



Institute for  
Family Business  
with UCG

# Family Business Challenges

## Maintaining Family Values



## The *Family Business Challenges* series

This guide is part of the *Family Business Challenges* series commissioned by the IFB Research Foundation. The series offers practical guidance for family business owners seeking to manage the unique challenges and opportunities they encounter.

The series provides concise information on a broad range of topics – covering family business dynamics, governance, performance, succession and family business wealth.

Each guide, which is illustrated by a real-world case study, is divided into three sections:

1. **Defining the challenge** – clarifying the issues and summarising expert thinking.
2. **Actions to consider** – ideas and strategies to help family business people meet the challenge.
3. **Resources** – annotated further reading.

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## The publisher

### About the IFB Research Foundation with UCG

The IFB Research Foundation with UCG is a charity (no. 1134086) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The Foundation's vision is to be the UK's centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside *Family Business Challenges*, its work covers a broad range of publications, including:

- *Family Business Sector Report* – benchmarking the size and importance of the sector.

- *Family Business Research and White Papers* – thought leadership on key family business characteristics and issues.
- *Family Business Case Studies* – showcasing family business exemplars.

The Foundation disseminates knowledge and best practice guidance through printed publications, online media accessible via the IFB website and other activities, including the IFB Research Foundation Annual Lecture.

### About the IFB

The Foundation works closely with its sister organisation, the Institute for Family Business, which is a membership association representing the UK's family business sector. The IFB is a member of FBN International, the global network for family businesses.

[www.ifb.org.uk](http://www.ifb.org.uk)

# Maintaining Family Values

## 1 Defining the challenge

**Values bind the family and the business together.** Developing a shared vision, based on family values and goals, is probably essential for long-term family business success. Families need to have a clear and cohesive answer to the question, “Why are we in business together?”

**Values drive and underpin behaviour.** When families acknowledge their shared values it becomes a rallying point in support of a collective, strategic vision. This provides both a framework for planning and decision-making as well as a foundation on which to build family business competitive advantage.

**Values increase in importance with the passage of time.** As families expand and scatter (geographically and culturally), a sense of shared values becomes ever more important in binding family members together and to the business. In larger companies the family communicates its values and vision to the board, which sets strategies and implements actions accordingly.

**Exhibit 1: Values that can enrich the business as well as the family**



**A statement of values.** Families often need help exploring and acknowledging the values that define what they stand for. Drawing up a statement of values helps family members relate to the group and links generations together. (See some examples of enriching values in Exhibit 1.)

**Identifying and endorsing values.** Constructive conversations about values usually reveal common ground based on shared history. Try drafting summaries of personal values, or set up exercises encouraging family members to list words and concepts that describe what motivates them under important headings, like:

- **My personal life** (e.g. perseverance)
- **Business/professional** (like accountability)
- **Family life** (such as nurturing)
- **Social responsibility** (e.g. fairness)

### Exhibit 2: The importance of actions – not words

“A good exercise that companies and families can use is to think of tough issues that challenge a particular value and then have a discussion of how the value can be maintained in the face of such challenges. Some family-held companies collect case studies of such challenges. One company gives an award each year to a person who upholds the family values in the face of unpopularity. One family holding company looks at each acquisition not just through a financial lens but through a ‘does this venture fit our family values’ lens. Another family in its annual report on its family holdings includes a report on family values and how the company is upholding them.”

Source: Dennis T. Jaffee (2010) *Stewardship in Your Family Enterprise: Developing Responsible Family Leadership Across Generations*, Pioneer Imprints, p.64.

### Exhibit 3: Values evolving at successful family businesses

“In the first and second generations, values tend to be very normative and may be expressed in authoritarian, exclusionary ways – for example, in principles like ‘All family members will be raised in and belong to the Presbyterian church,’ or ‘All the family’s charitable contributions will remain in our community.’ In later generations, when the family gets to be quite large, the goal is to try to create a sense of family continuity and solidarity of support for the business. Value statements tend to become more inclusive so as to encompass the increasing diversity of family members. The values articulated may become a little more bland and there may be fewer of them, but the focus is on what values can be identified that bring people closer together rather than what values the family will insist people hold and by which they will be judged if they don’t.”

Source: John L. Ward (2004) *Perpetuating the Family Business: 50 Lessons Learned From Long-lasting, Successful Families in Business*, published by Palgrave Macmillan, pp.135–136.

**True values show up in actions, not words.** For value statements to be meaningful – not just general or aspirational – they need to be tested against objectively defined behaviours. (See Dennis Jaffe, Exhibit 2, on setting tough tests.)

**Values transmit down the generations.** Guiding values and principles can be passed to successors via non-legally binding “ethical will”. These can take many forms, such as a short letter, a leather-bound business history or personal biography, or a message recorded on DVD. Values can also be summarised in the family constitution or mission statement.

**Core values are immutable, but other values are not.** Times change, families expand and business markets evolve, so it’s important for families periodically to re-examine and, if necessary, refresh their value system and family vision. (See John Ward, Exhibit 3, on values evolving over time.)

### Family values enhancing the business.

Common values and shared vision can inspire business performance, providing family companies with competitive advantage and long-term resilience (see Exhibit 4). This tends to generate a “virtuous circle” because, when family members see their values strengthening the business, then their pride in those values and in the family is reinforced.

### Exhibit 4: Professor Randel Carlock on values and vision – a distinctive advantage for family firms

“Family values are a powerful competitive advantage for family businesses simply because, if I’m competing against a widely-traded company with a million shareholders, it potentially has hundreds of thousands of different goals and expectations. If I’m with my family and we’ve taken the time to talk about what values are important to us and how those values shape our vision, then we’ve accomplished 50 per cent of the strategic planning process already. But on top of that, we have focus. We have a clear idea and we are all going to the same place. So values and vision are really a distinctive competence of family businesses if it’s done right.”

