1. Social capital and family business

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Social capital\(^1\) refers to trusting, cooperative relationships that enable collective action. The notion of social capital emerged from sociological research within communities that found that networks of civic engagement based on existing interpersonal relationships enabled individuals to work together on community projects. The combined labels “social and capital” suggest that networks of trusting relationships are assets that enable individuals to work together for the common good.

Armed with this knowledge, community development specialists drew upon existing social capital within church groups and civic organizations to accomplish community projects. In addition, they developed social capital among previously disconnected individuals and institutions by opening communication channels, focusing attention on common values and goals, and promoting relationships of trust that enabled people to work together for community improvement.

*Family* social capital refers to trusting, cooperative relationships in a family that enables it to engage in collective action. This book represents an application of social capital concepts to families in business in a conference at the University of St. Thomas in October of 2009. A multi-stakeholder group consisting of family business owners and advisors met to engage in dialogue about social capital in families that own businesses. Scholars introduced and explained social capital concepts. Then, all 27 conference participants, who sat at tables in a large circle, engaged in a structured dialogue about social capital in family business. The dialogue was structured so that all participants were equals and could discuss social capital from their point of view (see the preface for a full description). This volume contains papers that were presented by scholars at the conference, the papers written by practitioners following the conference, and summaries of dialogue that occurred during the conference.

The purpose of the structured dialogue was to create a common understanding among conference participants about that nature of family social capital. The conference represented three different kinds of groups. First,
family business owners represented those who were embedded within family social activities, which are often taken for granted. If meaningful, social capital concepts could help owners see daily taken-for-granted activities through new eyes. Second, family business advisors represent those who work closely with families, but from an external and relatively objective point of view. As a group, family business owners and advisors are in the best position to determine the extent to which social capital concepts meaningfully apply to families in business. Third, scholars represent those who more broadly and objectively examine family business. They formulate concepts in the form of principles, hypotheses, and theories, and determine whether and how those concepts apply broadly to family firms.

By convening scholars and practitioners in dialogue, our hope was to determine which, if any, social capital concepts are relevant to families in business. After participating in the conference, reading and editing papers, and compiling summaries of conversations, I wrote this paper on social capital and family business. Because it is intended for a broad audience, an attempt was made to use language and examples that are broadly understood. This paper is organized into sections that address the components of social capital described in the literature: communication, identity, and trust. Because it serves as an introduction to the remainder of the book, I liberally quote from the papers, commentaries, and summaries of dialogue included in this volume to show how the concepts within the papers relate to social capital.

SOCIAL CAPITAL IN FAMILIES

Based on the social capital literature, family business scholars suggest that the relationships of trust within families give them an immediate form of social capital, called here family social capital. A family can draw upon family social capital for the good of a business. Danes and Stafford, in Chapter 7, describe it this way:

[F]amily social capital is goodwill among family members and between owning family members and their communities that can be infused within the owning family and their business to facilitate action. (Chapter 7, p. 79)

Pearson and Carr, in Chapter 2, suggest that family social capital can provide an advantage for family businesses because, like existing church or civic groups, social capital already exists in families. Thus, family social capital provides an advantage for family businesses:
[Groups with strong social capital can operate more efficiently and with lower direct and indirect costs. Since these costs take time, energy, and resources, they can slow down efficient operations. In short, organizations with low social capital need formal, legal requirements and are thus less efficient than those organizations that can rely on their strong and vibrant social capital to get things done. (Chapter 2, p. 35)

Pearson and Carr further suggest that non-family businesses also develop social capital. However, the process of building interpersonal trust likely takes longer. And the nature of trust in non-family businesses will not be the same as it is in family firms:

Social capital in non-family firms is not easily attainable and must be developed gradually over time. Even so, it may never have the power of relationships that exist in families and subsequently in family firms. (Chapter 2, p. 41)

Not all families, however, have the relationships of trust that provide a strong and vibrant form of social capital. In fact, some family relationships are filled with distrust and hostility that are an all-consuming liability. And there are families that have reasonably good relationships, but their combined attention has not been aligned in ways that can help a business. If these families align themselves around common values and goals, they have the potential to develop a strong and vibrant family social capital and to employ it for business purposes. Family social capital consists of three basic elements: communication, identity, and trust.

COMMUNICATION

Communication provides the basis for establishing and maintaining social capital. Communication channels provide opportunity for individuals and institutions to share information and establish relationships. Over time repetitive patterns of communication occur, relationships are developed, and collective trust emerges.

Communication Channels

When communication channels are established, people can interact and share information. Formal channels of communication are developed within and across institutions to share information, coordinate, and organize. Both families and businesses use meetings and information networks as formal channels of communication.

Informal channels of communication also emerge when people in
close proximity or in a social context have opportunities to interact. Family members who live in the same household have much opportunity to communicate, as do employees in a business. Most of the information within families and business is communicated through informal channels.

Because of proximity and opportunity, it is relatively easy within families and within businesses to engage in both formal and informal communication. Even when family members work in a business, both formal and informal channels help maintain communication between the family and the business. Formal communication could be in the form of meetings between family and business to discuss strategy, policies, and plans, and to agree on values and goals that align the business with the family. Informal communication opportunities occur throughout the workday and at social events outside of work.

Relationships of trust are more readily built when communication channels are open. Open communication includes honest and frank statements of feelings, conscience, and perspective. Openness enables individuals to uncover and communicate relevant facts and bring all concerns into the open. Goodpaster, in Chapter 4, notes that frank and honest communication in families can help keep business owners from becoming too fixated on the business at the expense of the family. One conference participant described the frankness that can exist in families this way, “If your butt looks too big in those jeans, they will tell you” (Chapter 6, p. 74). Goodpaster describes open communication as the following:

This kind of honesty comes alive in candid conversations with trusted friends and workplace colleagues. It is alive in company cultures that encourage constructive self-criticism rather than blind allegiance. (Chapter 4, p. 58)

Another part of open communication is transparency. In a business, transparency means that reporting procedures within a business make performance, financial and other business activities clear to relevant stakeholders, including the owning family and board members. In a family, transparency means that information about the business is made available to all family stakeholders.

Thus, open communication and transparency in both formal and informal channels of communication provide a foundation for establishing trusting relationships and for social capital in family and in business. Levels of openness and transparency are influenced by informal communication rules.
Communication Rules

When communication channels are available, individuals within any group or institution, such as a family or a business, develop both formal and informal rules for communication. Bruess, in Chapter 9, indicates that three kinds of rules are formed:

What can be talked about? How can it be talked about? To whom can it be talked about? (Chapter 9, p. 117)

These rules prevail within both formal and informal communication channels. In formal communication, the rules may be explicit. For example, newsletters for either families or businesses may have formal guidelines for content.

