

# 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

# Agenda

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

# 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 Priority

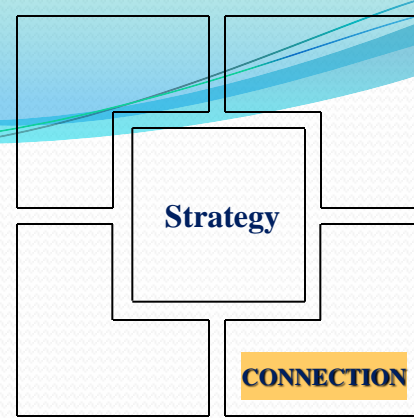
- Pursue a lasting and substantive mission not a \$ driven strategy
  - Embrace a mission that matters
  - Relentlessly pursue core capabilities
  - Invest deeply & sacrifice patiently
  - Exercise careful stewardship
  - Employ long apprenticeships and tenures



# Community Priority

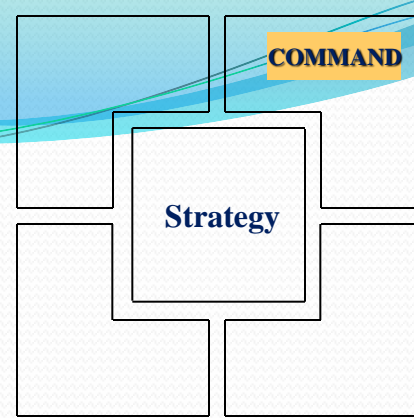
- Create a community by nurturing a caring collective, not a tournament
  - Manifest strong values
  - Socialize, indoctrinate and select
  - Establish a quasi-welfare state
  - Favor informality, initiative, teamwork





# Connection Priority

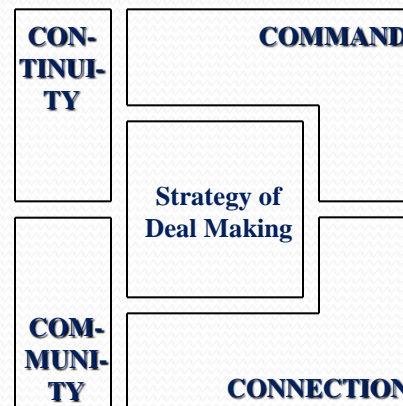
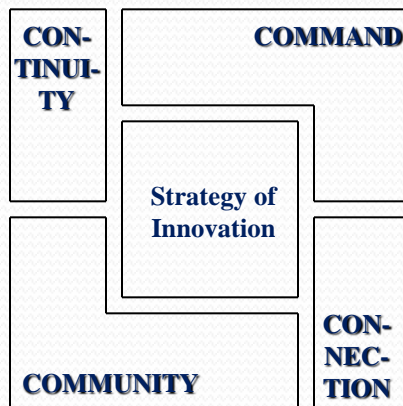
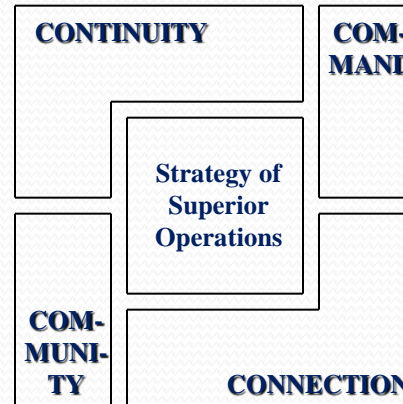
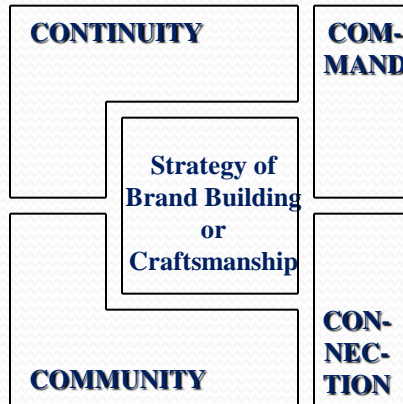
- Build connections by securing generous and longer term relationships, not one-shot bargains
  - Be a benevolent partner
  - Be responsive and solicitous
  - Network and stay in touch
  - Act as a good citizen



# Command Priority

- Take command by acting as an unfettered steward rather than a shareholder servant
  - Act speedily and courageously
  - Be original
  - Keep renewing the business
  - Establish a cohesive and diverse TMT

# Various Strategies and the 4Cs



# When things go wrong

## The Levi Strauss example



# 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.