



## **In Praise of Families: A Strategist Takes on New Challenges**

**A Conversation with George Stalk, Jr.,  
Senior Partner at Banyan Family Business Advisors**

*By Diane Coutu*

*Diane Coutu, our former Director of Client Communications and a former senior editor at Harvard Business Review, talks to George Stalk, Jr. about what it's like to do business, family, and ownership strategy and the role that emotions and empathy can play when working on strategy issues with family clients.*

**About a decade ago, your BCG colleagues at a meeting in Paris bowed their heads in silence to mark your passing. The doctors had told your family it was time to let you go.**

Well, as has been said before: “The rumors of my death were greatly exaggerated.” I was in a coma with a tube down my throat, and the doctors had given up on me twice before they finally lost all hope and suggested that my wife, Henri, pull the plug. At just that moment I pulled through—that was a very scary time.

It was a big shock to me that I even went into the hospital. But my doctors told me that I pretty much put myself there because of the way I ran my life. The only real interest I had at the time besides my family was work. There was a point back then when I was probably BCG’s most frequent user of chartered jets. I worked for some of the biggest, most complex global companies out there, and I was constantly on the road. I’ve been to so many places in the world I’ve never seen—something I’m consciously trying to change right now.

When people hear about my near-death experience, there’s always someone who asks me, only half in jest, whether it’s true—the thing about the bright lights at the end of the tunnel. There was nobody calling to me from the other side. There was an initial phase in the coma when I had all these hallucinations about dying. Then came the middle phase when I couldn’t die even if I wanted to: I wasn’t strong enough to live, not weak enough to die—I was just in limbo. And the third phase of the coma was the survival phase when my mind wrestled with all sorts of strange scenarios. I dreamed that the Japanese were going to bomb England, and no matter how hard I tried I couldn’t come up with a Hail Mary strategy for fending off the Japanese attack.

**And yet, in reality, you did because you cracked the code for how Japanese corporations were eroding the competitive advantage of Western companies back in the mid-1980s.**

I can’t take all the credit for having figured out that the advantage of companies like Toyota was based on time. Back in the late 1950s, there was an MIT professor, Jay W. Forrester, who developed an abstract model of time’s impact on an organization’s performance. But I was probably among the few people who understood in strategic terms just how devastating the effects of this time-based advantage could be on U.S. and other Western companies, which were losing their leadership positions in the world’s big manufacturing industries. The Japanese had devised a way of competing by reducing time consumption, and using this to produce greater variety of products, faster, and with higher quality. Until

we could fathom how they did that, the Japanese remained at the cutting edge, leaving all their rivals in the dust.

As a leader in BCG's Tokyo office, unlocking the secret of time-based competition became an obsession for me. I think it started really with one struggling American client we had. I felt that we couldn't stand by and let this company go under water and die just because we couldn't understand what the Japanese were doing. There are plenty of consultants who don't mind saying: "Kill that factory," and as much as we don't like it, sometimes it does come down to that. A factory can become like a cancer, or gangrene, and the infected limb has to be lopped off to keep the organism alive. But I always agonize over that kind of decision, and I try my damn best to save a factory. So I went into overdrive to get to the answer to how and why Japanese manufacturers were outperforming our client, and we developed all these frameworks, frameworks that raised questions, questions that led to some deep contradictions, and it was the contradictions that got me thinking. They forced us to look very hard at how the Japanese were using time as a strategic weapon. Once we understood that, I knew we could teach other companies how to execute on a time-based strategy as well.

**As the father of time-based competition, you earned the reputation for being one of the best business strategists in the world, if not the best. How did you find your way to working with business-owning families?**

I wasn't the only one getting interested in family businesses at the time but, frankly, I backed into it, just the way I back into a lot of things. I was about four to five years out of the hospital, and I was working full-time again for BCG, but trying to keep from getting overcommitted in my life. One day a friend of mine from BCG asked me to meet John Davis, a well-known family business advisor, to talk about business-owning families. I wasn't looking for any more major changes in my life at the time, but I didn't see any harm in having just one conversation

John started talking to me about family-controlled companies, and as he did, I realized that in my then 28-year tenure at BCG, I had worked for a lot of family-owned companies. But at BCG, and at the big strategy consulting firms such as McKinsey and Bain, we always kept the business and the family separate; they still do that today. At BCG, we would go into a company to work on business problems, and if I found a family problem in the business that wasn't a strategic problem, I would pass it back to the family most of the time and let them take it over.

