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*Harry Levinson, PhD, is a pioneer in the people-management side of business. He is a professor emeritus at the Harvard Business School and Harvard Medical School and author of twenty* Harvard Business Review *articles and numerous books. He also established the Levinson Institute, which provides private consultation and seminars to executives of family and other businesses. He transferred from the Harvard Business School to the Harvard Medical School in 1972 after developing a seminar based on his book* Organizational Diagnosis.

KAROFSKY: Harry, how did you get involved in the world of business? How did you come to put the worlds of psychology and business together?

LEVINSON: After my clinical training at Menninger, I spent several years helping to reform the Topeka, Kansas, State Hospital. Will Menninger was heavily involved in raising funds for the Menninger Foundation and that brought him into contact with a lot of people in the business world. They [the Menningers] wanted to do something for business. So Will asked me to develop a program that would show the business world that the Menninger Foundation was interested in problems of business and about keeping well people functioning well.

KAROFSKY: How did that affect the relationship between the world of psychology and the world of business?

LEVINSON: Psychology has been involved in business since 1914, but that was the traditional academic psychology, involving testing, attitude surveys, morale studies, ergonomic studies with people working on factory equipment and building cars, and so on. But what went on in people's heads in order to be able to treat them was almost totally unknown to management. Management was still operating with a simple reward/punishment psychology. Most management still does. So that led to my formulating a seminar at Menninger for executives on psychoanalytic theory applied to management, leadership, and management change. Out of this experience, I created the division of industrial psychology at Menninger Foundation, which I led for 14 years. And that became a model for the Levinson Institute, which I set up privately when I went to Harvard.

KAROFSKY: “Leadership” and “management change” are major concerns for members of the younger generation in family businesses. How do you think their issues today compare with those of years past?

LEVINSON: I don’t think they have changed much. The fundamental issue—the basic issue in so many cases—is the reluctance of the CEO to let go. The secondary problem is often the inadequacy of one or more of his children to carry on.

KAROFSKY: Is this cause and effect or effect and cause?

LEVINSON: Well, sometimes it’s cause and effect. That is, in some cases the father dominates so much that he psychologically castrates the son. In other cases the father just doesn’t want to let go and provide the son or daughter with the opportunity to succeed him. Another thing that goes wrong is that most of the time in family businesses, the CEO doesn’t do an adequate job of evaluating the competence of the children, or the different competencies of the different children. That is, he doesn’t have any factual information about what each of them can do well and which of them should not be in the business at all. There’s a sense of obligation to keep the children in the business.

KAROFSKY: What’s the solution?

LEVINSON: First, to get them into the business right away is a terrible mistake. I think all children should be sent out of the business and have some years to develop their own confidence, so they can develop self-respect and so that both they and their father can know what they can do—that they demonstrated their worth to someone else. If they haven’t done that, then in the father’s eyes they are not competent and never will be competent, no matter how old they get and what their experience has been.

KAROFSKY: What are other key issues?

LEVINSON: The next problem is the rivalry between the father and the child or children, making it difficult for the father to let go, to turn the business over. That’s complicated by the rivalry among the children over “who should do what” without any objective judgment about their competence to perform certain functions. That gets further complicated if those children marry and their spouses want them or their children to have a significant piece of the action, particularly to be CEO or in top management, whether or not they are competent. They may or may not have the necessary abilities. So in the family-based organization, what the father frequently says he is developing for his children, is more often than not a medium for his personal gratification rather than something he is doing for the children (except to support them). As a result, he doesn't want to let go because he won't have that source of gratification.

KAROFSKY: Who else gets involved? What happens then?

LEVINSON: The mother basically wants to keep the whole family together. She usually wants the father to keep all the children in the organization—keep everyone—happy and not exercise appropriate controls in terms of reasonable written expectations that are stated on paper and hold people to these expectations. Such formal provisions prevent playing favorites both with the children and non-family employees. So that, in her concern for preserving the family, the mother often contributes to the corruption of the business. A business has to be managed as a business, and if it's not managed as a business, it's not going to survive. That's one of the hardest things for mothers and fathers or founders of the business to both understand and do something about. Now that problem becomes more acute when, for example, one has to introduce automation of one kind or another, like computer technology, into the business.

