

# Family-owned businesses

A human story

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**PART 2 | CULTURE**



**Amrop**

Leaders For What's Next

# Family-owned businesses

## CULTURE

Amrop began its investigation of family-owned businesses with a journey through the lifecycle of these fascinating firms, identifying the critical stages that shape many FOBs.

Into what kind of world will an executive step upon joining a family-owned business? In this article, we look at culture — the force that drives FOBs.

**In our examination of family-owned businesses, 7 cultural facets emerge.**

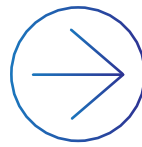


**Amrop**

# Family-Owned businesses

## CULTURE

This series is based on conversations with senior Amrop Partners around the world. Professionals who have cultivated deep and trusting relationships with owners and successors.



### + UNDER THE SKIN

Academic and business publications exploring the FOB arena reveal a palette of common factors: from the emotional complexities of succession planning to indistinct boundaries between family and business. Amrop seeks to provide wider and deeper insights: how key factors play out in the leadership domain and what to do about them.

### + SCOPING THE TERRAIN

Our investigation concerns growing and globalizing mid-sized FOBs (with a turnover in developed markets of minimum \$1-10 billion, and in emerging markets of \$250 million to \$2 billion). Founders or descendants hold significant share capital and/or voting rights.<sup>1</sup>

### + A 5-PART SERIES

In our first article we opened the box on the lifecycle of the FOB. In this Part 2, we uncover distinctive cultural facets. Part 3 steps into the world of executive search, progressing in Part 4 to advice for leaders joining FOBs. We conclude in Part 5 with a blueprint for family-owned businesses to bring out the best in their governance and talent advisors.



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Space given to debating, reflection, planning and testing. Conservative risk management and investment due to having skin in the game.



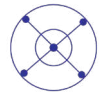
Deep Determination

A low public profile: the firm shines, not the individual. Admission to the inner circle based on referencing from close trusted advisors. Deep and enduring relationships.

A passion for the business and its loyal stakeholders. Relationships beyond the transactional, generosity expected and given, also in crisis times. Above-average failure tolerance.



Expectant Caring

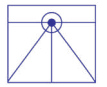


Tight-knit Discretion

## 7 cultural facets of an FOB



Stable Homogeneity



To the Point

Robust engineering, longstanding purpose as the beacon. A tradition of appointing like-minded people. Disruptors tolerated, not sought. Evolution over revolution.



Entrepreneurial DNA



Two-way mirror

Straightforward structures, the family ultimately decides. All perspective lines converge on that focal point.

Solution-focus, optimism, collaboration and pragmatism. The 'owner-attitude' is appreciated (whilst always respecting limits). Blurred work-life boundaries.

A long-term view on value creation. Deep memories and far-sighted vision. Based in a history of navigating storms, perspective-taking beyond temporary turbulence.



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## The culture of the FOB

The authors of a seminal work on organizational culture change<sup>2</sup> tell us that culture always reflects “the collective wisdom that came from the lessons people learn as they adapt and survive together through time.” Culture is a product of a firm’s past: a default that determines “what we do when we think no-one is looking.” And in a reflection of Peter Drucker’s famous quote that “culture eats strategy for breakfast”, the authors remind us that “when uncertainty rears its ugly head, the culture rules.”

We could argue that ‘the way we do things around here’ has evolved from ‘the way we got here.’ When we consider the cultural aspects of the FOB that could equip it for What’s Next, what emerges?

The interviews with Amrop Partners revealed seven distinctive cultural facets of FOBs — businesses rooted in the DNA of their founder(s). These will likely pass to subsequent generations and remain encoded in later iterations of the firm. In one form or another, the culture will travel through ownership shifts, the set-up of a family office, global growth and listed status. In a later article, we’ll see how incoming executives can (and should) address these special characteristics.

Culture trumps all. It is intertwined with the firm’s purpose. As today’s high-performing organizations now know, a robust *raison d’être* will steer a business through thick and thin. In the case of FOBs, it was ever the case. Purpose has always dictated what the business did, with whom it did it, and why.

