

## Book Review

# Human resources in the family business – maximising the power of your people

David Ransburg, Wendy Sage-Hayward, Amy M. Schuman, London: Palgrave MacMillan, 2016

### Book Review

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Family businesses are ubiquitous and so too are the challenges they encounter. While human resources (HR) and talent management are of utmost importance to all firms, the unique interplay of 'family' and 'business' systems means family businesses experience multiple, complex, and interrelated issues. Ransburg, Sage-Hayward, and Schuman suggest that HR in a family business can be 'an enabler rather than a disabler, a builder rather than a blockade, a partner rather than a peripheral player' (p. 3); fundamentally, HR is critical for long-term strategic gain. Much of the existing scholarly and practitioner literature in the area of family business has focused on topics of successor development, estate planning, family relationships, wealth transfer and, of course, succession. However, any family business, of any significant size, is reliant on the quality and effectiveness of family and non-family talent to ensure continued success and growth. Despite notable exceptions (e.g. Astrachan and Kolenko, 1994; Carlson et al., 2006; De Kok et al., 2006), there is a dearth of knowledge surrounding HR practices and policies in the context of family businesses. Ransburg, Sage-Hayward, and Schuman duly address this knowledge vacuum in presenting family business HR strategies, supplemented by frameworks and tools for managing such strategies effectively.

Family businesses are synonymous with long-term strategic thinking (Miller and Le Breton-Miller, 2005). Ransburg, Sage-Hayward, and Schuman suggest that a thoughtful, holistic approach to human resources – and its continuous evolution – is a critical contributor to long-term success in family business, more so when compared to any other business type. This is the underlying premise of their aptly titled publication: *'Human Resources in the Family Business – Maximizing the Power of your People'*, which, in a family business, equates to managing expectations of the family, business, and individuals therein. Optimising the effectiveness of family business' human resource systems and practices aids in achieving transgenerational goals and long-term family and business aspirations.

So, why are HR practices different in family business? The text opens by suggesting that, for a number of reasons, HR is even more important in a family business, than in a non-family business.

Across many family businesses, employees, be they family or not, are inducted into the inner circle of the family; thus, a need to manage relationships with dignity and respect must be addressed. Given the natural differences between the family and the business – the former is often deemed as emotionally driven while the latter is considered driven by rationale – the inclusion of family members can increase the complexity of HR issues. Family reputation, prestige, and social standing are at stake, which can pose a significant risk for both the family and the business. Often, the careers, personal wealth, as well as the livelihoods of family members are ingrained in the business (p. 2). The necessity of this text becomes apparent as the authors describe unique pitfalls to managing human capital in family firms, such as managing the perceptions of a glass ceiling for non-family professionals, which may

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inhibit attraction and retention of talent. Such perceptions are largely driven by fears of nepotism, altruism, and adverse selection.

In the opening chapter, Ransburg, Sage-Hayward, and Schuman offer clarity on the idiosyncratic nature of the family business organisation. Firstly, they broach one of the most debated topics in the family business literature by seeking to define what constitutes a family in business. For them, a family business is any business in which the family has effective control over the strategic direction of the business, and in which the business contributes significantly to the family's wealth, income, or identity. They further suggest that the family has control over the business and its ownership, and intends to pass the business to future generations. Finally, they propose that multiple members of the same family are involved as major owners or managers, either simultaneously or sequentially over time (p. 5). The opening chapter also correctly offers additional insight into the uniqueness of the make-up of a family business. For example, the text introduces the well-established and seminal '3-Circles Framework', which considers how the three systems – family, business, and ownership – interact, and thus addresses the question: '*Why are family businesses different?*'. By clearly explaining at the outset the uniqueness of the family business in terms of family, business, and individual, the text allows the reader to appreciate the complexity of managing HR for both family and non-family employees. Once definitional clarity is achieved, uniqueness is understood, and boundaries are set, the text proceeds to further engage the reader with a series of issues and opportunities for managing HR practices and policies in the family business. Through the next nine chapters the authors address a number of themes and questions, including how to maximise the value of the HR function as a strategic business partner with family owners and business leaders; how HR can build on a conscious culture of success from the family owner's vision and values; when and where HR should interface with the family and how that is best accomplished; how to recruit, interview, and hire the best talent, balancing the needs of both family and non-family members; how to manage employee exits effectively, especially those of family members; and how to handle sensitive issues such as underperforming family employees, compensation, substance abuse, etc. (p. 5). The text offers answers to each of these questions, and impressively, the text allows the readership (targeted largely towards practitioners) enough scope to apply each issue and opportunity to their own unique family business context.