However, most communication occurs in informal conversations. For example, in families, parents often establish an open communication about issues that are not discussed with children. Similarly, children often develop close communication ties and may discuss things that are not shared with parents. Informal rules guide what is discussed within and across these informal boundaries.

Similarly, in businesses both formal and informal communication rules are established. Formally in business, the rules are expressed in terms of an organizational hierarchy and responsibilities associated with assigned roles. Managers, for example, have the right to direct; they determine content of meetings under their control. Informal communication networks also are prominent in businesses, sometimes called the grapevine, which have their own set of rules for inclusion and about sharing information.

Communication rules also apply to the family-business relationship. Formal and informal rules establish both boundaries and connections between the business and the family. Formal rules, for example, stipulate who can attend board meetings and the nature of participation. Sometimes rules dictate that family members who do not sit on the board may attend board meetings, but they are not allowed to participate in the discussion. Families sometimes create formal rules that establish boundaries. This is illustrated by the following comments from a family business owner at the conference:

My mother, the chief emotional officer, made a rule of no more talk about the business on holidays. It’s not a board meeting . . . in the family. (Chapter 11, p. 150)
Informal rules based on family history and norms also maintain boundaries. For example, Rothausen and Sorenson, in Chapter 12, describe an incident that occurred while attending a family business seminar:

During a breakfast conversation with the wife of one of the family business owners attending the seminar, she explained that she planned to shop while her husband attended the seminar. The author suggested that if she attended the seminar, she would better understand the family business and as a result might learn how she could contribute her talents to the business or how to develop her young sons to participate in the business. However, when she suggested the idea to the owner, he reacted negatively. The owner apparently wanted to maintain . . . separate systems. (Chapter 12, p. 168).

Over time, as communication with the same individuals is repeated, patterns emerge that are guided by formal and informal rules and that influence the nature of relationships.

Communication Patterns and Relationships

When communication channels and rules are used repeatedly, over time communication patterns and interpersonal relationships are formed. In business, communication patterns develop around formal business roles and informal relationships. Because they are based largely around organizational structures and roles, business patterns and relationships are relatively easy to understand.

On the other hand, family patterns and relationships have an emotional basis and a long-term history. To an outsider who is not privy to family history, patterns of communication and relationships are difficult to understand.

When a couple forms a marriage relationship, much interaction is required to establish common understanding and acceptable patterns of communication. For example, Sorenson and his co-authors, in Chapter 10, provide a case study about the formation of a marriage relationship between a family-business-owning couple. The couple, who formed their relationship in the late 1940s, had a collection of over 380 letters written while courting that described daily activities, feelings about one another and their lives, and personal aspirations and hopes. Through these communications, the couple developed a common understanding and strong emotional bonds that a casual outside observer would not understand.

Communication patterns and relationships emerge that are unique to each family. Bruess, in Chapter 9, refers to some of these patterns as rituals – repetitive communication patterns that are guided by informal rules.
Bruess indicates that communication patterns help define family relationships. She cites research showing that patterns of positive communication strengthen relationships, while patterns of negative or hostile communication weaken or destroy relationships.

Thus, while family patterns may seem mundane, they define and reinforce relationships, and they also can provide relational stability. Bruess summarizes research indicating that alcoholism introduces instability in family relationships. However, in families that have a history of alcoholism, family rituals and communication patterns, such as a regular dinner-time, can help break the cycle of alcoholism.

**Family Business Communication Patterns and Relationships**

When members of the family and of the business work closely together, they both may adopt some of the communication and relational patterns of the other. The extent to which family communication patterns become a part of the business likely depends on the number of family members that work in the business. When two or more family members work in the business, they reinforce the use of family communication patterns at work. For example, when a wife and husband or two siblings run a business, they likely rely on communication patterns to which they have become accustomed in their families.

If only one family member, the owner, works in the business, communication patterns in the business may be more bureaucratic, reflecting business norms common among non-related individuals. This is especially true when the owner chooses to keep the business totally separate from the family.

However, a sole employee/owner may also choose to adopt family-like communication patterns in the business. For example, Sorenson and his co-authors, in Chapter 10, describe how one business owner found ways to create family-like communication patterns, similar to a family dinner, even when he was the only family member who worked in the business:

> During the formative years at work, George gathered all the employees together, no matter their position, to have brown bag lunches together. Brown bags gave way to a communal kitchen in which employees took turns preparing meals for one another. The family history indicates that one employee indicated that communication during lunch was more important than the meal; it made them all feel very close. (Chapter 10, p. 135)

When family is tightly associated with the business, and family communication patterns and relationships are adopted in the business, the strengths and liabilities associated with those patterns also become a part
of the business. One way to characterize family communication and relationship patterns is that families are more or less “functional.”

Based on research from a national database of family businesses, Danes and her colleagues developed a theory of sustainable family business. Their research indicates that family functional integrity helps develop sustainable family businesses. The integrity of family functionality helps families to handle tension associated with change and other challenges associated with family business. They describe a measure of functional family integrity, discussed in Chapter 7, which is an indication of stocks of family social capital available in the family. Danes and Stafford describe the effect of functional integrity:

The functional integrity of the owning family is critical to navigating the conflict environment. When tensions arise, families with higher levels of functional integrity have a greater store to draw upon to manage these tensions and to creatively turn them into change needed to sustain the business over time. When there is sustained tension, the family can buffer the impact on the business. However, if its functional integrity is weak, the family can become further stressed when experiencing effects of tension created by the business. The more stressful events families experience, the less capacity they have to lessen the consequences of the tensions created by the business. (Chapter 7, p. 96)

Families that have dysfunctional communication patterns may bring more social liabilities than capital to a business. As one owner put it, being in business doesn’t necessarily make families more functional:

I question that family involvement in the business necessarily leads to a happier family. Families that are already more functional may stay involved with the business, so they look happier. But it’s not necessarily because they are in the business. They are involved in the business because they are a functional family – that’s why they are in the business. In the model where family is separate from the business, the family may not have the family skills to be involved. (Chapter 7, p. 213)

On the other hand, family participation in business may improve some communication patterns and relationships in the family. For example, businesses provide training in communication and relationship skills. These skills often carry over to the family. One participant at the conference described the impact of business development on family:

One of the gifts and one of the challenges of a family business is that the business itself adds another developmental dimension to the family. The business calls on the family to develop as it develops . . . Skills learned in the business can carry over to the family. So, being a family in business provides additional opportunities to develop relationship skills. (Chapter 11, p. 147)
Bruess in Chapter 9 indicates that a purposeful change in communication patterns or rituals can change relationships. For example, family communication patterns may include a child’s deference to parents or traditional gender roles that exclude women from business discussions. However, new communication patterns are required of family members as employees or owners in the business. Next-generation family members who become business managers develop new patterns of communication related to their role. New patterns of communication also develop as they work together in and on the business.

