

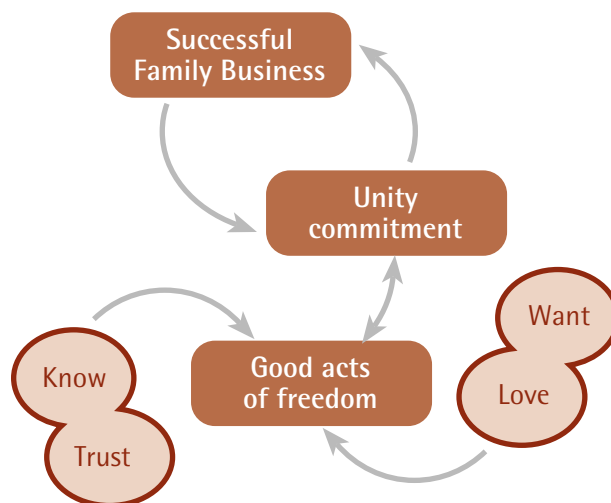
It has long been known that the main distinctive strength of successful Family Businesses is the extraordinary level of UNITY and COMMITMENT among family members. Successful Family Businesses are able to improve their performance by making judicious use of this distinctive strength.

This article provides a summary of a research project carried out, with financial support from the Family Business Network, by an international team of researchers: Gallo and Cappuyns from IESE Business School, Barcelona; Corbetta and Montemerlo from SDA Bocconi, Milan; Salvatore Tomaselli from the University of Palermo; and Gibb Dyer Jr. from Brigham Young University, Utah.

In 1999, this team of researchers embarked on a project aimed at discovering the underlying reasons favoring UNITY and COMMITMENT and identifying best practices for maintaining and growing these two strengths.

The study was launched in three different countries, so the survey uses a sample of Family Businesses based in Italy, Spain and USA. Of the 24 companies that were approached, 16 finally agreed to take part. In each Family Business a minimum of four people were interviewed, each with a different role: an important shareholder and board member, a family manager, a non family manager, and a family shareholder who is not active in the management of the business.

The conceptual model in Figure 1 shows the grounds of UNITY and COMMITMENT.





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UNITY is defined as the bond among family members. Thus, there is unity when family members come together to nurture and care for the business, and are willing not only to avoid conflicts in relation to minor decisions but also to make whatever sacrifices may be necessary in relation to more difficult decisions. A Family Business will become –and will continue to be– more successful the greater the unity, firstly, among the family members directly involved in the business and, secondly, among all the family members, including those not involved in the business.

UNITY is what gives the Family Business its purpose. Yet all unity requires energy to acquire a certain form, and in Family Businesses this energy is the family members' COMMITMENT (defined as the degree of devotion and loyalty to the survival and development of the Family Business) to developing the business's performance by means of GOOD ACTS OF FREEDOM, that is to say, acts that are in accordance with the good operating principles of the business.

When we analyze ACTS OF FREEDOM, we soon find that they can be classified into good and bad. Some examples of both types, taken from the cases studied, are reported here.

Every human act is an act of freedom. Bad acts –bad in the sense that they are contrary to the good operating principles of the Family Business– annul the freedom of whoever performs them because they are:

-Capricious spontaneity. Spontaneity being a sign that there has been freedom, not that one is free.

-Behavior that goes beyond the bounds of reason in the strategic management of the Family Business. Such behavior also signals freedom, but freedom without reason cancels itself out.

The areas on which our analysis concentrated were: Ownership, Work, Governance Bodies and Information.

The main issues relating to ownership in a Family Business are the distribution of dividends and the transfer of ownership.

Firstly, BAD ACTS OF FREEDOM are observed when dividend policies are biased in favor of shareholders (family members act as predators) or in favor of the business (shareholders are deprived of their rights). Sooner or later such situations will undermine both UNITY and COMMITMENT

