



**IFB** Research  
Foundation

FAMILY BUSINESS CHALLENGES

**No. 2**

# **MAINTAINING FAMILY VALUES**

Practical guidance for family business owners and managers

SECOND EDITION

## No.2 Maintaining Family Values

### Section 1. INTRODUCTION

**Values bind the family and the business together.** Developing a shared vision, based on family values and goals, is probably essential for long-term family business success. Families need to have a clear and cohesive answer to the question, "Why are we in business together?"

**Values underpin behaviour.** When families acknowledge their shared values, it sets expectations for their actions and behaviours, and becomes a rallying point in support of a collective, strategic vision. This provides both a framework for planning and decision-making as well as a foundation on which to build family business competitive advantage.

**Values drive policies and practices** and determine the way in which business is done. Used well, values:

- underpin corporate culture
- inform decision-making
- assist prioritisation
- enable challenging of conventional thinking
- shape people's personal contribution to the business and the stakeholders they serve
- inspire exceptional performance
- provide an anchor point for people new to the business
- create stability and consistency in the face of ambiguity, uncertainty and a constantly changing marketplace.

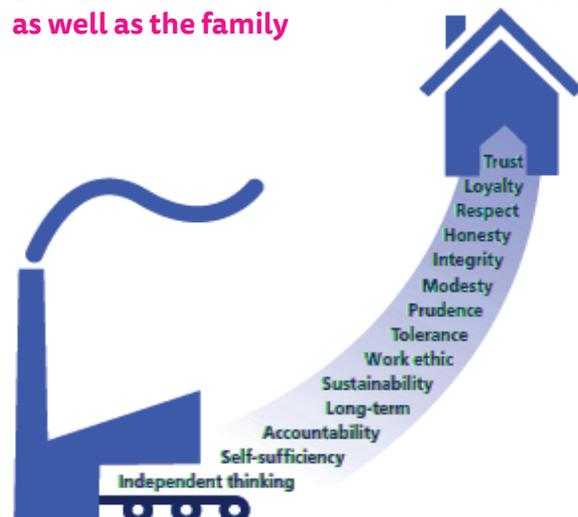
**Values may be either explicit or implicit.** A common practice in family firms is to put values into words, making them explicit. But values may also be implicit and not verbalised, where families sometimes do not recognise or are unaware of the values expressed in their patterns of behaviour.

Family business owners and managers can be uncomfortable about formalising culture, behaviour and governance. When change occurs, it can require hard work and strong leadership in order to make implicit values explicit.

**Values increase in importance with the passage of time.** As families expand and scatter (geographically and culturally), a sense of shared values becomes ever more important in binding family members together and to the business. In larger companies the family communicates its vision and values to the board, which sets strategies and implements actions accordingly.

**Drawing up a statement of values.** Ownership's main responsibility is to establish the vision (desired long-term outcomes) and values (guide to day-to-day behaviour) that provide an operating framework for the business (see the "Fostering Responsible Ownership" Challenge in this series). An articulated statement of family values provides a common base of beliefs and expectations, which, when shared with the company, adds depth and strength to the business culture. (See some examples of enriching values in Exhibit 1).

### Exhibit 1: Values that can enrich the business as well as the family



Identifying and endorsing values. Constructive conversations about values usually reveal common ground based on shared history. Exercises can be used, drafting summaries of personal values, encouraging family members to list words and concepts that describe what motivates them under important headings, such as:

- My personal life (e.g. perseverance)
- Business/professional (like accountability)
- Family life (such as nurturing)
- Social responsibility (e.g. fairness)

True values show up in actions, not words. For value statements to be meaningful – not just general or aspirational – they need to be tested against objectively defined behaviours (see Exhibit 2, on setting tough tests.)

### Exhibit 2: The importance of actions - not words

“A good exercise that companies and families can use is to think of tough issues that challenge a particular value and then have a discussion of how the value can be maintained in the face of such challenges. Some family-held companies collect case studies of such challenges. One company gives an award each year to a person who upholds the family values in the face of unpopularity. One family holding company looks at each acquisition not just through a financial lens but through a ‘does this venture fit our family values’ lens. Another family in its annual report on its family holdings includes a report on family values and how the company is upholding them.”