When working for General Electric, I didn't worry about the shareholders except in the sense that our work was to create value for them. In most of my work at BCG, therefore, I had never thought about the interaction between the family and the owners and the business. There was a corporate culture that had to be dealt with, but the family business system is a much more complex world. When I began to grasp the depth of that complexity, I was hooked. My wife would probably tell you that I'm happiest when I lock onto something that has legs. I realized during that one conversation that family business has legs.

**What makes you unique as a business strategist?**

I'm not smarter than other strategists, but I tend to stick with the problems longer. I have the kind of doggedness that's essential to succeed in some fields, and I believe business strategy is one. When I go into a new project, I tend to look at the problem top down. I know from experience that the problem is probably one of six or so things I've seen before, and the challenge—the fun—is to find out

which one of these things it is. I've developed a gut instinct over the years about what the answer is going to be, but this isn't so much pure instinct as it is pattern recognition. Because of my experience, I think I can tell pretty quickly whether a particular pattern might apply to a specific business problem. But I wouldn't say I'm restricted by patterns because one of the things I like to do most is to take patterns apart, look for contradictions, combine and recombine them, and in the process define new patterns. And that's important because every once in a blue moon I find myself in a situation where there's suddenly a seventh thing that comes at me out of nowhere, a piece of information that just doesn't fit anything we've seen before, and figuring that out can lead to a big new idea. Time-based competition was the result of something not fitting in with any of the patterns I recognized, and I stayed with the problem until I found the solution.

For me, this search for solutions is more than just analysis. I've always thought of myself more as an explorer than a numbers guy. When I was in Japan, I spent hours in the Akihabara section of Tokyo, probably the most modern and extensive consumer electronics shopping district in the world. There you will find a staggering display of Japanese products, proof of the ability of the Japanese to come up with endless varieties of goods at an unbelievable speed. I passed many weekends just walking in and out of stores in the Akihabara district, asking myself some pretty basic questions. Why don't most people make any money in Akihabara? What are the exceptions to that rule? Why are they the exceptions? What are these guys doing that their Western counterparts aren't? I believe it's this tenacity to stick with a problem until I find the answer that makes me a fairly good strategist.

**Most family business advisory firms focus on areas such as family governance. Are business-owning families really looking to top business strategists for help?**

I learned over the last few years that the owners of family businesses don't wake up one day and say: "Hey, we need a business strategy." What they say is: "We need to work better, and live better, and be happier together." That's when they call Banyan, and we sit down with them and tell them about what we call our integrated model. We explain how there's business strategy, financial strategy, and ownership strategy to think about, as well as family strategy—and we talk about how a challenge in one area creates a challenge in the others. They can't ignore these various strategies, and the ways they are interlaced, because what affects the business affects the owners affects the family, and around the circle you go. To have no strategy is to have a strategy, and to have no strategy in any one of these areas usually means having a bad strategy. Many family advisory firms know this at some level, but they are mainly facilitators who focus almost exclusively on the family interactions. Banyan is the only firm I know of that takes a multi-disciplinary approach, where teams of specialists—experts in strategy, systems dynamics, organizational behavior, psychology, law, finance, business, and more—work together in every area of strategies of families, owners, and business to ensure the long-term success of the family and their business.

One thing we've also found is that working with families on business strategy is a very powerful way to motivate them to do things as dry as shareholder governance, as dry as family governance. Too often families find family governance to be quite frustrating: "Dammit, now we've got to attend yet another family assembly meeting where everybody's going to talk over and around one another and nothing's going to get done!" No one really wants to wade through a three-volume manual on how to do corporate governance. And families don't need to do that; they can write the book as they go along.

