

The Role of External Advisors in Developing Next-Generation Leaders

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Erasmus Centre for Family Business
Academic Symposium

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AGENDA

1. Framing the Leadership Coaching Phenomenon in Family Firms

2. A model of Advisor-Directed Successor Leadership Development

3. Key Success Factors in Next-Gen Leadership Development

Key Questions

- What is specific of coaching family members vis-à-vis established executive coaching practices?
- What is the role of external, non-family advisors in growing next-generation family members and their skills?
- How should advisors address coaching and mentoring assignments, given the simultaneous presence of other key actors involved (e.g., parents, relatives, non-family executives)?
- What are the key success factors in next-gen leadership coaching?

Received wisdom: Comparison of different types of developmental relationships

| Type of relationship | RELATIONAL DIMENSION | | | |
|-------------------------------|-------------------------|----------------------|----------------------|------------------|
| | Relationship initiation | Relational closeness | Interaction required | Power difference |
| Coach- client | Formal | Low | YES | Large |
| Mentor-protégé | Informal or formal | Low-moderate | YES | Large |
| Role model-observer | Informal or formal | None | NO | Large-small |
| Supervisor-subordinate | Formal | Low-moderate | YES | Large-moderate |

Source: Allen & Eby (2007)

Is Leadership Coaching different in family firms?

Relationship (initiation and unfolding):
always formal?

Relational closeness:
always low or moderate?

Power difference:
always high?



Example 1: Energy

- **Industry:** Renewable energy (large, listed company)
- **Generation:** 4th
- **Family:** 3 branches (pruned to 1)
- **Family members involved:**
 - Uncle (Chairman)
 - Junior (36; majority owner; Board Member; Assistant of the Chairman; likely future Chairman)
- **Role of advisor:** Vice-Chairman; informal mentor
- **Professional coaches:** NO

Key family-specific issues:

- Junior is majority owner
- Junior is already in top governance position
- Junior leadership required at top governance levels
- Junior is not interested in managerial positions
- Advisor was previously involved with (deceased) father, whom he considers a mentor

Example 2: Mechanical

- **Industry:** Mechanical (molding)
- **Generation:** 2nd
- **Family:** 1 branch
- **Family members involved:**
 - Father (Founder; Chairman)
 - Junior 1 (29, Division head, Selected future CEO)
 - Two older sisters and one in-law, active in the business
- **Role of advisor:** Most Trusted Advisor; informal Board member; informal mentor
- **Professional coaches:** NO

Key family-specific issues:

- Junior is younger than other active family members
- Junior implicitly selected as future leader due to education and gender
- Father plays a strong mentorship role to Junior (entrepreneurial function)
- Advisor had previously coached a sibling and consulted with the family firm
- Advisor informally sits in the firm's BoD
- Advisor is a former entrepreneur and currently university professor

Example 3: Textiles

- **Industry:** Textiles
- **Generation:** 3rd
- **Family:** 3 branches
- **Family members involved:**
 - Father (Chairman)
 - Junior (45; CEO tbc)
 - 4 cousins (1 aspiring to CEO position)
- **Role of advisor:** Chairman; informal coach
- **Professional coaches:** limited to focused leadership issues

Key family-specific issues:

- Junior is older than other active family members
- Un-planned succession determined conflicts at all levels
- Father plays significant mentorship role to Junior (technical function)
- Advisor had previous consulting role with an in-law's firm
- Advisors simultaneously takes on Chairman and Coach roles

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1. Framing the Leadership Coaching Phenomenon in Family Firms

