



CULTURE – DON'T REACH FOR YOUR GUN!

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What's different about family business? In the last issue I wrote about the special role of leaders, and that in family firms leadership is often unlike the types you find in other sectors, but it is what they are sitting on that really sets the family business apart from any other kind of private or public firm.

What leaders are sitting on is culture. Hermann Goering is reputed to have said, "when I hear the word culture I reach for my gun". As well one might, for it is one of the most difficult concepts in the lexicon. Such expressions as "the smell of the place" and "the way we do things round here" capture a) the fact that everyone thinks it is real and somewhere here about, and b) one can only capture it in the vaguest of language. Yet for several decades management scholars have recognised that the culture of a business is a genuine and tangible source of competitive advantage. And it may be argued that the evidence that family firms regularly outperform non-family firms is because they claim a cultural premium – when their culture doesn't kill them, that is.

They claim a potential cultural advantage in three ways.

The co ownership of the business. This is where the identity of the family and business fuse. The family have the powerful motivation that comes from feeling pride and love in a shared investment and family creation. Customers and suppliers know the hand they shake belongs to the name they see above the door. Employees know the person they see on the factory floor will not walk away on a whim or at the mercy of some higher authority's corporate plan. The cultural consequence is a strong infusion of self-belief and integrity into the identity of the business.

Intergenerational transmission. This kicks in the longer the business has been running. Each successive generation sees itself not as sole possessors of a property, but as custodians of a genetic investment. No one wants to be the last generation to hold it or the first to lose it. Everyone wishes the business to enrich successive generations as part of its bloodline. The cultural consequence is long-term strategic perspectives, a stewardship orientation to leadership, and values of respect and loyalty.

Partnership of kin and non-kin. Once a firm gets beyond mom-and-pop dimensions it is necessary to involve non-family in key roles. This represents a special challenge to family members to retain their family feeling but not let it act as a barrier to "outsiders". The cultural consequences is family accepting non-family leadership input without feeling threatened, the spreading of inclusive values to the firm as a living community, and the pragmatism in problem solving that comes from accepting one's own limitations.

But the special quality of family business culture can also be a poison pill for the firm, if it is left unmanaged. Co-ownership can become a source of insularity and exclusiveness. The family on the inside, the world on the outside, with every conflict reverberating beyond its bounds with destructive force into the business. Intergenerational transmission can turn into multiple varieties of fracture and warfare as generations and family branches seek to lay claim to the crown jewels, as if scripted from one of Shakespeare's history plays. Family non-family partnership can turn into an unequal and dishonest relationship, where the important conversations take place behind closed doors and there is a

lack of transparency and equity in decisions. Trust is the most important value in any business and once lost it is hard to recover.

Try not to take culture for granted. Talk about it. Celebrate your strengths. Declare your values. You need good systems. Culture follows structure. Even the design of a building governs who talks to whom, an essential feature of culture. Technology brings some groups together and separates others.

Good governance and management systems are essential to make sure that people meet across structural divides and have conversations that allow them to discover their common purposes. Never forget, it's the people that make the place. Whom you select, who stays and who leaves, shapes the culture. You want people who will fit in, but you don't want to be an exclusive club. The right kind of diversity – people who will challenge your assumptions – is good. But you don't want to entertain even the most talented person who does not sign up to the values that your business stands for. Keep your selection systems sharp to the invasion of such pathogens, however attractive they may be.

Consciously and deliberately inculcate into newcomers what you stand for, and make exemplars of cultural best practice wherever you can. Walk the talk. Leaders especially. No matter how pressing the decisions you face – take time to walk your organisation and schmooze with your people. Your culture is your most inimitable asset, and nurturing it is your most important job. ■

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