## The family or the business

As the reader proceeds through the text it becomes abundantly clear that the authors advocate a merit-based, professionally run, family business culture. By questioning whether both family and non-family managers can enjoy the prospect of career opportunities, it is made apparent that both the needs of the family and the business must be scrutinised collectively. Many family business owners often feel obliged to differentiate between HR policies and practices that relate to the family and the business. For example, are hiring decisions relaxed when hiring family members, or is there harmonisation of policies across the firm? The text suggests that firms should not follow an '*either or*' approach but a '*both-and*' mindset, by finding ways to align the needs of different perspectives in both the family and the business. Ransburg, Sage-Hayward, and Schuman suggest that parallel planning needs to be at the epicentre of HR thinking in family firms, where business strategy is aligned and supports the family aspirations and interests. Parallel planning includes four dimensions: *shared future vision* – creating a shared, sustainable vision for the future; *values* – having family beliefs and values that influence business values, philosophy, culture and vision; *strategic thinking* – regarding how family expectations can align with business strategy; and *planning* – reflects the operationalisation of how results are to be achieved.

## 'HR in the family business - our model'

Ransburg, Sage-Hayward, and Schuman's model (i.e. 'Our Model'), introduced early in the book, forms the basis of the proceeding seven chapters. This dynamic, multi-layered, bi-directional model incorporates three tiers. The *inner tier* places family vision, values, and purpose at its core. The *middle tier* is culture, which acts as the framing or median through which the family vision, values, and purpose are channelled towards business structures, practices, and procedures. The authors are proponents of the development of a '*conscious culture*', which includes self-reflection and awareness of the existing culture, views on an ideal culture, ways to achieve the ideal culture, and continual assessment of cultural features (p. 57). The *outer tier* is the life cycle of the HR process in the family business – recruiting, selection, onboarding, development, and exit. The latter half of the text is afforded to each of these iterative stages. First is *recruiting*: the text offers clarity on how and where to find the best pool of potential employees both within and outside the family. Second is *selection*: the text extends the difficult question of how to choose the optimal employee among viable candidates, especially when owning family members are involved. Third

is *onboarding*: the text clarifies the difficult task of integrating new hires into the company to ensure an effective transition for the new employee, the company, and the family. Fourth is *development*: whereby the text offers insights on how to sensitively manage the review and development of family and non-family employees. Lastly is *exit*: regarding the sometimes challenging departure stage, the text provides suggestions on how to achieve a mutually beneficial outcome, whether the exit is voluntary or involuntary, or indeed whether the person is likely to return or not.

The versatility of this text is evident in its application to a multi-disciplinary audience, be they HR professionals in family business; family business owners, executives, and other managers in the family business; advisers to family businesses; and/or boards of directors of family firms. The text acts as an informative practical resource for family firm stakeholders in their quest to move from an '*either or*' to '*both-and*' approach. Ransburg, Sage-Hayward, and Schuman offer 'practical, effective, and time-tested insights to everyone involved in family business' (p.3); thus, they adopt an authoritative tone throughout the text, which reflects their wealth of multi-industry experience as consultants with the Family Business Consulting Group (FBCG). Collectively, the trio has over a century of experience consulting with over 200 family organisations, while also serving in adjunct positions in leading academic institutions in the United States. Such rich industry insights, largely derived from personal consulting experiences, are infused with theoretical perspectives throughout the text. Like any text aiming to offer guidance and structure to such a varied audience, this text provides practical insights that allow the reader to bring *theory to practice*, and imbue hypothetical HR issues with a real-life quality. As a reader, one can stop and reflect on how the practical insights would unfold in one's own context. The text facilitates the reader's movement beyond mere reflection and thought to a state of action and discovery, by integrating checklists, critical questions, frameworks, and models for application. From an academic perspective, although not intended for an academic audience, *Human Resources in the Family Business - Maximizing the Power of your People* offers rich inductive insights via the creation of a model of HR practices and policies in the family business. In offering his praise of this text, a leading authority in the field of family business, Prof. John L. Ward comments:

Many implore that family businesses need to transition from paternalistic to professional and performance focused. This book inspires that this can be done AND that the family's values and the business's culture can be retained for distinct (competitive) advantage

## References

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