Adapting to change in a family business – some key questions and answers

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The slogan "the pace of change will never again be as slow as it is today" has become a little jaded but no doubt is accurate. Adapting to change is true for family firms just as it is for all businesses, but family firms face an extra dilemma. The family brand or identity is often a key factor in customer and supplier perception of reliability and dependability. So how do family firms approach change and innovation while maintaining their image of consistent reliability?

Last year I had the pleasure of meeting Achilles Armenakis one of the leading international change management researchers when he visited Dublin to deliver a keynote address.

Armenakis has some useful advice for family firms that are seeking to introduce change but fear how it might be perceived or regarded, particularly by employees. After nearly forty years researching successful and unsuccessful organizational changes worldwide, he and his colleagues have distilled their learnings into five key steps or questions that should be asked before a change initiative is implemented.

A simple yet powerful model (see figure 1) that can be applied simply to any change initiative, but a set of questions that should be asked before the change is planned. The rules are simple, if the answer to each question is 'yes' then proceed to the next question. If the answer to any question is no, then do not proceed until this issue has been attended to.

Question 1: Is change necessary?

For anyone, be they family members, employees or customers, to buy-in to a significant change, they must feel convinced that this change is required. The introduction of something new or different can create feelings of uncertainty and the possibility of losing what we already have. Most of us are risk averse particularly if we are satisfied or comfortable doing what we are doing. So, the first step in creating a consensus for change is to communicate a compelling reason why change is necessary. It can't be just "to increase the bottom line"; it needs to be significant and persuasive.

Using this approach, I watched the CEO of a midlands food production family business draft a compelling communication on why the production plant should adopt a lean approach to production.

He highlighted what it would mean to the firm's competitiveness, to quality, to innovation, to team-working and the potential benefits for staff. He also outlined the dark side of maintaining the status quo, the threat posed by innovative competitors and market volatility. He was equally open in acknowledging that the change would involve a period of disruption. He was frank and passionate in his communication and 12 months later the firm is lean accredited and nominated for national awards for their production efficiency. Staff engagement is better than ever.

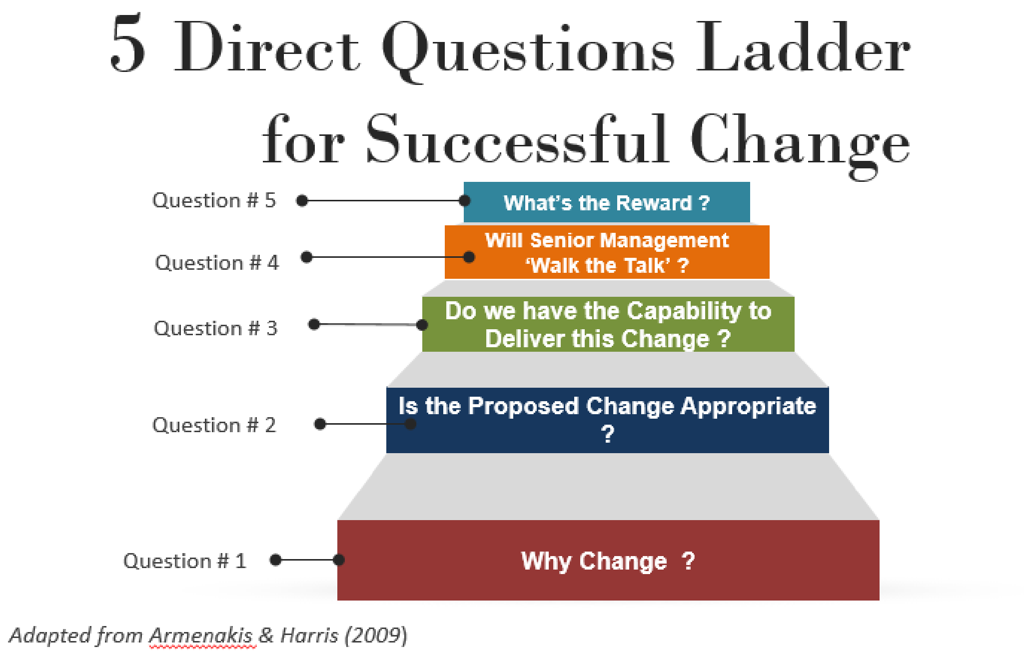

Figure 1

The first question, 'is this change necessary?' needs to be answered by a "Yes" by all. If it is not, then the change initiative will not succeed – do not proceed!