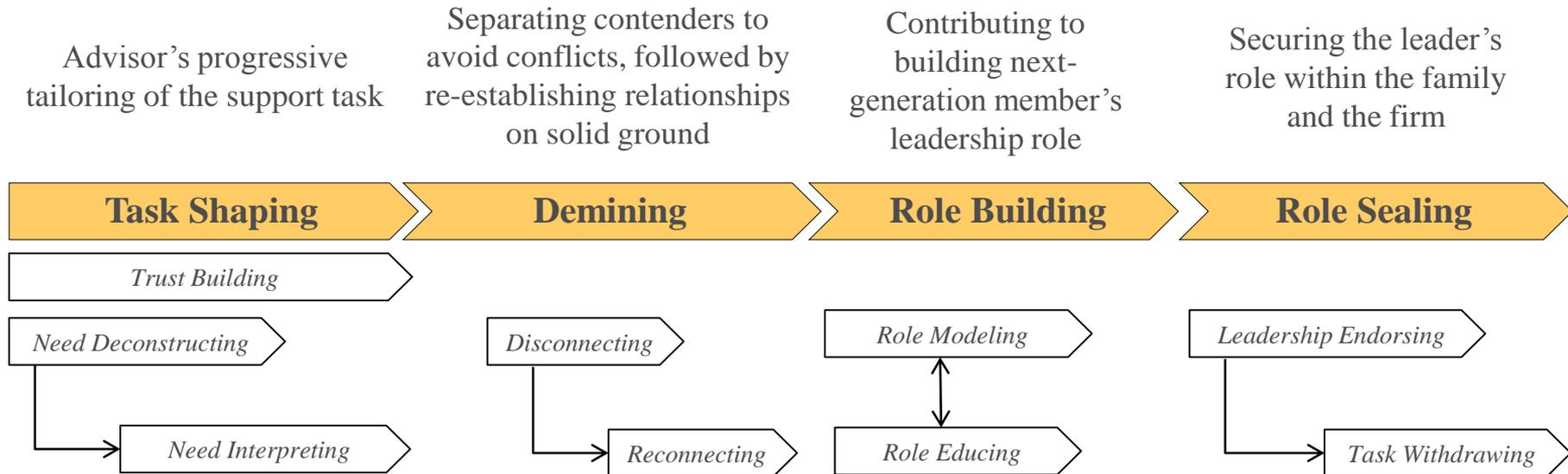
2. A model of Advisor-Directed Successor Leadership Development

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Supporting Evidence

1. **Case studies** of leadership-development processes in Italian family firms
 - Overall assessment of family structure and processes
 - Overall assessment of the firm's power structure
 - Ethnographic interviews to: Next-Gen leader, Advisor, Seniors
2. Twenty+ years of **experience** in advising and coaching next-gen family members
3. Analysis of the **literature** on coaching, mentoring and other developmental relationships

A Model of Advisor-Directed Successor Leadership Development



1. Task Shaping

1a. Need Deconstructing

- ADV.1. This is not a straightforward family that would tell you: This is what we need.
- ADV.1. After his father's death, they asked me to join their Board. I do not exactly know why they asked me, I never really understood ... [Senior] called me: You know [Junior] well, you know the family ...

