

Building value on values

It's all very well jotting down a few vague words as a values statement, but the ultimate challenge is to make them real. Dennis Jaffe offers some helpful tips for business families who want their business to grow from a realistic, rather than an idealistic, set of core values

With great expectations and enthusiasm, many families in business have begun to create values statements, both for their businesses and for their family. But too often the glow fades as they come up with a wonderful statement that seems to go no further. Stating values is wonderful, but they are a bit insubstantial. When you get closer to them, two family members can have opposite views of what they mean in action and how they should be respected.

It must be made clear that values are not created by a values statement – they are already there. The statement merely recognises the ones that exist and emphasises them. Values are created by people's behaviour, though they aren't always clear or explicit. They are hard to find because they aren't objects, but rather principles and goals that underlie the way people treat each other and make important decisions. When a person enters a family, or their business, you begin to understand what is important to them by observing what they do. People listen to each other and disagree politely and talk with respect to each other. People share a lot of ideas in a meeting and do not seem to be looking for cues from the person in charge. Such behaviours indicate that the company, or family, values respect for people, or ideas. The values are shorthand for behaviours, and when a value is stated it should be clear what sort of behaviour is expected.

There is always a gap between stated values and actual behaviour. Harvard management researcher Chris Argyris notes that every company (and also every individual) has a set of espoused values that may be quite different from the values actually expressed in action. For example, some

family leaders say they are open to ideas, but in fact they show little interest in what other family members have to say. Many values statements express espoused values, which are actually not backed up in action. The company appears to act very differently from its values. The gap between actual and espoused values may be an unspoken issue that inhibits healthy expression and constrains the organisation.

Values are part of the legacy that founders want to pass, implicitly or explicitly, on to their family, employees, customers and community.

Over time, the values emerge from the founder's behaviour, casting a huge and influential shadow over the whole entity. When a founder departs, one of the strongest elements of the legacy is the values he or she stands for. At the time of transition it is important for the company to define these values, as a guide for successors and new people who enter the firm.

Defining values is not just a vanity operation to celebrate the founder. One aspect of a family business that makes them competitive is that, with a family in control, the company is able to sustain a long-term commitment to these values, and can be depended on to adhere to them because of the family's stewardship and its ability to look beyond the immediate bottom line. The

Smucker family, who own a publicly traded food products company with their name, has a set of values that must be satisfied whenever a major corporate decision is made. When Malden Mills, a US company, had a huge fire that destroyed its factory, the family owner was celebrated for pledging not to lay off workers while they rebuilt. He put his company at risk to fulfil this pledge, in what turned out to be a futile attempt to put values above the



bottom line. But knowing a company stands for something, such as the quality of its products, is an important selling point to build trust between owners, employees, customers and the community.

Values are also a part of the fabric of the family who owns the company. Like a company, a family stands for something, and these values are not voted on but are part of the legacy of the elder generations. A family may value the land, preserving the traditions of its business, developing the capability of each generation, serving the community, or its religious and spiritual heritage. The wealth and place of the family in the community come from what the family is seen as valuing.

This poses a challenge for succeeding generations. What if, for example, the next generation disagrees with some of the previous generation's positions? For example, the public sense of stewardship of natural resources has evolved greatly over the past generation, and some members of the new generation want to hold the family, and its enterprises, to a different standard than in the past. The values of one generation sometimes need to be revised over time, and that may lead to conflict with the elders. Or, as more people become part of a family, the original values may not be held by everyone in the family, or be seen in different ways. So, a family that has a values credo must place their values in a living framework that should not be modified lightly, but can evolve through the generations.

Living up to values is not easy, and that is where behaviours in the business environment come into question. A company that has pledged to value its people and manufacture within its community may find that value challenged by other suppliers. A company that has a long-term commitment to its people may have to lay some of them off. If you state the values explicitly, the feelings that are released when you appear to change course are correspondingly larger, as people feel doubly mistreated. The challenges facing the Ford family, and company, are a stark reminder of the difficulty. The family chairman, Bill Ford, explicitly embraced fuel efficient vehicles, but the company's pipeline and product mix did not express this. If he had moved more quickly into this area, his moves would have been helpful, but the company's legacy commitments to employee pensions and other costs made that difficult to adhere to.

In a family where values are explicit, conversations might emerge about how the family invests. Are their investments subject to the values, or are they value neutral? Do they apply to new family ventures, or just the ones that the family has been involved in for generations. How is this done? Who decides? For example, one family had a clear tradition of supporting the environment but was also one of the largest local real estate developers. It turned out that some family members were working for community groups who were taking legal action against the downtown business association, headed by the patriarch of the family. This was very embarrassing and very public, as the media noted one generation of the family appeared to be at odds with the next.

If you take them seriously, having clearly defined values sets the stage for difficult discussions in the family about

what it does and how it does things. Coming up with a values statement for a company, or a family, is not an end, but rather the start of a difficult path. If you have a public values credo – either within the family, or within the community, you will be held to it. And different people will see the values differently.

Value statements cannot be just a few vague words. They may begin with a short statement, but to make them real, the people involved, whether the family or the company, need to elaborate on what the values actually mean in action. They might shorten the list of core values to a group of about five, and then elaborate on the meaning of each one for the family, the employees and the business. For each value, they might define how people can act on it, and what situations it refers to. If it is easy and there aren't continual tests that challenge that value, it probably isn't worth stating. It is not easy to respect people, invite collaboration, respect the environment, promote quality or deal ethically in a cut-throat marketplace, as many companies are learning. The bar is changing and a values-based family must deal forthrightly with external changes.

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A good exercise that companies and families can use is to think of tough issues where that value is challenged, and then to have a discussion on how the value can be held in the face of the challenge. One family holding company looks at each acquisition not just with a financial lens but as to whether the venture fits their family values. Another family gives an annual report of its family holdings and also adds a report on the family values and how they are doing.

The rewards of all this are great, in the sense that the company or family is respecting something deep and important, and in the satisfaction and pride of family members and employees, and the respect of the community for the family and its company. But the challenges are to take this work seriously, not to hold a half-day workshop and come up with a values statement that begins to gather dust on the wall, but to use the values that are defined as a yardstick for evaluation, for dialogue about what is right, and to help the family company respond to new realities without sacrificing what has been special and important in the past.

This is a challenge for each family and family business as it begins the transition between generations. Before defining new leadership and direction, the family, and then the whole company, should initiate a process for identifying and clarifying core values, and how they can work to make them more real and vital. This can energise a family and a company to reconcile innovation and development with a set of underlying principles that have stood the test of generations. ●

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