



Family Enterprise: How to Build Growth, Family Control and Family Harmony

PREFACE

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The realities of daily life in a family controlled firm can, like raw herring, be very difficult to swallow: Unless of course you grew up eating this Northern European delicacy from childhood. Eating Herring is a metaphor for behaviors that are rooted deeply in a particular family's history rather than best practices learned in business school. The central premise of this volume, a premise examined in essays contributed by chief executives and chairmen, board members, legal counsel and other professional advisors, as well as leading academics, is this: Behaviors rooted in a family's history across multiple generations and arising from multigenerational relationships both drive and constrain enterprises that families control. This is true irrespective of industry or business size, geography or ethnicity of the family shareholder control group. How to understand these realities and how to manage them successfully to build business growth and competitiveness, maintain family control and sustain family harmony are the *raison d'être* for this book.

This is not a text espousing the doctrine that businesses should be managed solely to maximize shareholder value to the exclusion of benefitting any other stakeholders in the enterprise. I leave the rebuttal of that point of view to others. This volume unabashedly celebrates the reality that not only members of family shareholder control groups, but also their executives, both family and non-family, their employees, customers, suppliers and the communities of which they are often such an integral part benefit in sustained ways when the companies that employ so many of their friends and neighbors thrive. Some of the research that supports the view that competitiveness is enhanced when owners, directors and managers focus on a broader spectrum of stakeholders than just shareholders is presented in the first section of this book. Additional support for this idea from chairmen and chief executives of family controlled companies is presented in essays written by business leaders. But all of the essays accept the premise that all of these stakeholders have a common interest in : [1] continued business growth and enhanced competitiveness; [2] continued family control;

and [3] enhanced family harmony. Most family controlled enterprises can manage two of these three challenges on their own. To accomplish all three objectives takes commitment to core values, clear strategies, and abundant human capital to execute these strategies in a manner that is consistent with the companies' core values.

Ironically, Built to Last [1997], the iconic text that distinguishes truly great publicly traded companies from their merely very good competitors, reaches essentially the same conclusion. Collins and Porras found in their classic study of what makes companies truly great that the sole variable that distinguishes great companies from their merely good competitors is faithful adherence to a set of core values. Strategies and tactics can and must change, they concluded, but not in a manner that violates the enterprise's core values. What they never made clear in their book is that half of the 20 companies they included in their cohort of "Great Companies" were either family controlled for half a century or more, or were still family controlled at the time they published their seminal study. What they could have added, and which the reader can study in the essays that comprise this text, is the reality that the core values and the culture of family controlled enterprises that are "Built to Last" are rooted largely in the core values of the founding family.

Yet the culture of founding families of businesses—like all families—is comprised of both wheat and chaff; and often the role of advisors to family firms is to assist them to separate the wheat from the chaff in their culture or to reframe the core narrative of the founding family into language assimilable by the current stakeholders of the enterprise. To return to the herring analogy: In my grandparents' homes the preferred herring was "Schmaltz herring." In other cultures it has other names. But whatever the ethnicity of the founding family that controls a business enterprise, effective advisors must become fluent in the dialect of each of their family controlled clients, while teaching the clients the language of business and of family systems. At the same time, successful family enterprise advisors or directors must maintain through their professional standards and expertise the boundary between themselves and their clients. This is often an enormously difficult, yet rarely articulated challenge to both professionals and/or non-family executives and their clients/companies. The power of the families that control successful businesses, like impact of the magnetic pull of the earth on asteroids, can draw professionals to depart from their own professional disciplines to venture where they should not go.

Recognition of the power and importance of businesses controlled by family shareholder groups has grown steadily over the past 30 years. Apologies for working in the family business in the 1980's and 1990's uttered by members of the generation of successors to business founders have been replaced by public pride on the parts of leaders of family controlled firms for their enduring growth under family control and contributions to all stakeholders in the enterprise. Indeed, companies such as S.C. Johnson and Smuckers proudly trumpet that they are "family companies," based on their own market research that confirms that family companies are more trusted than

publicly traded firms. Recognition of the powerful contributions and constraints of the families that control these companies is only now being researched and understood fully. Indeed, as elaborated in several essays in this text, the family as the source of the entrepreneurship underlying the success of many family firms has finally been perceived, and research and professional practice are increasingly focused on leveraging this reality for enhanced business performance.

What has been missing from the business literature is a guide to processes, structures and interventions that assist family controlled enterprises to sustain continuity of growth, family control and family harmony. This book compiles the wisdom of experienced leaders of family growth companies and those who advise them, and those who study and teach about them, focusing on what works to sustain business success without sacrificing family relationships or control.

This book demonstrates to members of family shareholder control groups, their non-family executives and members of the boards of directors, as well as the lawyers and other long term advisors that there are ways to address the emotionally powerful issues and challenges that are specific to family controlled enterprises. Many of these proven solutions to the special requirements of leading family firms have broad global applications, assisting them to grow, without sacrificing their culture or strategy.

All of the authors contributing essays to this volume are grounded in deep management or professional expertise guiding or advising family controlled enterprises, or in research about this complex and powerful institution. And each essay contains clear, practical advice on how to address issues that challenge family firm leaders and their advisors on a regular basis.

A primary purpose of this book is educating readers: non-family managers, younger members of family shareholder control groups, and the professionals who advise them to understand and succeed in the family enterprise milieu. Since many family members and the younger professionals in their advisory firms share the same level of education [as contrasted to the immigrant generation that founded so many family firms] this text is premised on the theory that it is much easier to teach managers and advisors to family firms how to advise family controlled enterprises and their family shareholder control groups effectively than it is to persuade newly minted graduates of the finest business and law schools to respect and then master family systems theory and its application to advising family firms.