KAROFSKY: Please explain that further.

LEVINSON: Often the parents don't understand the need for such a great change. They don't know what it means or why they should do it. They don't want to spend the money. Essentially it also means a certain loss of power because if you don't understand information technology, you don't understand all the data you're getting. That's one kind of issue that compounds what already may be an issue in the father/son or father/daughter relationship and when the daughter or the son goes off and gets an MBA and comes back and wants to manage the business "by the book."

KAROFSKY: Isn't that a two-sided coin?

LEVINSON: Sometimes managing the business by the MBA book is long overdue, but in other cases one may well stamp out the "soul" of the business that arises from the nature of the relationships between people and their organization. Take a situation I recently encountered: The CEO really doesn't understand management. By fortunate coincidence he built a highly successful business despite his lack of knowledge about management. He had maintained good personal relationships with people in the organization, but as the organization grew, he saw the need to bring in somebody to manage. So he brought in a business manager who was heavily into controls. When the basic task of the leader is to support the people in the organization, then the controls, however necessary, have to be ancillary. You can't let the auditors run the business, regardless of what kind of business it is.

KAROFSKY: Harry, one of the things that is talked about frequently is "empowerment" of the younger generation. What can members of the younger generation do to help themselves?

LEVINSON: Empowerment is just a cliché. I much prefer to speak of specific behavior, that is, what are the tasks to be done. You have three central functions: 1) production or services, 2) sales and marketing, 3) research or product innovation. Somebody has to run those functions and those are the people who bring the money in. Everything else is ancillary. So you need to know who has to run which function to bring the money in and who is capable of doing that. Therefore, you have to size up what is the behavior required to do those tasks satisfactorily to bring the money in.

KAROFSKY: How can people best get feedback? There are so many tools on the market today for performance appraisal.

LEVINSON: Some things are not measurable, like relationships with people. You have to observe what people do on the job. There are no such things as objective performance appraisals, despite the 360 fad and the many kinds of tools and inventories. The key issue is how to meet the expectations that have been set forth, and the judgment about that hinges significantly on the boss's feelings about what's being done. Now, in the company I just mentioned, the accountants running the place were jumping all over the people, and the boss didn't understand that it was destroying the company. The only criteria of performance [they cared about] were the financial criteria. Well, financial criteria are important, but they're not the only criteria. And in most companies, they are not the most important ones because if you're building your company for perpetuation then what you want is to build managerial competence within the organization.

KAROFSKY: What about family relationships?

LEVINSON: If you have family members who are put in managerial positions [simply] because they are family members, then others in the organization who are not family members recognize that you can't get anyplace in this company unless you are a member of the family. Second, they—the employees—have to suffer the inadequacies of the person who has been put over them because he's a family member. And that's a very destructive thing to do, because it undermines their self-confidence, undermines their productivity, and undermines their respect of the management, and there is no reason for them to hold on except for the money. And these days, unless people are close to retirement, it's going to be hard to hold them for money.

KAROFSKY: Harry, when you started in the world of psychology, systemic thinking and systems theory were hardly born.

LEVINSON: Much of it should have stayed unborn.

KAROFSKY: Tell me more about that, about what you think in terms of systems theory and family business.

LEVINSON: There are many different kinds of systems theory. Psychoanalytic [theory] gives us insight into people's unconscious thoughts and feelings. Most other theories don't seriously take into account what goes on in people's head. My basic conception is psychoanalytic, and psychoanalytic theory says that all organizations in any culture are recapitulations of the family structure in that culture.

When you have people in the business, whatever they have learned about how to cope with each other and with power in that culture, they are going to recapitulate in the business. So you have to understand that. Second, you have to understand that businesses are like all other organizations. If you are thinking in terms of systems, they are built on a biological model. That is, input, throughput, output . . . that processes of input, throughput, output have to get careful attention whether they are manufacturing processes or information processes or some other processes. Third, if you are dealing with organization problems, you have to understand the history of the organization. That is, what the founders' values were/are and how they got translated into the way the business is managed, and what particular developmental steps have occurred in the business, and with what success. And you want to know what types of problems, what types of crises have arisen, and how they were dealt with and with what success.