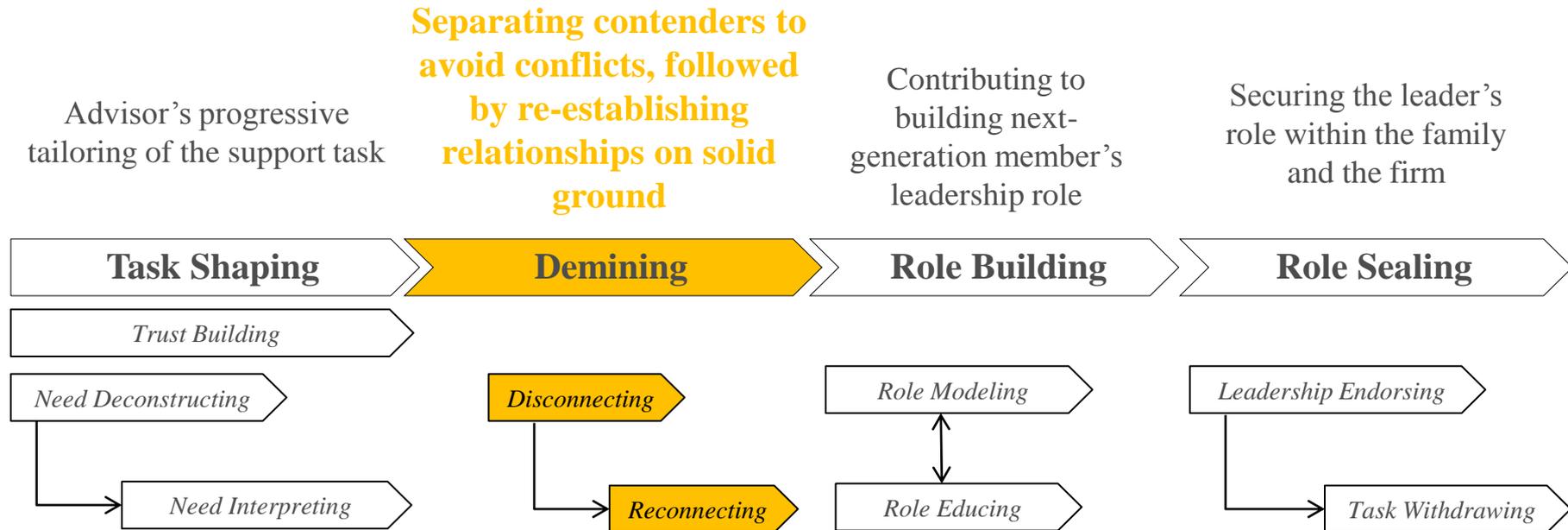
1b. Need Interpreting

- ADV.4. "Coaching" is the term I used even in my first meeting with them. I asked them: Are you asking me to coach [Junior], besides being Chairman? They answered: yes, correct.
- ADV.3. The first meeting I had after I was appointed was with the members of the senior generation to assess the level of mutual agreement. I asked if they agreed with [Junior's] leadership, and why they had decided to gradually step back.

1c. Trust Leveraging

- SEN.1. I knew [Advisor] had done a great job in consulting to the company owned by [nephew's] husband.
- SEN.2. [Advisor] had helped us many times in the past ... We knew we could trust him. So, when [Junior] decided to join the firm, I asked [Advisor] if he could support him.
- JUN.3. I realized he was an honest and straightforward person who would say things as they are.

