

LEADERSHIP STYLES FOR TURBULENT TIMES

Helena McDonnell

Senior Advisor and Partner, Cambridge Family Enterprise Group

CAMBRIDGE
INSTITUTE FOR FAMILY ENTERPRISE



As our world becomes increasingly interconnected, fast paced and volatile, traditional family business leadership approaches are being called into question. A transformational leadership style and the ability to navigate complex problems are proving to be key success factors for steering the family business through turbulent times.

Today's turbulent times are raising the bar for family business leaders. Technological and scientific breakthroughs, digital disruption, globalization, the environmental crisis, and complex economic, social and political forces present new and ever-changing challenges and opportunities. The lingering COVID-19 pandemic has only heightened the pressure on family business leaders, not just to survive the crisis but also to anticipate and adapt to the “new normal.”

Family businesses today must be agile, innovative, capable of handling complexity, and quick to adapt to the changing landscape. This new reality is calling into question some traditional approaches to organizational leadership and problem solving. Family CEOs and senior executives in family-owned companies are rethinking how they lead.

Which leadership styles and behaviors will best enable family businesses to succeed in an era of turbulence? In this article, we shed light on that question with some best practices and recommendations for executive leaders of family companies, and the story of a fourth generation CEO's experience managing through and beyond the COVID-19 crisis.

THE ROLE OF FAMILY BUSINESS LEADERS

In a family enterprise¹, there are multiple dimensions that need leadership including operating companies, family offices and investment portfolios; governance groups, the owners, and the family; and social impact and other meaningful family activities. This article focuses on the executive leadership of family-owned operating businesses, which may be the primary family business, subsidiary or non-core businesses, the family investment company, or the family office. Executive leaders may hold the title of President, CEO, Managing Director or Executive Chair, or may be members of senior management teams or executive committees.

These business leaders are broadly responsible for setting corporate direction, developing and executing strategy, building an effective organization, achieving performance targets and – ultimately - ensuring that the owners' vision, values, culture, and desired results are realized. Within the business, executive leaders must work with the board, oversee the management team, and align and motivate employees. As part of the broader family enterprise, they may need to coordinate with other governance groups (e.g., investment committee, owners council, family council). Externally, they represent the business to stakeholders and the outside world.

How those responsibilities are fulfilled can look quite different from company to company and individual to individual. The leader's skill set, life stage, and personality play a factor as do the family's culture and values, among other influences. But the choice of leadership style is a key driver of business leader effectiveness and organizational success.

LEADERSHIP STYLES IN FAMILY COMPANIES

Autocratic Leadership Style

Family business leadership has been attracting considerable attention in academic research circles in recent decades. One important trend that has been observed is a shift

away from an “*autocratic*” leadership style epitomized by the patriarch of a hierarchical organization with centralized decision-making.¹ The autocratic leader is task-oriented rather than people-oriented, and exercises authority through a “command and control” approach. Their leadership decisions prioritize family interests, so you will find them putting the needs of the business ahead of their own interests (stewardship) and favoring family members (nepotism). While they treat employees as extended family members, autocratic leaders expect loyalty and obedience in return (paternalism).

Perhaps not surprisingly, the autocratic leadership style has fallen out of favor over the past two decades for a variety of reasons. As we have become a networked society, organizations have flattened and decision-making has become more decentralized. Younger generation employees – including family members – expect a voice in decision-making and are accustomed to working in teams. They are more motivated by meaningful work and access to entrepreneurial opportunities than by loyalty to the company or its leader.

Transformational Leadership Style

An increasingly complex, interconnected, and fast-paced external environment has increased the demands placed on family business leaders. Family enterprises must be agile and adaptive to survive and thrive. Keeping up with everything that must be tracked, tended to, anticipated and steered exceeds the bandwidth of a single person. But a failure to keep up can have tragic consequences for a family business.