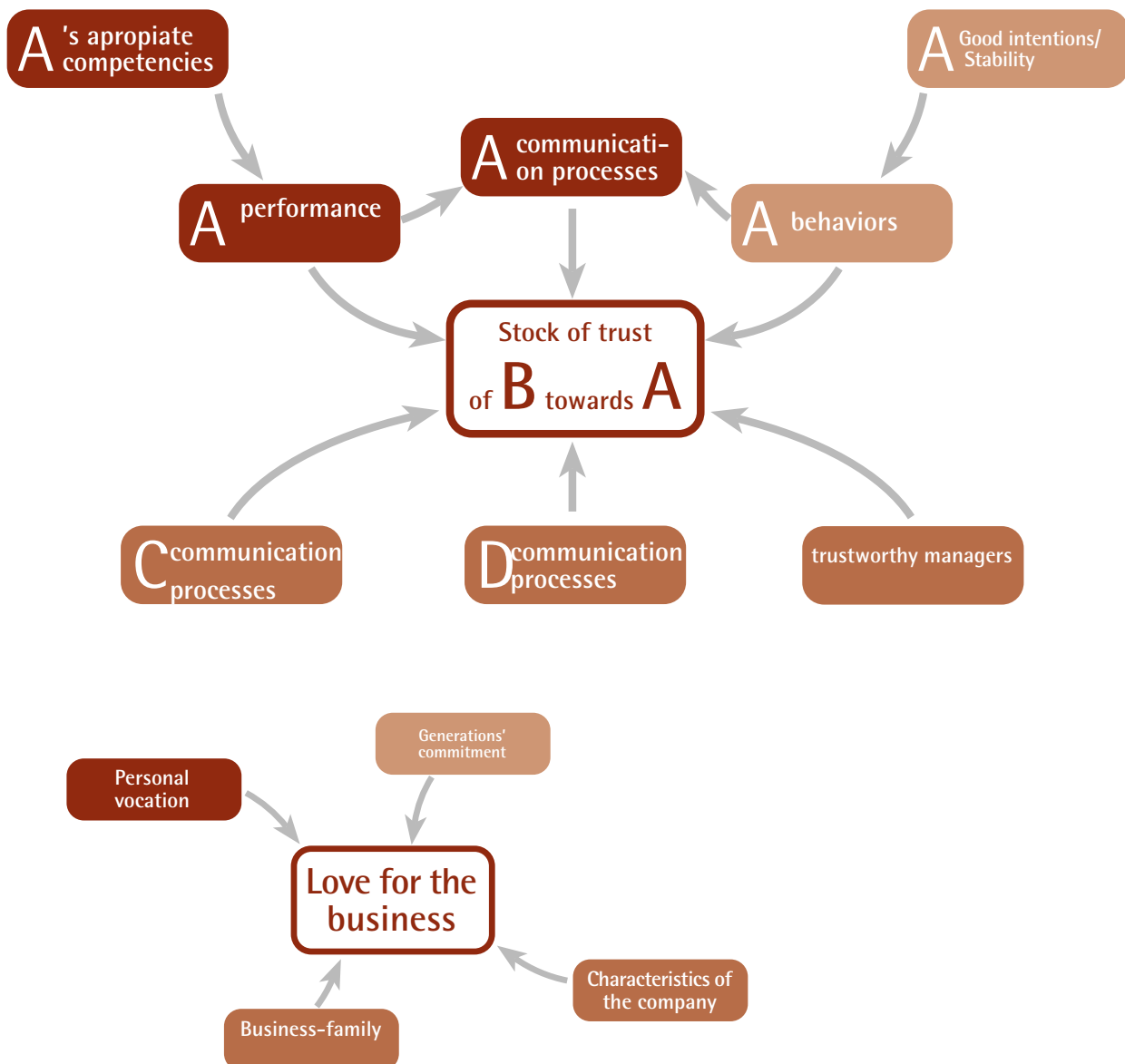
Secondly, rules that smooth the process of leaving the Family Business for those who want to leave foster UNITY since, in many cases, the transfer of ownership triggers a serious crisis.

The issue of work in the Family Business mainly has to do with entry into the business and career development.

With regard to entry, it is not unusual for parents to force their children to come into the Family Business. This will have negative consequences for LOVE and COMMITMENT. Rules aimed at setting conditions for entry to the business have positive consequences both for candidates and for the company.

With regard to career paths, in the more successful businesses among those studied both family and non-family executives have career plans, with clear requirements and goals, and similar opportunities for professional development. These habits were found to strengthen UNITY and COMMITMENT. On the one hand, they ensure that people are equipped with the necessary skills to carry out the tasks assigned to them and take responsibility for results; on the other, they show fairness towards non-family members, reinforcing their commitment to the Family Business too.