Source: <http://knowledge.insead.edu/contents/randel-carlock-family-business-management-101213.cfm?vid=503>

## 2 Actions to consider

- How to answer the question, “Why are we in business together?”
  - Who are we, what do we believe in and what is our family business for?
  - Where would we like the family business to be in 50 years time?
  - What do we need to do to make these things happen?
- How regularly do we articulate and discuss the values we share as a family, our collective vision and our common goals?
  - Do our family’s real-world actions align with what we say in our values statement?
  - What happens if someone acts outside those values?

### Case study: Benfield Motor Group

“Family values underpin *Be Benfield* – a remarkable cultural development programme at family-owned motor retailer Benfield Motor Group, the largest private business in the north-east. The first section of the programme workbook, distributed to everyone employed at BMG, is headed up “Vision and Values”, and it proclaims: “Being a family business means being a business where people belong and where everyone’s contributions are valued and regarded.”

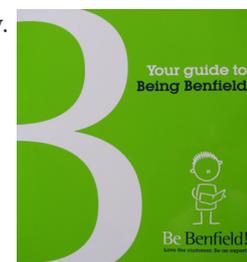


Mark Squires, CEO

Chief Executive Mark Squires, representing the third generation at BMG, is evangelical when describing the programme: “The family have always been proud of the company, what it represents and our position in the community,” he says. Mark became CEO in 2000 when his father, John, stepped aside from day-to-day management to become Non-Executive Chairman. “The *Be Benfield* programme is central to our business model,” Mark explains, “because customer service and a strong performance management culture is vital to us – we’re in a very competitive sector where you just can’t afford to carry passengers.”

Unlike some family companies, BMG does not trumpet its family business status as part

of its marketing strategy. It’s the employees rather than customers who really make the connection, because they see the family’s involvement and family values right at the heart of their *Be Benfield* programme.



The *Be Benfield* programme workbook

The programme has developed in two halves. At the customer end, a lot of work goes into defining the company’s proposition, alongside very specific standards of customer service. But just as much effort is put into building internal culture, as represented in BMG’s vision statement – “to be a world-class retailer, delivering the best customer experience in a fun and expert way.”

The goal is to make Benfield’s customer experience a genuine competitive advantage.

Mark recognises that an important quality of successful family businesses is that they are special places to work, and he aims to make the most of this: “If we can ensure this a great place to work, then not only is that a good thing for us and for our people, who all spend a lot of their time at work, but actually you create a buzz that customers feel and respond to.”



## 3 Resources

### Articles and reports

#### **The Importance of Values in Family-Owned Firms**

Lucia Ceja, Remei Agulles and Josep Tàpies, *IESE Business School Working Paper No. 875*, University of Navarra (available at [www.iese.edu](http://www.iese.edu)).

A review of the academic research on this topic, homing in on specific values that are characteristic of family as opposed to non-family enterprises. The paper includes references to many related articles and books.

#### **Create and Communicate Business Values with Integrity**

Gov.uk public information website (formerly Business Link). (Available at [webarchive.nationalarchives.gov.uk](http://webarchive.nationalarchives.gov.uk))

A topic allied to the “Family-run business” section of the UK government’s online resource. Coverage includes sub-sections on communicating values and briefing managers on values and behaviours.

### Books

#### **Family Business Values: How to Assure a Legacy of Continuity and Success**

Craig E. Aronoff and John L. Ward, published by Palgrave Macmillan (2011).

The authors discuss practical steps to help families articulate and record their values. There’s also a useful section on renewing and reinterpreting values to ensure they retain their productive power as the world changes.

#### **The Solutionist Guide to Family Business: Strategies and Structures for Peace and Prosperity**

Jon D. Kenfield, published by The Solutionist Group, Melbourne, Australia (2011).

In Chapter 11 the author explains how validating and recording family values promotes family bonding. He goes on to discuss the practicalities of organising family participation in “visioning workshops”, and provides examples of worksheets and preparation exercises designed to encourage and guide thinking.

#### **Family Values and Value Creation: The Fostering Of Enduring Values Within Family-Owned Businesses**

Edited by Josep Tàpies and John L. Ward, published by Palgrave Macmillan (2008).

This research compilation is divided into four parts, each analysing how values influence different aspects of family businesses. Of particular interest are Part 1, examining the ways in which values affect the succession process, and Chapter 7, looking at the impact of owner-manager styles and values on the succeeding generation.

#### **Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times**

Mark Haynes Daniell and Sara S. Hamilton, published by John Wiley & Sons (2010).

Includes some original thinking on values and vision in family-owned businesses – especially in Chapter 3.

# Family Business Challenges

The *Family Business Challenges* series of guides offer practical guidance for family business owners. Each guide identifies issues commonly faced in a particular topic area, suggesting strategies for managing the tensions and competing demands that arise. Titles include:

## Family business dynamics

- Understanding Family Business
- Maintaining Family Values
- Developing Stewardship
- Promoting Sustainability

## Family governance

- Managing Differences
- Building Family Governance
- Strengthening Family Communication
- Fostering Responsible Ownership
- Managing Communication:  
Owners and the Board

## Family business performance

- Fostering Entrepreneurship
- Professionalising the Board
- Maximising People Capital
- Employing Advisers

## Family business succession

- Engaging the Next Generation
- Planning Succession

## Family business wealth

- Selling the Family Business

Growing successful enterprises  
for generations to come

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