MANAGING FOR THE LONG RUN:  
Lessons in Competitive Advantage from Great Family Businesses

By Danny Miller and Isabel Le Breton-Miller

Book Review by Mike Powers and Herb Rubenstein, President, Sustainable Business Group

Introduction

The book, Managing for the Long Run, explores family controlled businesses (FCBs) – businesses, whether public or private in which a family controls the largest block of shares or votes and has one or more of its members in key management positions. The book proposes that the “great” FCBs can teach managers valuable lessons about achieving an enduring competitive advantage. Although conventional thinking asserts that FCBs, by their very nature, are rife with the potential for conflict. It is this unique nature that allows FCBs not only to succeed, but also to endure.

The authors point out that “the book is not about the average family-controlled business, but about the great ones – large, old companies that have achieved market share leadership.” The “great” FCBs tend to demonstrate four driving priorities termed “the four C’s” (Command, Continuity, Community, Connection), each of which give rise to a “thematic set of remarkable policies and practices”.

These driving priorities, and the practices they engender, blend together to support certain strategies common to FCBs. The book discusses four of these strategies in detail: brand building, craftsmanship, superior operations, innovation, and deal making. Note: The four C priorities and their elements must work in concert as complimentary elements, each counterbalancing the other so that one does not dominate.

The book suggests that problems arise “as a result of mismanaging the four C priorities – the majors, or focal organizational priorities, and the complimentary priorities that offset excess and ensure resilience and balance,” and identifies three error types:

Type 1: Some elements of a major priority became dangerously excessive,

Type 2: Some elements of a C priority weaken,

Type 3: A complementary priority erodes.

Evidence

The authors conducted two studies, an initial pilot study “that identified the common FCB practices and many of the driving priorities and practices”, and a later more in-depth
study referred to as the current study. A series of filters was applied to identified FCBs resulting in a final 40 company sample. (Note: J.P. Morgan was later added to this sample for a total of 41.)

The data gathering process included assemblage of extensive files for each company. “Secondary data were collected in the form of a series of articles and books that recounted key facts and decisions regarding a company’s mission, goals, policies, strategy, leadership, culture, administrative practices, competencies, challenges, and performance.” In addition, certain executives, consultants, customers, and partners of 10 of the 41 firms were interviewed, providing mostly context and “a sense of the firm’s mission, values, strengths, and weaknesses.” (240) Information regarding the actual strategies and practices of the 41 were derived from secondary sources. (240) The incomplete nature of the aforementioned interview process could be considered an empirical weakness in the study, which could have affected the overall results.

Firms

FCBs highlighted in the book include:

Adolph Coors Company

Bechtel Group, Inc.

Bombardier Inc. (Canada)

Cargill, Incorporated

Corning Incorporated

The Estee Lauder Companies Inc.

Fidelity Investments

Hallmark Cards, Inc.

IKEA

J.P. Morgan & Co., Inc.

J.R. Simplot Company

L.L. Bean

Levi Strauss and Co.

Michelin
Motorola, Inc.

Nordstrom, Inc.

Olympia & York Developments Ltd. (Canada)

S.C Johnson & Son, Inc.

Tetra Pak AB (Sweden)

The New York Times Company

The Timken Company

Tyson Foods, Inc.

W.L. Gore and Associates, Inc.

Wal-Mart Stores, Inc.

Quotable Quotes

“A business concerned with short-term profits will try to exploit its employees. But for a company in it for the long run, the more it invests in its people, the more it will reap from them.” – Francois Michelin

Conclusion

Rather than focusing on the special challenges of FCBs, the book concentrates on the valuable lessons FCBs have to offer, such as:

Leadership that is independent and courageous rather than imprisoned by quarterly financial targets

Strategies that are focused on and orchestrated for long-run capabilities, rather than distracted by tangential opportunities

Cultures that are cohesive, caring, and single-minded, rather than individualistic or bureaucratic

Enduring, win-win relationships with the external environment, rather than fleeting transactions with it.”
In essence, the book is about the “revealed priorities and remarkable practices of great FCBs and how today’s managers can develop and configure them to build powerful strategies that produce competitive advantage.”

About the Authors

Mike Powers is a consultant to the Sustainable Business Group.

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