

Align and Define: Family Business Values in Action

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The G4 shareholder group of Anderson Family Industries had several goals for our work together, with a primary concern on how to engage the G5 group in the family and business. They were concerned that as families had moved away from where the G4 cousins had all grown up together working in the family business, their respective next generations were less connected — with each other and the business. We observed that while they may or may not be interested in working in the family business, the G5 group would be the future shareholders.

We asked G4: "What do you share in common?" We listened to stories about important moments in the lives of their family and business, and what quickly emerged was that this diverse and dispersed family group held strongly to a common set of values. They hadn't written them down, but again and again, it was clear that they acted from the same "starting point." This commitment to their values rallied and unified the G4 group, providing the basis for engaging the G5 group.

What Are Values?

Values are a set of beliefs, mindsets, and actions that drive behavior. They "show up" both in heroic business-wide decisions (by the leader at the top) and in everyday smaller decisions in departments across the business.

One hallmark of family businesses is they often can trace key decisions in the company's history to the values of a founder or family values, even if they haven't been written down or hung on the boardroom wall. This is even more powerful — and contributes to success — when they are agreed upon, written, taught, and reinforced through telling stories from the past and present.

We are often asked several important questions about values:

- Why is a shared understanding of our values important?
- Is it possible to measure values?
- How do values impact our bottom line?
- How do we live our values every day?

In this article, we will address these questions and suggest ways for business-owning families to identify their values and meaningfully implement them.



Why is a Shared Understanding of Our Values Important?

Values are like a compass, keeping a family business pointed toward "true north." For this to be practically evident and comprehensible to all, the family must share a common understanding and agreement regarding which direction constitutes "north."

When it comes to identifying values, the process and outcome are equally important. As we lead a business-owning family through a process to discover, describe, and document their values, all voices need to be included: individuals, families, and generations. This is where both/

and thinking and acting can be helpful. It is okay to have some variation in the values so long as we can find common ground.

"But what if we don't agree?" This was a question (and fear) expressed by the Anderson Family. They were geographically dispersed and had become somewhat disconnected as a family, with many also feeling disconnected from the business. The simple answer is: "Let's have the conversation, and we will help you." In talking together, families define, shape, sharpen, and understand both their own values and each other's values.

As the Anderson family came together and talked about their history, shared stories about family and business, and reminisced about what has always been very important, they discovered that they were already aligned towards "north" together, even without realizing it, despite the passage of time and distance.

A family can develop an answer together to the question: "What does our family stand for?" by identifying and owning a group of values shared across the entire family, using a good process that invites them to engage and explore collectively.

Can Family Values Be Measured?

Values drive decisions. While measuring an abstract idea such as value is tough, when values are lived and acted upon and influence decisions, we can certainly see and "measure" the action that expresses the value.

For instance, if a value is "Quality," conducting a quarterly survey asking customers about their perception of our performance in this area would provide a metric to measure and track over time. Another example is Anderson's value of "Respect"; they defined one aspect of showing respect as ensuring equality and fostering employee satisfaction. Based upon these guiding lights, management lives this value through initiatives such as equitable pay, promoting gender equality, and implementing performance awards. They evaluate their success through annual employee surveys, which offer meaty metrics to pursue and indicate if they are sliding on one of the values.

Shared values create a culture rooted in the principles that have been important to the family for generations. Using

the framework below (from Aronoff & Ward), we were able to help the Anderson family apply their common values to decisions in both family and business. This allowed them to see in real-time how their shared values showed up in everyday decisions and operations.

Values in action: What do they do?

(From *Family Business Values* by Craig Aronoff, John L. Ward, 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
- Provide guidance in times of prosperity

Another way values are measured is by recounting stories about how we consistently put our values into action when faced with a challenging situation. We finished working with the Anderson family on their "Values Alignment and Definition" just before the world was hit by COVID-19 pandemic. Like many businesses, they faced numerous difficult decisions to keep the company afloat. By living their values of "Respect" and "Justice," the owners and top managers took a pay cut to avoid laying off any of their employees and the business got back on track. During a family meeting this past summer, everyone, including those who had moved farther away and weren't as connected to the business, found inspiration in stories of focus, sacrifice, grit, and resilience, which showed these shared values being lived out in significant ways.

