Managing for the Long Run

Lessons in Competitive Advantage from Remarkable Family Businesses – And some follow-up studies

Isabelle Le Breton-Miller
Danny Miller
HEC Montreal & University of Alberta

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Agenda

- Our journey
- Findings
  - 4 driving priorities
  - When things go wrong
- Some follow-up studies & reconciliation

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Sample & Methods

Our major FCBs are...

- $1 billion in sales or more
- Controlled by the family
- Family in key management position
- At least 45 years old (2 generations)
- Median age 104 years
- Market leader for at least two decades
Sample & Methods

- 40 thriving FCBs
  - About 50/50 public-private
  - Occidental world only
  - 5 strategies

- 25 star FCBs that had an interval of poor performance (one even failed)

- Extensive files on each company: books, articles, 10Ks, proxies...

- Interviews with management, clients, suppliers, consultants...

- Inductive / Deductive approaches
Our findings

What did NOT distinguish these firms

- Grand strategizing, formal planning activities or competitive analysis
- Diversification or frequent change in strategies
- Bureaucracy or complex organization designs
- Sophisticated formal information systems
- Charismatic leaders
- Culture of competition or human tournaments
Our findings

The Cs: 4 driving priorities

CONTINUITY: Pursuing the dream
COMMAND: Acting and adapting freely
COMMUNITY: Uniting the tribe
CONNECTION: Being good partners

Strategy

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Continuity Priority

- Pursue a lasting and substantive mission not a $ driven strategy
  - Embrace a mission that matters
  - Relentlessly pursue core capabilities
  - Invest deeply & sacrifice patiently
  - Exercise careful stewardship
  - Employ long apprenticeships and tenures
Community Priority

- Create a community by nurturing a caring collective, not a tournament
  - Manifest strong values
  - Socialize, indoctrinate and select
  - Establish a quasi-welfare state
  - Favor informality, initiative, teamwork
Connection Priority

- Build connections by securing generous and longer term relationships, not one-shot bargains
  - Be a benevolent partner
  - Be responsive and solicitous
  - Network and stay in touch
  - Act as a good citizen
Command Priority

• Take command by acting as an unfettered steward rather than a shareholder servant
  o Act speedily and courageously
  o Be original
  o Keep renewing the business
  o Establish a cohesive and diverse TMT
Various Strategies and the 4Cs

CONTINUITY

Strategy of Brand Building or Craftsmanship

COMMUNITY

CONNECTION

CONTINUITY

Strategy of Superior Operations

COMMAND

COMMUNITY

CONNECTION

CONTINUITY

Strategy of Innovation

COMMAND

COMMUNITY

CONNECTION

CONTINUITY

Strategy of Deal Making

COMMAND

COMMUNITY

CONNECTION

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When things go wrong

The Levi Strauss example

- CONTINUITY
  - Mission
  - Patient investments
  - Brand Stewardship
  - Apprenticeship

- COMMAND

- COMMUNITY
  - Values
  - Training & Indoctrination
  - Care & Consideration

- CONNECTION

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Some follow-up studies & reconciliation

- Positive results apply to family firms with limited family involvement: where the founder is still present.
- Positive results accrue to smaller family firms, where several family members supply their resources.
- Family firms do well where the institutional context is less developed – and family social capital helps to overcome institutional void.
- Going public may present temptations to exploit the business, and expose a firm to short-termist pressures.
- Family firms do worse where family factions are present and where later generation family executives are in charge.