Families need to get the work done, but we believe that they should use *live ammunition*. By that we mean that families should do family governance, but with real life issues, and there are no livelier issues

than what is going on now in the family business. Let's say somebody in the family has a sack of gold over here and someone else is thinking of doing an IPO over there. Then there's a CEO somewhere else in the picture who wants out of the business, but there's no succession plan. These are the inescapable facts of the business and the family that need to be taken up by families members, who usually then find it far more interesting to deal with real issues rather than with some theoretical model of succession or some generic shareholder agreement. In our experience, matters that arise in questions of business strategy are like shots of adrenaline that course through the family business system, jolting the family back to life.

**What's your big *aha* as a business strategist working with business-owning families?**

My big *aha* came in my very first engagement with a family business: I realized immediately that if I wanted to really help business families, I wasn't going to do conventional business strategy. Sure enough, today I worry less about what the family's business strategy is and more about the overlap and interaction of the business, the owner, and the family strategies. Of course, I always have the fundamental strategy of the business in the back of my mind because that's my history and experience, but front of mind is how these strategies impact one another. Like my colleagues, I get very involved every day in sorting out some family issues—I don't limit myself to the business's capabilities or its market positioning. I'm out there in the trenches, duking it out with the family.

Let me give you an example (all the stories in this interview are true, but disguised). We were recently working with a family client where the oldest sibling, the CEO, an amazingly capable woman, wanted to grow the business by more than half to a billion dollars. The rest of the family was scared to death that by expanding the business they might lose the company. The sister-CEO brought us in to help her convince the siblings that she wasn't going to bankrupt the business by going for growth. We agreed to look at the business strategy, but we were pretty clear with her that the answer we came up with would be the answer; we weren't going to make something up just to satisfy her.

After looking at the business strategy, it became obvious that we needed to know what each of the family members' tolerance for risk was. The strategy of growing by half a billion dollars was straightforward; the question was "now or later." So my colleagues and I conducted a careful assessment of the family members' risk profiles and realized that the siblings were far more conservative than their sister; they wanted to slow the company down rather than risk losing it. The assessment of risk was more of an ownership strategy than a business strategy, so what we found was that the business strategy was deeply linked through ownership with family issues, and that's a very complicated place to be. More than anything else, the different risk profiles of family members were getting in the way of implementing what was in fact a reasonable business strategy. The business could grow faster than the family could deal with it, and my colleagues and I had to work closely with the siblings to help them understand that the business strategy was solid—otherwise, the strategy would have been doomed to fail from the start because of weak owner and family commitment to the strategy. This work inevitably involved more than talking about the market opportunities and competitive dynamics of the industry. There were intense emotions that needed to be taken into consideration, too.

**Can you say a little more about the role that emotions play in a business strategy?**

Corporate consultants can quite easily intellectualize that a particular business could be worth more if taken apart than if kept together as a whole. But in a family, breaking apart the business is a big issue;

there are a lot of strong and complicated personal feelings that surface around a huge decision like that. This was all very strange to me at the beginning, but I've grown quite comfortable being in the thick of these family emotions.

Not long ago, for instance, we were working with a multi-million dollar family client whose business strategy revolved around the cousin remaining as CEO; there wasn't even a succession plan in place. So one day I said to the cousin: "What does your wife want?" That isn't a question I had ever asked Jack Welch or any other CEO of a publicly owned company that I've ever worked with, but I was advising the leader of a *family* business, and this is the kind of stuff that has to come up. And I could tell that no one had ever asked the cousin this question—I could see it on his face, in his body language. Then it came as a real shock to the family, and to us, when the cousin revealed that rather than have more wealth, his wife wanted him out of the business so that she could spend more time with him. That wasn't the answer anyone was expecting—including me—and it took some hard work with the family around this issue to get everybody to hear the wake-up call.

