

Family psychology and competitive advantage

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A few years ago it was possible that "Anheuser-Busch acquires InBev" would have been the headline announcing the consolidation of the global beer industry. Anheuser-Busch was well positioned to lead an industry consolidation with its strong stock price, 50% US market share and the industry's most recognised brand.

So how did Interbrew (now InBev), a small European brewer operating in a country of 10 million people, become the industry leader and eventually acquire their much larger competitor?



There are no simple explanations for InBev's success but there are useful lessons about how family psychology influences ownership. The story provides an opportunity to compare how two family controlled businesses influenced their firms' futures so differently.

Some will argue that InBev's success reflects a superior business strategy and a stronger management team. This is true and leads to the question – why? I would argue that InBev's ownership became a competitive advantage that added value to the business.

Family psychology is about how a family sees the world and their relationships with others. In family-controlled businesses management and employees react to the family's psychological influences and this shapes the firm's beliefs and behaviors. These two families created very different emotional environments for their business strategies to develop.

InBev focused on a consolidation strategy by acquiring firms in high growth markets, sharing management and governance roles, and maintaining strong controls especially on cost and quality. Anheuser-Busch developed a reactive strategy based on exploring non-brewing opportunities, continuing a tradition of Busch family management, protecting their domestic market, and developing

limited partnerships.

InBev was more effective for a number of reasons, not the least because of the added positive emotional environment that their ownership brought to the firm around five psychological dimensions. These dimensions – which appear in *Family Business on the Couch: A psychological perspective*, written by myself and other experts – consist of:

- Networking: sharing information and supportive relationships.
- Goal alignment: balancing individual and collective goals.
- Control: constructive family influence with the board and management.
- Time-frame: long-term commitment to a business strategy.
- Organising structures: flexible and rigid controls.

Considering family psychology clearly demonstrates the differences that enabled InBev ownership to create tangible benefits compared to the Busch family. Business families provide their own emotional glue that translates into corporate culture. In the case of InBev this culture was about cognitive and emotional openness that allowed management and the board to consider a wide range of opportunities beyond the firm's traditional geographic markets. The ownership group also saw the firm as more important than any individual or the controlling family.

To them it made perfect sense for a Belgian company to have a Brazilian CEO because he was the best qualified. The family's commitment to sharing information and supportive relationships was reflected in their investment in ownership education about the firm's strategic, financial and governance requirements.

The lesson is that if an ownership group is not willing or able to strengthen its performance then how can you expect the employees and managers to function at a world-class level.

We can also see how a very different psychology shaped the strategy that developed because of the Busch family's desire to be closely linked to Anheuser-Busch. Management succession was a birth right; could you imagine Anheuser-Busch naming an executive from an acquired company as their CEO?

The lack of family commitment was apparent in the long-time personal conflicts between August II and III and August III and IV, reflecting a belief that individual family member's goals were more important than shared strategic thinking.

In the end, even August IV, who suffered under his father's domination, could not separate his personality from the firm – he declared during the takeover battle that Anheuser-Busch was not being sold "on my watch".

The most important learning from this case is not to consider the simplistic "sell or not to sell" question. If this case teaches us anything, it is that once there is an offer on the table, it typically means that the game is over for the family's ownership. What business families need is more strategic thinking about how their family ownership creates value.

The question that Anheuser-Busch should have asked 10 years ago was "how does the Busch family ownership create a competitive advantage?" The InBev ownership group did and the result is that Anheuser-Busch is now part of their firm.