Question 2: Is the proposed change plan appropriate?

This is the 'rational' question. Is the proposed change appropriate for the firm, does it fit, is the scale correct and is now the right time? A few years ago we had a really ambitious CEO of an Irish SME on the [Go Global for Growth programme]() run by DCU in partnership with Enterprise Ireland.

In one of the early workshops he identified a goal to scale his firm from being a €20m firm to an €80m within 5 years. Using the Armenakis model to plan his communication of this goal to his staff, he held his audacious target, but created a series of images of what year one might look like, how year two would progress from that and so forth. So, while the overall goal might appear daunting to some of his staff, the steps helped them see the viability of each step on the way. The staff bought it and three years on the firm is well on the road to exceeding the five year ambition.

Question 3: Do we have the capability to deliver the change?

For family firms this can be a crucial question. Almost all changes require extra resources to be successful, be that financial or human capital. Thankfully, sources of finance in Ireland are improving but when the question of equity is part of the deal, this can pose a challenge for a family business. Just as taxing is the realisation that to deliver the desired change, some skilled and professional staff may need to be added to the firm. This may mean additions to the senior management team as well as general staff.

I have seen several Irish SMEs realise that to meet their growth plans, new high capability staff are required in key positions otherwise growth will not happen. The more astute firms used this challenge as an opportunity to introduce diversity and new energy into the management team. For family firms this decision to add non-family professional senior managers to the firm can often be one that is deferred, but any real growth is unlikely to be successful without the right capability to support it. Putting the right capability in place in advance is often the key to a successful growth strategy.

Question 4: Will management support staff implementing the change?

This is where employees ponder whether senior staff are just 'talking the talk' about change or are they ready and able to 'walk the talk'. Not alone this, but will senior management assist and support employees as they engage with the challenges that the proposed change brings. This might mean giving employees fair time to adapt, to learn new skills, some latitude on performance, and to listen to staff and take on board suggestions and improvements.

As employees engage in new practices or roles they will feel vulnerable for a period. They need to feel they can trust management to support them and understand their anxieties during this period. Employees who see senior management as competent, honest and having concern for employees, are more likely to trust them and thus engage fully with the change. All leaders need to be aware that employees search for these three trust cues when they feel vulnerable. Our research at DCU Business School with over 100 Irish SME top teams, is demonstrating how trust in the top team is a core driver of employee willingness to engage in change and innovation.

Question 5: What is the reward for engaging in the change?

While this is an obvious question it is significant that it is the last question, not the first, in Armenakis's list. He is clear about this – too many firms when planning a change seek to answer this question first and by doing so miss the key concerns that most employees have before they even get to the "what's in it for me?" question.

At a recent "CEOs Insights" workshop at DCU, Kevin Dempsey, CEO of the family firm KDD, highlighted how important it is to consider a variety of rewards and incentives when seeking innovation from staff. His experience is that financial reward should be well down the list as it does not lead to long term commitment. He shared how he considered other "rewards" such as support for employee development even if it has little to do with current role as part of his staff engagement approach.

He found that time spent on the floor chatting with staff and getting to know their background and needs allowed him react in all kinds of ways to support staff in the challenges they faced. These varied from helping an employee with free time to care for an elderly dependent, to flowers for a hospitalised partner, to allowing staff redesign the staff canteen. KDD counts among its awards the Deloitte best managed firms award for 10 years running. The message is, think of intrinsic and social motivators that are often more important to staff than extrinsic rewards. Don't just walk the walk, walk the floor!

Conclusion

Savvy family business owners are as aware as any that running their business in 2020 exactly as they are running it now, is probably not an option. Change, development and innovation, whether incremental or radical, will be required. Armenakis and colleagues have provided us with a simple yet powerful model to assist us plan for change and ensure we have proactively considered many of the traditional obstacles to successful change implementation. As he shared on his visit to Dublin, less than 33% of change initiatives are successful, but adhering to the five questions will assist you increase the probability that you are in the one-in-three.

Reference:

Armenakis, A. A., & Harris, S. G. (2009). Reflections: Our Journey in Organizational Change Research and Practice. *Journal of Change Management*, 9(2), 127–142.