When Strategy and Values Collide

By Naveen Khajanchi , CEO & Director, NKH Foundation

Family-owned companies have entrenched cultures and values. Outsiders are needed to balance such firms, but they must tread very carefully.

Family businesses, like all for-profit organisations, are driven by values related to competition, wealth, responsibility, fairness and hard work. These values are built up over generations and the cultural background of the family also has a lot to do with the behaviour of family business owners. In India, for example, family actions often lead to business actions.

Counterbalancing these family values about love, cohesion, self-esteem and caring are economic priorities.

“As a company we have believed in the same values for 125 years, even though we have changed the business every five years,” said Whitney MacMillan, the last family CEO of Cargill. But it wasn’t always so easy for Cargill.

As **Randel Carlock**, Senior Affiliate Professor of Entrepreneurship and Family Enterprise at INSEAD documents in his book, **When Family Businesses are Best**, the Cargills’ and the MacMillans’ ownership of the

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world’s biggest agribusiness for 100 years is full of conflicts. Founded by the Cargill family and fully family-owned until the early 1900s, a son-in-law from the MacMillan family became CEO and his family the majority shareholder. This transition and loss of ownership caused strong resentment between the two families. The Cargills believed their business had been stolen from them and the MacMillans felt unappreciated despite having saved the business from financial ruin. The conflict, however, managed to focus both families on building a long-term, shared vision for the company that helped it through changing times and often gave it a competitive edge.

When family values are extended into business, they provide a powerful source of strength and continuity for mediating financial priorities and shaping humanistic plans and actions. These values give a complete picture of the prevailing culture within family-oriented business, passing on and updating family values across generations.

Striking a family balance

But keeping it all in the family often presents fresh challenges for such businesses. While there is a lot of talk around giving up control and letting independent managers run the show, it is easier said than done.

And often, family owners think very differently to outsiders. One of the most important characteristics of owners of organisations is that work is of paramount importance, leaving all other priorities behind. They believe that the business and its success can demand anything; a professional person must be available 24/7. Holidays, weekends and personal appointments need to be set aside when work is urgent. At times, the owner himself displays such behaviour. Most owners will come to work at odd hours including early morning and late evening, go to their plants at weekends, call their leadership teams at home and expect them to be physically present in the office.

It is therefore important to document working rules and establish a mix between ownership and management in the leadership circle. The passion and persistence that a first generation owner has may or may not exist in the next generation for the same business. The professional leader may be more objective and as for his success he has to deliver results which may build passion and persistence.

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A director's secretariat which has a mix of owners and managers who are commonly aligned to a certain set of values and ways of working going forward is a good bridge to start with. There is a need to understand customers, stakeholders and the business. Here, there is a need for role clarity and action steps for achieving results. This can act as an on-boarding office for a lot of new hires including management trainees.

At Cargill, family education and training is one of the firm's leading innovations. Waycrosse, the Cargill family office handles training and education as well as a wide range of family matters. The Cargills and the MacMillans also set a policy where professional management roles were earned based on qualifications and performance, competing directly with non-family executives. Often, the non-family members won. Core values mixed with a willingness to change has made Cargill what it is today.

Tread carefully

Non-family executives working in a family firm do, however, have to tread carefully. Every family business has its own values, ownership structure and internal differences.

For an outsider, it is important to recognise their presence and to handle them with care. Financial prudence needs to be imbibed, instead of assuming that a prosperous organisation will always allow speculative expenditures. The most advanced technology, though fashionable and highly cited, might not be the need of the day and the preference might be for a locally affordable and durable product.

Focus on results, develop the ability to take the right on-the-spot commercial decisions, manage with low overheads and treat the owner like a king – these are the important elements for being successful in large family business environments, an imperative that external hires in senior positions should ignore at their peril.

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