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Accountability in the Family Business: Creating a Culture for Success

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Accountability is a regular discussion topic with our family business clients. When accountability is alive and well, individuals, the family and the business may share in success. When accountability is mostly non-existent, however, a pervasive attitude of entitlement may exist that can lead to the demise of the business and perhaps the unraveling of family bonds. More often, we find accountability is present with only a minority of family and/or non-family leaders, which generates great frustration for stakeholders and at best inconsistent results for the enterprise.

Freedom of Choice as a Prerequisite to Accountability

Accountability in a family business is about being responsible to family and business constituents for expected behaviors and results. It is built through an individual's freedom of choice to contribute. Absent a voluntary choice to contribute, there are too many ways to blame others for behavior and results that don't measure up. Thus, creating an environment that prompts individual family members to want to contribute is the first step towards creating accountability in your family business.

Freedom of choice includes many aspects of an individual's relationship with the family business, including:

- Freedom from dependence on the family business for a sense of self and a career,
- Freedom-versus an obligation-to join the business.
- Freedom to have input into the direction of the business
- Freedom to opt out of employment and/or ownership but still be connected to the family; and,
- Freedom to be at risk for results and to learn from mistakes.

In an environment where such freedom exists, the motivation to be accountable is derived from the satisfaction of choosing to contribute.

Developing a culture of ownership and accountability for business results and business behaviors in a family environment sets up a challenge because of fundamental differences in the two environments and their overlap.

Family Environment	Business Environment
Inclusive	Selective
Unconditional	Conditional
Equal	Unequal
Flexible	Structured
Informal	Formal

As you can see from the previous exhibit, family and business environments have different traits, and thus accountability looks different in each arena. For example, where and how a sibling CEO provides feedback to another sibling on their business behaviors should look different than their communication on a family matter. Acknowledging the difference of each environment is key to successful accountability in a family business.

Another challenge to accountability in a family business is that norms have to evolve over the generations. Accountability at the founder stage centers often exclusively on the leader. The founder often takes control of, and responsibility for, all results. It is an environment of self-reliance. As other family members enter the business, an ever-increasing number of interdependencies are created. The command and control model that siblings grew up with and saw succeeding will usually not work for them, but evolving to an environment where one depends on others for results is a difficult transition. The leading generation's foresight and acknowledgment that the management structure must change can be instrumental in the family business starting to evolve a culture of accountability at the early sibling stage of the family business.

Accountability Benchmarks

From my continuing observations and study of accountability in family businesses it is clear that an Environment of accountability requires a measuring stick to compare actual results to expected results. After all, how do you know if behavior and results measure up if you have nothing against which to measure? At the most basic level the measurement starts with shared values and a shared vision as benchmarks. It continues with an on-going process of goal setting for the family business and the individuals and then measuring organizational and individual results against those goals.

Shared values are a foundation to accountability as they inform what attitudes and behaviors are expected and provide common guidelines for family member interaction with one another and with the business. Absent the definition of the behaviors one is accountable for, individuals will make assumptions about acceptable behaviors.

A shared vision provides a clear understanding of where both the family and the business are going and how one supports the other. It articulates the family's commitment to the business and the business's commitment to the family. A shared vision provides the context within which results can be gauged and is the connection to a purpose larger than any one individual. It is this connection that helps create the incentive to voluntarily contribute to the overall good.

When you join an organization—such as an industry association, a civic organization or a charitable organization—you make a personal promise to behave in certain ways and do your part to help the organization achieve certain objectives or results that leadership has articulated. It should be no different for a family business. Policy and procedure may drive accountability in the short run, but shared values and a shared vision are foundational to sustaining accountability.