Siblings who become equal shareholders may learn new patterns of interaction as they participate in shareholder meetings and family councils. One participant in the conference observed:

One family business owner I know moved here to work with five adult siblings in the family business. She had a psychology background, so she immediately started working to improve family relationships. She said her efforts went nowhere; her siblings weren’t interested. But they started working together on the business and found that they weren’t working very well together. This then gave them a reason and permission to work on sibling relationships. Some people may build good relationships to accomplish a purpose. (Chapter 11, p. 147)

Thus, when family members engage in new communication patterns for business purposes, those patterns may also transfer to the family. Some businesses, for example, provide training in active listening. Active listening can work as well in the family as it does in business.

In summary, the formal and informal channels of communication within and between the family and the business provide the platform on which family-business social capital may be established. In general, more open and transparent communication is desirable. Communication rules, rituals, and patterns help define relationships, which may be an asset or a liability to a business, or possibly both. In addition, communication patterns become a part of and help develop identities for the family and for the business.

IDENTITY

Family businesses may have four types of identities: (1) individual – a belief about who “I” am; (2) family – a consensual belief about the “we” of family; (3) business – a consensual belief about the “we” of the business; and (4) family-business – consensual belief about what the family and the business have in common. An identity includes a belief about an “I” or a “we.” It also includes a consensual belief about “them” – other people or institutions, and how “we” or “I” relate to “them.” An important part of
individual identity is what “I” will or won’t do. An important part of a family, business, or family-business identity is what “we” will or won’t do as a group.

Family Identity

Family identity is deeply rooted. Each of us is born or adopted into a family that has already formed an identity sustained by family communication patterns and rituals. Each family plays a role in these rituals. For many years throughout childhood, family patterns reinforce family and individual identity. In Chapter 9 Bruess summarizes how rituals and mundane patterns of family life help to sustain identity:

Rituals are pivotal yet often mundane acts of family identity, unveiling themselves through cues both big and small, each a kind of “moral commentary about what is valued, or an expressive hope for what could be.” Knowing or not, families use rituals to create and recreate family identity, consciously and unconsciously relying on them through both the spectacular and the banal events of every family’s life. (Chapter 9, p. 121)

Bruess also indicates that communication rules play a role in establishing identity:

One of the primary ways that families develop their sense of identity is through shared rules. As shared understandings of what communication means and what is expected behavior in certain situations, rules are central to family functioning and even more so for families sharing a business. (Chapter 9, p. 117)

Everyday family communication rules and patterns are so much a part of family life that, like a fish out of water, they aren’t noticed unless attention is drawn to them. Outsiders may notice patterns more than the family does. Communication patterns become so ingrained and “natural” that when individuals rejoin the family as adults, they often find themselves reverting back to roles and patterns established within the family in their youth.

Family-business Identity

In each family, the extent to which family identity is associated with the business varies. By nature the two institutions are quite different. Families seek to nurture and sustain family members and relationships. Businesses seek business performance and financial success. As noted earlier, even though some businesses may be categorized as family firms, some owners
prefer to keep family and business separate. Families and firms in these businesses likely have very different identities.

Then there are family firms in which most family members are owners and also work in the business. Family and business identities are intertwined and they have a family-business identity. They may refer to themselves as a “business family.” Having a family-business identity, they feel a strong investment in the business. Family vision, values and norms become associated with the business vision, values, and norms. In Chapter 15, Kimberly Eddleston describes the nature of a family-business identity:

While some leaders choose to separate their family from the business, others choose to integrate their family and business roles to create a family-firm identity. Behavioral expectations drawn from the family role center on nurturing, caregiving, commitment, and loyalty to family members, and reflect a collectivistic orientation. In contrast, behavioral expectations derived from the business role center on devotion to the business, pursuit of business success, and legitimacy in the marketplace. Leaders who define their business as a “family business” therefore aim to integrate their family and business roles, viewing the family as a key component of the business. When the family is central to the firm’s identity, the family’s values provide a foundation for decision-making and contribute to a culture of identification and shared identity. (Chapter 15, p. 189)

When a family has a family-business identity, it is likely to commit its time and resources to the business. Eddleston indicates that a family-business identity provides a motivation to help the business prosper:

When family businesses integrate the family into the firm’s identity they may provide the business with an important source of competitive advantage that others cannot imitate . . . As a matter of fact, research indicates that the most successful family firms are those with loyal, interdependent, committed and altruistic family members. When family members are deeply committed to the business and members believe that they have a common family responsibility to see the business prosper, they are highly motivated to fulfill organizational goals and maximize firm performance . . . Therefore, a strong family-firm identity can create a sense of oneness and shared destiny among family members that lead them to work toward organizational goals and to uphold the values of the family firm. (Chapter 15, pp. 189)

Values that are common to both the family and the business are an important part of a family-business identity. Common values provide a platform for developing the family and business relationship – a mutual basis on which to build working relationships. These values that become embedded into both the family and the business become an asset. Values help connect the family to the business and provide fundamental guidelines
for behavior in both the business and the family. Pearson and Carr, in Chapter 2, describe the advantage of shared values in a family firm:

Research suggests that groups with strong social capital are effective because they operate on the basis of shared values, rather than on extensive contracts or legal regulations that are necessary when trust and voluntary obligations are non-existent. (Chapter 2, p. 35)

**Developing and Maintaining a Family-business Identity**

There are families that initially had a family-business identity. But as the firms prospered, family members in succeeding generations became more independent, and few, if any, family members worked in the firm. The family-business identity was lost. Large families in the third, fourth, or fifth generation may find it difficult to retain an identity as a family, let alone a family business. In Chapter 16, Sylvia Shepard, a fifth-generation owner in a family business, describes how through the generations her family lost its family-business identity.

