

SHARED VALUES

THE SECRET TO **GENERATIONAL SUCCESS**

BY JOSHUA NACHT AND RICHA SINGH

Neil found himself with a dilemma. On one hand was a significant windfall profit; on the other was a challenge to the values with which he grew up.

Neil was a G4 member of a business family that was a market leader and a trusted name nationally in construction and building materials. The company's success largely happened because of vision of one man — Jason McHugh — and the values instilled in the family by its matriarch — Jason's wife, Jenna. Jenna taught them value of hard work, honesty and keeping your promise. Conditioned with strong values, all four children were diligent and honest, just like their dad. Jenna found her audience in the grandkids; she would share the stories of past struggles and triumphs. She also instilled in them a strong sense of right and wrong through the family values.

And now, here was Neil, who was offered (almost blatantly) to reduce the quality of mix in the concrete construction to levels that still met code and were still safe, but were certainly not up to the standards of the company, which exceeded the state's requirements. In exchange for a measly "convenience fee," a mid-level clerk at the state's quality control department would certify the concrete at the highest level, even though the mix would be below company standards. Neil was a sharp kid and realized very quickly that by altering the raw materials in very small ratios, he could realize considerable profit. He was tempted —as here was the chance to prove to everyone that he can bring in big money, too —yet he hesitated. He decided to sleep on it.

The next day, Neil entered the office building and noticed the big, bold sign: "Integrity is keeping your promise, and the promise is of integrity." He stopped in his tracks and knew what he had to do. During lunch that day, he narrated the story to his elder sister and shared his decision, which was met with an approving nod from the sharp accountant. This gave Neil a lot of confidence, and several weeks later when he was confronted with the same clerk, he politely declined.

The incident came back to Neil when the same clerk was terminated from the job amid allegations of corruption. While speaking to a reporter, the clerk quipped, "Corruption is not one man's job. Both parties need to comply." Then he proceeded to mentioned how a certain Neil McHugh didn't entertain his offers. The name McHugh made the news clip go viral, and the company was flooded with good wishes, good cheer and good will. This incident established trust and reputation in the family business as no marketing campaign could have. Beyond the good press, G2 family member James McHugh called Neil into his office and said, "Your great-grandmother would have been so proud of you. You did good. A man is only as good as the promise he keeps."

VALUES ARE THE GUIDEPOST

Values are intrinsic to our character as people and consciously or unconsciously influence every decision we make. Values are the guidepost that can help us make decisions and envision a future that's rooted in our philosophy. In family businesses, there is a connection between values and positive outcomes. Strong values and the culture they create are often cited as one of the defining elements that make family businesses unique and more successful in the long term. In a close-knit family setting, a unified culture is formed in an organic way because family members' values are similar and have been developed over time.

In many families, members were taught the family values as they grew up and are practicing them as part of their approach to life. As the family grows and becomes more diverse in their upbringing, sociocultural context and outlooks on life, they will hold different values or have very different perspectives on how values are carried out in real-world situations. If the values aren't openly discussed,



assumptions can take over and lead to significant challenges. While each generation needs to redefine their values in some way, values can also be enduring and serve as a touchstone across decades for family enterprises.

VALUES: TRADITION AND REINVENTION

"I am worried that my children will bring this business to the ground, and it's my fault," said the patriarch, JD, with a sigh as he was encouraged to dig deeper behind his feelings and concerns about the future. "I do not see my values, learning or experience being practiced and leveraged."

JD is the founding owner of a world-renowned home furnishing brand. Back in the '80s, when he first ideated about this business, he dreamed of creating furnishings that would be the talk of the town. About 40 years later, he owned a successfully and nationally recognized business and was a proud father of four siblings, who as a team dreamed of taking the business to a global market. This scared the skeptical and pragmatic JD, who believed that these ideas of growth and innovation were not aligned with the founding philosophy of his business. As he stood at the threshold of his transition to retired life, JD constantly complained that his children did not understand the "soul" of the business and his original values.

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To help JD work through his concerns about the next generation not understanding his values, we, as his trusted family business advisers, suggested that we speak with the next generation directly to see what they think the soul of the business is. This approach launched a series of conversations with the sibling team that were direct, focused and intentional. The meetings culminated into a yearlong exploration of shared values, culture and how that translates into a successful continuity story.

Generational differences can make it crucial to amalgamate the views of the next gen with the founder's vision for holistic ownership of the values and culture. It takes courage to embark on this process, to listen deeply and invite people to share what they really think, without requiring them to toe the line. Entering into this with courage and openness is key. The primary objective of the project was to create a culture that was rooted in the founder's values and that also integrated the views of a younger generation who grew up in a very different era than the founder. This approach respects the past and allows for renewal and innovation.

SAME WORDS, DIFFERENT MEANINGS.

The journey to reach the family values that resonated with both generations of JD's family was quick and simple; they chose similar-sounding words in their process. However, the conversations escalated when we started discussing what these value words actually meant to each of them. It turned out that values like "simplicity," "integrity" and "innovation" had different meanings for everyone, including the same-generation siblings. This presented an opportunity to examine the meaning of words and how those words would be interpreted in action. The family had to dig deeper:

Generational change, difference in education and individual perspectives resulted in different perceived meanings for the exact same word.