A Checklist for Building Accountability

In addition to discovering the shared values and a vision, a family business leader who wants to build accountability must:

- Create space for others to be at risk and grow by sharing power and control. This helps individuals develop a sense of personal responsibility and provides room for personal judgment to be exercised;
- Create transparency as to how decisions are made, how communication happens and how rewards are allocated. Transparency leads to a sense of fairness in the way things are done. Absent transparency a real or perceived lack of process fairness can be a pervasive excuse for not being accountable;
- Create visibility as to who is accountable for what and visibility that actual results are being compared to the goals. In this way individuals are not only accountable, others are able to see that they are accountable;
- Provide a venue for family members to have a voice and to build consensus on family matters. With this venue family members are more likely to respect family and business boundaries;
- Invest in building the family's knowledge about

the business and the future to equip the family to make a contribution. Knowing what it takes for the business to be successful and what the future may hold helps individuals more freely choose whether or not to work in and/or own part of the business;

- Ensure that fair processes are in place and operative so that rules can evolve as the family and the business evolves. This sends the message that things will change but as we work through those changes there will be adequate opportunity for input and influence;
- Engage with the family and with management to develop clarity on roles and goals, as well as policies and procedures for addressing the situation if someone falls short;
- Create an environment where it is acceptable for family leaders, family business peers and non-family executives to have difficult conversations with one another when their performances on expected behaviors and/or results do not measure up. And an environment that recognizes accomplishments when they do!

The leading generation of family business leaders must trust their followers and hold themselves and their followers accountable for behavior and results. To never be held accountable sends the message that one has never been trusted to deliver. Likewise, next-generation family business leaders must earn the trust of the leading generation and their peers by demonstrating the behaviors and achieving the results that have been established for their current role and become engaged with establishing the goals for future results and their future role. In summary, family business leaders must make themselves vulnerable by making significant commitments themselves and putting self-interest at risk. Others will follow suit leading to a culture of responsibility and accountability.

Raising the Bar on Accountability in Your Family Business

Making accountability a main part of your culture is not a once-and-done event, it requires nurturing and support as the family business evolves. To begin raising the bar on accountability in your company, gather input from across your family business stakeholder group. Cast your net wide and involve others in the discussion and reach consensus on your current state and whether movement to another level is warranted. Consensus that there is a gap and some notion of how wide it is will provide you with the starting point from which to start to making changes.

Leaders, be ready to make yourself vulnerable. There is a good chance that raising the bar on accountability for the organization will involve individual leaders and the leadership group evolving some of their behaviors and making commitments themselves. Involve non-family executives and independent board members in the discussions to provide additional context and objectivity for the discussion. Remember that people change as a result of having new information or seeing existing information in a different light.

Prepare yourself to be patient. Evolving your culture of being accountable is not something to mandate or change through a command-and-control approach. Focus on changing specific behaviors and stakeholder mindsets will follow. Eventually, a new norm will be established and you will be able to see and sense that the bar has been raised.

Watch for resistance to change. Those who have demonstrated the least amount of accountability may be very comfortable operating in more a chaotic environment, as it provides cover for not being personally responsible. Recognize that if you are starting at a low level, you likely have not yet accomplished the organizational attributes that lead to comfort with accountability. Everyone will be watching if the process and individuals are handled ‘fairly’. Likewise, if an individual is an outlier in terms of accountability, others may believe consequential action is long overdue and more immediate action may be the appropriate course. Inaction with individuals can lead to retrenchment as an organization.

Raising the bar on accountability is best accomplished in real time. This involves engaging in difficult discussions when an individual is not measuring up. Postponing these discussions will only negatively impact your accountability culture. When considering an individual's performance, start the discussion from a point of neutrality and work with the individual to determine if missing the mark is a function of lack of knowledge or lack of motivation. The solution for a lack of knowledge is training and development. Possible solutions for a lack of motivation can be much more complex and are as varied as the causes.

Closing Thoughts

As you think about accountability in your family business and how you can influence it, remember that accountability is about more than intentions; it is about exhibiting behaviors and achieving results to which you have committed. As humans, we tend to judge ourselves by our intentions and others by results. So it can be hard to be objective about ourselves when we ask, "Am I being accountable?" Your credibility as a leader influencing others about being accountable will largely turn on whether or not you are perceived as being accountable yourself.

Successful family businesses are built on family members having sustainable relationships that allow them to work together effectively. Accountability goes hand in hand with sustainable relationships. You can't have one without the other. Accountability will sustain relationships and it is these relationships that sustain enterprising families across generations.

References

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