A Matter of Trust: The Family Business Advantage

*Trust is an integral part of all organisations and in particular family businesses. Once established, trust must be nurtured as explained by **Catherine Faherty**, PhD research scholar in DCU Centre for Family Business.*

A little girl and her father were crossing a bridge.
The father was kind of scared so he asked his little daughter:
"Sweetheart, please hold my hand so that you don't fall into the river." The little girl said:
"No, Dad. You hold my hand."
"What's the difference?" asked the puzzled father.

"There's a big difference," replied the little girl.
"If I hold your hand and something happens to me, chances are that I may let your hand go. But if you hold my hand, I know for sure that no matter what happens, you will never let my hand go."

Often, as researchers in the field of family enterprise, we are challenged to succinctly summarise what makes family businesses different from other forms of enterprise—what is it that makes these businesses a *special kind of business*? Family businesses don't have it easy. The role of CEO is very different when the company was founded by your father, and when your mother and siblings sit around the boardroom table, just as they sat around the dinner table. But these intimate connections can constitute a major advantage for these firms.

Family enterprises draw special strength from their shared history, commitment, and stewardship of the business. When key managers are relatives, their traditions, values and priorities draw from a common source. Yet, with that being said, if we were compelled to boil the differences down to a single concept, a single word, the one thing that underlies all of the competitive advantages and idiosyncrasies of family businesses, the word would have to be **“trust”.**

No single variable so thoroughly influences interpersonal and group behaviour as does trust. It is the foundation for long-term thinking, commitment, loyalty, stewardship, and much more. In the form of a definition, trust involves the willingness to take a risk and be vulnerable to the actions of another. Trust, or lack thereof, can be found in all relationships. Its salience in the business environment—between superiors and subordinates, among executive teams, with suppliers or customers—is undeniable. When families become involved in business, relationships are often distinguished by greater trust than is available to mere business associates alone. Emotional bonds built through kinship, familiarity and shared histories can lead to higher levels of trust within family enterprises.

Obviously, not every family business is characterised by trust. But even those that are fortuitous to carry this key ingredient sometimes take it for granted. So it is important for leaders to understand how trust is nurtured in a family business. Behavioural scientists offer a useful roadmap toward accumulating trust. They offer **three main drivers** involved in establishing the trustworthiness of another individual**.** They are:

1. **Integrity:** This refers to an individual’s reputation for honesty and truthfulness. In other words, if you say you’re going to be there, you’re going to be there.
2. **Competence:** Does the individual possess the ability, or technical knowledge, required to get the job done? Can they do what they say they are going to do? This particular factor is situation specific, meaning, for example, that you may trust the Marketing Director to develop the annual marketing plan for the organisation, but you might not trust her or him to fix the engine in your car.
3. **Benevolence:** This involves evaluating the individual’s desire to do good to others. Does he or she genuinely care about me?

Trust is a vital component in any organisation, but it is especially important in the family business. Trust is not created by talking about it. It depends on behaviour; it's what we do, not what we say, that makes the difference.