

The Leadership Challenges in Family Businesses

- Graham Yemm

Increasingly, the success of businesses, depends on the quality of leadership throughout, and especially from the top. Yes, you need good management disciplines and skills to ensure that things run effectively. However, on its own they will not be enough. This article looks at some of the key leadership challenges which are faced in organisations, with specific points which affect family businesses.

One simple but profound truth is emerging from the worlds' most successful organisations:

Directing / leading an organisation is different from managing one.

It is no longer sufficient to take specialist managerial skills into the boardroom. So, what is the difference? Simply put: Leadership - ("Leaders do the right things") Leadership is the development of vision and direction, setting a course that gives a sense of common purpose. Leadership is about inspiring, involving, persuading and motivating people to follow the cause and achieve the vision.

Management - ("Managers do things right") Management is about getting things done. It requires coordination of resources to achieve a defined end result (objective or target) with and through people. It is the science of continuous improvement.

"The task of the leader is to get his or her people from where they are to where they have never been." - *Henry Kissinger*

As *Warren Bennis* says in "On Becoming a Leader", "managers operate within the culture" and "leaders create the culture."

Over the years, there have been many really good examples of successful family run businesses. Certain national and regional cultures seem to have more than others. Asian families have created many successful enterprises, both in their own countries and when they have moved and settled in other lands.

There are many companies still operating today which owe their existence to the beliefs and drive of the early industrialists who were often very philanthropic and also paternalistic. Some of these were enlightened enough to move with the times, others faded as they failed to adapt to different expectations from customers and staff.

What are the specific issues for family businesses?

There are some key challenges:

- Managing the family dynamic and relationship
- Managing and leading the business successfully
- Managing the relationship with the people working in the business
- Managing the business through change - with all of the above!

One of the dimensions to be addressed is

which family members are involved and what are the plans, or opportunities, for others to join the business? If they can come in, what is their role going to be? The challenge of managing the relationships in and out of the workplace can be a source of tension at times. There needs to be some methodology for keeping these two aspects totally separate to reduce potential friction which can then lead to deeper problems within the family. Where there is a variation in the shareholding, be careful to not let the majority votes dominate, causing resentment. It might be sensible to have a more limited number of voting shares with an equal distribution, or to have something in the constitution about decisions needing a consensus. Remember, if people feel that they have been walked over or put down, resentments can last a long time! Also, family members who are uninvolved or less involved with the business need to not feel left out or remote from the others. Nor should they be asked to take sides in any business discussions or differences as this will create long-term problems.

When it comes to managing and leading the business: in many cases, though certainly not all, there is a lack of investment in developing the people at the top - especially in leadership skills. The leaders of the business have to create the vision and mission, identify and define the values of the organisation. These need to become part of the fabric of the organisation - and the family have to "walk the talk" to demonstrate their integrity and commitment to them. Out of this comes the culture - and strength of culture will often dictate success of business performance.

Businesses face a challenge of growth, at whatever level. The executives need to provide the strategic direction and have a plan to achieve it. This strategy needs to be aligned with the family desires and vision too. Recognise the strengths and limitations amongst the people running the business, ensuring any senior staff outside the family are given equal weight for their input. If you have gaps, consider using support from outside the family or top team. This could come from further down the organisation or using an external person. (On that subject - if you do not have a non-executive director, it is worth considering having someone to be this sounding board, mentor and guide.)

The challenge for successful family run businesses is to recognise when they need to bring in support from outside the family and another is how they adapt their leadership style and approach as they move into positions of more responsibility. They have to let go of more of the detail and day to day operational issues and move to providing the strategic direction and thinking and learn to lead through others. One of the issues I see with some of the family owned organisations is the frustrations of the people who are not part of the family. They feel as though their prospects for growth and development are limited, that other family members will be brought in over them or fast-tracked ahead of them, or that they cannot

influence their bosses. This can be OK for a while, but there comes a time when it can be a serious demotivator. The leaders need to recognise this and learn to do something to reduce or prevent it.

If, for various reasons, there is no chance for people to make it to the top of your organisation because it will stay within the family, there will be a limit to just how much even the brightest, most ambitious person will contribute. You may want to question this overall policy, and ask whether it is short-sighted? Your relationships with the people who work for you are the key to achieving your strategy and both business and personal aims. So, look at how well you communicate with the workforce and is it open? Are people encouraged to approach the "bosses" with ideas, concerns or complaints? Do the same standards of performance apply to everyone? Are people promoted on merit rather than family tree? Do you have a good performance appraisal or review process to keep communication flowing?

Remember, you do not have a divine right to respect as a leader - respect is earned. A leader is best when people barely know he exists, not so good when people obey and acclaim him, worse when people despise him. Fail to honour people, and they will fail to honour you.

Be a good leader who talks little, has done his work, fulfilled his aim they will say "We did it ourselves." - *LAOTSE* (Chinese Philosopher, 500 years B.C.)

Businesses usually need to adapt to change, either proactively or reactively. This is a challenge in most organisations, regardless of ownership. However, within family owned businesses the key challenges outlined above are still present, with the extra pressures they can exert. Frequently, family businesses do not tackle change issues proactively. They often want to preserve the status quo or follow the plan which is in place. To be proactive, they need to look at what is happening in the market, where are the threats and opportunities? From here, they need to convince the other family members first, before starting on the change programme. This can be a problem. Then there are the "usual" change management and change implementation challenges which face any manager or leader.

Family businesses face the same challenges for their leadership as any other organisation, privately or publicly owned. They need good, strong leadership. Their situation is different because of the additional dynamics within the family and workforce which require extra skills to handle effectively. Those of you running family businesses need to continually develop your own abilities as leaders, strategic thinkers and directors - and also work on your communication and influencing skills to keep people alongside your vision and strategy while being able to put yourself in their shoes.