

How Transformational Leaders Drive Change in Family-Owned Business



Transformational change in any organization is complex and not without risk. But the opposite of transformation is stagnation, and every family-owned business seeks to avoid stagnation when they pass the baton onto the next generation of leaders.

The construct of transformational leadership is more than a buzzword. At its core, transformational leadership is about identifying the need for change, creating a vision for change, and motivating and guiding followers through the actions necessary to execute change. When we are talking about effecting successful transformation in a family-owned business, recruiting external executive leaders is often the foundation for success.

Bringing in a Transformational Leader into Your Family-Owned Business

Historically, family-owned businesses outperform non-family-owned businesses across multiple key performance

metrics, including Total Shareholder Return. While the reality that family-owned businesses are typically higher performing has long been recognized, a recent study by [McKinsey](#) explored *why* this is the case. They found that, when it comes to long-term success, two of the key factors that differentiate family-owned businesses from non-family-owned businesses are adaptability and resilience.

However, [CFEG](#), which collects data on family enterprises, reports that in many family-owned businesses, third-generation members say that, while family enterprises often recognize the need for change and embrace it, the families themselves are less inclined to embrace change. This paints an interesting picture: family enterprises succeed in the long-term due in no small part to their willingness to adapt in order to achieve long-term stability, but the willingness of the family to adapt can be another matter altogether.

That is where bringing in external leadership can be a catalyst for transformation within a family business.

The Traits of Transformational Leaders

Understanding the inherent traits of a successful transformational leader should be at the forefront of the talent selection process when a company is seeking to bring in an external resource to lead change in a family enterprise.

These traits include the following:

The Ability to Build Trust

[PwC](#) reports: *when family trust breaks down, a family business will inevitably suffer. History is filled with stories of high-profile family business disputes. ... 85% of respondents to PwC's 11th Global Family Business Survey, which polled 2,043 family business leaders in 82 countries, say that trust between family members is essential.*

And it is unsurprising that one in four respondents reported that there is a trust gap between generations in their family enterprise. The challenge for any new leader seeking to transform a family business will be to establish and maintain trust across stakeholders, including multiple generations of family owners, as well as establishing trust with employee groups.

But trust is an outcome not a trait, so what do you look for in a leader in order to build that trust? Integrity, authenticity, and confidence are the foundations for building trust. The three are in some ways intertwined, but the key in examining confidence as a necessary trait is to understand that self-confidence must also extend to confidence in one's team. An

effective transformational leader will have confidence in their ability to guide the organization through the turbulence that comes with change, but they must also be able to demonstrate confidence in those around them.

The antonym of this trait would be arrogance—a lack of confidence that those around them can execute effectively, or a belief that they are the only one capable of executing on the mission. Self-awareness, emotional intelligence, honesty, and accountability are all key components of a leader who will be able to foster trust in complex organizational structures.

Inspiring, Effective Communication Skill

Creating active connection across multiple stakeholder groups, including generational cohorts and employee groups, is an essential part of leading change. When a family business has transitioned from the *controlling owner* phase through to the third-generation *cousin consortium* stage or beyond, the challenges facing family enterprises become more complex. This *cousin consortium* stage includes the potential for conflict between generations of owners—where the expectations of the older generations may be at odds with how younger generations prefer to work and make decisions.

A transformational leader must be able to create connection and consensus across the ownership group while also inspiring connection across employee groups. Connection stems from effective communication. Effective communication begins with listening and understanding, especially listening to and understanding people who don't share the vision or who possess differing opinions from the group or leadership.

A truly transformational leader values diverse perspectives and has the communication skills to encourage input from all levels, and all generational cohorts within the family, and to engage them in dialogue. They will have the ability to convey the vision with power and clarity, and the skill to communicate in a way that others can invest in. This requires transparency above all else.

Curiosity

An external leader whose goal it is to transform the business must have intellectual curiosity, be committed to life-long learning, and be creative in their approach to problem-solving. In joining a family business, tasked with a mission to achieve transformation, the leader must first be curious about the organization—its unique culture, its history, the family dynamics, family and corporate values, and, of course, the long-term goals of the family.

An executive leader of this caliber brings both curiosity and humility to their role. In their humility, they are aware they

don't know all the answers. Their job is not to "tell" the family how to achieve change. Their job is to explore the landscape, learning about people, processes, external factors, internal factors, and opportunities that are impacting the organization. Only then can they guide, motivate, and inspire the organization through the process of change, ultimately delivering operational outcomes that are aligned with the family's values and long-term interests.

Curiosity is also critical when external leadership encounters resistance to change. A curious leader will explore the root causes when faced with resistance that creates tensions or roadblocks, where an incurious leader may force the issue, leading to greater tensions and more resistance—or worse, compliance without commitment. Change that comes at the cost of employee satisfaction and/or engagement is a short-term gain at best.

Unequivocal Commitment and A Collaborative Approach

The transformational leader will be responsible for nurturing, empowering, and mobilizing diverse networks across the organization. In a family enterprise, collaboration can be a delicate dance for a non-family leader. They will need to leverage the trust they have built and their curiosity to understand the family and organizational cultures they are working within. All successful transformational leaders possess an unequivocal commitment to the mission, a commitment that is clear to the whole organization. And they need the ability to effectively collaborate: to engage and motivate others to drive toward a single goal.

In business, systemic change begins with individuals and teams buying in to a) the need for change b) the vision for that change and c) the actions needed to achieve that change. A transformational leader, therefore, must employ a collaborative approach, creating opportunities for input, feedback, problem-solving and innovation across various networks within the enterprise.

Achieving Transformation in the Family Business

When the opportunity, or indeed, the necessity, to transform a family enterprise presents itself, family stakeholders must look outward and inward: outward at the challenges and opportunities of the current landscape; and inward at their strengths and/or weaknesses. Armed with that insight, the family, as a collective, can map the way forward, either adding an external resource to take them on the journey or enlisting a transformational leader from within the family ranks.