A Model of Advisor-Directed Successor Leadership Development



2. Demining

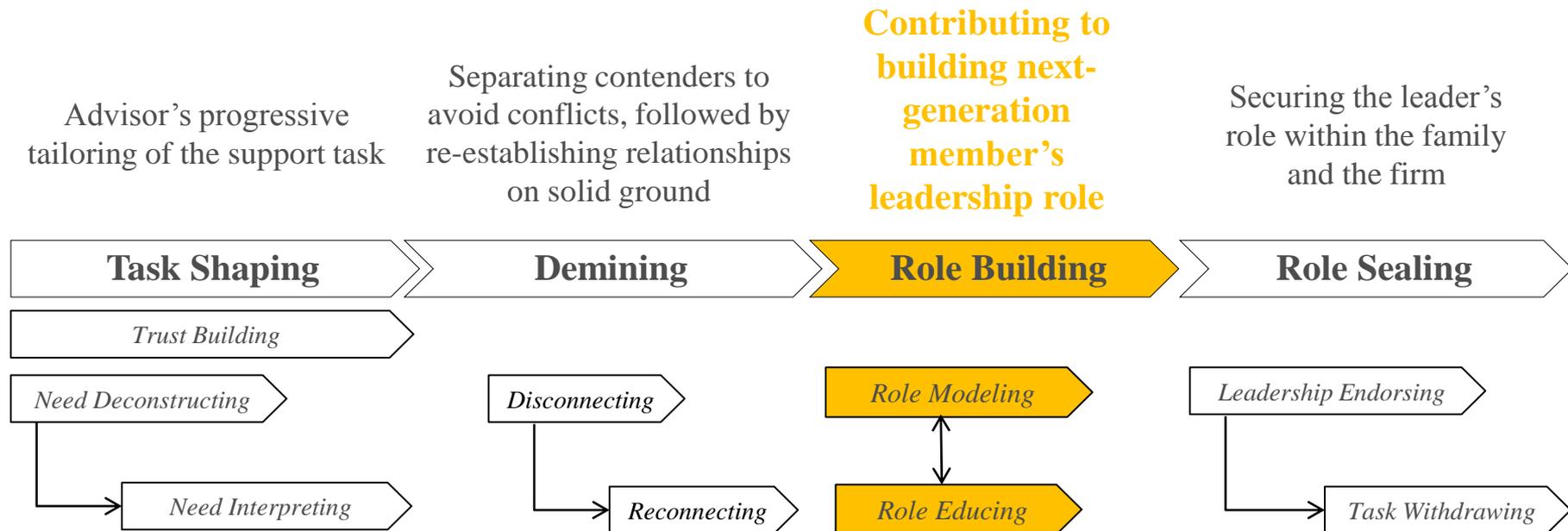
2a. Disconnecting

- ADV.3. I don't know the exact academic term for this activity, but in non-academic terms I would call it "demining", acting before problems in the interaction among next-generation members explode.
- JUN.4. So there's a strange situation: on one side I have my father as a mentor, on the other [Advisor] playing a role that I initially thought would be that of a coach... but [Advisor's] actual role was addressing conflicts before they emerged.

2b. Reconnecting

- SEN.1. We set up a small committee with a non-family member who played the role of the coach, connecting myself, [Junior] and his cousin.
- ADV.1. In 1999 I convinced [Senior] to write a letter to his children. I believe it is a nice letter, trying to convey to his children difficult meanings related to succession.
- JUN.4. First [Advisor] has never appreciated my efforts at solving conflicts by myself. He often led the issue to a table where I could discuss it with other persons and with his support, arranging meetings between myself and my cousins to address issues.

