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The Glass Ceiling of Paternalism: A Common Style of Leadership in the Family Business and Its Impact on Culture & Succession

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Paternalism is a style of leadership that is essential to understand as it impacts many areas of organizational culture and change. I think that one of my favorite lines from the popular television show “The Office”, was when Michael Scott (the boss) said, “I’m friends with everyone in this office. We are all best friends. I love everyone here. But sometimes your best friends start coming into work late and start having dentist appointments that aren’t dentist appointments, and that is when it is nice to let them know that you could beat them up”.

Like Michael Scott, paternalists are benevolent, but sometimes intrusive. The paternalist believes that they are acting with the best interest of the company first, and that they know best for others as well. A paternalist uses his or her power to control, protect, punish, and reward in return for obedience and loyalty from his or her employees, followers, or subordinates. This style is very commonly found in family businesses, especially in the founder. Understanding the essential characteristics of this style and how it impacts others and can impact the family and the organization is essential for understanding some of the key barriers in an effective succession effort.

The characteristics of paternalism overlap those of entrepreneurs and founders. They are charming, driven, visionary, inspirational, tenacious and bright. Their natural charisma and ability to articulate a vision generates followership and loyalty. They tend to come across as self-confident with a strong belief in their own capability and drive to achieve. They can also be benevolent and generous and stern and demanding. They believe that the way to get people to produce is through reward and punishment.

Paternalists are not usually born that way. In fact, most paternalists usually had a strong model that they looked up to and have either consciously or unconsciously patterned their leadership style after this person. This makes sense, as the very essence of paternalism is to expect loyalty and emulation.

This style is not inherently bad. In fact, most leaders have at one time or another acted in paternalistic ways—making decisions on behalf of followers that work out well as they have the information and expertise to make the best decision. The difficulty is not with the occasional use of this style; it is with the ongoing consistent use of it, and the consequence of resistance to self-awareness and change that often accompanies it.

There are several areas of concern or risk. First, it is difficult and almost impossible to get true collaboration with this style. While there is usually vision and charm present in the process, the paternalist seeks agreement with their vision, rather than an open, direct debate of the merit of the issues.

Further, as loyalty is rewarded, it is often those that have gone along with the paternalist, rather than those that have helped the team or family find the best solutions that are promoted. This also often creates hard feelings and a sense of favoritism, as well as weakening cultural effectiveness.

In addition, many paternalists do not make adequate plans for succession. Sometimes this is because of an underlying feeling of invincibility or immortality, or due to a style of micromanaging that rarely delegates or develops others.

As a result, those in key positions in leadership are left in limbo waiting to see what will happen. In family businesses, this can play out in ways with very devastating consequences to both the health of the family and the health of the business.

Ironically, the paternalist often expects the next generation to work collaboratively together as part of the succession of the business but has provided no real opportunities to learn these skills.

As the family descendants in the business become more mature and want to advocate ideas and initiatives of their own, this often creates considerable conflict. In fact, it seems that either potential successors leave or they learn to compromise and accept that they will not really have a voice in key decisions that impact them.

They are given responsibility without any real power to change anything. Adjusting to these dynamics creates dysfunction in the family business and organizational system that builds up and then creates many other problems and stressors of resentment and additional political maneuvers.

The very qualities that assisted in building the success of the business then turn and create a barrier to progress if the paternalist is unable to adjust and recognize the need for change. When an organization is small, the decisions can effectively go through one person; the larger the organization becomes, the more es-

essential it is to be able to delegate authority and make collaborative decisions. To the extent that the paternalist is unable to share power, the organization has a limit to its growth and health, and the same thing can be seen in the family system and dynamics.

The best hope for any change in these patterns is if the paternalist can gain some self-awareness of the weakening of the culture due to the loss of creativity and innovation, and see a vision for change that will create a legacy consistent with their overall hopes for the company and family. If they can see this vision and their part in achieving this, and subsequently are able to learn to share power strategically and work in a truly collaborative way, there is hope of positive change.

In most cases, there is usually a crisis or precipitating event that propels the family or organizational system to seek outside help. Paternalists rarely are able to effect any kind of significant change without seeking the assistance of a seasoned family business consultant who has experience with creating the necessary changes in the leadership and culture.