Cora Corré, the granddaughter of Vivienne Westwood, resigned her post of campaigns manager for the late designer’s brand. In an email to all staff she sought the removal of the company’s CEO, saying that the founder’s wishes had been “betrayed and disrespected” and alleging an attempt to undermine her legacy of environmental and human activism. Deeply unhappy with the way the company was being run in the years preceding her death, Vivienne Westwood had expressed a wish for the company to be managed “in a way that respected her *values*.”<sup>3</sup>

The story confirms that incomers who deviate from the codes of an FOB can expect a rough ride. They must understand and accept the firm’s culture to earn an entry pass and the right to remain.

Far from being the soft underbelly of the business, culture is its headstone: a point of value for employees, customers and investors.

With its roots in South Africa and today a listed organization with an international wingspan, Italtile is a manufacturer, franchisor and retailer of tiles, bathroom ware and other home-finishing products. It was founded in 1969 by Giovanni Ravazzotti as a small business importing and distributing ceramic tiles from Italy. Today the firm describes itself as ‘defined by our past and inspired for the future.’ Its focus: ‘beautiful living’ has endured for over half a century as a ‘passion and privilege’. This purpose is reflected as ‘eco-chic’ in the organization’s ‘LiveGreen’ principle.

Today, Mr. Ravazzotti is one of Italtile’s seven non-executive directors. His daughter, with 35 years’ experience in the group, was appointed non-executive Chairman in 2023. The divisional managers of Italtile Retail illustrate the path open to loyal employees of an FOB: Sergio Galli and Paul Couzis joined the firm as students, rising to directorships in 2008. “This is a classic example of a business that has modernised, but still makes and distributes tiles, ceramics, toilets and basins and so on,” says an Amrop Partner. “The family still applies the original values and frameworks — and it works.”

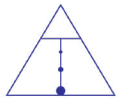


## 1 Deep Determination

In any business, important decisions deserve debates and reflection. In a family-owned firm, the dialogue is particularly profound, say Amrop Partners. “Our family-owned clients talk more. They take longer to make a decision. It’s about lower risk, longer planning,” said one. And this is a canny culture: “Family businesses are very shrewd,” says another Amrop Partner. “They want to learn from each other.” Once a decision is made, implementation tends to be swift and disciplined. Care is taken in investment and spending is conservative: the FOB exercises diligent risk management. Even if the money may no longer be exclusively in family hands beyond a certain lifecycle stage, the ‘skin in the game’ attitude lingers.



It’s about lower risk, longer planning. They’re testing, testing, testing.”  
*Amrop Partner*

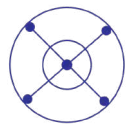


## 2 Tight-knit Discretion

FOBs tend to keep a low public profile and expect as much from their leaders and business partners. “I typically see that families don’t appreciate it if their C-suite is too extrovert and too much about the ‘*me myself and I*’ storyline,” says an Amrop Partner. “It’s part of their value system to be more discrete. They want the firm, not the individual, to shine.” FOBs also take time to trust outsiders. Before engaging in a high-stakes relationship, its leaders will seek the advice of other family-owned businesses, close advisors, or senior executives with a long tenure in the firm. “Family businesses love people they can trust,” says this Amrop Partner. “Culture and relationships are more important than in a typical corporate.” The roots run deep — and endure.



Culture and relationships are more important than in a typical corporate.”  
*Amrop Partner*

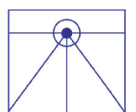


## 3 To the Point

Many FOBs lean towards more straightforward structures, the Amrop Partners report. “I see different behavior in family-owned businesses,” says one Amrop Partner. “Not always, but typically the organizations are simpler. Even if they’re sizable.” Another confirms: “It’s a different organization, a different culture. The family business is a vertical.” Where families retain the majority stake, they ultimately make the decision, no matter how compelling a counter argument. The perspective lines converge on a central point: “A family decides not to go ahead with something. And you might be convinced it was the right thing to do. Sometimes it’s difficult to say what’s better, but you have to accept that the family will decide now.” Another Amrop Partner puts it more strongly still: “the owner trumps all.”



Typically the organizations are simpler. Even if they’re sizable.”  
*Amrop Partner*



## 4 Two way Mirror

From the bridge of their ship, the owners of an established FOB have navigated many storms over time. As a consequence they have learned to see beyond short-term turbulence. These legacy firms have far-reaching collective memories and an equally far-sighted vision. “They have a history and can withstand longer periods of turmoil or bad weather,” says this Amrop Partner. “Overall, they will be facing everything that every other business is facing. But with this longer-term perspective and typically with the strongest set of values to guide them.” As seen in our last article (‘Lifecycle’) long termism is easier as long as a firm is free of the shareholder dictates that arrive with listed status. “They have a much longer perspective on value creation. If they buy a company, they don’t have to sell it in five years because of investors or wherever else. They can keep it for as long as they want.”



