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Great CEO, family tyrant?

The leader of a family business must help lead the family, too.

By Ivan Lansberg

Until recently, Krister Ahlstrom was chairman of Ahlstrom Corp., his family's \$2.2 billion-a-year consortium in Finland. Ahlstrom is widely credited with expanding his family's giant paper company. But he seems to have been less successful in leading his complex family.

At a board meeting in April 1999, some half-dozen family members urged his replacement as chairman. Ahlstrom's resignation, the letter argued, was essential to "creating an atmosphere of trust and good cooperation within the family." Ahlstrom resigned several weeks later in favor of a cousin preferred by the family dissidents.

According to the *Wall Street Journal*, Ahlstrom's family had quietly tolerated his heavy-handed leadership style for some time. But the family concerns turned to outrage recently when Ahlstrom publicly portrayed his relatives as neglectful of professionalism and effective governance. (Sample: "Not all family members are created equal, but they think they are. Too many don't understand they are at the wrong end of the bell curve.")

This is certainly not a rare case. Like many family business successors, Ahlstrom seems unaware that establishing his credibility as a leader of his family is fundamental to succeeding at his job. Many successors mistakenly assume that their business acumen alone will successfully consolidate their authority.

They're in for a rude awakening. The leader of a family enterprise must also help to lead the family.

The very concept of leadership, originally conceived for task-driven groups and work organizations, acquires a somewhat different meaning in the realm of families.

Adult siblings and cousins typically reject any of their peers who attempt to exert leadership as if they had parental rights over the rest. Often they resent the very concept of “leadership” in the family altogether.

But of course families, like all social systems, need leadership in order to function effectively. What are the characteristics of effective family leaders? While no formal research has shed light on this important question, over the years I’ve discerned some common attributes of highly successful family leaders.

- First, *effective family leaders believe strongly that the family is an essential element in the success of a family enterprise.* In this age of competitive and professional pressures, it’s easy for family business leaders to perceive the family as a distraction from the “real” issues of the company. The bigger the family company, the more this seems to be the case. Such denigration of family is often reinforced by external advisers (say, investment bankers), who idealize publicly traded non-family companies.

Effective family leaders resist this view. They appreciate the family as a source of good will, stability, pride, independence, identity and values—all important competitive advantages. Indeed, the family often provides the motivational force that propels the most successful enterprises.

- *Effective family leaders also understand that the leadership function needs to be provided in the family as well as the business.* Family leadership is about creating conditions for accomplishing whatever the family needs to sustain its development, growth and continuity. Not everyone is equally capable of creating these conditions, but effective family leaders know that leadership can—and should—be shared among relatives.

Family leadership is about the men and women who wake up at night worrying: Does the family have the appropriate structures (like a family council) to govern itself? Do family members understand these structures and how to use them? Does the family possess mechanisms to transmit its values and traditions to younger generations? Are younger family members receiving appropriate coaching? Are opportunities distributed equitably among family members? Have income inequalities in the family

grown too large? Is the family looking after its neediest members?

- *Effective family leaders serve a bridging function and protect the interests of the family as a whole.* Complex families are made up of numerous sub-groups: seniors and juniors, men and women, blood descendants and in-laws, and employees (of the business, the family office, the family foundation, etc). Family leaders avoid playing favorites among these groups. They focus on the overarching objectives that bind the family together.

As part of their bridging function, family leaders also constantly educate critical sub-groups about each other's contributions to the family. For example, these leaders help family shareholders who don't work in the business to understand and interpret issues—like strategic planning and management succession—that affect the business. Family leaders also explain the workings of the family to non-relatives, like outside directors and managers. This process builds overall confidence and trust in the family's governance system.

- Above all, *successfully leading a complex business family requires the sensitivity to understand that family leadership must take a different form from business leadership.* These effective leaders understand that, unlike in the business, you can't fire people from the family. So they must learn to work with and motivate the family crew that they have. Effective family leaders understand that strong families don't "just happen"—they take real work and dedication.

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