In August, the Bancroft family gave up control of Dow Jones, the publishing group it had owned for some 105 years. The group, which includes the Wall Street Journal, had been taken over by another family-controlled business, Rupert Murdoch’s News Corporation, for US$5 billion.

According to Randel Carlock, the Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership and Director of the Wendel International Centre for Family Enterprise at INSEAD, the Bancrofts had had a clear idea of the values they wanted associated with the Wall Street Journal brand – a strong sense of editorial integrity and independence. However, they had been unable to steward the Wall Street Journal into the 21st century as other competitors passed them by and Dow Jones’ stock price fell sharply.

Carlock says five psychological factors had been at the root of limiting the family’s effectiveness as business owners:

- Lack of communication: the family did not network internally, and had little external interaction.
- Lack of control: while the family was a controlling shareholder, they were completely hands-off and did not use that control to hold management or the business accountable.
- Lack of goal alignment: while the younger generation was thinking about increasing market share, creating wealth and enhancing the value of the Wall Street Journal, the senior generation was concerned primarily with protecting the newspaper and its integrity.
- Time management: the senior generation did not understand that key decisions should be made within a particular timeframe.
- Organisation structure: this did not facilitate the kind of interactions that were needed to control the company effectively.

“So all five of these psychological factors worked against the Bancroft family and that’s why the asset lost value. That’s why another family business, in the case of Murdoch, was able to acquire them.”
In their newly-published book Family Business on the Couch, Carlock and co-author, INSEAD Clinical Professor of Leadership Development Manfred Kets de Vries, combine their expertise in family systemic and psychodynamic perspectives to study the human dynamics behind family businesses and look at how they can best overcome the psychological obstacles that can overturn years of achievement in the span of a generation.

“We started to look at the family businesses that we worked with here at INSEAD and Professor Manfred Kets de Vries and myself started to analyse the families that we’d worked with. We realised that their issues weren’t necessarily business issues but oftentimes they were the family dynamics and the individual issues.”

Manfred Kets de Vries - INSEAD Knowledge

“What most families have are challenges and issues - whether it’s about communication, or how they address conflict, or even how they share time together. Families struggle because being part of a family is very difficult and in a family business it’s twice as difficult because of the often conflicting overlap between your family system based on love and your work system based on performance.”

Through the use of case studies from their work with family businesses, the authors look at a range of issues through this psychological lens, including business and family values, family relationships, generational conflicts, and life cycle transitions. Carlock hopes the book will increase the appreciation and understanding of how human interactions influence family businesses.

“We want our first audience to be business families as well as other professors that teach family business, and then a very important group, and that’s the advisors and professionals that serve family businesses. One of the things we found is that these people are often caught up with their technical training, but really no understanding of the human dimension of their clients.”

One particularly salient issue is transferring leadership, as control shifts from the founding entrepreneur to his or her children, and then further down the generations, and even on to in-laws. Complications arise from as multiple family values and experiences and the separation of management and ownership roles. “What we observe in family businesses is that the transition from the entrepreneur to the second generation, and then from the second generation to the third generation are critical. If you can make those two transitions, then you’ve got processes in place and you’ve got experience but until you’ve done it, it’s very, very difficult.”

Visit INSEAD Knowledge
http://knowledge.insead.edu

This is something that Murdoch, who built up News Corporation into a global force, will need to start planning for as he plans for the future of his company. “All of those areas - around control, timeframe, organisations, communications - Rupert Murdoch is exceptional at. Where Murdoch is going to have a challenge is when he passes ownership and control to his next generation. He is certain to have a conflict between his third wife and his children from an earlier marriage. The transition from an entrepreneur to an entrepreneurial family is never easy, a blended family only creates a another level of complexity.”

This article was first published in October 2007.

Find article at
https://knowledge.insead.edu/family-business/family-business-on-the-couch-2024

Download the Knowledge app for free

Visit INSEAD Knowledge
http://knowledge.insead.edu

Copyright © INSEAD 2019. All rights reserved. This article first appeared on INSEAD Knowledge (http://knowledge.insead.edu).