They have a much longer perspective on value creation.”  
*Amrop Partner*



## 5 An Entrepreneurial Attitude

Solution-focus, optimism and collaboration are the name of the game. Pragmatism is prized. “You have to understand, appreciate and play a positive role rather than continually judging or criticizing what is not going well,” says one Amrop Partner. All-important freedom from shareholders (whilst it lasts) gives room for maneuver. “You’re not having to answer to a heavy group of stakeholders,” says another Amrop Partner. The ‘owner attitude’ is appreciated, even from executives who don’t share the owner’s genes (as long as the executive never confuses this with ‘ownership’). Work-life boundaries are often blurred. “Family-owned businesses are running all the time. At Sunday lunch, when they play golf, in the office. You never stop. It’s a way of life,” says an Amrop Partner. The entrepreneurial attitude must also be sustained by subsequent generations. Problems arise when a successor has not had early exposure to the business. The lost time is difficult to recuperate, says another Amrop Partner, “when they don’t have that sense of responsibility and ownership.”



Family-owned businesses are running all the time. They never have a break.”

*Amrop Partner*



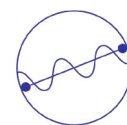
## 6 Stable Homogeneity

As the FOB ship progresses, its engineering steers it reliably through the waves. The purpose remains the beacon. “They are consistent: everything is tried and tested,” says one Amrop Partner. Traditionally, FOBs were “homogeneous in the sense of appointing people similar to them: with similar values and culture. And they will not go out of their way to find someone who’s going to be difficult because they’re different.” Culture challengers will likely be tolerated rather than actively sought out. However, FOBs are becoming increasingly open (mirroring a general mobilization towards diversity in the business arena). His colleague adds an important nuance — *incremental* change is welcomed: “They want to see business continuity without problems. Maturity.” The owners are more likely to accept a proposal “if you feel confidence from the person who is trying to persuade you about a change.” Another Amrop Partner confirms that their unflappable nature is “a big and positive thing for many of them.” This stability is also reflected at the top of the organization. In a family-owned business, CEO churn is low compared to a typical multinational. “Generally speaking, the whole organization is more stable,” says this Amrop Partner.



They want to see a business continuity without problems. Maturity.”

*Amrop Partner*



## 7 Expectant Caring

Family leaders are passionate about what they are in business for and generous towards those with whom they choose to conduct it. Relationships transcend the transactional (an attitude they also expect from executives). “Family businesses, if they trust you, may pay you more than the corporate environment,” says this Amrop Partner. Another relates a personal experience. Having negotiated a high price with a key account “I saw how proud the owner was for me and how he valued and respected my behavior. Not saying: *Look, I made this extra money, give me a bonus.*” Several Amrop Partners confirm that FOB employees can expect support in times of crisis, such as the 2008 financial crash or Covid-19. “Generally speaking, a good family business takes care of its people and they really try to survive, not to sacrifice their employees but to support them,” says one. Other cultural facets such as stability and longevity and the value placed on trusted relationships lead to a certain failure tolerance: “A metrics-based organization where your boss is 1000 miles away will measure you on your short-term results. So if you make a mistake you could be fired. In a family-owned business, mistakes are differently managed. This is related to the owner’s deep involvement in decisions.”



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*Amrop Partner*



## Sources and further reading

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<sup>1</sup> Asaf, A., Carvalho, I., Tellechea, J., Leke, A., Malatest, F. (2023). The secrets of outperforming family-owned businesses. McKinsey & Company

<sup>2</sup> Denison, D., Hooijberg, R., Lane, L., Lief, C. (2012). Leading Culture Change in Global Organizations: Aligning Culture and Strategy 1st Edition. Jossey-Bass, A Wiley Imprint, San Francisco.

<sup>3</sup> Vivienne Westwood's granddaughter says 'bullying' boss betrayed legacy, The Times, Tuesday October 22, 2024.

**In 'Finding the Leaders for What's Next' we explore how the craft of executive search plays out in the world of the FOB.**



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## About Amrop

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The Amrop Partnership is a premium leadership and executive search consultancy with 69 offices in 57 countries and a global team of more than 550 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

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