A Model of Advisor-Directed Successor Leadership Development



3. Role Building

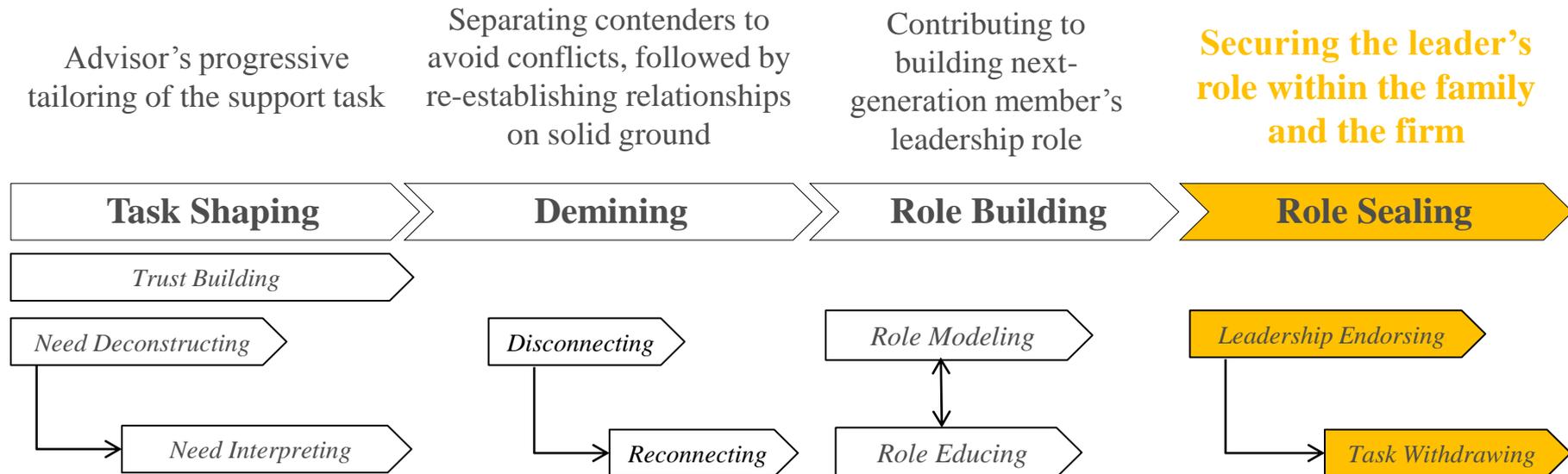
3a. Role Modelling

- JUN.4. I recorded in my mind everything he does; I learn a lot: the way he manages board meetings, the way he talks
- SEN.4. [Advisor] has a positive influence on him. For instance, last Monday we had a chaotic board meeting. [Advisor] clarified everything ... This is a priceless example.
- JUN.4. When I see [Advisor] in action ... I keep my eyes wide open!

3a. Role Educating

- JUN.1. I must say that my discussions with [Advisor] have always been very useful from a methodological standpoint in developing my autonomous ability to analyze issues.
- ADV.3. Well, if your intention is, like in my case, to mix some coaching and some “paternal” approach, there’s only one available approach: we look, we see, we think: Are we sure about this step? What did you understand? Let’s contrast it with some other different situation you faced.
- ADV.4. Coaching and personal development are the same thing to me.

A Model of Advisor-Directed Successor Leadership Development



4. Role Sealing

4a. Leadership Endorsing

- JUN.4. [Advisor] is helping me create situations in which they can recognize my leadership role ...
- ADV.1. Some time ago [Senior] told me: I believe [Junior] is ready; he does have talent.
- SEN.1. [Junior] is the Chairman's assistant for governance issues: he has a vital role in the company.
- ADV.2. My impression is that [Junior] has grown significantly in skills and leadership abilities ...

4b. Task Withdrawing

- ADV.2. We still meet every once in a while, but with a different role, because [Junior] has absolutely no need for the previous type of advice [I was providing him].
- ADV.3. I hence decided to withdraw my coaching task, when I felt there was no need for it anymore ... while I went back to a role I had already played in the past, that of helping non-family managers and directors in.

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Leadership Coaching IS different in family firms: Family attitudes toward coaching

- The observed entrepreneurial families do not resort to professional coaches for Next-Gen leadership development
- They prefer consultants and advisors whom they already know and trust from previous, often different advising tasks
- Advisors may hence be asked to perform tasks they are not specifically trained for, and experienced in
- This requires additional care, given the complexity of the task (in relation to professional coaching in non-family firms)



Key Success Factors in Next-Gen Leadership Coaching: Getting the coaching engagement

- A leadership coaching need, and the related task, is often entangled with several other issues, which are often presented as prominent by the client (e.g., succession, governance, strategic change)
- It is often the advisor's task to untangle the coaching task and to give it the requisite prominence: is it a task requiring specific attention and a separate effort?
- It is also the advisor's task to consider the opportunity to resort to professional coaches, for all or for specific aspects of the task
- This requires having previously developed a trust relationship within (or outside) the focal family firm



Key Success Factors in Next-Gen Leadership Coaching: Addressing conflicts first

- Unlike in non-family firms, hierarchical levers (ownership, governance, seniors' charisma ...) cannot always be activated to uncontentionally decide “who will be the leader”
- Therefore, developing leadership in NextGen members is very often a contentious activity and a major source of conflicts in family firms
- Unlike in professional coaching (where conflicts are often a given), the family business advisor must first separate contenders and, next, share rules of the game that allow to perform the coaching task relatively smoothly



Key Success Factors in Next-Gen Leadership Coaching: A mix of developmental techniques