*Source: Dennis T. Jaffe (2010) Stewardship in Your Family Enterprise: Developing Responsible Family Leadership Across Generations, Pioneer Imprints, p.64.*

**Values transmit down the generations.** An important difference between family and non-family companies is the potential for continuity of values across generations, with one generation able to prepare the next and help them sustain the family values. Much of this preparation comes through family communication and socialisation. Guiding values and principles can also be passed on to successors more formally,

such as via a short letter, a leather-bound business history or personal biography, or a message recorded on video. Values can also be summarised in the family constitution or mission statement.

**Core values are immutable, but other values are not.** Times change, families expand and business markets evolve, so it's important for families periodically to re-examine and, if necessary, refresh their family vision and values. (See Professor John Ward, Exhibit 3, on values evolving over time.) For example, with the increasing attention on responsible business practices, the family values may be strengthened to reflect the importance of human and natural capital.

### Exhibit 3: Values evolving at successful family businesses

“In the first and second generations, values tend to be very normative and may be expressed in authoritarian, exclusionary ways.... In later generations, when the family gets to be quite large, the goal is to try to create a sense of family continuity and solidarity of support for the business. Value statements tend to become more inclusive so as to encompass the increasing diversity of family members. The values articulated may become a little more bland and there may be fewer of them, but the focus is on what values can be identified that bring people closer together rather than what values the family will insist people hold and by which they will be judged if they don't.”

*Source: John L. Ward (2004) Perpetuating the Family Business: 50 Lessons Learned from Long-lasting, Successful Families in Business, Palgrave Macmillan, pp.135-136.*

**Developing employee “buy-in” to the family's values and culture.** Success in today's knowledge economy depends on finding, empowering and retaining talented employees. Businesses competing to attract such people need to offer a “higher calling” – creating an environment where employees work hard because they believe in their company's mission and values (see Exhibit 4).

The best family businesses create strong engagement with their employees who feel pride in their workplace.

## Exhibit 4: A sense of higher purpose and strong values

"Much has been written about values-based cultures, but families are the primary carrier of values, and business families can weave their values into the very fiber of the organizational culture. Experience has shown that because employees work directly with the owners, there is often a pronounced loyalty effect, which augments the important sense of mission."

Source: Josh Baron (2016) "Why the 21st Century Will Belong to Family Businesses", *Harvard Business Review*, March.

### Family values enhancing the business.

Common values and shared vision can inspire business performance, providing family companies with competitive advantage and long-term resilience (see Exhibit 5). This tends to generate a "virtuous circle" because when family members see their values strengthening the business, their pride in those values and in the family is reinforced.

## Exhibit 5: Professor Randel Carlock on values and vision – a distinctive advantage for family firms

"Family values are a powerful competitive advantage for family businesses simply because, if I'm competing against a widely-traded company with a million shareholders, it potentially has hundreds of thousands of different goals and expectations. If I'm with my family and we've taken the time to talk about what values are important to us and how those values shape our vision, then we've accomplished 50 per cent of the strategic planning process already. But on top of that, we have focus. We have a clear idea and we are all going to the same place. So values and vision are really a distinctive competence of family businesses if it's done right."

Source: INSEAD Knowledge / Stuart Pallister (2010) "The Ties That Bind", quoting Professor Randel Carlock, available at: [knowledge.insead.edu/business-finance/family-business/the-ties-that-bind-748](https://knowledge.insead.edu/business-finance/family-business/the-ties-that-bind-748).

## Section 2. ACTIONS TO CONSIDER

- How do we answer the question, "Why are we in business together?"
- What do we believe in and what is our family business for?
- What are particular sources of pride for our family?
- Where would we like the family business to be in 50 years' time?
- How regularly do we discuss the values that we share as a family, our collective vision and our common goals?
- Are the values expressed by the family shared with the business?
- Does our family governance provide a vehicle for articulating our vision and values – for example, via a statement in our family constitution?
- Do our family's real-world actions align with what we say and have committed to in our values statement?
- What happens if someone acts outside the family values?

