

FAMILY BUSINESS LEADERSHIP

“The successful founder is able to redefine what requires attention as the business grows. Men who start businesses, but fail to change their roles as the requirements change are the ones who become losers.”ⁱ

- Dr. Leon Danco

In the context of family business, leadership assumes a little different meaning than what is generally understood. We can define family leadership as **the art of making people believe in and act on a shared vision in the multiple contexts of family, business and ownership.**

The job of a family business leader differs from other business leaders as it is not confined to the business system alone. Management of family and ownership are also important. The task of the family leader is much more complex than that of leaders of non-family owned businesses. Moreover, family firms pass through a complex series of developmental transitions from start-up, through expansion and growth, to maturity. The qualities of leadership required for each phase of business development are obviously different.

Krister Ahlstrom once told in one HBR interview, “The changes we've been through at Ahlstrom over the past 15 years have taught me some lessons about leadership in a family business, and especially about the pacing of change. When it comes to strategic change, you have to be careful because you can't make many mistakes. But once you have made your decision, you must be very, very fast in implementing it. With governance, you must be patient because you cannot change the way people think overnight. And finally, when it comes to the family - because there is so much emotion involved- you must be even more patient.”ⁱⁱ

Leaders of family businesses have to deal with many dilemmas like:

- To change or to preserve
- Equality or competence (in management/ownership succession)
- Business-first or family-first (in decision orientation)
- Family managed or professionally managed
- Remain private or go public
- Weed out or groom/correct (incompetent family members)
- Over-crowding vs. independence (if youngsters pursue outside careers)
- Straightforwardness or tactfulness
- Community vs. individuality
- Love or discipline
- Midway or fair way (in conflict resolution)

Family business leaders have to be expert in dealing with complexity and in handling paradoxical situations. While being very strong and rigid about values, they should otherwise be flexible in changing their leadership style as the situation and the context change.

“Family businesses need leaders who are fair, loving and tough-minded, all at a time.”

Qualities

A family business leader needs to have the following qualities:

1. The leader should ideally follow a delegating, empowering, and **participative leadership style**. As the organization and the family grow, the biggest challenge that the family

business leader faces is to subdue the aggression usually associated with founders without losing his enterprising nature. He must discard his hands-on management style. The ability to share power and develop a team is critical to manage the family firm through various transitions like professionalizing the firm and leadership succession.

2. Similarly, he should learn to **curb his ego** and be brave enough to accept the help of others. Many family leaders walk around feeling they should be super-people, totally competent, absolutely perfect. Asking for help is considered an admission of helplessness. *We were never meant to struggle alone. Asking for help is a gift that we give to our close people.*
3. He should be **visionary** since he has to always think about sustainable growth over a very long time horizon. He needs to secure the legacy and ensure the continuity of the productive life of the business for generations to come.
4. While dealing with the conflicts between business and family, he should usually have a **business-first approach**. For example, it is natural for parents to want to provide stable and lucrative employment for their children. However, when this desire is superimposed upon the business, the owner may hire a family member with limited talents for working in a customer-driven environment. The result can be damaging to the company's reputation and efficiency and may compromise the long-term survival of the family firm. The task of the leader is to find an alternative employment opportunity for the child matching with his or her talent and competence.
5. As mentioned earlier, given the highly complex world of family businesses, he must have the **ability to deal with ambiguity** and should switch over fast into various roles as boss, father, husband, son etc. Family provides stability. Business provides value to a customer whose needs and tastes keep on changing. Strong family business leaders need to understand this dichotomy. Profits generated by a business can provide the family with financial stability. On the other hand, profits can only be generated by flexible and change-oriented thinking behaviors. Meeting these conflicting demands require the highest level of intelligence, commitment, resilience and sacrifice.
6. He should be **fair and consistent** in his behavior with all family members. He must focus not only in being fair and consistent but should also be perceived as such by the family members. He has to signal to people the fact that he has gone through what's considered a legitimate process in a very rational and systematic manner and has not been biased for or against anybody. Credibility needs to be earned and is a function of other people's perception. Hence he should be articulative in managing the perception of others. This doesn't mean that he should be manipulative; but he must definitely be sensitive towards the feelings, opinions and thoughts of others.
7. A family leader deals with close people and hence needs to be **patient** with them. Processes like succession planning may last for a lifetime and require extraordinary patience. Business is run on a going concern basis and is assumed to last till eternity. One needs to be reasonably patient with a process which can produce enduring results. Low patience with process is a typical Indian problem. We look out for instant solutions. This mindset is the result of gut-feel decision making which has succeeded in the past. There is a tendency to jump to conclusions without getting all the information and facts.

Such short term approach is not right in the context of family businesses who may last for generations.