In this assignment, as on every client engagement, I partnered up with colleagues; there is no business strategist in the world who could have tackled this kind of complex family situation alone. One of those colleagues, an organizational behavior expert, did much of the heavy lifting, but because of the interrelated family, owner, and business strategies, I was doing a lot of the organizational development work myself. While I would be the first to say that I'm not an expert now in emotions or organizational behavior, I do believe I have a much stronger intuition about the family issues now than I did when I first started working at the firm, and certainly more than I did at BCG. That's a big plus. Without this intuition, or capacity for empathy, a business strategist can never be a family business strategist.

### **So you learned about empathy by working with families?**

After working with business-owning families alongside my Banyan Partners, I began to understand that families are people—they're a complex mix of hopes and fears, generosity and greed, ambition and anxiety around both success and failure. In other words, they're just like you and me—only more so because the needs of the business and the wealth magnify all this. And it's at that point that I started to learn the importance of empathy. But to me empathy isn't some great sentimental feeling that settles in the pit of my stomach. I once saw a minor movie where a minor character had a throwaway line: "Love is not a feeling, it's an ability." That's a pretty major insight. I think empathy is an ability: it's the capacity some people have to stick with the client while they find their way through some pretty difficult and sometimes ugly situations. My colleagues at Banyan have this kind of empathy—there's something about the selection process; something about the family aspect of the firm. Whatever the reason, we're not a firm that just marches into the office of the founder of a billion dollar business, drops the answer on his or her head, and then leaves. We work with the family client to help them come up with the answer themselves, and to help them act on that answer. Our work with family clients is a process, and I believe that process requires empathy.

### **How did your own family influence the way you work with business-owning families?**

Well, first of all, I think we can all agree that the place we first learn to empathize is in our family of origin. I'm no different from anyone else in this regard, though my family situation was probably more extreme. I was a military brat. My father was in the Air Force, and we moved 27 times before I married. I learned a few things from that experience. First of all, I got pretty good at reinventing myself—that was a matter of survival—to rebuild my life in new locations, and it is a skill that has served me well in my

career. Second, I learned to accept diversity because the U.S. military was, and still is, the most diverse organization on the face of the planet. For all the obvious reasons, I don't expect all families to look alike. Every family is different in its own way, and I accept this. But the even more fundamental lesson I learned growing up is that when I didn't have rootedness in a place, I had to find it in my family, and that's what I did.

On the surface, my family appeared to be quite homogeneous. My father was a pilot, my mother is a pilot, and my brother and I are pilots (as is my wife). Flying was our family business. But that apparent sameness masked real diversity, the same diversity we find among siblings and cousins who are bound together by a family business. In a way, because we were so dependent upon each other, my brother and I went to greater lengths than most siblings do to differentiate ourselves from one another. I see the same thing happening in business-owning families where one kid might be an engineer at MIT, the other a fashion designer in Rome, the third a computer graphics artist for Apple. Sometimes I find the greatest diversity where people are closely knit, and the need is most pressing to carve out an identity for oneself.

I'm not sure it was deliberate on my part—my wife had the deciding vote in this—but that pattern of diversity was repeated in my own family. Henri and I have six children, including a Japanese child, a Korean child, and two Russian kids. We were able to get a few of these kids out of some pretty extreme conditions. My wife deserves the lion's share of the credit for working with our children and for helping them become the terrific people they are; I didn't take being a father seriously until my oldest child was about 10. I've tried to make up for it since then, both with them individually, through travel, and by serving on the boards of their schools, trying to keep them out of bankruptcy. Now that is a real challenge.

**You're a prolific writer—the author of innumerable articles on Japan, China, global infrastructure, capabilities-based competition, the supply chain, and now family business. You're also the author of five books, including *Hardball*, a book about how companies have to be intensely competitive. That doesn't sound very empathetic.**

*Hardball* is actually a funny book. I wrote it at BCG with Rob Lachenauer, now the CEO of Banyan Family Business Advisors. We got the germ of the idea about ten years before I went into the hospital. My wife says I wrote it because I was feeling grouchy. I was on disability from BCG after the coma, and I was feeling like I wasn't accomplishing anything, so I spent half of my time everyday trying to recover and half of my time writing the book with Rob.

