

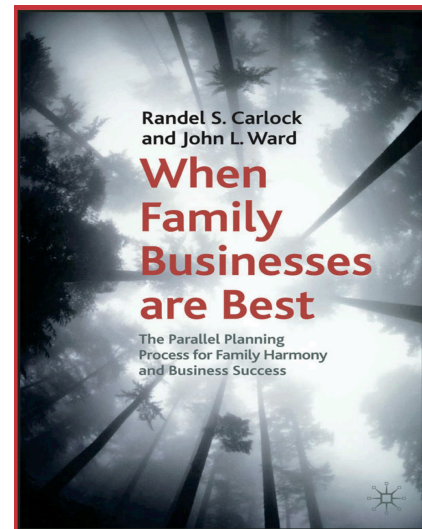
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## **Management by Looking Ahead: Family-Firm ‘Stewardship’ Offers Model for Long-Term Management Success**

By Adam Gordon

In the pivotal moment of the movie “Remains of the Day,” US Congressman Trent Lewis (Christopher Reeve) in England in 1936 declares to the “gentleman-amateurs” around him who are blunderingly cosy-ing up to the Nazis: “*leave politics to the professionals.*”

It’s an expression of the 20th century zeitgeist shift to professionalization of not only politics, but all significant decision-making and management. Business certainly led the way through the century with the rapid rise of managers as a distinct class of professional, expecting the commensurate erosion of family-run firms of any real size and clout.



The problem with family firms are legion: under-qualified if not downright incompetent heirs thrust into positions they can’t cope with or don’t want, family wrangles, inheritance disputes, relative non-accountability of management leading to quixotic decision-making, secrecy mitigating against access to capital and therefore growth, and so on.

So the wisdom became that the family-firm management was appropriate in start-up mode, and then as companies scaled up and moved to external funding

and responsibility to multiple stakeholders, professional management should take over for the good of everyone.

## **Generations**

Or so we thought. There is a long-running counter-argument that family firms do many things better, even at scale. Key decisions are made with the fearless straight-talk that is often required, and without bureaucracy up and down the chain. Families may have their politics, but they don't have the chronic office politics nor resume-polishing that besets so much of corporate life, wasting countless person-hours.

Furthermore, industry and business wisdom that is built up over generations stays in the firm rather than getting washed down the river every time the executive door revolves. The bottom line: family firms remain a more-than-viable model very much alive and kicking all across the world.

These are background issues to Randel Carlock (INSEAD) and John Ward's (Kellogg) new book "When Family Businesses are Best," (Palgrave, 2010) which is broadly about navigating a family firm in the changing, globalizing world.

What got my attention particularly is the authors' contention that family firms are better at developing, retaining, and working to a long-term management perspective. That is, the family is an inherently long-term institution, and well-run family enterprises are run in such a way as to endure for the future for the family – and this is an advantage in navigating and surviving a changing world.

The term the authors' use is for this kind of management is "stewardship."

The root problem of most professionally managed businesses is they are run

without stewardship – without concern for long-term well-being of the firm or its stakeholders. If we needed reminding, the banking crisis was the product of management that couldn't be further from stewardship – taking absurd risks with other people's money for short-term personal wins.

Banks have become the poster child for the follies of short-termism, but the reality is short-termism remains endemic across professional management, both in business and politics. Long after “après moi le déluge” CEOs have taken their packages and are on the golf course, others – employees, taxpayers, the environment, etc. – are paying the price.

### **What's measured**

At least, post-crunch, it is now incontrovertible that short-termism is an extremely poor strategy for managing a complex and uncertain future. “What gets measured gets managed,” and when what is measured is only the next quarter's profit figures, bigger failure looms.

The family-run businesses offers a model of long-term management. It is a conservative non- “bet-the farm” model to be sure, but perhaps the path a *real steward of value* genuinely operating in the best interest of valued stakeholders would follow.

So how might one, without the real flesh-and-blood bond of family ties, get senior executives to think through the effect of their behavior on employees or stakeholders 10- or 20 years in the future, as the head of a family would? Surely only by creating incentive structures that mimic family stewardship – incentives that mean that leaders can't walk away smiling until the organization (or the value it represents) has been safely passed on to the next generation.