



Grant Gordon

“You’re describing someone with the voice and judgement of Solomon, the patience of Job, the diplomatic skills of Kissinger and the hard drive of Jack Welch – such people aren’t necessarily growing on trees.”

Grant Gordon of the Institute of family business discusses lessons learned from a recent research project

The Institute of Family Business is about helping family businesses draw on the rich experience within the community in building success and sustainability. We were delighted this year to be able to support an important research project, run by the London Business School, which explored the issue of family business leadership to identify best practices. The report, authored by Professor Nigel Nicholson and Åsa Björnberg, revealed there is good scope for family business leaders to improve their success by following some basic principles.

### Set the culture

The leader’s job is to create the cultural framework for the company, and set an example. This process can be underpinned by making the family and its firm’s values explicit, integrating the best of both into the business and spelling out the values in writing. Some family business leaders promote projects that demonstrate how they meet the organisation’s set values.

### Create clarity around owners and managers roles

Make sure the rules of engagement between the family shareholders and the business are clearly defined and ensure that owners and managers are clear about the boundaries of their respective roles. The leader should avoid family and management becoming a threat to each other.

### Build a strong leadership team

Leaders should not be afraid of being surrounded with people who are better than themselves. The priority is to ensure that in terms of

overall direction the business is well led and provides for the succession. Within family firms a lack of planning for succession is the single biggest cause of failure in achieving business continuity and growth.

### Avoid insularity

Family firms can cocoon themselves, locking out external influences. A leader’s job is to ensure that outside perspectives are always there so the company is aware of what is happening around it. Good board practice helps, with strong representation of genuinely independent non-family non-executive directors on the board, collectively bringing a wide variety of experience to bear.

### Recognise the importance of time

A feature of business families is that the owners are generally closer to the business, than in quoted public limited companies. Good communication between management and shareholders can be a big plus in driving the business forward. However the owners’ support cannot be taken for granted and it is important for leaders to invest time to build a consensual relationship.

### Balance the rational with the emotional

Family businesses are a unique form of institution, with the family overlaid over the ownership and management constituencies. With this mix of participants comes emotional undercurrents which can impact on decision-making. For the leader a ‘tough and soft’ approach can help keep the rational to the forefront while accepting that underlying feelings and emotions are of equal importance.

### Retain support from shareholders

In family businesses there are two axes of value creation: economic and emotional. Economic value can be measured and benchmarked, with regular monitoring and reporting to shareholders. At the same time, emotional value underpins family commitment to the business and requires constant effort to keep it healthy and robust. Leaders have a responsibility to ensure the family owners are motivated.

### Prune the family tree

Having family shareholders who are not committed is a major hazard. Good family business planning recognises that this does happen and therefore creates liquidity mechanisms for partial exits. Leaders should recognise when there is a need to discuss pruning the family tree and will ensure the process is conducted fairly, keeping the owners and the company’s interests in balance.

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