The centrifugal force of a growing family pushing toward individuation and self-determination necessarily strains the ties between the family members and their connection to the business. (Chapter 16, p. 203)

Other families have experienced a similar problem. A family business advisor and a family business researcher in attendance at the conference made these comments about the family-business identity:

I work with a lot of families who have wealth and in the third or fourth generation, the adults no longer feel an identity with the business. They’re very wealthy . . . Somehow the values have been lost. They didn’t grow up in the business. They didn’t earn it. There’s a lot of entitlement. (Chapter 17, p. 214)

Another participant noted:

There is disjointed lack of connectivity between legacy and wealth in the families we have studied. The wealth doesn’t . . . have same meaning or purpose or identity, especially as it impacts more generations. So over time for more and more wealthy families there is a separation between family and business. (Chapter 17, p. 214)

Furthermore, looking back through her family and business history, Shepard indicates that in each successive generation a different identity emerged. Some generations embraced the family-business identity. Some
did not. In thinking through the five generations in her family, Shepard ties a strong family-business identity to a strong family identity:

[I]t is clear to me that a family-firm identity changes as each generation assumes ownership and leadership roles, with the early generations building the identity, and the later generations modifying, sustaining, or neglecting it. If the family firm identity is to survive over the generations, the family’s identity must remain strong. (Chapter 16, p. 198)

Shepard indicates that over time both their family identity and the family-business identity diminished. Because there was little consensus about family and family-firm identity, the family was uncertain about how to act and made poor decisions. In essence, the social capital they once had was gone; the family-business identity was no longer an asset to the business.

So, a fifth-generation family member who served on their business board began developmental efforts to reclaim the family-business identity and to rebuild family social capital. She opened communication channels among family members by organizing annual picnics before annual shareholder meetings. Furthermore, like many other large wealthy families who have lost their family-business identity, Shepard indicates that the family established a family council:

[T]he gulf widens between people when there is less communication. There are natural communications with the immediate nuclear family, which makes that group more powerful and makes everybody else feel left out. A family council enables communication with the rest of the family and makes them an insider. It creates shared meaning and connectedness. (Chapter 11, p. 149)

In addition, Shepard notes that the family began development to restore the family-firm identity. Family members were given copies of the family tree. A family history was written and distributed. Communication channels were opened between the family and the business. Shepard summarizes that the family’s effort culminated in the family re-establishing its identity within the business:

As our family has reclaimed its identity as a business-owning family, we have made an effort to ensure that our family’s vision and values are reflected in the company’s mission statement and on its website. Aside from actively working to revitalize our family-firm identity, we are convinced that the employees of our company are more likely to identify the firm as a family firm as a result of our renewed commitment, and regular interactions with a variety of family members. Ultimately, as we regain our sense of who we are, we believe that our company is once again finding a consensual view of who they are as an organization. (Chapter 16, p. 207)
Family business and social capital

A visual representation of the family identity, such as a mission or vision statement on a website, helps focus attention and reinforce the family-business identity. In discussing family identity, Angela Pritchard, a fifth-generation family business member, notes, in Chapter 17, that after a period of growth that placed much emphasis on the business and took family in different directions, her mother, the chief emotional officer, sought a way to restore balance and refocus family attention on family-business identity. Pritchard indicates that one thing her mother did was create a logo for the business that helped reinforce the family-business identity for both the family and employees: a common symbol that provided a common focus:

[W]e’ve been family owned and operated since 1913. So it’s been passed down from generation to generation . . . our family put our name into the logo just five years ago, when we expanded. My mother developed the logo and now that’s actually an identifying characteristic not only for our company, but for us. That is something that we pride ourselves in . . . It is not just an identifying characteristic for our family, but for our employees and for family who aren’t even involved with the company . . . The logo represents our family identity. (Chapter 17, p. 212)

In the previous examples, women played a very prominent role in developing family and family-business identity. In Chapter 7, Danes and her colleagues found in a study of dialogue among couples that women may play a prominent role in establishing a family-business identity. After examining conversations of couples about their businesses, Danes and Stafford drew the following conclusions:

Women frequently used “we” in their communication about their businesses, reflecting key female roles identified in the family business literature: building relationships, negotiating, maintaining multiple simultaneous roles, and providing flexible bonds to hold changing family businesses together. (Chapter 7, p. 99)

Women often take the lead in building family and a family-business identity. For example, they frequently organize family social events and dinners. Family dinner is a powerful ritual that helps define family identity. It provides an enjoyable setting for a family gathering. Dinner conversations reaffirm and define family beliefs. As family members tell about life events, family comments tend to reaffirm its identity – this is “who we are” and “how we do things.” Similar kinds of informal conversations occur in smaller private settings and during family social activities. Frequently, women play the pivotal role in putting “family” into the family-business identity. Danes and Stafford summarize research indicat-
ing that women in small family firms focus on the future and on change, while men focus on current tasks:

This same family business discourse study identified a previously ignored role of women in family business. Women in this study placed much greater emphasis on words about “future” and “change” than did men. Women’s more frequent use of those phrases shows that women are more likely to act as springboards for innovation within family businesses. In contrast, men used words related to accomplishing tasks in the present. (Chapter 7, p. 100)

The study reported above suggests that women often provide a leadership role in developing a long-term vision for the business, perhaps thinking of their family across generations. This contribution and others made by women are often overlooked. Perhaps they are overlooked because much of women’s influence comes in family patterns and rituals that are taken for granted.

But some male family owners appreciate the insights of women in their families. In Chapter 10, Sorenson and his co-authors report that that one family business owner frequently discussed the family business with his stay-at-home wife:

One of their children noted that throughout their married lives George relied on Sandra as a sounding board regarding business personnel matters, and that Sandra’s insights and judgments were extremely acute. She had a gift for evaluating people. George took Sandra to dinner with prospective employees. On the way home, he sought Sandra’s opinion about hiring the person. George also valued Sandra’s perspective and guidance in executing promotions. (Chapter 10, p. 135)

Similarly, Pritchard reports that in her family, her father relied on the judgment of her mother in making personnel decisions. It seems that these women had keen insights into people and whether they would be a good fit with the values associated with the family-business identity.

TRUST

Simply put, trust is the capability to rely on another individual or entity. Collective trust is the ability to rely on the group, the family, and/or the business. In families, family members rely on other family members. In business, the family has confidence that the business and its leaders will enact family values, goals, strategies, and deliver a reasonable return on its investment.

In Chapter 2, Pearson and Carr indicate that families tend to have a resilient, long-lasting form of trust. Based on emotional bonds, families
have an underlying and enduring commitment to relationships. The same commitment is not available in typical business relationships. Pearson and Carr compare resilient trust based on emotional ties to fragile trust based on contracts:

Fragile trust is similar to the kinds of transactions we engage in where there are tangible benefits gained from the relationship. In fragile trust relationships, we are motivated by the potential for reward rather than the relationship itself – a sort of extrinsic trust that exists only when those rewards are present. Resilient trust is defined as lasting trust, formed through emotional ties to others and is a stronger form of trust that emerges from relationships rather than from contractual relations. Resilient trust may be able to withstand breaches, as long as that trust is relationship based. (Chapter 2, p. 38)

Resilient trust occurs because family members have an emotional commitment to family relationships. For example, some families are so committed to maintaining family continuity that they settle for lesser levels of business growth or financial performance to maintain family relationships.

