

News: The great family business brainstorm

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Professor Randel Carlock, INSEAD's Berghmans Lhoist chaired professor in Entrepreneurial Leadership and director of the Wendel International Centre for Family Enterprise, outlines the results of a family business brainstorm at the FBN Global Summit.

More than 600 participants at the 20th Family Business Network International Global Summit came together last October to brainstorm ideas on how to deal with crisis and conflicts.

With 40 countries represented, the participants created a global learning community within the huge space of Amsterdam's former commodity exchange, the Beurs van Berlage. The aim was to share, learn and build ideas together. The interactive forum allowed participants to contribute quickly to the ideas presented by others.



Participants formed into groups to focus on particular elements of crisis management such as communication, authentic leadership, next generation, governance, values, strategy and entrepreneurship.

Thousands of comments and ideas flowed to and fro and it was the job of 12 very busy "reporters" to capture those ideas and then present their essence back to the whole learning community.

It was the perfect time to share ideas on crisis and conflicts. Family businesses have been buffeted by powerful changes – social, technological, economic, political and physical – that are interacting to cause a strategic inflection point in history.

Families face new threats to their values, more stress, less financial security, less

time to react and less control over the situation. Crises often make individuals question their personal identities, causing pain and self-doubt. And the first rule of crises is that they are always worse than could have been imagined.

But a clear message came out of the brainstorm session: family businesses are not about to give up on those qualities that have served them well for many years and that give an inherent competitive advantage. They trust their values, such as stewardship, longevity and trust, to get them through the difficult times.

In fact, the current economic difficulties are an opportunity to strengthen what family businesses do best. Families use crises to make the foundations of their success even stronger.

Here are some tactics and strategies that were brainstormed by the families:

1. Business needs the next generation: When economic reality forces a business to reassess its strategy and make changes, there's no better time to bring in the energy of the next generation, according to a number of families keen to reduce the distance between the generations.

"Speed up the transfer of responsibility," was one comment. The next generation (around 20-40 years old) will live in the future so "let them take more responsibility for shaping it". They are ready to see the situation as it is and come at it with fresh ideas. They don't want to repeat what worked in 1990 because, for them, 20 years ago is ancient history.

But at the same time, many of the younger participants at the brainstorm session felt that they had much to gain from the senior generation's experience and resources. One comment was: "We need you but we don't say it and you don't hear it!" So when bringing in the next generation, consider carefully their unspoken need for support.

2. Communicate better: A crisis underlines the importance of planned structures that facilitate communication so that it's easy and regular. One suggestion was "to benchmark with other families" in terms of what structures to use.

Families talked of instigating a mix of formal and informal meetings to ensure regular communication and intentionally involving different generations in a family council that inputs to the executive board.

Communication is easier when people trust each other, and trust is enhanced by shared positive experiences. A successful formula for a family get-together might include family retreats with visits to family-owned assets, social events that are paid for by a family fund and special programmes for younger family members.

Families suggested that the best time to set up structures is before a crisis hits

the business, when success is easier and "when the sun is still shining". But it's never too late to take steps that help overcome the psychological reluctance to engage in sensitive and confrontational discussion.

3. Build confidence: During a crisis it's easy for leaders to get caught in a trap of looking back and focusing on what went wrong, but this is a confidence destroyer. While it's important to learn lessons, families believe that it's also "important for leaders to trust that they're doing okay" and concentrate on what action needs to be done now and in the future.

Successful leaders look to create human meaning and a sense of purpose. To do this, they need to relate the business' values to the new situation. Values can be a solid rock that survives a battering from the worst storms. One comment was: "When everything is moving around you, values may be the only stable things."

To build leaders' self-confidence, it can be helpful for them to talk with others who understand the pressure but who are far enough removed to be independent and neutral.

With support, leaders can pass through times of crisis and tests of leadership, achieving greater self-knowledge along the way.

4. Stick to your strategy: A business strategy should be based on good, long-term thinking and – particularly in the case of family businesses – a strong sense of values. For as long as the underlying thinking remains good, and the values remain valid, there should be no need to start unpicking the strategy no matter how deep the crisis.

"Don't worry too much, reduce speed and keep off the strong coffee," said one attendee. There are bound to be bumps in the road and periodic crises are part of business life. If a business is still serving to create value, its return to prosperity may depend on time rather than a new strategy.

There is always the possibility, however, that the world has changed in such a way that the strategy is now fundamentally flawed and needs major revision.

Another comment was: "You have to reach a shared common understanding of why you landed up in the crisis and how you, as a group, will get out of it. So talk to everyone in the business and the family."

5. Review risk levels: In general, entrepreneurs tend to be optimistic, even a little naïve. This can be a good thing because otherwise they would not try those radical ideas that just might turn out to be inspired. Often a business has a "ladder" but it takes an entrepreneur to know which wall to put it against.

One family leader said: "Our family prides itself on risk propensity balanced by financial caution." A global financial crisis might mean more caution – but an element of risk is still essential to a business family.

It's also about people using their personality and talents as a tool, and matching them with opportunities. If the right opportunities are there, it makes sense to take advantage of them. No matter what the general economic situation is like.

When pulling all the strands from the brainstorm session together, it's striking that the hundreds of participants were positive and upbeat. This was not founded on optimism about the global economy so much as on the long-term sustainability of the family business approach, which can remain robust even in times of crisis.

The values of family businesses will stand them in good stead as the current storms usher in a new business model. In the last century, the general business model was characterised by functional competencies in marketing, finance and organisation, with strategy at the centre. In the 21st century the model will be characterised by leadership, entrepreneurship and psychology, with both strategy and governance at the centre.

This is the model that successful family businesses are embracing as they react to a transformed world. A family business owner from the UK was typical of the mood of the brainstorm session when he said confidently: "We will be successful."