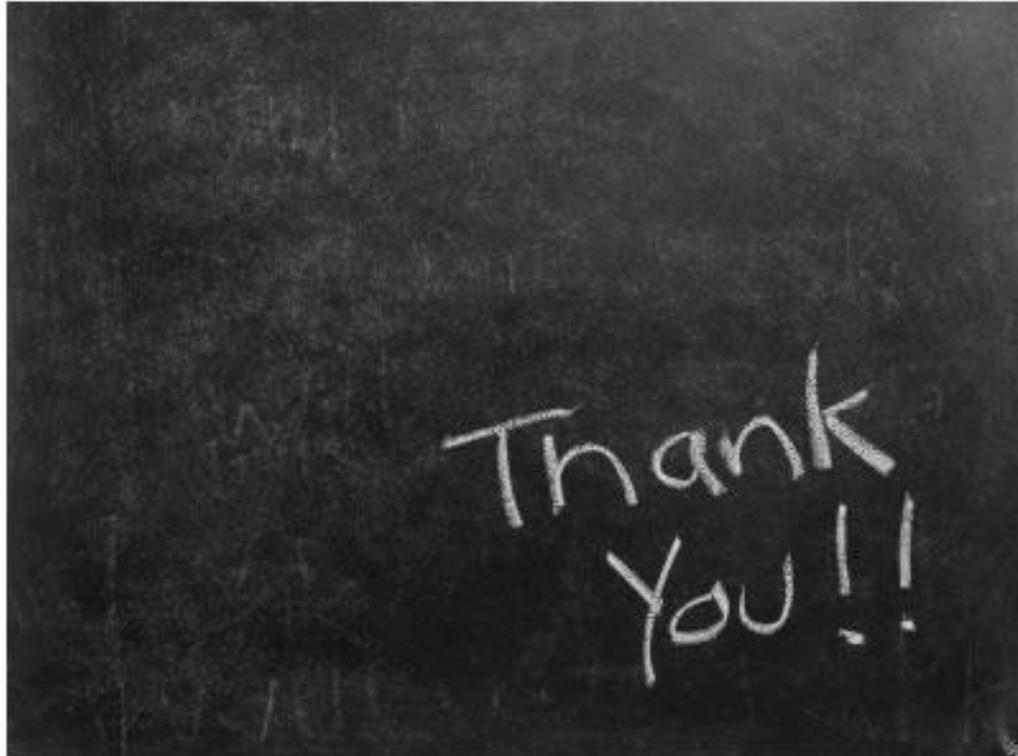
- The complex nature of entrepreneurial families requires a “holistic” model to leadership development
- In particular, focus cannot be on the “coachee” only, as the whole family business system needs to be addressed
- Standard coaching techniques may hence play a significant role. However, when used in isolation they are unlikely to determine the desired outcomes
- In particular a mix of coaching, mentoring, role-modelling, and training is often required to both “induce” and “educate” requisite leadership skills
- Training in specific coaching techniques may be advisable in some circumstances



Key Success Factors in Next-Gen Leadership Coaching: “Letting go”

- Unlike professional coaches, family business advisors are not usually “told” when the task is completed, nor does the task usually have a pre-determined length
- It is often the advisor’s task to determine when the NextGen leader is “ready”, and to “let go” of the task
- This requires: (a) formal withdrawing of the assignment; (b) visible leadership-endorsing signals; (c) similar activities performed by key members of the senior generation and/or reputable non-family managers







The Role of External
Advisors in Developing
Next-Generation
Leaders
at:



VITALE BARBERIS CANONICO

THE COMPANY

Turnover: € 100 m

Production: more than 7 m metres produced in 2011

Number of Employees: 378

Commercial network: export of approx. 80% of production to 100 countries.