Trust in families is built on emotional ties that lead to relational commitment. Relational commitment means that family members rely on one another for varying kinds of support. Each family has its own rules about the kinds of support it provides.

Typically, a nuclear family is formed when two individuals commit to an enduring relationship. The basis for commitment is usually emotional affection. Marriage ceremonies express the nature of relational commitment that emerges from emotional bonds: to support and sustain one another in good times and bad, in sickness and in health, for the rest of their lives. Whether or not a formal marriage occurs, relying on one another to get through trials and difficulty is one hallmark of a family relationship. When there is a strong and positive emotional bond, there is commitment to the relationship. When the emotional bond is weakened, relational commitment is also weakened.

Trust in business has a contractual basis. In business, these contracts are normally between non-related individuals. As individuals fulfill expectations of employment and business agreements, confidence builds that they are able to deliver. If individuals do not fulfill the agreement, trust is damaged and the business relationship may be severed.

As is illustrated in Figure 1.1, when families become involved in business, two bases exist for trust: emotional bonds and commitment to a family-business identity. Highest levels of trust, the kind of trust that can be an advantage to a business, exist when families have strong emotional bonds and are committed to a family-business identity.

If emotional bonds are weak, but family members are committed to the
family-business identity, there may be a level of trust based on fulfillment of agreements that enables the family to work together. For example, because their emotional bond has weakened, co-owners may divorce. But, they may continue to work together because the former spouses are both committed to the family business or at least the business identity.

When a family member is not committed to the family-business identity, but retains strong emotional bonds with the family, they will likely not build trust based on commitment to the family-business identity. However, they will likely remain committed to the family relationship. For example, when a child shows lack of commitment to the family-business identity by failing to perform his/her role as an employee, the parent may love the child and be committed to the family relationship, but at the same time sever the business relationship.

Even when family members have strong emotional bonds, disagreement about the family-business identity may weaken trust. When family members do not agree about identity and have a weak emotional bond, there may be little basis for trust. And, commitment to the business and the family relationship may end. For example, the author personally knows of several businesses in which disagreements over the direction of the business, a fundamental part of a family-business identity, combined with weak

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**Figure 1.1 Trust in family business**

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<td>Commitment to common identity</td>
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</tr>
<tr>
<td>High confidence, low relational commitment</td>
<td>High confidence, high relational commitment</td>
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<tr>
<td>Low relational commitment and confidence</td>
<td>High relational commitment, low confidence</td>
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<tr>
<td>Weak emotional bond</td>
<td>Strong emotional bond</td>
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**Source:** The author.

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Ritch L. Sorenson - 9781849807388
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family member relationships led to negative emotions and distrust. They hired lawyers and communicated through litigation. Ultimately, family members divided the business assets, severed the business relationship, and family members no longer spoke to one another. Trust had been replaced with distrust. Family relationships that once were an asset had become a liability.

Below, I discuss how emotional bonds and commitment to a family-business identity relate to the three elements of social capital discussed in this paper – communication, identity, and trust. If families have strong emotional bonds and are committed to a common identity, they can have high levels of trust that can be an advantage. However, changes in families and businesses across time and life cycles can erode emotional bonds and lead to a loss of family-business identity. Understanding the nature of social capital may help families build and retain relationships of trust.

### Emotional Bonds

Emotional bonds emerge from close, affectionate, interpersonal relationships that are frequently found in families. Emotional bonds tend to be strongest in nuclear families, especially between parents and their children, with the mother typically having the strongest emotional bond with children. Mothers develop a bond with children through close, nurturing, and intimate contact. Breast-feeding a baby is symbolic of the nurturing and intimate contact that creates a strong emotional bond. Without extensive personal contact, this strong bond would not be established. This emotional bond is not limited to mothers. There are many fathers who are primary caregivers of children and who have developed strong emotional bonds with their children.

Because of emotional bonds, family members tend to have a strong commitment to one another. In Chapter 2, Pearson and Carr characterize family ties, some of which are inherited as a birthright, as being timeless and strong. Moreover, in terms of commitment, family ties transcend those of other relationships, especially a typical employment contract. And, family members can typically call upon one another for levels of support and resources not available to others. Below, I summarize some things suggested in this book and from the conference that build or maintain strong emotional bonds.

### Care for family

One of the advantages of working in a family business is that the family has the flexibility to focus on both family and business. McEnaney, in Chapter 13, indicates that her family’s governance philosophy includes
caring for family as being important to the long-term success of both family and business:

Family is very important to our business. We believe that time given to caring for children in this generation will yield its fruit in future generations in the business, a key characteristic of the family-enterprise type of family business. Furthermore, the current generation has a traditional family philosophy of having a parent stay at home to be the main caregiver. There is a great deal of respect for our spouses and the important role they play in our work and home lives. Family business can take a tremendous amount of time commitment. To have a supportive home life makes everything come into balance and makes it all worthwhile and rewarding. (Chapter 13, p. 172)

McEnaney also notes that when family needs arise, family members cover work needs for one another so that the family needs can be handled. She says that this attitude pervades their workplace.

In Chapter 12, Rothausen and Sorenson indicate that when firm governance includes both family and business both can prosper. The family can be leveraged for the business and the business can be leveraged for the family. That is, the capabilities of all family members can be employed to benefit the whole enterprise. Based on work–family literature, they offer this observation:

[W]hen a business organization has a family-supportive culture, its values reflect respect for, and acknowledgment of, the importance of members’ families. Having such a culture in a business organization has been shown to positively impact workers’ organizational attachment, job satisfaction, organizational commitment, and intentions to stay with the employer. Evidence of a family-supportive work culture may be co-workers who know and take an interest in workers’ family members, who are willing to “chip in” when family duties call, and who show appreciation to workers’ family members for contributions to the business. (Chapter 12, p. 160)

Making care for the family a priority in family business governance undoubtedly strengthens family emotional bonds. For a family business to last, family emotional bonds need to be strong. A business that labels itself as a family business and at the same time ignores the family may not retain the emotional bonds that sustain the family side of the business.

Family interaction
Frequent social interaction tends to rekindle a family’s emotional bonds. When Sylvia Shepard’s family decided to reclaim their family-firm identity, family members felt a need to connect with one another more frequently and intimately. They established family reunions before annual
shareholder meetings and published a family newsletter. Tom Hubler, a family business consultant, suggests in Chapter 3 that important elements in building family trust and harmony are family retreats and service projects. Consistent with Hubler’s recommendation, McEnaney, in Chapter 13, reports that her family recently had a family retreat. Issues raised in the retreat became a part of bi-weekly family owner meetings that had been established to keep the family engaged.

