FAMILY FIRMS: CHANGING TIMES DEMAND A CULTURE CHANGE

Andrea J. Simon, Ph.D.

President, Simon Associates Management Consultants Corporate Anthropologist

At the 2013 Family Firm Institute's Global Conference in Brussels, Belgium, I was privileged to deliver a speech and workshop on "Culture Change for Changing Times," designed for family firms. The conference was well attended from around the globe by family firm leaders as well as those who consult, coach and provide professional guidance for family firms.

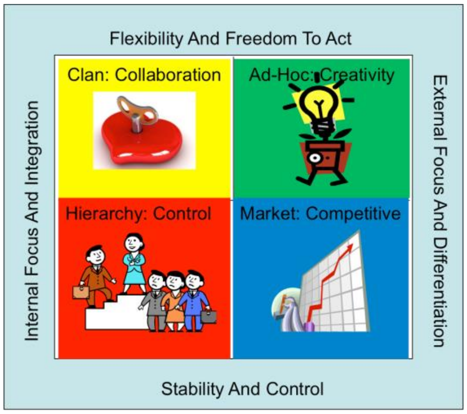
Family firms: plentiful in some countries, sparse in others

Representing approximately 10% of the businesses in the US, 12% in Germany, but only 2% in Belgium, family firms are a fascinating group of businesses, yet many countries have virtually no platform for family firms and entrepreneurs to flourish. Jacek Lipiec from the Warsaw School of Economics is working on developing family firms in post-Soviet countries, which had basically disassembled them.

Compare that to U.S. family-run companies attending the conference, such as Pitcairn, that are successfully moving into the 4th generation. Still others, such as deKuper Royal Dutch Distillers, the importing company that distributes and markets that family's ultra-premium liqueurs and specialty products, are in their 11th generation. And Pacific Rim family firms are growing in numbers but often with only the 2nd or 3rd generations.

As I discovered, the issues are very different depending on the size, scope and values of the family that has built and is building the firm.

Using the Organizational Culture Assessment Instrument (OCAI) to help family firms change their culture



The Organizational Culture Assessment Instrument, or OCAI, is a methodology that enables organizations to assess their current culture and envision what they would prefer it to become in the future.

The four dominant types of culture are: Clan, Adhocracy, Market and Hierarchy, and the fact that "family firms" were the focus in this instance should be inconsequential.

The "Clan" culture (Yellow)

The clan culture is full of shared values and common goals, an atmosphere of collectivity and mutual help, and an emphasis on empowerment and employee involvement.

The "Adhocracy" culture (Green)

The adhocracy culture is characterized by strong empowerment of staff, a focus on individual performance, and an emphasis on vision and creativity. Its core cultural values are driven by the desire to be first and to lead, creatively. Typical of entrepreneurs, this is a powerful culture for rapid adaption to new business environments, either internally or externally.

The "Market" culture (Blue)

The market culture is highly competitive with a focus on winning. Externally focused, its core values are results-driven and it focuses on the transactions happening outside the organization. The organizational goal is to earn profits through market competition.

The "Hierarchy" culture (Red)

The hierarchy culture is all about controls, process, procedures and rules. It has a clear organizational structure, standardized rules, strict controls and well-defined responsibilities. In a hierarchical culture, "rules rule."

As a corporate anthropologist, I use the OCAI Online (Organizational Culture Assessment Instrument) and the Competing Values Framework approaches to help firms better visualize ("see") their corporate cultures and understand what they need to adapt, modify or change in their core cultural values, beliefs and behaviors to respond to changing business environments and styles of doing business.

At the FFI's Global Conference, my focus was on culture change within family firms

Over 60,000 people and 10,000 companies have taken the OCAI from the University of Michigan and its licensee in the Netherlands, www.ocai-online.com. Yet not one of them was a family firm. The folks at the University of Michigan who maintain the database for the OCAI through the Ross School of Business Executive Education program thought that the method maybe might be too expensive for family firms. Marcella Bremer, who holds the license for the OCAI-online, is located in the Netherlands but despite her global data base, she too could not find any identifiable family firms.

When I reviewed the literature on family firm culture, there was certainly no shortage of research and publications on the topic. In many ways, the literature focused on the "family" part of the firm. Whether scrutinizing an entrepreneurial firm with a strong founder or a patriarchal culture with strong control coming from the parent/CEO/founder, almost every example revealed some degree of tension between the family's interests and the push for profits.

When 2nd and 3rd generations are running the family business

A second theme in the literature that kept emerging was how to deal with the challenge of 2nd (and even 3rd) generations of brothers, sisters, cousin consortiums, etc. Issues included: how to get the 2nd generations properly trained and in the right jobs, how to manage a thriving but changing business with family members operating them, and how to help family members manage their personal wealth while managing the company assets as "shareholders."

This was all about the way families were organizing themselves, which calls into play their values and beliefs that were core to how they ran their business and related to each other. In many ways, these sounded like the same issues that the OCAI and Competing Values Framework deal with in non-family firms.

Corporate cultures are corporate cultures

Of great importance to me was the business overlays that came from family relationships and responsibilities, as well as from the deep emotional passions inherent in most families. Could the core corporate culture models identified in the Competing Values Framework and measurable through an OCAI help those businesses that thought of their culture first as “family” and second as a “firm?” What might happen if they first assessed their firm today in terms of the four quadrants that essentially reflect company cultures? And could the comparison of a culture today with that which they might prefer in the future open up a completely different discussion involving culture change for their firm?