These new realities have led to a strong preference for a “*transformational*” leadership style across the corporate landscape and especially among family businesses, which inherently have a longer-term perspective than non-family companies. Transformational leaders share a strong connection to the family business with autocratic leaders but otherwise behave quite differently. They create a shared vision that incorporates both family and business-related goals and instills a sense of pride among stakeholders. They care about and are supportive of individuals’ needs and engage in mentoring. And they have a strong entrepreneurial streak - seizing opportunities, balancing risks, and taking personal responsibility while creating an environment that fosters an entrepreneurial mindset among employees.

¹ A [family enterprise](#) is the entire collection of a family’s jointly-owned assets and meaningful activities. It includes economic interests (e.g., primary family business, other operating businesses or ventures, financial assets, real estate investments, homes and other family assets); philanthropic, community, and social impact activities; and what the family does internally to develop family unity and talent.

What does that look like in the real world? Here's how one family CEO described her leadership style: *"I'm extremely collaborative and avoid micro-managing at all costs. I encourage my team to work together and at all levels of the organization; you never know where you're going to get the next great idea. I see culture-building as one of my main responsibilities. Now that I've established my strong executive team, I'm starting to work on improving our middle management systems, identifying the top performers and mentoring them. That's one of my favorite things to do, along with getting my team together in a room to solve a problem."*

A transformational leadership style is essential for business innovation and agility and for attracting and developing the talent needed to succeed in turbulent times. In addition to effectively leading their organizations, family business leaders must be able to skillfully deal with problems of varying degrees of urgency and complexity. Here again, the challenges of our times are calling for new skills and behaviors.

PROBLEM SOLVING ROLES AND TECHNIQUES

Dealing with challenges, making difficult choices, and mobilizing human and other resources to effect change are all part of a day's work for family business leaders, regardless of their leadership styles. When faced with a problem, a decision-maker has three choices: command, manage or lead.ⁱⁱ All three are important for getting things done and helping an organization to achieve its objectives. However, the choice of which approach to use will depend on the nature of the problem and the degree of turbulence in the environment.

- A crisis or emergency requires a *commander* to quickly come up with an answer and issue marching orders to the troops. The role is to take decisive action in a situation where there is little time for information gathering, often relying on an individual's previous experience.
- Problems that may be complicated, but likely have occurred before and can be solved without disrupting the entire business system (e.g., a logistical bottle neck or a product improvement), are the domain of the *manager*. F.W Taylor, the father of Scientific Management, is the epitome of this approach. The manager's role is to provide the appropriate process to solve the problem.
- The most challenging problems are complex and in uncharted waters. They call for a *leader* who can navigate uncertainty and the unknown and who can ask the right questions rather than coming up with the answer. Leading requires collaboration with people who have the knowledge, skills and experience required to co-create a solution. It is more of an art than a skill.

The first two problem solving approaches – commanding and managing - usually come easily to the leaders of family businesses, as these organizations excel at operational management and (as we saw above) are accustomed to authoritative leaders. The third, more collaborative approach is far more challenging but essential to help family businesses navigate today’s increasingly complex and interconnected world.

“We will not be going back to the past, and we need to learn more about the future. We recognize that the world is changing and are excited about the opportunities that presents. I strongly believe that we have control over our destiny, so long as we are smart and quick, and can accept that the future may not look the same.”

– 4TH GENERATION CEO

RECOMMENDATIONS FOR FAMILY BUSINESS LEADERS

A transformational leadership style and the ability to navigate complex problems are key success factors for turbulent times. Here are five ways that family business leaders can adopt these approaches and techniques and use them to help their family enterprises survive and thrive.

1. Build your self-awareness and resilience as a leader

Leadership requires self-awareness to be successful. To start, you need to be aware of your mental models, which are the set of ideas and beliefs that you have developed to make sense of the world. Mental models are helpful for quickly assessing a situation, but they also can filter what you see and hear, blinding you to important information and inputs. You also need to be aware of your attitudes and behaviors during interactions with others and gauge their impact. Are you squelching good ideas by preventing people from challenging ideas (especially yours) or discouraging them from participating and collaborating in problem solving?