VALUES IN ACTION: WHAT DO THEY DO?

(John L. Ward, Craig Aronoff, *Family Business Values*, 2011)

- Provide structure to decision making
- Support a patient, long-term view as part of the culture
- Support strategic planning and vision
- Lend meaning
- Provide guidance in times of challenge

- What is your meaning of this value?
- How do you live this value?
- Brainstorm on three to five action statements that represent the value; someone taking those actions is living the values.

Reconciling these different perspectives was not always easy, but it resulted in an updated values statement that was a mix of tradition and forward-thinking ideas to support the future of the business.

Because we focused on actionable values, the family converged on words that helped them see the similarities in their thinking and the importance of what they shared in their perspectives. This exercise of exploration and inquiry proved effective and conducive to interpersonal communication within the family. Family members saw each other in a new light and bonded over the revelation that they largely valued the same things. They accepted that there would be slightly different interpretations of each value, which led to less fear and more comfort, trust, understanding and closeness. This gave them a newfound energy to overcome the conflicts and work toward creating a culture rooted in their values for the future of the family and how the business would be operated.

Shared values often help us see beyond our differences and look for alternatives that constitute a win-win for all involved. Take the case of Spencer's family.

Spencer is the G4 owner of a family business that recently marked its 150-year anniversary. During the anniversary celebration, when someone asked about their recipe for success, Spencer found himself reflecting.

"Values are like a lighthouse. In moments of darkness and chaos, the lighthouse stands steady, showing us the way," he said as he shared his family's quest to ensure their continuity. Their business was in midst of a major succession transition when the cousin team realized that three out of four secretly believed that they were the best choice for the CEO role. The unspoken feelings began to create conflict in the workspace as they each began to position themselves for personal aspirations rather than the best approach for the entire system. While they were each adhering to the values they espoused, they all had different interpretations of what those values meant in action.

As the G4 cousin rivalry threatened the longevity of the business, Spencer and his cousins agreed that the most fair approach was to bring on a non-family CEO. Bringing an outsider into a 150-year-old business required careful consideration, planning and execution. But how would the new CEO know what was most important to the family?

With the help of advisers, they engaged in clearly defining their values so that the non-family executive could understand them better and be guided by the things that meant the most to them. The family had had values for generations, but the G4 team decided they needed to refresh and redefine those values for their current context and relevance. The updated values statement they created revealed a much deeper connection among them. They largely carried forth the same traditional values the family always had, but this time with more buy-in and conviction as the cousin team knew that these were their values as well and not just their forefathers'.

ESSENTIAL QUESTIONS TO ASK:

- What are my top 3-5 values?
(Use a list to help your thinking!)
- What are the values that I cannot compromise on?
- How do we bring those values into action in our business? How can we enhance this process?

A CULTURE THAT'S ROOTED IN VALUES WILL BE SUCCESSFUL.

An organization fosters strong convictions and dedication when people align around similar values and beliefs. As JD described it, "Organization is about people of similar beliefs and values coming together. Those who believe in these values have always done a great job for this business, and these are the type of people I want to recruit and work with." Shared values build a culture in which teams know their foundational principles

Shared values bring connection that fosters a sense of ownership and supports accountability.



and enjoy working together because they have a fundamental alignment to help guide them.

For another client family, the business specifically focused on values as part of their hiring practice because they knew that employees who shared values would be more motivated, successful and happy. The family placed attention on hiring and evaluating all their employees based on values rather than just skills and experience. Another G3 owner shared, “HR can take care of the skill set and expertise part, but when I enter the interview room, I want to make sure that the candidate is aligned with our values. Once we determine we have shared values, delegating work and empowering the employees to take independent decisions becomes much more easy because we have already established trust.” In their book *Family Business Values*, authors Craig Aronoff and John L. Ward noted that “an enduring commitment to values is the greatest strength a family can bring to business ownership.”

BUILDING LEGACY THROUGH SHARED VALUES

JD knew that his values were vitally important to his success and desperately wanted to ensure that the next generation carried on those values. Rather than letting his frustrations hinder a generational transition, he engaged in a family-wide process to better define values and ensure the family had strong shared values that could be taken into action. The interactions and the results made the family team stronger and allowed JD the ability to trust that the next generation would not only carry forth the values that mean the most to him, but also do so in a way that

carried meaning for them and the future of the business.

Spencer’s family’s ability to discuss and reconcile their values enabled them to fundamentally pivot the company’s structure by bringing in a non-family CEO. By refreshing their shared values, they were able to build strong trust with the new CEO, as he had clear guidance and understood what meant the most to the family. This resulted in an empowered and aligned team that was able to produce new innovations and expand into new business markets.

Values can be leveraged as a fundamental advantage for family businesses because they provide a deep and stable foundation for all people to become aligned around. Values are enduring, yet they also need to be updated and refreshed for new generations. This process can be a healthy inquiry and often results in an affirmation of tradition combined with the spirit of reinvention. A culture that’s built on shared values can be the foundation of a successful long-term family enterprise. Consider if you are spending enough time on thinking about your values and how they are carried into action in your business. Shared values can be the guiding lights for family members and employees who choose to be part of your path. **EB**

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