Rob and I were both angry when we wrote the book, which as you say is essentially about how companies have to be intensely serious about winning. Before I got sick, the world was getting really soft all around me. Business books were all about squishy subjects—*Servant Leader*. Or *Winnie-the-Pooh on Leadership*. Or, my least favorite, *Who Moved My Cheese?*—a book about how “little people” can reap the blessings of change if only they can follow the cheese. BCG actually handed out the book to people they were laying off, and I said: “C'mon guys, what are we doing here?! Are we mice or are we men?” It just blew my mind, and I said to Rob: “My clients are not playing softball; my clients are struggling to survive—even if they're winners they're fighting like hell to survive.”

Rob agreed. We were both sick of all this hugging and kissing and pretending that success means being Mr. Nice Guy, and we decided to tell it like it is. Our German and English colleagues at BCG trashed the book as being too George Bushy, but it isn't. It's really a book about change management, and it was

meant as an antidote to the advice that other folks were giving—pop writers who often knew little to nothing about business and who seem to have forgotten, or simply never understood, how to take a winning strategy and make it happen. In many books, change—or what is often the appearance of change—is good for change’s sake. In *Hardball*, change is good because it’s how you make the strategy work. That’s a big difference. Partner / Principal Interviews:

By the way, I write for therapy, I don’t write for glory. And I write because I’m a big believer that ideas need to be put out there for their full potential to be realized. People sometimes try to own an idea solely by themselves, and the idea “stays in the closet” and never gets as far as it could get. I talked about time-based competition earlier, and there were a few of us at the core of that idea. But when it came time to commercialize it, including writing the book, there was a whole team of about a dozen of us who did that over at BCG. I collaborate on most of my writing projects, and that’s a good thing. I don’t own most of the ideas myself. Few ideas have a single parent.

**I’ve been told you’re the person Jack Welch turned to when he wanted the answer to a question he hadn’t yet formulated in his mind. Speaking professionally, is this the finest compliment you’ve received?**

That’s nice to hear, but no, I don’t think so. An associate I once worked with told me I was the most intellectually democratic person she’d ever met, and I think that may be the biggest compliment I ever got. I take some pride in the fact that I can sit down with someone and if they describe a situation the way they see it, and I happen to differ, I’m still happy to listen to them even if I see things differently. It doesn’t get on my nerves when someone disagrees with me, even if they don’t have all the facts. I listen to all these softball folks. Hey, I wrote a review of *Who Moved My Cheese?*—and I wrote it for my own benefit. I wanted to understand the arguments this guy was making, and why the book had touched so many people. What I learned is that there was no “there” there, and that sometimes people can be moved by reading the back of a raisin bran cereal box if it’s packaged well enough. And that’s fine. Personally, I now think the book is more silly and annoying than before I reviewed it, but the point is that I honestly did try to remain open to what that author was saying.

**You’ve reinvented yourself now as a family business strategist, but aside from that you don’t seem to have slowed down much.**

I do realize now that I’m up against the clock. It was only I got out of the hospital that the real shocker came—I was alive. That absolutely changed me. I went on full-time disability for six months, then part-time disability for another six months. When I went back to work part-time, I said: “I’m not going to do *that* again—work so hard that I actually put my life, and the lives of my family, in jeopardy. Recently Henri and I took a vacation in Hawaii, where one of our daughters lives. A vacation in Hawaii for more than just a short week! That’s the new George.

But I don’t kid myself—I haven’t turned 180 degrees. I still work 70 hours a week because I love what I do. I’m on the road again, but after getting out of the hospital, I decided that I’d only travel for people I like. I only work for companies that have interesting issues that I find fascinating. Many business-owning families fit that bill, and emotionally they’re so appreciative of what we do for them. So I still crisscross the globe to work with clients. I left Hawaii after just one week to go advise a family client in Brazil. The problem there is that the family has grown faster than the business. I don’t know if we can grow the business fast enough to accommodate the family, but we’re trying to come up with a Hail Mary strategy. And then I’m off to the Philippines, but that’s a whole other story. To tell you the truth, I’m probably not

going to stop moving until I die. I can't. There are too many families that still need our help, and I can't just walk away from a challenge like that.