You want to know further the degree to which and the manner in which the personality of the founder and/or the chief executive, if he is still around in it, influences the behavior of other people in the organization. If the CEO doesn't have the kind of organization I have described—with clear charges, clear accountabilities, and clear processes for managerial selection and succession planning—then things are going to be in a jumble, which is going to make a great problem for everybody. It's important, therefore, to have that kind of sense of how the business got to be the way it is now and, therefore, in that context, that is in the context of its history, and your understanding of how it has operated, what you have to do to change it. If you don't understand the context, if you don't understand its history, if you don't understand its crises and how it dealt with them and all those things that are part of the development of the business, then you can't do much successfully to change the business appropriately. Instead what you will take is a trial-and-error approach, and that's too expensive.

KAROFSKY: And where does systems theory fall short in looking at this?

LEVINSON: Having to deal with people. Unless systems theory specifically includes a way of understanding what goes in people's heads and attuning the system to that fact, then no system is going to work well. Though you have the system down on paper and organized into a program, or whatever you call the system, the system must be run by people. Without a basic understanding of people, the people who have to implement it are going to fumble and stumble.

KAROFSKY: Because there are unique differences and unique behaviors and the causes of those behaviors are not addressed?

LEVINSON: Yes, a lot of people are doing family therapy, for example, family systems therapy, but most of those people don't have any depth of knowledge about what goes on in people's heads. What they do, generally speaking, is to get people together, then, to solve problems. That poses a bit of difficulty when they don't understand the unconscious rivalry within the family crew, or how to manage that rivalry—to resolve it or get out of it or do something else. Or when they don't understand long-term relationships in the organization and the degree to which those are going intrude into the decision making. So when you talk about systems, I want to know, what kind of systems you are talking about, and how they operate, and more importantly who operates them. Systems don't operate by themselves.

KAROFSKY: Yet there is so much current literature on systems theory . . .

LEVINSON: Well, mostly what's in the managerial literature is clichés that describe behavior but do not explain why it occurs. Description is not explanation without understanding why one doesn't know what to decide or to change. It doesn't get into the specific psychological issues that every person in every business has to deal with. And when you talk about empowerment, what does that mean? To give people more power? To do what? At what level? Under what circumstances? With what accountability? There are some people you don't want to give power to, you shouldn't give power to. I don't want my surgeon to give power to his non-medically trained assistant to do something to me, and I don't want somebody who doesn't understand management to manage a manufacturing plant, particularly if that person doesn't understand people. I don't want somebody to be thinking of the future who is not knowledgeable about what goes on in the environment, both prospectively and retrospectively.

KAROFSKY: Harry, please help me tie your comments together with some "one-liners" as counsel to members of the younger generation, plus some one-liners to members of the senior generation, and some one-liners to consultants to family businesses.

LEVINSON: First, for the younger generation: Don't go to work for your family business if you can possibly avoid it. If you must [go to work for the family business], first go get a job in somebody else's company and develop your own track record so that you know what you can do, and you can therefore withstand the judgment and criticism of your father or mother or whoever the critic may be. Second, get a comprehensive psychological test battery that will tell you what your strengths are, your competencies are, and, by the same token, what you don't do as well. Third, don't get into rivalrous combat with your parent about power in the business. When you are reasonably enough mature to be able to take over from a parent and that doesn't happen, then the simplest thing to do is to leave the business rather than get into rancorous fighting back and forth about not getting enough power to do what you want to do and have to do. Fourth, you have to recognize that one of the most difficult jobs any entrepreneur has, and therefore any head of a family business has, is to let go. And it's highly unlikely that he or she is going to let go spontaneously, voluntarily, or with enthusiasm. The odds are against its happening with good grace. So you have to make a judgment on those terms, and if you have to leave, it's more important to do so without rancor than to get into long continued hassles. If you leave without rancor, then you sustain the family relationships. If you don't, then there's always the residual anger of the hassle and continuous intrusion of the business into family relations.

KAROFSKY: And your message to members of the senior generation?

LEVINSON: Recognize that giving up the business is going to be a problem for you. It's a problem for almost all seniors.