And, how are you doing? What challenges, fears or stresses are you facing? They may stem from external pressures or conflict with family members or business colleagues, or they may be self-imposed (e.g., fear of not having the “right” answer). How are you handling them? Leadership is a highly personal activity and can take an emotional and physical toll, especially during disruptive times. Modern family business leaders

increasingly are making their “total health” - brain, body, and soul – a priority, to build the personal resilience needed to steer the company and its stakeholders through near-term crises and into the future.

2. Develop a repertoire of leadership skills and behaviors.

Transformational leadership and collaborative problem solving both require that family business leaders broaden their skill sets with an emphasis on interpersonal skills, commonly referred to as “soft” skills. For next gens, this will be an expected and welcome development. In a recent survey of Gen-Zers (born between 2000 and 2015), seventy percent of respondents said that soft skills will be more important than hard skills for CEOs in the future. The ability to successfully manage people and teams, communication, and creativity were cited as the top three skills needed by future CEOs.

For problem solving, family business leaders need to be able to quickly determine the best approach – command, manage or lead - for the situation and then step into or delegate the role as appropriate. Situations are always fluid, however, so skillful switching back and forth among roles often is required. The roller coaster ride of the COVID-19 pandemic offers one example, with nascent recoveries waylaid by new waves of infection alongside an increasing focus on imagining and building the “new normal.”

3. Keep your eyes on the future and embrace change.

“The future is coming towards us” is a more apt description of business and life today than “we are going into the future.” You can’t predict the future, of course, but you can and should work with key stakeholders – employees, board members, owners, and family members – to develop a sense of purpose about what you want to achieve together. A compelling vision of your family’s desired future and an understanding of the values and principles that will guide you on the journey can foster the commitment, resilience, and endurance required to weather crises and stay the course over the long haul.

Family business leaders also need to accept that change is a fact of life and embrace rather than dread or resist it. This comes less easily to senior generations than younger generations, who have grown up in a much faster paced world with a steady stream of new technologies, social and political unrest, and economic booms and busts. Disruptions, which have become regular events, need to be recognized as potential opportunities for innovation. COVID-19, for example, has accelerated the digitization of entire industries and sparked a wave of entrepreneurial activity.

4. Be prepared to explore, experiment, and take some risks.

Family business leaders historically have been more accustomed to making long term plans focused on incremental changes within their industry. Organizations today must be prepared to move faster, and plan in shorter intervals, which often creates a sense of anxiety among leaders. “So, I can’t plan?!” they ask. Our response is, “Yes, you can plan, but be flexible and pay attention to the moving parts.” The leader’s job is to gain altitude and constantly scan the horizon, watching for signs of change and asking, “How is this going to impact our industry, our country, our business, our family?”

Family businesses today also must be more agile and speedy at responding to opportunities. Leaders need to be entrepreneurial: open to new ideas, skilled at placing calculated bets, and willing and able to accept some failures and learn from them. They also must be able to mobilize resources as needed to test and scale opportunities. Running experiments as separate projects within the company is one way to test new ideas without disrupting day-to-day operations or incurring a significant investment. Collaborations outside the company also are a way to gain experience and test new waters. Strategic partners or joint ventures, for example, can provide valuable expertise and resources while reducing risk.

5. Draw on a diversity of people, perspectives and skills.

Effective leadership, especially when faced with uncertainty and complexity, involves engaging people to make sense of the context, discuss possible futures, explore alternative courses of action, and develop solutions for emerging opportunities and problems. Drawing on people with diverse backgrounds, perspectives, and skills will generate more new ideas and more creative solutions and prevent “group think.” The leader must provide an environment where that can happen. One family CEO established a “don’t agree with me” policy for management team and board meetings, to encourage open debate.

Next gens are an important source of fresh thinking and new expertise and skills for the family business. Offering them opportunities to participate in ways that excite them and encouraging intergenerational conversations will build mutual understanding and strengthen family bonds as well as help the business. Looking beyond the company also is important. Family business leaders need to be outward-looking and tap into a variety of sources of information and expertise about issues affecting the business and seek diversity as they build their talent pool.