**Nurture family legacy**
One way some families rekindle emotional bonds is to help family members focus on and cherish their legacy. In Chapter 16, Shepard indicates that in their effort to re-engage the family in the business, the family arranged for a book to be written about the family history and, in addition, a family member filmed a family documentary. These efforts strengthened emotional bonds:

> The release of the family history book, the showing of the family documentary, and the gathering of the family to celebrate their legacy energized everyone. It made them feel they were not only a part of the family, but also a legacy that involved owning a business together for 150 years. At the end of the film there were tears and hugs. (Chapter 16, p. 205)

> Writing family histories and revisiting family strengths reminds families about what they have in common – their common heritage. At family gatherings, the history can be celebrated by revisiting stories about family members’ achievements.

**Establish positive rituals**
Bruess, in Chapter 9, summarizes research showing that patterns of negative communication lead to dissatisfaction and breakdown in the family. Alternately, positive family patterns or rituals can strengthen family bonds and commitment to the family. She summarizes what research suggests about the impact of positive family rituals:

> In families specifically, rituals help create intergenerational bonds and preserve a sense of meaningfulness. They convey family values, attitudes, and beliefs, are related to family strength, provide members with a sense of belonging, bond and promote closeness, help families maintain and perpetuate a paradigm or shared belief system, create and maintain family cohesion, and afford means for maintaining family contact. (Chapter 9, p. 123)

> Bruess includes examples of how individuals have changed negative rituals to positive ones. Sorenson and his colleagues (Chapter 10) provide insights into patterns that build family bonds. For example, they report
that when courting, a young couple that later became business owners had the habit of cherishing positive memories together. Throughout their married lives at family gatherings, they made it a practice of recollecting happy family memories. Stories about and pictures of family events can rekindle memories and associated emotions.

One common ritual mentioned frequently in the chapters and dialogues is family dinner. Combining food with conversation seems to create good feelings and reinforce emotional bonds. Angela Pritchard provides a vivid description of how a dinnertime ritual created strong emotional bonds in her family:

One of the most important rituals our CEmO [chief emotional officer] sustained in order to protect the importance of family was dinnertime. Regardless of the situation, dinner was a priority at the Pritchard house. It was a time when business was shut off and we could simply be a family. My mother would coordinate our schedules so that even when we had volleyball or football practice, or if my dad was working late, we would have at least one hour to sit down and be a family. She would not simply have something delivered. Our CEmO would spend her mornings before leaving for the office, or the evenings after coming home to cook and bake a beautiful meal. The dinner was always a reflection of our family’s current dynamic; pasta for the older girls because they had a track meet the next evening, but with asparagus because that was my dad’s favorite; some carrots for our littlest sister; and a side salad in case my brother was cutting weight for wrestling. Each dish was chosen for a specific reason and made with love. We all made dinner a priority to show our respect for the work that was put into the meal. It was a ritual, a symbolic act, that we unquestionably maintained because of the value it added to our lives. And it was a ritual that was consistently sustained by our CEmO.

During dinner we also had other rituals that facilitated and over time honed our communication techniques. After sitting down together, praying, and dishing up our food, we would go around the table and ask one another about the best part of our day. Even on the nights when we already had an idea what the best part of someone’s day may have been, we always made sure the question was asked, and the answer communicated. That one small ritual was like a green light, giving our family the go-ahead to communicate with one another about our lives. It would lead into discussions about school, sports, friends, and anything else we felt like sharing. As the years have progressed, our average dinnertimes have evolved into two- to three-hour-long conversations of telling stories, reflecting on life, sharing goals, and making memories. (Chapter 14, pp. 181)

The preceding discussion suggests that emotional bonds take time, planning, and effort. They don’t just automatically occur because individuals are blood relatives. The family has to set aside time for family and engage in patterns of positive interaction that build and sustain bonds.
Commit to Family, Business, and Family-business Identity

Before family members can commit to a family-business identity, they need to agree on the family identity. From a social capital perspective, agreements are based on a common set of beliefs that are expressed as values, goals, norms, and obligations. These beliefs form an identity, a common set of beliefs about “who we are.” When family members are committed to the same beliefs, agreement is more likely. When family members are committed to different beliefs, disagreement is more likely. Trust is associated with commitment to the same beliefs; distrust is associated with commitment to differing beliefs.

In family businesses there may be three identities: family, business, and family-business. As mentioned earlier, the business identity may be completely separate from the family identity or it may be closely aligned with family identity. When it is closely aligned with family identity, it might be considered a family-business identity. The family and business identities are intertwined.

From a social capital perspective, the foundation for agreement is a commonly accepted family identity, business identity, and/or family-business identity. All three identities may change across life cycles and generations of families. To maintain commitment, families need to recognize and anticipate changes and put in place new communication patterns that make adjustments in and support the commonly accepted identity so that it is current with family beliefs.

Family identity

Within a young, nuclear family that has much informal interaction, family patterns and rituals may be enough to keep family identity aligned. However, when children become independent adults, each individual may form unique family patterns and beliefs that differ from those of their parents and siblings. As adults, siblings will likely never fully agree on some beliefs. For example, they may differ on business, politics, and religion.

To agree on a family identity, next-generation adults may need to develop new communication patterns and rituals that enable them to re-establish and recommit to a set of common beliefs, which becomes an identity that reflects the values and goals of the current adult generation. Much of the core identity from the preceding generation will likely be retained. But parts of the identity may need to be renegotiated to incorporate change that emerges in adults, which is in part influenced by the larger culture. Agreement on all beliefs is not likely possible. However, families who desire it may find enough common ground to form a common identity.

To renegotiate and sustain a common family identity, new patterns of
communication may need to be developed. The parent–child and sibling patterns that emerged in a young family do not work well when children become adults. Among adults, family members need to make decisions more as peers. When several nuclear families are involved, the pattern likely needs to involve formal communication and decision-making structures. In families, formal family meetings or councils may provide opportunities to break out of old communication patterns. Siblings may learn to communicate and make decisions without the mediating role of parents.

Formal communication may help each generation to break out of old patterns and to develop new patterns that allow them to agree on a common identity. When family members have a voice, assumed beliefs and values can be challenged, clarified, and adjusted. The process of coming to an agreement may be more important than the beliefs that are formed. Being involved and having a voice brings agreement, which provides a foundation for trust.