Harsh Mariwala of Marico once told that it took them three years to define the vision of the company. He could have drafted a vision statement himself in a day or, as an alternative, could have asked a consultant to do it, who would have done a very good assembly job by picking up impressive lines from the vision statement of other companies, of course, for a hefty fee. Frontline people would not have understood it, and in any case, would never have owned it.

8. A family business leader needs to master communication and inter-personal skills. He must be **a good listener**. He must not get over-excited while criticizing a family member. *Criticism, like rain, should be gentle enough to nourish a man's growth without destroying his roots.* Some kinds of criticism can hurt deeply but leave no visible mark. Harsh words, bullying and ridicule are violent tactics that are totally inappropriate between family members. Helpful criticism always includes praise for what was done well and recognition of the doer. He should not pass verbal violence, but should transform it into constructive criticism.
9. He should be **emotionally intelligent**. Five factors are important for achieving a high level of emotional intelligence: high self-awareness; mood management, self-motivation, interpersonal expertise; and emotional mentoring. He should not fall prey to emotional exploitations and should not be over-stressed in adverse or emotion-ridden situations.
10. A family business leader serves a long tenure and witnesses many transformations on different dimensions. The number of family members keeps on increasing as new generations join the business. The size of business also undergoes change. The industry can also move from the nascent stage to a matured level. The business organization may change from proprietorship to public limited companies. All these transformations necessitate a change in leadership style. *Robert P. Vanderpoel* has said, **“The most successful businessman is the man who holds onto the old just as long as it is good, and grabs the new just as soon as it is better.”** In this sense, a leader needs to be **flexible and adaptable**. The ability to identify opportunities, the guts to come out of the comfort zone, the aptitude to embrace change with matching mobility and maneuverability, the ability to shrug off the redundancies of the past, the modesty to accept and understand his own deficiencies are the critical factors for his success.

Traditionally, culture is understood as ‘the way things are done here’. This is a wrong understanding. This makes culture rigid and inflexible.

The leader needs to distinguish between culture and core values. Core values like honesty, integrity, customer service, quality adherence, etc. do not change substantially over time. However, culture needs to be adaptive to accommodate the necessities arising out of environmental changes.

11. Because a family leader serves a long tenure, he should be a **learner**. He should remain young at heart and should not mind learning from people who are younger than him. He should interact frequently with experts and other business owners for cross fertilization of ideas.

12. He should blend **entrepreneurship with caution**. On the one hand, he is required to ensure constant business renewal through innovation, on the other hand, he has to make sure that the legacy is safely passed on to the future generation. He cannot take undue risks that may threaten the very survival of the family firm the entire family depends upon. This doesn't mean that he should become risk averse. He should continue to set stretch targets. **Happiness comes from setting such targets so as to test our powers to the fullest but not by pursuing unrealistic targets which may destroy us.**

13. He plays the key role in culture building. He must demonstrate the highest level of **integrity** and should lead by example. He should walk the talk. Being the keeper of the family values, he is supposed to have an impeccable character. The best family firms relate well to their stakeholders – employees, suppliers and customers. The values that the leader demonstrates get reflected in the behavior of all such stakeholders.

Kouzes and Posner, who conducted many surveys to identify leadership qualities, observe: "In every survey we conducted, honesty was selected more often than any other leadership characteristic; it consistently emerged as the single most important ingredient in the leader constituent relationship. It's clear that if we're to willingly follow someone – whether it be into battle or into the boardroom, into the classroom or into the back room, into the front office or to the front lines – we first want to assure ourselves that the person is worthy of our trust. We want to know that the person is being trustful, ethical, and principled. We want to be fully confident of the integrity of our leaders, whatever the context. That nearly 90 per cent of constituents want their leaders to be honest above all else is a message that all leaders must take to heart."ⁱⁱⁱ This applies to family leaders as well.

14. Families present many stressful and emotionally draining situations. He cannot afford to sink into the emotions for too long and needs to bounce back fast to normalcy. **Resilience and forgiveness** are essential qualities of any family business leader. He cannot afford to overreact with a hurt feeling or with vengeance. The capacity for hope is the most significant fact of life. *Hope provides human beings with a sense of destination and the energy to get started.* In spite of all the adverse conditions, he has to maintain the belief that he can come out of any situation; that any deadlock in inter-personal relationship can be worked upon.

15. Timely succession ensures smooth transition of family leadership from one generation to another. It is a decision that generates mixed feelings of pain and satisfaction. Considering the importance of the issue, he needs to let go and hand over the rein to the successor in a totally **selfless** manner. Many family leaders tend to avoid taking this tough decision and in the process leave the successors to deal with this difficult issue after their death, thus threatening the very survival of the family firm. **Spiritual orientation** helps in looking at death as a fact of life and also in leading a healthy post-retirement life. For the same reason, a family leader should also develop some **hobbies and other social interests**.

16. The key function of a leader is to **identify and nurture talent**, and finally to delegate matching jobs with commensurate authority. This applies to family as well as non-family people.

