

Trouble at family mill? Call in 'CEO'

Family-owned companies need to be run with emotional as well as professional leadership, says **NICHOLAS BRAY**

WO of your fellow-shareholders in the family business are fighting over strategy. They're your cousins, and their dispute threatens the firm's commercial prospects. It's a common enough situation and if left to fester it can turn to disaster. What can you do? Call in the CEO.

No, not the chief executive. The CEO you want is the Chief Emotional Officer. It's not yet a title that you'll find on corporate rosters, but it's a concept that is gaining currency among family-owned companies and those that advise them. In a family-owned firm, says Randal Carlock, the Berghmans Lhoist chaired professor in entrepreneurial leadership and founding director of the Wendel International Centre for Family Enterprise at INSEAD, emotions can run high and family managers need to know how to handle them.

It's not just a question of emotional literacy. What's at stake here is what Mr Carlock calls emotional professionalism. "The family has to plan for the business, like all businesses, but they have to plan equally well for the family: things like participation, developing the ownership, a good board of directors, a good family counsel."

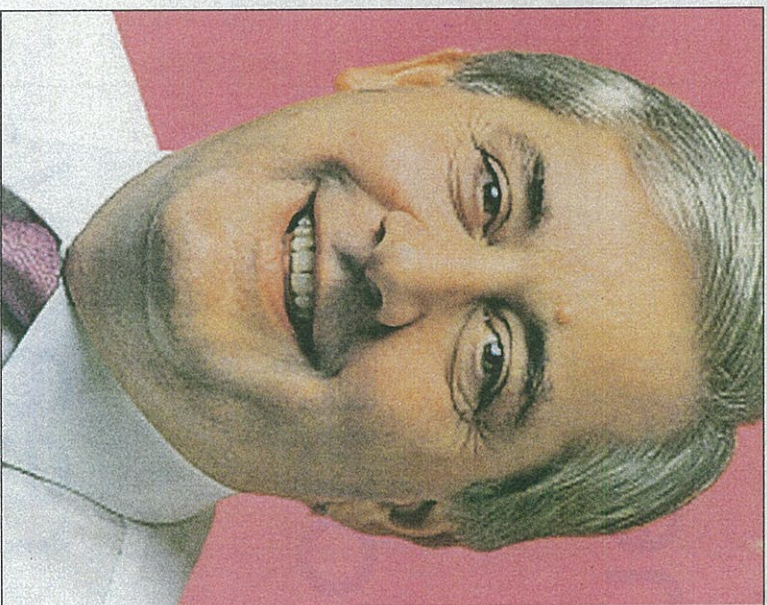
Typically, according to Mr Carlock, family firms have sound business strategies but neglect planning for the family – until they are forced to confront it because of a conflict between family members.

Who should lead the business into the future?

What are the rights and responsibilities of a family shareholder? Only if family members share clear agreements on issues such as employment and long-term investment can consistency, rather than personalities, drive continued success.

Take the Wates Group, one of Britain's largest construction firms, founded in 1897 by Edward Wates and his three brothers and under family control ever since.

Like many family firms, the Wates faced a leadership



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crisis in the early 2000s as the five senior family leaders and owners came close to retirement. While younger family members worked in the company, none had served in senior management or at board level. As the first step in a three-stage transition process, the family met to discuss their vision for the company and agreed on the need to bring in outside management talent. They then reviewed individual family members' potential and ambitions, craft-

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—Paul Drechsler, chairman and CEO, Wates Group

ing individual development plans for family members that wanted to stay with the company. Finally, they restructured the ownership, enabling family members who wanted to pursue alternative avenues to cash in their holdings.

Today, under former ICI executive Paul Drechsler as chairman and CEO, the company is proud to proclaim the maintenance of its corporate values of commitment to community, staff and customers, backed by an order book in which 80 per cent of business comes from existing customers.

"We have a family 100 per cent committed to this company, today and in the longer term," says Mr Drechsler, who in 2004 became the first non-family member to hold a senior management position in the firm.

If what's good for companies such as Wates is good for the community, the secret of such success lies in the readiness of family owners to devote time to managing the family relationship. Says Mr Carlock, whose cutting-edge research has focused on such families as the Bancrofts and the Wates: "The Wates family is a model of parallel planning for family businesses. The first 100 years they focused on the business, now they are thinking strategically about both the family and the business."

Mr Carlock offers the following quote from Andrew Wates, former chief executive: "We are at the beginning of our family journey today, not at the end of it."

When a business goes into the transition from one generation to another, success or failure lies 80 per cent on "soft factors" and only 20 per cent on "hard factors," says Olivier de Richouffiz, executive director of the global Family Business Network. "The family businesses doing it best are the ones who find the right balance between the family influence and the business influence."

That's where emotional professionalism comes into its own. "There are very good managers out there," says Mr de Richouffiz, "but the one who can manage the emotional dimension has to be a family business member: the one we call the CEO, the Chief Emotional Officer."

Deepak Gupta, chairman of the Singapore-based Romav Group conglomerate, concurs: "The business doesn't stop in the office," he says. "You need to be able to handle the overlap between your business and personal life, and you've got to have physical stamina to be able to handle the high levels of stress that comes with all that. It takes a high level of emotional maturity."

The writer spent a formative part of his career as a journalist on the staff of 'The Wall Street Journal' during the 1980s and 1990s. This is an abridged version of an article published in 'INSEAD Knowledge' on March 23