Agreements can be formalized in written documents and adjusted as needed. Through the process of collaborative discussion, family members can create a constitution or charter that summarizes a family’s vision, mission, values, and policies. Such documents are living documents; they can be revisited and adjusted over time to accommodate family member concerns. Participation in creating family identity leads to agreement with the identity. Without a commonly accepted identity, it will be more difficult for family members to agree on decisions related to the business.

**Business identity**

Similar to a family identity, the business identity summarizes beliefs such as: “Who are we as a business organization?”; “What are we trying to accomplish?”; and “How do we treat our employees and customers?” The beliefs that are developed to answer these questions may be completely independent of the family. They may be developed by non-family managers based on professional and industry norms and practices. When this is the case, a family-owned business may be much like public corporations. Beyond receiving dividends, family members may neither feel a connection to the business nor be stewards of its identity. Such was the case in Sylvia Shepard’s fifth-generation business. She indicates that the following occurred:

> We were mostly uninvolved with the company, spread out around the country, developing our own careers and occasionally showing up for shareholder meetings. (Chapter 16, p. 205)

However, in the fifth generation, family members reclaimed both their family identity and their family-business identity. The business gave the
cousins a reason to reconnect and rebuild a family identity in connection with the family-business identity. The beliefs on which the business was built became a rallying cause for the family. Based on her experience, Shepard suggests that families who assume stewardship for the business have a common focus that can give them a reason to organize and develop a family-business identity.

**Family-business identity**

When several family members both own and work in the business, family values likely play a major role in developing the business identity. Their values and norms become embedded in the business. Family and business become integrated into their lives, and a family-business identity emerges.

Even when the owner/founder is the only person who works in the business, he or she may treat the business as a family business, and it becomes associated with an extension of the family. Eddleston (Chapter 15) indicates that when owners label their business as a family business, their aim is to integrate family and business roles; thus, when a family views its firm as a family firm, it can have a profound effect on family values and behavior. For example, Sorenson and his colleagues provide the following quotation from a daughter whose father was the only person employed full-time in their business at the time:

> The family and the business have always been entwined. The family values are in the business, and the business values are a part of the family. That has affected our work ethic and the way we treated other people and expected to be treated and how we were expected to do things honestly and fairly. (Chapter 10, p. 140)

When the business is considered a “family business,” that is, when the business identity is intertwined with the family identity, family members feel a sense of ownership in the business. For example, a board member for the business described above stated that the spouse of the CEO reminded board members that the identity of the family was tied to the identity of the business:

> One board member indicated that Sandra constantly reminded them that the business, like her relationship with George, was in it for the long haul and that its reputation was to be carefully maintained. (Chapter 10, p. 144)

For many families, the business becomes a canvas on which they can paint their own identity, beliefs about “who we are as a family,” and “how we relate to the larger community.” A family can clarify its own identity
by creating a common view of the business and how the business relates to
the larger community.

Social Infrastructure

Both emotional bonds and identity are developed and sustained by social
infrastructure. Social infrastructure consists of social networks, interpersonal
relationships, and communication patterns. A social infrastructure
exists in any family and business. However, the nature of the social infra-
structure may sustain neither a common identity nor strong emotional
bonds.

Social networks are made up of interpersonal connections among indi-
viduals that provide communication and information transfer. Social
networks have informal rules about who can be included, the nature of
communication, and information that is shared within the network. In
family businesses, there may be a family, a business, and a family-business
network. The family network is usually made up of blood relatives,
although close intimate associates may be included. The business network
is made up of business owners, advisors, and employees. The family busi-
ness network is made of family member shareholders, business board
members, advisors, and employees. Upper-level managers are more likely
to be included as part of the family business social network than lower-
level employees.

To maintain a common identity, members of a social network should
be included in activities associated with the network. For example, if
members of a family are not invited to family meetings or included in
family communications, they may feel disenfranchised. Failure to include
individuals in the relevant network will likely weaken both emotional
bonds and a common identity, resulting in a loss of trust.

Interpersonal relationships define how participants in networks relate
to one another. For example, in some relationships one person may
dominate and another person may be subordinate – as might be the case
in parent – child or supervisor – employee relationships. Or relationships
may be equal – as might be the case with peers or company vice-presidents.
And the relationships may be warm and intimate – as they might be with
close friends, or the relationships may be distant and cold – as they could
be between quarreling and unforgiving siblings. These relationships influ-
ence the nature of communication within networks. For example, quar-
reling siblings may be included in the family gatherings, but refuse to talk
with one another or be belligerent.

Relationships within a social network are an important part of identity.
If individuals disagree with the nature of relationships, they may withdraw
their affiliation with the network. For example, parents who treat their competent adult offspring like children may find that their children prefer to work elsewhere. If relationships do not change over the family’s life cycle, family members may have difficulty feeling like they belong. Over a lifetime, the normal progression of relationships is that children become independent and redefine their roles to be contributing adults in the family and the business.

Communication patterns refer to the repetitive flow and exchange of information within a network. As mentioned previously, communication patterns may include rituals such as regular family dinners, annual picnics, or award ceremonies. They could also include regular lunches, e-mails, newsletters, or telephone conversations. The frequency and nature of information exchange is a part of communication patterns.

The social infrastructure of the family has to change throughout the life cycles of the family to sustain a common identity. For adult children, communication patterns that include participation and collaboration can help a family sustain a commonly accepted identity, which unifies the family.

Thus, the communication patterns that existed in a young nuclear family should likely give way to more collaborative patterns among adults. Social activities that emerged naturally among a small nuclear family give way to planned and organized social interaction. Given circumstances in a family, face-to-face communication might be replaced with e-mails, teleconferences, and information exchange on social network sites.

Agreement to a common identity and the development of collective trust is more likely to occur when there is a supportive social infrastructure. Important elements of the social infrastructure are inclusion in relevant social networks, positive interpersonal relationships that fit family life cycles, and frequent and transparent communication. Below, several examples from chapters in this book illustrate the importance of social infrastructure and how it can change over time.