CONCLUSION

Most family business leaders do not take the time – or do not have the luxury of time – to reflect on their leadership approaches, let alone work to strengthen them. But it is important, especially during our turbulent times. Ask yourself, what can I do to become a more capable, confident, and well-balanced leader of my family business? Participation in a formal leadership development program, mentoring by seasoned family leaders, and coaching on personal as well as business leadership issues all can help.

As Jon Kabat-Zinn famously said, “You can’t stop the waves, but you can learn how to surf.”

REAL-WORLD EXAMPLE

A Fourth Generation CEO’s Perspective: Leading Through and Beyond COVID-19

During an educational session for family business CEOs, led by Professor John Davis, we explored leadership strategies for turbulent times. One fourth generation CEO shared her experience as a leader during the COVID-19 pandemic, one of the greatest tests of her leadership tenure. Here are some excerpts from that conversation.

How has your business been affected by COVID-19 or other disruptions?

During my more than 20 years with the family business, we have experienced technological and other disruptions that have caused us to fundamentally change the ways we define ourselves. COVID-19 was different though - completely unforeseen - and we were unprepared.

In thinking about COVID-19’s impact, I came up with a list of three negative and fifteen positive ways that it has affected us. The negatives are all financial; it messed up our cash flows, killed revenue streams and so on.

One positive was that it pulled my management team together in a creative way, and gave them space to rethink and challenge a lot of assumptions about their own leadership and how we do business. Stuck at home during lock down and trying to manage teams on the factory floor, for example, they began empowering workers more.

COVID-19 also created an opportunity to tackle technology problems that we had been kicking down the road for years. It opened my eyes to the urgency of digital transformations that we had thought we could get away with not doing. We also took action on several other initiatives for which I've been trying to get buy-in for years.

How does your business scan the environment and read signals of change?

We track six economic indicators that are closely tied to the work that we do, on a weekly and monthly basis. Personally, I see “bringing the outside in” as one of my main responsibilities. I attend a lot of industry conferences and work closely with our executive team who monitors trends and technologies in our industry. I also read a lot to keep up with world events and talk with customers about their needs and concerns.

How does your company experiment, to test your ideas about and for the future?

Experimentation has been a weakness for our company historically. The family is very risk averse; many owners have lived off the business for a long time. We experimented more during the first three months of COVID-19 than we had the past three years, by adding new lines of business and offering videos and virtual tours, for example. We have become more open-minded as a company but will still take it slow - experimenting, testing, practicing, and investing as we go.

Does your company have a point of view about the future, based on the signals you see today?

COVID-19 has been a paradigm breaker. Our main point of view is that we will not be going back to the past, and we need to learn more about the future. We recognize that the world is changing and are excited about the opportunities that presents. I strongly believe that we have control over our destiny, so long as we are smart and quick, and can accept that the future may not look the same.

ⁱ “Leadership Style and Leadership Behaviors in Family Firms: A Systematic Literature Review,” Alexander Fries, Nadine Kammerlander and Max Leitterstorf, *Journal of Family Business Strategy*, Volume 12, Issue 1, March 2021.

ⁱⁱ “Wicked Problems and Clumsy Solutions: The Role of Leadership,” *Clinical Leader*, Volume I, Number II, December 2008.

ABOUT THE AUTHOR



HELENA MCDONNELL

Senior Advisor and Partner, Cambridge Family Enterprise Group

Ms. McDonnell is an advisor to family enterprises throughout the world on strategies for the successful continuity of their enterprises. Based in the UK, she advises multigenerational family enterprises of diverse sizes, generations and industries throughout Europe, the Middle East, and Latin America. She assists family enterprises and family offices in achieving their family, ownership and business goals, with emphasis on sibling partnership and cousin consortium stage enterprises. This includes advising on issues of family, business and ownership governance, including preparing shareholder agreements; succession planning; next generation development; individual life planning and career counseling; building effective teams; entrepreneurship and new ventures; and family office design, implementation, and restructuring.

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