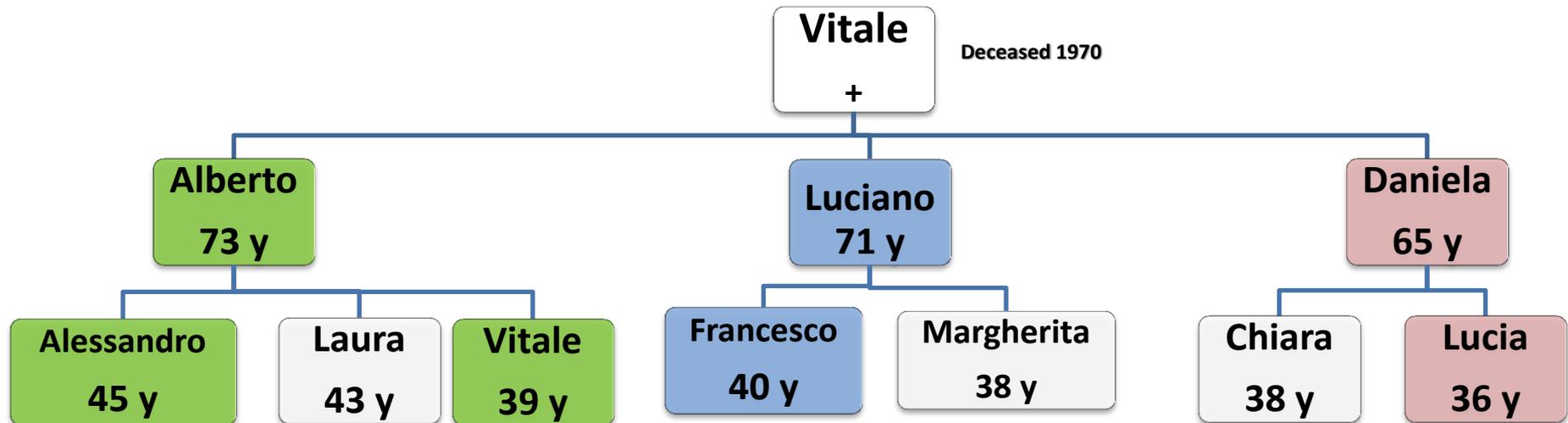
Market leaders in the production of high-quality, finest wool fabrics for classic wear for gentlemen.



A company with a verticalised structure starting from the purchase of the best quality raw materials (wool, cashmere, mohair) to the production of the textile ready for tailoring.



Antecedents of the leadership-development process: THE BARBERIS CANONICO FAMILY



Antecedents of the leadership-development process:

TASK SHAPING

Advisor, who was already known to Lucia, was chosen as professional specialist in generational transitions.

- . **Advisor** took on the role of Advisor for the generational transition.
- . **Advisor** met with senior members of the family to make their acquaintance, gain their trust and understand the objectives of the generational transition.
- . **Advisor** met with the junior generation individually to understand their ambitions, attitudes, possible areas of conflict and the dynamics of their relationships.
- . **Advisor** was nominated President of the Board of Directors of the company with two goals:
 - Increasing the professionalism of the Board while reducing the influence of family and personal relationships;
 - Creating and reinforcing the role of the Managing Director, while simultaneously giving it its legitimisation.

PROCESS OF «MINE CLEARING»

Mr Chair 's actions to eradicate conflicts

- . Definition of shared rules to remove confusion, jealousy and consequent loss of managerial efficacy.
- . Support in defining and respecting individual roles and inter-role boundaries
- . **Advisor** understood that Alberto (Alessandro's father) had the esteem and trust of all three members of the junior generation. He created an executive committee, involving Alberto as president and in the role of mentor, but also the junior generation. The aim was to discuss conflicts and tensions allowing a common strategy to be decided and acted upon.

BUILDING OF ROLE OF LEADER

Mr Chair concentrated on the role of Managing Director (Alessandro) in order to increase the acceptance of leadership and help Alessandro to :

- Emulate his own behaviour when chairing Board meetings.
- Move from an authoritarian to a more shared leadership style.
- Avoid excessive controlling of family members.
- Change focus from objectives deemed to be personal responsibilities to objectives more strategically beneficial for the company.
- Give co-workers more responsibility by means of delegation and conferring autonomy.

CONCLUSION OF THE GENERATIONAL TRANSITION

Generational transition is still underway.

Advisor is still working on:

- consolidating the leadership of the Managing Director;
- Legitimising leadership and continuing to develop the role of leader and those of other members of the family, by acting as a «fire-fighter» when problems surface.