LIVING WITH PARADOXES

What can we learn from family businesses?

By Professor Joachim Schwass with Colleen Lief, Project Manager (November, 2006)
Family firms often do not feel the typical pressure to choose between two desirable goals. The complicated duality of seemingly opposite concepts -- family and business, tradition and innovation, individual and collective-- appears to prepare family owners and their non-family managers to embrace paradox. Deftly balancing incongruity becomes second-nature and fundamental to successful strategy. When an enterprise is in touch with its values and why it exists, a holistic, forward-looking determination results that can make it unstoppable – and fun to watch.

The whole world had changed for Clinton Devon Estates, not only since its founding in England in 1299, but most notably in the last decade. A rapidly evolving competitive, regulatory and political environment required that Clinton Devon reconsider its basic strategies, business lines and core values.

By the year 2000, the Estate sat on the brink of financial and organizational misfortune. The looming crisis led the firm to do some soul-searching to clarify purpose and re-validate beliefs. Only then could it enact a robust plan for maintaining internal and external coherence and regaining its financial footing.

The estate

The Estate had been in the family for 22 generations and encompassed 25,400 acres, 1,280 buildings and employed about one hundred. Its activities consisted of agriculture, housing rental, forestry operations, a retail farm machinery business, an investment portfolio, holiday cottage rentals, a business park development, an equestrian center and custodial stewardship of a 2,800 acres nature reserve known as “the Commons.”

Devon had become a real draw for London professionals. The purchase of local properties for vacation villas or telecommuting home bases drove property prices through the roof. The rapid change in the make-up of the local community meant an influx of people unfamiliar with both the rural lifestyle and the role and operations of an estate. The political balance seemed to shift as well. Environmental advocates, preservation groups and land access activists had become vociferous participants in a public dialogue with the Estate.
The Estate’s low-risk legacy had undergone significant change over time. Whereas farm income had long constituted a majority of revenues, by 2000 that figure had fallen dramatically. Existing business lines were returning less and less to the bottom line. Given the urgency of commercial pressures and the needs of a growing owning family, something had to be done. The constraints imposed from outside the Estate and the family’s own credo—Neither for the King, Nor for the People, But for Both—brought the Estate’s predicament into focus. The family’s financial future could be assured by simply selling its landholdings to the highest bidder. But the family’s strong ties to the land and community precluded this option.

**Necessary change**

John Varley, the non-family manager newly arrived from London, seemed an unlikely choice. He was neither a family member nor a traditional land agent. He had impressive credentials in finance and a talent for prescient strategy. The question was: How to modify Clinton Devon’s operations in preparation for serious future challenges, while retaining the core values and ethos of the Estate that was its essence?

Change would undoubtedly mean pain. Each business line was assessed for fit with values and financial goals: capital appreciation, income growth and development of the Clinton Devon brand. The Estate understood that greater profit opportunities could place the Estate in financial jeopardy. In the end, commercial real estate development outside of the Estate’s own lands, where fewer regulatory limits and higher potential profitability existed, became the centerpiece of its efforts. Taking this leap of faith into new ventures required that the Estate incur debt for the first time since 1519. But, early on, signs of a significant financial turnaround had surfaced.

**Stakeholders**

Varley sensed that a closer relationship with the community was not only beneficial, but essential. A survey of community leaders highlighted the need for greater engagement with constituents. The Estate embarked on a program to inform stakeholders about its significant preservation work. The Estate’s efforts at active engagement with its stakeholders culminated in its selection as the 2005 recipient of the Queen’s Award for sustainable development.
The final analysis

After five years of fundamental reconsideration of all that the Estate held sacred, actually very little was new in terms of values and philosophy. Perhaps more important than hiring a new CEO and undertaking a major change program was the renewed sense of self that this process unleashed.

What they learned

- There is not an unbreakable bond between a firm’s traditional industry and its culture and purpose.
- Hard decisions are inevitable. But deciding between two desirable choices may not always be necessary. There may be ways to accomplish both.
- Frequent, authentic communication with stakeholders is essential. Not just getting out the company’s message is important. Embark on a long-term relationship with constituents.
- Engaging the workforce may unlock new ideas and potential already in your midst.
- An outsider with fresh views, but who shares your philosophy and values, may play a vital role as a change agent.

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