KAROFSKY: Why?

LEVINSON: Because their self-image is so tied up in the business, their position of power in the business community and the local community is heavily related to the business. Without the business they don't have any power. They are just another person, not the president of this or that, the chairman of this or that. It's very difficult to do. What you need to do is have a good psychologist with whom you can talk about the problems of getting up and letting go, and talk to that person at sufficient length until you have resolved the problems in your own mind. Second, if you don't have an independent board—that is, a board of people who are not part of the business—then it's going to be very difficult to get appropriate judgment from somebody other than yourself about who can do what among the children, especially if you don't have psychological test data and you don't have any experience to go on, particularly experience of that child in somebody else's company. For adequate judgment about possible succession, you also need careful observation of what that person has done in your company, together with your continuous feedback that person about what believes he or she can do or has done, not a harangue, but an appraisal of actual performance. Third, don't play people off against each other, and particularly don't play kids off against each other. That is terribly destructive and will destroy family cohesion. The CEO has to understand that the business isn't going to do anybody any good unless it continues to be a business, and that running it as a business is primary. Taking care of members of the family is quite secondary and should not be done at the expense of the business.

There are all kinds of jobs out there for all kinds of people. If and when members of the family go somewhere and learn to do something very competently and then come back into the family business, then the founders and the board are likely to trust them more. Other members of the family, who can see what they did where they went to work, can make better judgments about their respective competencies or skills and accept them for what they can do. For example, if a son goes into marketing in another company and does it well, he may come back to do it in the family business. The same thing is true of finance, manufacturing, and many other functions. You cannot manage a business by guilt, which is what too many parents do. You must come to terms with guilty feelings and deal with harsh reality, if the business is going to be any good to anybody else and if you are going to sustain the integrity of the family. The hassles in family businesses are terrible to behold. We've seen newspaper reports about too many kids who won't talk to each other and won't talk to fathers and mothers. So a person in this position needs to have a board who will help in the selection process, ideally [made up of] members who have observed the sons and daughters at work, can see what they do, how they do it, and what their experience has been, and who then can make some reasonable judgments. To choose your own successor, I once wrote in a *Harvard Business Review* piece, is likely to be guarantee for failure. You need somebody outside to give significant advice on how to do that, which one to choose for what reasons, depending on what the needs of the business are. Years ago, I had a distant cousin who ran a men's clothing store in a not-so-fancy area of the community. He wanted his son to succeed him, but the son wouldn't do it because he could see what was happening with department stores and discount houses and so on. The way his father made a living and the area in which he made it were not going to be possible for his son. If the business was to survive at all, it would have to move to someplace else. There are many reasons why one can't take over and do what the father did. So that's what I say to parents.

KAROFSKY: And what do you say to the consultants of the world working with family businesses?

LEVINSON: Most of what you are doing is an exercise in futility. Unless you become significantly knowledgeable about psychological matters or factors that go on in people's heads, then you're likely to make a recommendation based on inadequate diagnosis. Those recommendations will have great difficulty being implemented. Further, if you're going to be successful as a consultant, you can't make believe you know business consultation because you treated a family system or you trained in family therapy. You've got to know what goes on in people's heads and how do you understand them. And sometimes that means you have to decide that you aren't going to take on this client. I can remember a difficult time I had when I allowed myself to be interviewed as one of several possible consultants for a family business. I knew I didn't want to consult with that family because I had some idea of what the conflicts were and the reluctance of the family to deal with those conflicts. The interview went badly. I should have listened to myself and not done what I really did not want to do. In another case, learning it the hard way, I did not interview all the family members individually and I assumed that it would be all right to bring family members together and work with them. Some people can do that reasonably. However, what I discovered in dealing with this family was that one was a paranoid schizophrenic and it was hard to keep his attention on what was to be done. Then, behind everyone else's back, he was pulling in another consultant. Never begin working with a family without interviewing, in advance, each member of the family to find out what the agenda of each is, what the history of their relationships have been, and what is reasonably possible to do here. So, Paul, that's my final statement.

KAROFSKY: Harry, your remarks have been very candid and very rich. Thank you for sharing so much of yourself.

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