### Add Your Questions

## CASE STUDY: Bibby Line Group



Values evolve over time, and successful families periodically re-examine their family and business values, updating and refreshing them if necessary to meet changing circumstances. In 2015, the family shareholders and the board of directors at sixth generation Bibby Line Group undertook just such a review.

An independent, family-run business for over 200 years, Bibby Line Group started out in shipping but has since grown to become a global, diversified business operating in shipping, marine services, logistics, financial services, offshore services and retailing. The group today employs some 4,500 people across 20+ countries, and generates turnover in excess of £1 billion. Despite its size, Bibby Line Group remains in private ownership. It is 90% owned by the immediate Bibby family and their family trust, allowing the owners to maintain firm control over the culture and values of the business.

“When we reviewed our group values statement in 2015,” explains sixth generation leader, Sir Michael Bibby, “we felt the emphasis was not quite right. We’d previously defined our values in terms of inputs, or behaviours that we wanted to encourage among our people – for example, one value was “Restless momentum”, meaning continually innovating – but we felt our statement wasn’t properly balanced. As well as inputs, we wanted to emphasise the outputs, or consequences of our values – things we could measure – so we set about redrafting our statement in order to connect these two approaches more closely.”



In what proved to be a detailed and lengthy consultation process involving all the staff, the project team re-assessed how values were driving the group’s business operations and re-examined how everyone’s work impacted on relationships with customers. The outcome was a revised values statement, with inputs and behaviours that Bibby Line Group is seeking to encourage – “Work together; Be better; Be innovative; Do the right thing; Trust each other” – linked to outputs grouped under the heading “excellent

customer service” (see the exhibit).



The revised statement emphasises the purpose of the company and what makes it different, which is fed by “living our values” – through corporate social responsibility, for example, via the group’s “Giving Something Back” initiative. This programme encourages giving back to the communities the group works and operates in by match-funding employees’ fundraising and volunteering efforts. Since its creation in 2007, the GSB Programme has donated over £9.3 million to causes around the world.

There are also Values Awards, recognising and rewarding employees who go the extra mile, with award winners’ stories often documented to illustrate how they tie in with the values and benefit customers. “Delivering personal, flexible, and responsive customer solutions across all our businesses represents our unique selling point,” explains Sir Michael, “and it marks out how and why we differ from our competitors. It underlines the point that our customer service is ultimately due to the values our people hold and the way we work.”

Asked about his advice for other family businesses considering a similar review of their values, Sir Michael recommends moving carefully and allowing plenty of time. “People do not change their behaviours overnight,” he says, “and we needed to commit to educating our people about our values and to be quite rigorous – for example, our values feature in all our appraisals as a way of encouraging positive behaviour and identifying leadership qualities. The review process is subtle, it takes a long time, and it has to be accompanied by long-term education and being prepared to adjust appraisal, remuneration and reward policies so as to achieve maximum effectiveness.”

## Section 3. RESOURCES

### Articles and reports

#### The Importance of Values in Family-Owned Firms

Lucia Ceja, Remei Agulles and Josep Tàpies (2010), IESE Business School Working Paper No. 875, University of Navarra (available at: [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1701642](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1701642)).

A review of the academic research on this topic, homing in on values that are characteristic of family enterprises. The authors develop a definition, classification and hierarchy of values, and find that values in the world's largest family-owned firms have three main characteristics: they emphasise a collective orientation; have a long-term perspective; and embody a sense of stewardship. The paper includes references to many related articles and books.

#### The Competitive Advantage of Culture in a Family Business

Kelly LeCouvie and Kent Rhodes (2016), The Family Business Advisor Newsletter, published by the Family Business Consulting Group (available at: [www.thefbcg.com/competitive-advantage-of-culture-in-family-business](http://www.thefbcg.com/competitive-advantage-of-culture-in-family-business))

The authors argue that culture directly impacts key decisions in the company and can strengthen the enterprise. They discuss how businesses need to foster key competitive differentiators, and highlight research on the culture of family businesses suggesting a positive correlation between financial performance and superior corporate culture.

#### Values and Longevity in Family Business: Evidence from a Cross-Cultural Analysis

Josep Tàpies, María Fernández Moya (2012), Journal of Family Business Management, 2(2), pp.130–146.