As governance bodies, Family Councils and Committees are rarely found in unsuccessful companies; Boards of Directors are more common, but very often their role is misunderstood and they are simply regarded as places for the exercise of power, as for example in cases where directors are mainly seen as representatives of particular family branches' interests. In such cases we observe a significant lack of TRUST and considerable erosion of the level of UNITY, and it will not be long before the negative consequences of such mistakes begin to be felt.



On the subject of information, the influence of transparency and communication in the level of trust between two or more individuals can easily be applied to the relationship between the Family Business and its stakeholders. It is not at all unusual for family members to be given poor or false information; apart from being at the root of many crises, when information is bad or insufficient, this causes love for the Family Business and trust in its owner-managers to deteriorate. In successful businesses, in which they receive complete information, family members feel free to express their opinions, voice dissent, make suggestions or present projects. This attitude creates a culture of dialogue and accountability that helps strengthen LOVE and TRUST, and thus also UNITY and COMMITMENT.

A subtle form of communication that has a great impact both on the younger generation and on stakeholders external to the family is the family members' lifestyle. In most of the successful cases analyzed in our study, family members lead a life of austerity. Within the family this is a way of educating the younger generation to use the privilege of opulence properly, heightening their sense of responsibility and reinforcing mutual trust. In relation to other stakeholders such an attitude elicits respect, thus reinforcing unity and commitment on their part.

Good acts of freedom cost effort. The effort to KNOW, understand, and become a professional in whatever one "freely" pursues. And also the effort to WANT to decide and do what is best. Respecting the freedom of others, searching for harmony of interests in all that is suitable and feasible, looking to prevent disputes between community members.

In order to KNOW it is necessary to TRUST those who are part of the community of people that form the Family Business, especially those who manage it.

Without intending to be exhaustive, we shall list some results of the fact of trusting others: two subjects who trust each other will be naturally inclined to exchange information, knowledge and relations without the fear that the other will use it for personal ends.

Mutual trust between two persons means that each can concentrate his/her attention and acquired knowledge on a specific area of the company's business activities, without fear that the other may inflict harm on their common good. Mutual trust also increases a person's ability to make risky decisions without having to fear that they will later be subjected to unbalanced judgments by others. And finally, mutual trust makes it possible for energies to be concentrated on analyzing and solving problems rather than on interpreting the motives that lead others to behave as they do or tiresome arguments arising from the suspicion that the other party may not be telling the truth or behaving correctly.

Based on the interviews conducted in the course of our research, we propose the following model (Figure 2) of the antecedents of the stock of trust between two individuals. With appropriate modifications, the model could also be applied to relations between three or more individuals.

On studying the means of improving TRUST, the findings were as follows: Firstly, trust grows if each of the parties shows itself to be equipped with the necessary skills to carry out the task assigned to it. Possession of the necessary skills must be assessed either by previous performance or by outside consultants. A control system is therefore required. Without such a system trust can be placed in doubt. Being a member of the family, having good relationships or even a proven loyalty to the business can be no substitute for having the necessary skills.

Secondly, trust grows if, in his or her behavior, a person demonstrates good intentions towards others, good intentions based on the absence of conflicts of interest and a clear willingness to pursue a common goal. The following attitudes foster trust in the ongoing relationship between two members of a family: transparent behavior and position, a desire to know the other person's opinions and to negotiate, and an effort to avoid making one's own position extreme and to try to better understand the reasons behind the other person's point of view.

Lastly, the degree of trust will depend on the “stability” of people’s behavior. The results of our study suggest that a person is perceived as being stable when he or she does not change the values, guiding principles and criteria underlying the opinions and behavior he/she demonstrates over the course of time, unless for valid and justified reasons. Also, a person is perceived as being stable if he or she participates energetically in discussions, defending his/her standpoint, but once having accepted a common decision, adopts behavior in keeping with that decision. Conversely, unstable people provoke mistrust because they arouse the suspicion that they are pursuing their own private interests without any concern for the common good at all.

As can be seen in Figure 2, the stock of TRUST between two persons does not depend only on objective factors (results and behavior) but just as much on the perception that each party has of the other. Therefore, the processes of communication between the parties are critical. The example of successful Family Businesses indicates that communication processes are effective if they are based as far as possible on reality and not on opinion.