17. A family business leader needs to enjoy the role he is playing. Since the business colleagues accompany him to home too, he must master the art of separating the two contexts and not allow the negative experiences of family context to spill over to the business context and vice versa. He must not remain over-possessed with achievement and should have the **ability to enjoy small things of life**. Too much of business orientation weaken the family ties. He should make it a point to attend to personal occasions and should carry deep respect for family rituals.
18. **High sense of pride and commitment** towards family name and reputation are the driving factors for a family leader. It is this force that helps in sailing through many of the crisis situations that a family leader is bound to encounter during his long tenure. A leader embodying these qualities becomes a source of inspiration to other people associated with the family firm. This spirit also helps in creating a strong brand image for the family name.
19. Although the role of leadership is assigned mostly to a particular person, it is not uncommon in families that different people take charge of different situations depending on who possesses the best of the requisite qualities appropriate to the situation. Family leadership is **situational leadership**. In this sense, a family leader needs to be practical and willing to take the help of others. In the true spirit of **servant leadership**, he should not mind occasionally taking the backseat and play a supportive role in the best interest of the family.
20. Most of the researches on long lasting family firms suggest that such firms use their finances conservatively and members lead a **frugal lifestyle**, example being the houses of Tata, Godrej and Murugappa. The family leader must not encourage reckless spending and vulgar display of wealth. But he should not be penny wise pound foolish, as is often the case with founders who have come up the hard way.
21. Family businesses who are close to the community survive long. A family leader must remain **connected to the society** and should actively participate in social activities. Family members respect those who bring pride to the family. Moreover, by remaining connected, he can make the best use of the social support system that provides the requisite manpower and finance in times of need. He should use social work and exposure to provide family members with an opportunity for alternative employment and constructive use of time. This helps in channelizing the energy of the family members in the right direction.
22. He should not over-identify himself with the business of the family and must gradually develop a detached perspective. He must develop a high sense of **self-worth** (independent of the business) that can allow for gradual withdrawal and permit others to grow.
23. Despite being success oriented, he should not lose his **human touch** and must respect the individuality of each person associated with the family firm. He should not over-dominate the personal aspects of everyone's life, including those of the family members. He should not always use his authority at home with complete disregard to the personal needs and desires of family members.

24. The family business leader must be **transparent** in financial matters. Not sharing information about financial performance with other family members is a mistake many business leaders commit. Over the period, the trust level goes down.
25. The family leader must have an **issue based perspective** and understanding of the needs and wants of others. A need is something that must be satisfied. Wants, on the other hand, can be unreasonable. He should communicate a lot in order to dig deeper into the hearts of the family members and to help them in distinguishing between their needs and their wants.
26. He must **share credits and rewards**. Elderly members of the family should be presented as the social face of the family. If some external body wishes to present some award, other family members should be included in the process to the extent practically possible.
27. He should practice **tough love** and should not hesitate in enforcing the necessary discipline. This implies that he will have to say no once in a while. Tough love requires that family members, like all employees, are accountable for their actions. He needs to confront family members immediately if negative behavior is observed and should not dilly-dally in disciplinary matters.

He should be action-oriented and shouldn't suffer from paralysis of analysis.

He should be fast in picking stress and burnout signals of family members and managers.

Behavior of family members often is the result of the influence of the extended family. Family leaders should know the influencers and their modus operandi.

Family leaders should have self-knowledge and awareness of others' SWOT. He should use the strengths of all and should not put people on test for life in areas of weaknesses like the one who thinks - 'I have asked him to manage the party. I know he can never keep the cost down. Let me see what he does this time.'

He should allow conflicts to surface and should tackle them with firmness and empathy as the situation demands. He should protect the family from deep-rooted animosity, hatred and anger. Family court never rests. Issues keep on coming up from all directions. No loving relationship is free of arguments. The family leader should know when to allow the family members to settle the matter by themselves and when to interfere.

It is important to note that the qualities mentioned above are general in nature and one needs to make suitable changes as required by a particular situation or context.

"For a family business to survive...., its leaders must be capable of rejuvenating or reinventing a vision for the company in each generation. Simply repeating a tired-out formula that worked years ago has been the death of many a stalwart family firms. Don't let yours be one of them."^{iv}

Note: The reference to family leader in third person is in masculine gender (he or his), but should be read with suitable modification to include feminine gender, as the case may be.

ⁱ Dr. Leon Danco, "Inside the Family Business", Center for Family Business, 1982

ⁱⁱ Governing the Family-owned Enterprise: An Interview with Finland's Krister Ahlstrom, Joan Magretta, HBR Jan-Feb 1998

ⁱⁱⁱ James M. Kouzes & Barry Z. Posner. The Leadership Challenge (Jossey – Bass, San Francisco, 1995).

^{iv} Marshall B. Paisner, Sustaining the Family Business, Perseus Books, 1999