What I was trying to reveal was whether leadership could realize that their vision for the culture of the firm in the future, and that of their employees, might be highly congruent and overlapping…and/or were there serious gaps and potential challenges facing the firm?

Active learning is far more effective and memorable than a lecture

In my workshop, the approach I took was to make the talk as experiential as possible. The audience was extremely engaged; despite language challenges, they all participated in English.

First, I led them through the Competing Values game so that they could choose those value statements that they preferred today. Not unexpected in this group of people who do a lot of coaching and consulting and are often entrepreneurs themselves, the group was heavily “Yellow”: Clan, Collaborative and Favoring Teamwork and Facilitation. The second largest group was very “Green,” which was surprising even to those who were green.

But as everyone spoke about Being Creative, Ad-hoc and Innovative or Visions, I could easily see how they meshed with the core values of an Ad-hoc culture. Unsurprisingly, there were only two people each in “Blue” (Competitive, Market Driven and Results Focused) and “Red” (Controlling and Hierarchical, Process and Rules Based). Since I am a Blue, it was not unexpected that the senior executive from USB Bank was a Blue. Nor was it strange that the two Reds came from process businesses, manufacturing and even IT.

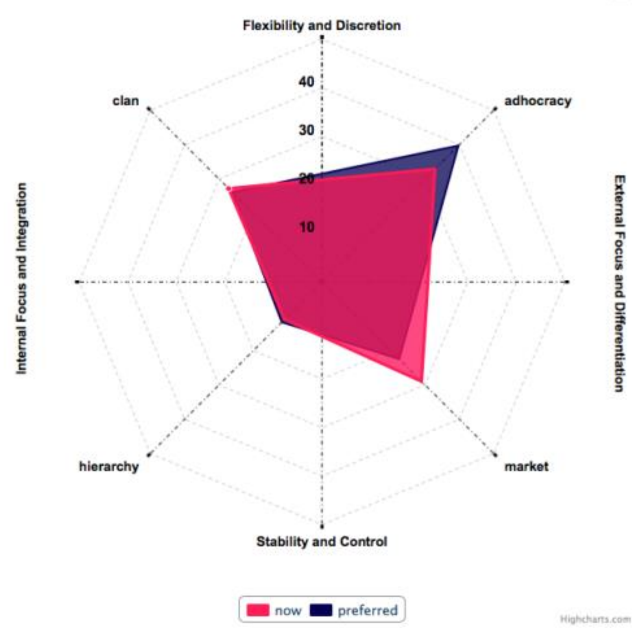
Learning from case studies and their own stories

I then shared case studies of clients of mine who have taken the OCAI (family firms and non-family firms) to understand how we convert the four quadrants and Competing Values Framework into a highly validated assessment tool and graphic image.

While I had encouraged audience members to take the OCAI online ahead of time, no one did, making my paper handouts very important in the discussions. Participants could begin to see for themselves how they might rate their own OCAI and how they might prefer to be in the future.

Most revealingly, when I asked each person for stories about how they might change if they became more Blue or Red, Yellow or Green, each person who spoke up immediately began to feel themselves moving someplace. The body language was energizing.

One woman said: “I can feel myself moving towards Blue and becoming more competitive and results driven. I am so focused on ideas that I worry all the time about whether they will work or not.”



Another gentleman from Spain who was very Green said: “I can see my client becoming more Red intentionally instead of chaotically. They are 2nd generation entrepreneurs and they are constantly dealing with the abundance of good ideas but no processes for sorting them out and investing more wisely in the right ones.”

My favorite was the process driven Reds who said: “Process without change is efficient but everything is changing so fast I am not sure we are adapting quickly enough and modifying our rules and processes to encourage quicker responses to client needs.”

You could not ask for better participants in the experience.

Exercises to help corporate leadership truly shift their perspective

The tools I used for engaging the audience proved very useful in helping corporate leadership and staff do “more of some things, and less of others” as well as “stop, start and secure” core behaviors that reflect the shift from one set of cultural norms and values to another. Key questions were spot-on: “How do you know if the changes are the right ones for what you are trying to achieve? How do we measure results, intangible ones as well as hard results? What about management?"

We spoke at length about using the Management 360, designed around the OCAI and Competing Values Framework, to provide a personal assessment tool that complements the company-focused one.

Next steps that emerged from the workshop

Consultants and coaches need a tool that takes these new insights from unique to standard so that family firms' leadership can begin to see their business as something more than a big family with challenges and opportunities cloaked in family relationships and messaging. There is no doubt that when my company, Simon Associates Management Consultants, work with family firms, we often end up playing a coaching role for father/founder/CEO and sons/daughters and others from the family.

What we have found throughout the years is that solutions tend to flow from the way family members all think of themselves and their roles within the company: should they be less entrepreneurial; can the Father let go and relinquish control to the son or daughter; is the son, daughter, son-in-law, nephew right for the job *and* happy in it *and* productive? Is the family an asset or a liability to the growth of the company? And how does that all come out at weddings, funerals and family gatherings?

Tools for meeting future challenges, generation to generation

These are not small questions. It may be possible to pull the firm away from the family model for a moment and see how they are operating as a business, similar to how other corporations operate. In the process, they can see how they compare to other firms from the OCAI database; they can realize that there are systematic ways to change the culture; and they can begin to engage in a process that can lead them to a better working relationship, a better family relationship and a better business operating and cultural system.

Further, I would venture that as each generation matures and begins to wonder about the role of the family firm for their children, as so many of those at the conference discussed, they would then have a tested and proven process to routinely reassess their progress, their problems and the next phase of their adaptations to changing times.