**Treating grown children as adults**

Treating family members in business meetings as equals and communicating based on business roles may seem very unnatural at first. For that reason, families likely need professional facilitation to help make the transition. Facilitators can help family members adopt new roles and relationships. For example, in Chapter 9 Bruess relates the following experience:

Frank and Brenda owned a large family farm and hoped their children would want to continue working in the family business, raising their own children on
the farm. However, Frank and Brenda’s children became discontented as adults when the communication patterns they experienced as kids did not appropriately change as they matured . . . Finally, many of the children were upset enough to either leave the business altogether or state a desire to leave. Frank and Brenda realized they needed some external input and sought help from a family business consultant. The consultant helped the family restructure their ways of interacting and their decision-making patterns. She had the family meet for the first time engage in open discussion as equals about farm-related issues. As expected, at first the children aired their frustrations. Frank and Brenda felt emotionally torn apart by such open communication; the norms, rules, and roles they had known for so long were radically changing right before their eyes. Over time, they all settled into a new pattern of regular meetings in which the adult children had a role, and everyone participated in discussions. The family also added new rituals of recreation for all members to enjoy together. Children who had left the business came back. All members began to feel like active participants. In the end, the family’s identity – as a result of changes in communication patterns, norms, and roles – was dramatically and positively transformed. (Chapter 9, p. 124)

Poor infrastructure leads to different identities
Goodpaster, in Chapter 4, and Hayes, in Chapter 5, provide examples of how a breakdown in common identity and collective trust can occur. Goodpaster indicates that individuals may elevate their own personal interests and fixate on personal goals. As Figure 1.1 suggests, following a personal agenda may be relatively easy when individuals do not agree on identity. It becomes easy to rationalize that because there is no common identity, individuals can actively pursue their own agenda.

For example, one major shareholder, who was also the business CEO in a family that had a weak identity, chose to reinvest profits in the business to promote growth without full disclosure to minority shareholders. In his mind, the urgency of achieving the growth goal justified withholding information from his sisters who were also shareholders. He felt no allegiance to a common identity because he and his sisters had very little contact; they had no infrastructure to maintain emotional bonds and a common identity. The CEO refused to fully disclose information about financial performance. The sisters’ distrust increased, they sought relief in court, and won a lawsuit. Unfortunately, the family did not have a social infrastructure in place to discuss the business and to agree on beliefs supportive of business growth, and to avoid the loss of positive emotional bonds and trust.

Katherine Hayes uses a personal example from her family business to illustrate how conflict can escalate when family members fixate on personal goals and when the social infrastructure is not in place to resolve differences. She combines concepts discussed by Goodpaster and Bruess to interpret how conflict in her family quickly escalated. In her experience, fixation and criticism went hand in hand, as did rationalization
and defensiveness. Escalating conflict led to stonewalling and defensiveness. However, through a change to more supportive communication patterns, Hayes’s family conflict was resolved, even though some negative feelings lingered. Hayes’s story brings home the importance of having the social infrastructure in place to manage inevitable conflicts that arise.

**Promoting common identity builds trust with clients**

Margaret Cronin is a legal advisor who frequently meets with clients on estate and succession issues. In her practice, she found that identifying and adapting to the family’s common identity builds trust:

> If the advisor can identify social capital in the form of shared family values, the advisor can explore how these values might translate in each of the family, business, and ownership domains. If the family brings meaning to the transition of the business by seeking to carry on the founder’s legacy, the advisor is able to leverage this family social capital in gathering consensus among multiple generations. If the family demonstrates trust with each other, they are more likely to view an advisor with trustful eyes, as a helper or facilitator rather than an outsider. Ultimately, the existence of family social capital can expand the scope of possible outcomes in the advisory relationship. (Chapter 8, p. 113)

In addition, Cronin has found that by including all shareholders in discussions, an advisor can build common identity and strengthen family social capital. Including only some of the shareholders in discussions can be divisive and destructive to family social capital:

> [I]f it is part of the process for the advisor to gather input from each of the family, business, and ownership groups before a significant decision is made, doesn’t family social capital become a self-perpetuating asset? On the other side of the coin, if the advisor works with one group to the exclusion of the others, doesn’t the lack of family social capital become a self-fulfilling prophecy? (Chapter 8, p. 113)

Moreover, Cronin suggests that for family members to be supportive, the process used in making decisions should both be fair and be perceived to be fair.

> “People care as much about the justice of the process through which an outcome is produced as they do about the outcome itself.” I have found this to be true. In my experience, when a significant action is taken in a family business without a fair process to support the decision, the complaint is more likely to be, “I wish he/she had just consulted me first before hiring this manager,” or “If he/she wanted to change strategic direction, he/she should have run it past the
other owners,” than “The manager is not a good hire for our business,” or “I don’t like this new strategic direction.” (Chapter 8, p. 107)

**Inclusive support provides common identity and caring bonds**

Terri McEnaney is president of a large family nursery that has numerous family-member employees. In Chapter 13, McEnaney describes the social infrastructure that her family has in place to maintain agreement among family member shareholders. All family shareholders are invited to attend regularly scheduled meetings to discuss business strategy and policy. Included in their discussions are social plans, such as season tickets for local sporting events, which help maintain emotional bonds. She also describes a recent family retreat in which family members openly discussed family business issues and policies. The processes her family has in place are inclusive, recognize the importance of family relationships, and provide for open communication. Provision for open discussion and involvement promotes family business agreement and helps to maintain family bonds and the family-business identity.

In the following statement, in Chapter 15, Eddleston supports the case for social infrastructures that include participation, collaboration, and open communication:

>[F]amily firms that implement a participative strategy process are most successful. A participative strategy process enhances family members’ identification with the firm, helping them to understand the challenges facing the firm as well as the firm’s strengths, weaknesses, resources, and capabilities. Encouraging family members to participate in strategic decision-making may be especially important for family firms because in order to remain competitive, family firms should generate new strategies for each generation that joins the firm. Furthermore, participation in the strategy-making process seems to increase commitment to a course of action and improve the decision-making quality of family firms. Additionally, family firms that encourage participation and collaboration support ethical norms that assist family firm performance through the accumulation of goodwill, loyalty, and social support. (Chapter 15, p. 190)

**SUMMARY**

Family social capital refers to trusting and cooperative relationships that enable family members to work together as owners and/or in the business. Many assume that because of blood relationships, family members have social capital. And, because of the tendency to develop strong emotional bonds, there is a basis for social capital in families. However, it is obvious that the relationships in some families are a liability. This paper provides an overview of the social elements that contribute to social capital. In most
cases, families need at least some development and adjustment across generations to maintain family social capital.

Some families, particularly small nuclear families, may have frequent and open communication, a common identity, and collective trust that create cooperative relationships that are an asset. However, families with multiple adult children, multi-generational families, and even some nuclear families need to purposively establish and maintain a social infrastructure. The infrastructure consists of frequent and open communication within the family network, interpersonal relationships that are consistent with maturation levels and roles, and helpful communication patterns that sustain identity and emotional bonds. When families have a common identity and strong familial bonds, they will have the collective trust that enables the family to be an asset to a business.

NOTES

1. The following works were consulted as sources for discussions about social capital: Coleman (1988); Nahapiet and Ghoshal (1998); Tsai and Ghoshal (1998); Putnam (2000); Hoffman et al. (2006); and Pearson et al. (2008).