the work of Erin Meyer and her 2014 book *The Culture Map: Breaking through the Invisible Boundaries of Global Business* (Public Affairs)

2 An emerging term for this phenomenon is the 'ambicultural blend'

Family enterprises often have a political culture based on the relationship with those in power. Career choice, academic achievement and (in very traditional families) marital options may be evaluated by the impact on the collective family. Excessive self-determination can be seen as potentially dishonourable for the family.

The communication style is somewhere between that of the individualist and collective harmony cultures. To preserve the social structure, conflict may be suppressed through the use of indirect or opaque communication. However, emotions may be expressed in a dramatic fashion.

The honour culture also tends to overemphasise stability, at the expense of innovation. Unless the family is tolerant of openness, innovators may struggle to find their voice. A hesitance to discuss issues collaboratively means low-status family members have few options but to wait respectfully and hope for the best. Behind-the-scenes competition can lead to jockeying for control through alliances.

THE IMPACT OF CULTURAL DIFFERENCES ON FAMILIES

As family enterprises rise economically, it is common for younger generations to be sent off to academic and business centres around the world. These family members inevitably pick up new perspectives. They return home bearing foreign influences. Unfortunately, their reception may be neither warm nor welcoming.

The different generations wind up struggling over the challenges of family enterprises: leadership, wealth transfer, succession and ownership. What are often framed as personality or generational differences are actually cultural differences. A central dilemma is how to balance the independence of each individual with the interdependence imposed by shared wealth and ownership.

WHAT FAMILIES MUST DO

Successful families grasp that their challenges require cross-cultural understanding and negotiation – a blending of cultures.² The generations must adapt because, painful as it may be to elders, the younger generation has power. Their power derives from having choices in the modern world – they can leave. Elders must shift from seeing such a choice as a betrayal to seeing it as a legitimate option, without feeling loss of their traditional authority. Often, the next generation wants very much to remain within the family. They are simply seeking compromise solutions – in other words, negotiated agreements.

NEGOTIATING THE FUTURE

Beyond just enhanced communication, the way forward lies in applying modern cross-cultural negotiation methods within the family. The following steps are helpful:

- **Frame the issues as cultural rather than personal. This validates and normalises each member's views in a non-judgmental manner. It fosters new understanding, rather than traditional views of power or influence.**
- **Identify the interests and values of all parties. This often highlights the common interests and values in the family, thus rebuilding trust and creating optimism.**
- **Emphasise that, no matter the family's culture of origin, each member has power and legitimacy in the modern world of blended cultures. Reaching a shared agreement will in fact preserve the family for everyone's benefit.**



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