Chapter 2

Change in a Family Business

How Hard Can It Be?

Accepted wisdom suggests that family businesses are more flexible, more innovative, and more responsive to market changes than publicly held companies. Family firms don’t have to answer to outside shareholders. They can move quickly. They can turn on a dime.

But having the potential to move quickly and actually doing it can be another matter entirely.

When it comes to change, family businesses present a paradox: in some ways, it is easier to change a family business; in other ways, it is much more difficult.

Family businesses are more suited to change for a number of reasons. Owners can make decisions quickly, if they so choose. They don’t have to play politics, fighting their way through a maze of bureaucrats to get action. They should be able to withstand the dissatisfactions that occur with change because they are the owners and their jobs are secure. And in a good working environment, non-family employees will trust the owners’ decisions and not fear for their jobs.
On the whole, family firms are smaller and more entrepreneurial. The owner of a family firm can influence the business's culture more quickly and more pervasively than can the leaders of large, unwieldy organizations.

Despite the existence of assets like these that support the ability to change, we believe that the process of change in a family business is not only different but can be much more difficult.

**IMPEDIMENTS TO CHANGE**

To establish the conditions for creating a culture of change, family business leaders must understand just what makes change so hard in a family firm. Here are some of the impediments to change that characterize family-owned companies. As you consider them, you will see that some of these obstacles are also the very strengths that make a family business successful, which makes change an even more complicated affair:

- **Longer tenure of CEOs and other top leaders.** While the leader of a non-family company may be CEO for an average of six or seven years, the leader of a family firm may run the show for a whole generation. Long tenures offer advantages. Mature family firms with long-tenured key executives understand the cycles in their industries and have learned how to cope with downturns. They can resist short-term temptations—such as overcommitting to growth in boom times—and take the long view.

  But unless a leader has created a culture of change, little innovation may have taken place beyond that which the CEO introduced during his or her first few years of being in charge. The same can be said of other key leaders. While longer top