

LEADING THE FAMILY BUSINESS SYSTEM: IT TAKES A VILLAGE

PART THREE: WHAT CAPABLE LEADERS DO FIRST

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In the first two parts of this article, I established a couple important arguments. First, capable leadership of the entire family business system—the business, family, and ownership group—is key to your long-term advantage as a family business. Long term, you can't afford to ignore any of these parts to your family business system. And to get strong performance from these groups, all three groups need good leaders.

The second part of this article explained that a capable leader of any group ensures that the group has proper governance, and provides adequate leadership and management. Put these two together and you can assess what the leader or leaders of a family business system should do in each of these domains and activities:

ACTIVITIES			
DOMAINS	GOVERNANCE:	LEADERSHIP:	MANAGEMENT:
	Establishing the mission and core values of the group; ensuring group stability through plans, policies, agreements and decisive discussion forums; choosing effective leaders	Setting the particular direction and strategies of the group; making important decisions to support the group mission and values; encouraging essential change	Ensuring operating efficiency and effectiveness through planning, staffing, organizing, directing, controlling and problem solving
BUSINESS	<ul style="list-style-type: none"> Designing, participating in and supporting an effective board for the business to ensure that appropriate business goals, plans, policies and agreements are developed Ensuring that appropriate business leaders are chosen 	<ul style="list-style-type: none"> Setting the direction of the company Developing strategic plans Ensuring that core values are followed Making decisions that cannot be delegated Encouraging needed change 	<ul style="list-style-type: none"> Ensuring the effective management of the business
OWNERSHIP	<ul style="list-style-type: none"> Designing, participating in and supporting effective ownership forums to develop appropriate ownership plans, policies and agreements for the owners Selecting effective leaders of the ownership group 	<ul style="list-style-type: none"> Confirming the support of the owners for the direction of the company Ensuring that core values are followed in the company and unity among the owners is achieved Developing vision and goals for the ownership group Encouraging needed change in the ownership group Making decisions that cannot be delegated 	<ul style="list-style-type: none"> Ensuring the efficient and effective management of the ownership group
FAMILY	<ul style="list-style-type: none"> Designing, participating in and supporting an effective family council to develop appropriate family plans, policies, agreements and programs Choosing an effective family council leader or leaders 	<ul style="list-style-type: none"> Setting the vision, direction, and goals for the family Ensuring that core values are followed and unity is achieved Encouraging needed change in the family Making family decisions that cannot be delegated 	<ul style="list-style-type: none"> Ensuring the effective management of the family council and the business family

With these important basics behind us, we are now ready to define what a capable leader in family business systems actually does. Once again, Nelson Sirotsky, the Sirotsky family, and their company RBS will serve as good examples.

CAPABLE LEADERS FORGE A LEADERSHIP TEAM

Stand back and look over the table again. Try to take in the big picture. Do you see what I see? There are so many basic needs to be met in family business systems.

A capable leader meets these needs both personally and through others. In most family business systems there is a single, ultimate leader—a person whose support is needed to make big decisions for the system. In younger, simpler family business systems (like founder stage systems) the ultimate leader is generally the founder-father-controlling owner who has significant influence and control over resources and is generally the main source of governance, leadership, and management. But even in these situations the ultimate leader typically cannot provide all the governance, leadership, and management that the business, family, and ownership group need. The leader generally is supported by others who help him or her lead the business or family. In larger and more complex family business systems, especially when two or more people have significant influence over decisions and resources, an ultimate leader usually works with formal leaders of parts of the system like the family council leader. Capable leadership of the family business system is almost always a team sport.

And for all situations, leaders who are not developing others to be future leaders are setting up their family business system for decline. Great family business system leaders support and prepare others to lead in the future.

Whenever you have two or more leaders in a group, you must have strong alignment among them on the direction of the organization and the principles of running it. You need to minimize rivalries and chronic dissent in the leadership team. If the leader of the business and the leaders of the owners and family are not aligned in terms of the direction and policies of the business, the foundation of the family business will be shaky and weak. Ongoing rivalries among the leaders can be especially debilitating because they are upsetting, discouraging, and weaken the company.

When power is distributed in such a way that prevents a clean resolution of differences among key owners or family members, and governance mechanisms are not in place to resolve conflicts, then outside assistance is needed to restore alignment.

Don't lose decision-making discipline by having competing leaders in any of your groups, but recognize that most groups, and especially complex systems like family business systems, need lots of leadership. Sometimes they need separate leaders for different groups. You just need to have clear boundaries so individual leaders know where their authority ends. Decision making needs to be clear.

I'm making this point because while I have focused on the exemplary leadership at RBS, it's uncommon. Many family business systems rely too much on the leadership of one person—generally the Chairman or CEO of the business—to lead the business, ownership group, and family. In Italy this is common practice, but I see this practice to a large extent in every country I work in.

When the leadership needs of the business, ownership, and family become too great and diverse for one person to adequately attend to all of these groups, a more collective model of leadership works better. Some family business systems have a business leader, a family leader, and a leader of the ownership group. Others have a business leader who also leads the ownership group, and a separate family leader. With the recent leadership transition at RBS, a new leadership model for the whole system will emerge over time. The Sirotskys are good at talking things through until a new model is clear.

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ABOUT CAMBRIDGE INSTITUTE FOR FAMILY ENTERPRISE

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