Do Values Impact Our Bottom Line?

At Mason's Furniture, the behind-the-scenes stories of their handcrafted products became the number one contributor to their newfound sales and subsequent profits globally. The idea to share these stories came directly from their value of "Community." Every piece that's sold comes with the story of how, where, and by whom it was created. Now, Mason employees and everyone who owns a Mason product are part of their global community through shared stories.

For a family business, business values are often

driven by family traditions, the founder's values, or the family's values. These values are strongest when future generations can tie those back to the stories they know or hear. In today's age and world, where everyone is looking for connection and belonging, these unique stories can set the business apart from its competitors and really drive the numbers.

In another perspective, we have some businesses that stayed true to their values, such as "Quality" and "Customer First" over profits and margins, adversely impacting their bottom lines. However, it's worth noting that this intentional approach to decision-making creates confidence and security across the organization, enforcing: "We are who we say we are." People understand, are inspired, and become more loyal to a business they trust. We all know that a motivated, loyal workforce is an asset that gives ROI in the long term. Knowing who you are, what's important to you, and being true to yourself are virtues that family businesses are known for.

How Do We Turn Our Values into Action?

Values may appear abstract, but by embodying them in our actions, we bring them to life. This enables others to see and grasp the values, inspiring them to put them into practice as well. Take the example of "Simplicity." What does someone need to do to demonstrate that they are embodying the value of "simplicity?"

This was the question faced by G4 of a 110-year-old family business where value words such as "Simplicity" were passed down through generations. When their great-grandfather founded the company, simplicity meant frugal, no frills, and minimalism in his machine shop operations. Today, the concept of simplicity means something entirely different to G4 who grew up in wealth that provided education, exposure, and new sensitivities that continue to evolve.

The meaning seemed dated, and G4 met to redefine the value words for themselves. They identified simplicity as "being available" with supporting actions such as an open-door policy for top management to show that they are living the value. An emphasis on "work-life balance" was also defined as "being available" and resulted in a new self-care program for employees. This G4 project sparked an instant connection and ownership of the same value words.

Redefining the values doesn't imply erasing the traditional meanings; rather, it means assessing those value words for relevance and applicability in today's time.

How Do We Live Our Values Every Day?

Once values are defined and expressed in simple-to-follow actions, people can live by them. It is the ultimate step for creating a culture that's rooted in the philosophy of your family business. It ensures that the business is run with the guiding lights of traditions and what's important to the family. Ask these questions to assess if your family business is living your values:

People and culture:

- Are we recruiting people aligned with our values? Do our interviews include questions on values assessment?
- Are we sharing stories and the context of our values during employee onboarding and orientation?
- Do our performance reviews recognize and reward behavior that aligns with our values?

Governance

- Are we recruiting board members who are aligned with company values?
- Is our family council investing time to discover, describe, and document our values?

Philanthropy

- Are we thinking of our communities and "giving back?"
- Is our family's philanthropy, charity and "giving back" in line with our values?
- Is the impact we wish to have through our foundation reflective of our core values?

Continuity

- Are we role models for values-driven leadership?
- Are we sharing "how" to do things rather than telling "what" to do through empowerment and delegation?
- Are proposed innovations grounded in our values?

Ownership: Do we find time as owners to speak about:

- What's important to us?
 - What do we stand for?
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Values in Action Do Work!

Often, our clients initially perceive their values as broadly understood, even if not stated clearly, and working on values may seem like an abstract exercise. We have been able to help our clients understand the powerful practical benefits of taking the time to do this work — together. The results are consistently inspirational and compelling.

These precious family businesses realize the depth of their

alignment as families by articulating what they stand for. Subsequently, we guide them in applying these shared values in decisions, both large and small, across family and business, in ways that are visible and measurable, fostering inspiration and building a cohesive culture. This journey often leads to families sharing amazing stories of their family legacy and why their family business is truly a special place.

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To learn more about our firm and how we serve families like yours, call us at (773) 604-5005, email info@thefbcg.com or visit www.thefbcg.com. There is absolutely no obligation.



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