In unsuccessful companies we found a low level of trust, due to a process of destruction of trust associated with: a manifest inability to produce the promised results over various periods of time that went hand in hand with an unwillingness to be judged or helped by others; unilateral decision making without consulting others; unjustified divergence between stated and actual behavior; behavior held to be unfair or influenced by undeclared or not publicly justifiable interests; and communication processes that are inadequate for a wide range of reasons such as lack of time, inability to listen, and so on.

Further developing Figure 1, we note that in order to achieve GOOD ACTS OF FREEDOM, besides knowing and trusting more deeply, it is equally important to want. In order to carry out the act of wanting to decide the best for the business, it is necessary to LOVE the Family Business, to love it not only as an affective feeling, but, much more importantly, as a “vocation”, as a real determination to be devoted, work hard, and sacrifice anything to achieve the goals pursued by the community of people, and all the people in it. LOVE for the Family Business is the tie that unites a person with the Family Business. There is a relationship between love for the company and love for the family itself: rarely does one find cases in which the company is loved without affection being felt for the parents or siblings.

Real love is not of the teenage or sentimental type, the falling in love that remains superficial and collapses as soon as it comes up against the first inevitable obstacles. The most significant test of love for the company consists of the willingness to place one’s own personal interests in second place behind those of the company. Conditions that induce a person to love a company can be reduced to four antecedents (Figure 3): personal vocation; the commitment of the preceding generation; the state of relations between company and family; and the characteristics of the company.

Each person has his or her own personal professional vocation, meaning that he/she feels happiest when doing certain jobs. If a family member is not interested in business, he or she is unlikely to love the family company. On occasions, young people are forced to work for the company as managers or owners. But it is completely wrong for a parent to oblige his children to undertake courses of education or work experience so as to be prepared to join the family company, or even just to push them to make educational or professional choices that have not been sufficiently thought through. Years later, looking back, many of these children will regret not having followed their vocation and, for this reason, will not be able to commit themselves with the necessary enthusiasm to the Family Business; and they certainly will not love it.

Love for the company depends, furthermore, upon the strength with which the older generation has been able to pass this value on to the younger one. Love is closely tied to the depth of a person’s knowledge of the company and its history, as well as of the history of the family. In all the successful companies interviewed, one or more members of the adult generation is committed to conveying the family and company traditions to the youngsters.



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Also, the business-family relationship is very important. From a family member's standpoint, this relationship is not always a positive one: many entrepreneurs have little time to spend with their family. They may also be obliged to ask the family to make some financial sacrifices if the business is struggling, or sacrifices of personal freedom if it is a solid company and the family wants to guarantee the security of its members. Families have to be aware of the fact that it is difficult to love what makes life difficult.

Love for the company also depends on the characteristics of the business. Loving a company in fact means loving one's work, but also becoming fond of people, products or factories. Every company has something that can interest a family member: it just needs to be discovered.

Finally, we tried to identify the antecedents of crises in Family Businesses. Crises were defined as prolonged conflicts that threaten the health of the relationship between the family and the business, i.e. losses of unity and commitment affecting a significant portion of the owning family.

Those caused by a loss of trust among family shareholders appeared to be the most important. In all the cases studied it was the principal cause. Trying to go more deeply into this antecedent and find out what lay behind it, a "second-level" antecedent was found in the form of strategic challenges. The more ambitious the challenge, the greater the risk that it will generate a conflict which, in turn, may evolve into a structural crisis.

The second antecedent of crises is a decline in the owners' love for the company. Not only when the amount of love declines but also when the love ceases to be "healthy". For example, some family members may develop a "partial" love (centered on either the company or the family but not on the Family Business system as a whole) or an "immature" one. Again, a "second-level" antecedent was found, namely the basic differences between the actors involved. These can be described in terms of meta-values, culture, competencies, personal histories, perspectives, etc.

And the final antecedent of crises to emerge in our study was the existence among the shareholders of different beliefs and visions with respect to the family and the company. Sampled cases show that trust and love give the family the energy to look for the best vision and not stop at first options. Unhealthy love and lack of trust may favor the formation of incompatible views and encourage family members to stick to them rather than try to understand each other.