An academic study on the role of values in family firm longevity. The article ranks values that have the most influence on family business longevity, classifying them into three categories: (a) *family cohesion* – the role of values promoting respect, loyalty, honesty and reputation; (b) *business sustainability* – entrepreneurship, excellence, hard work, prudence and quality; and (c) *the*

*transmission of core values* – promoted by social responsibility, accountability, transparency and stewardship.

#### How Family Values and Vision Drive Business Strategy and Continuity

John L. Ward (2011), Universia Business Review, Fourth Quarter Issue (ISSN: 1698-5117 and available at: [ubr.universia.net/article/download/812/938](http://ubr.universia.net/article/download/812/938))

The article addresses strategy and continuity questions by examining how the family's core beliefs and values influence strategy planning at family firms, as mediated by different ownership – leadership visions. Ward argues that “enterprising families” promote continuity in their businesses by (paradoxically) placing the family's needs before those of the business.

### Books

#### Family Business Values: How to Assure a Legacy of Continuity and Success

Craig E. Aronoff and John L. Ward, published by Palgrave Macmillan (2011).

The authors discuss practical steps to help families articulate and record their values. There's also a discussion (in Chapter 6) on renewing and reinterpreting values to ensure they retain their productive power as the world changes.

#### The Solutionist Guide to Family Business: Strategies and Structures for Peace and Prosperity

Jon D. Kenfield, published by The Solutionist Group, Melbourne, Australia (2011).

In Chapter 11 the author explains how validating and recording family values promotes family bonding. He goes on to discuss the practicalities of organising family participation in “visioning workshops”, and provides examples of worksheets and preparation exercises designed to encourage and guide thinking.

#### Family Values and Value Creation: The Fostering of Enduring Values Within Family-Owned Businesses

Edited by Josep Tàpies and John L. Ward, published by Palgrave Macmillan (2008).

This research compilation is divided into four

parts, each analysing how values influence different aspects of family businesses. Of particular interest are Part 1, examining the ways in which values affect the succession process, and Chapter 7, looking at the impact of owner-manager styles and values on the succeeding generation.

### **Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times**

Mark Haynes Daniell and Sara S. Hamilton, published by John Wiley & Sons (2010).

Includes some original thinking on values and vision in family-owned businesses – especially in Chapter 3. The authors argue that an enduring family legacy can only be built by family members who agree a basic set of principles reflecting and supporting their beliefs, attitudes and behaviours. They propose that this agreement needs to be viewed as a family compact among family members about their future together.

### **The Endurance of Family Businesses: A Global Overview**

Paloma Fernández Pérez and Andrea Colli (eds), published by Cambridge University Press (2013).

A collection of essays offering an overview of the importance and resilience of family-controlled large businesses, including reflections from a variety of perspectives on the role of values in family-owned firms.

## **Family Business Challenges**

The Family Business Challenges second edition series includes 18 guides overing three areas:

### **Family business dynamics**

- No.1 Understanding Family Business
- No.2 Maintaining Family Values
- No.3 Developing Stewardship
- No.4 Engaging the Next Generation
- No.5 Planning Succession

### **Family business governance**

- No.6 Building Family Governance
- No.7 Managing Differences
- No.8 Fostering Responsible Ownership
- No.9 Strengthening Family Communication
- No.10 Professionalising the Board
- No.11 Enhancing Communication with the Board
- No.12 Employing Advisers

### **Family business management**

- No.13 Fostering Entrepreneurship
- No.14 Embedding Long-term Orientation
- No.15 Promoting Sustainability
- No.16 Maximising People Capital
- No.17 Branding the Family Business
- No.18 Selling the Family Business

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**Simon Perry, Author.** Simon is a law graduate and trained as a barrister. He moved into publishing in the early 1990s. His work focuses on family businesses, writing academic and practitioner analyses and family enterprise histories.

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22-24 Buckingham Palace Road  
London  
SW1W 0QP  
T: 020 7630 6250  
E: [research@ifb.org.uk](mailto:research@ifb.org.uk)  
[ifb.org.uk/research](http://ifb.org.uk/research)

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