



Robyn Langsford, KPMG Australia

Robyn Langsford is a partner at KPMG and leads its Family Office and Private Clients division. She has over 25 years' experience advising privately held businesses and families. Her areas of expertise include tax and private trusts, succession planning and family governance, CGT, and tax structuring for luxury asset purchasing.

Achieving leadership diversity across family businesses

Robyn Langsford

This paper comprises an excerpt from the KPMG Australia and University of Adelaide *Transition, diversity and entrepreneurship* report of May 2021. This report highlighted some of the issues around family business succession and offered insights into how to overcome them to keep on track to sustainable growth. The insights shared in this report came from analysis of KPMG Australia's in-depth interviews with seven Australian family businesses, conducted in late 2020.

Benefits of diversity for family business leadership

Family business leadership is different to traditional corporate leadership in that it requires taking a holistic approach and balancing what is right for the family, the owners, and the business—both now and into the future. This 'family business system' was developed by Harvard Business School professors Renato Tagiuri and John Davis in 1978 (see Figure 1 on the next page). They illustrate the difficult role of the leader in managing the needs of these competing stakeholders.

In family business, the person considered the 'family business leader' is the most senior family member who is leading the business. Their role is to represent the family, the owners, and the business. In some families, this role could be a chief executive. In others, it could be a chair of the board, perhaps alongside a non-family person in the role of chief executive.

The need to take a holistic view is why family businesses tend to look to the next generation when planning for the transition of leadership. A family member who has grown up around the business will likely have an innate understanding of the needs of the family, the owners, and the business. They will simply 'know how things are done'.

Drawing on leaders from within the family is a unique competitive strength, thanks to the deep understanding of the business and its history and values that they will bring.

However, family businesses can also benefit from bringing diversity of experiences into other leadership roles—whether that be through gender, age, education, skills, culture or more. Diversity can help to open up new opportunities, foster innovation, make the business a dynamic place for employees to work, and be an overall competitive advantage.

Having the courage to accept alternative points of view is often difficult for leaders who have traditionally relied on having their own judgment. If leadership change is inevitable then one can be subject to 'change' or 'be the change'.

Women in family business leadership

An area of diversity that needs attention across all types of businesses in Australia is women in leadership. Women only represent 17% of chief executives, 32% of key management roles, 14% of board chair positions, and 27% of directorships (Workplace Gender Equality Agency (WGEA), *Data Explorer*).

In family businesses, the statistics are a little better, with 22% hav-

ing a female chief executive (KPMG *Family Business Survey 2018*), which is roughly in line with the broader Asia-Pacific region, where 20% are female, and slightly higher than the global average of 18% (STEP Project Global Consortium and KPMG Private Enterprise, *The power of women in family business*, November 2020).

It is important to remember that when looking at family business diversity statistics, families may view the 'family business leader' as the most senior family member leading the business. This may be a chief executive or a chair, meaning the chief executive role may not be the only place where a senior female leader is positioned.

Merit first

A tradition that still appears across the Asia-Pacific region more broadly that can impact gender balance in the key family leadership role is 'primogeniture', which means the first-born son is expected to take on the position. However, for the seven Australian family businesses interviewed for the *Transition, diversity and entrepreneurship* report, this approach was not relevant. They said that gender or birth order does not impact who will be selected, with each of the next generation having an equal opportunity.

Merit, readiness and passion for the business are the key criteria. If the current generation only has daughters, the most willing and able family leader will be female. Similarly, if they only have sons, the most willing and able son will be appointed. While family status and merit may prevail over gender, there is still opportunity to consider the representation of women in other leadership roles.

Female leadership is known to enhance values such as collaboration, the demonstration of pathways for more females to follow (STEP Project Global Consortium, *2019 Global Family Business Survey*), and superior family business performance through achieving both business and family goals concurrently (KPMG and Family Business Australia, *Family Business Survey 2015*). Family businesses can also work to ensure there is gender diversity in all levels below leadership. One family business surveyed made the good point that a lack of diversity means the business can miss opportunities to attract exceptional talent from outside the family.

Building diversity through non-family staff

A powerful way to bring diversity into a family business is when hiring non-family employees. This requires striking a balance between finding people who have values that align with the business, and can thrive in the family business culture, while also looking for people who can bring in an array of perspectives and experience. It is an opportunity to fill in experience and skills gaps that family members are not able to provide.

The effect of COVID-19 on careers

A well-documented challenge that women in all types of businesses face, including in family businesses, is the impact that having children has on their career. Usually, one parent will need to put their career on hold and take the lead role in caring for the children, and history suggests this is more likely to be the mother.

Early evidence indicates that the COVID-19 pandemic has exacerbated the caring responsibilities placed on career-oriented mothers even more. WGEA data from its *Gendered impact of COVID-19* update of 11 May 2020 suggested that women were more likely to be affected by COVID-19 in ways such as increased time spent on children's education responsibilities.

There were concerns about the effect of this time on the progress of women's careers, which should be clearer in around two to three years. This is something that family business leadership can be mindful of when working on career pathways for female employees.

Recognition of every role

A common occurrence in Australian family businesses is that some members of the family, often women, can play an integral role in both the family and the business, however, they are not always given formal recognition for their business role. An example was offered by a New South Wales family business.

Our interviewer reported:

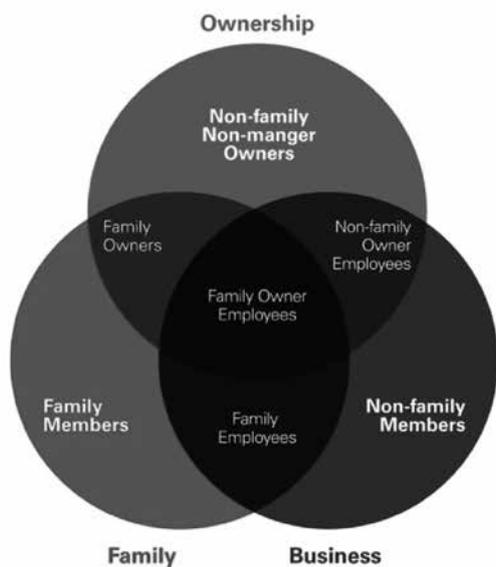
"Whilst not having a formal 'employment' position within the business, Sue (name changed) is seen as integral to the growth and success of the business and the family over the years. Sue's husband Mark (name changed) notes that this is why there is a photo of both himself and Sue as



The quote

A way to foster diversity is to make sure that the business has governance structures such as family councils or business advisory board meetings.

Figure 1. The Three-Circle Model of the Family Business System



Source: Tagiuri, R & Davis, JA (1982), *Bivalent attributes of the family firm*. *Family Business Review* Vol. IX, No.2, pp.199-208

founders of the company in the foyer of the head office. Sue has been integral to the backbone of the family and success of the business. She not only kept the home-front running while Mark was building the company, when the family chose to expand the business, Sue and the adult children managed and operated one of the divisions while Mark focused on the diversification opportunity.”

In this case, Sue clearly had a leadership role in the business activities, due to running a division of the business over a period of time. While not having a formal title did not concern Sue, it is an example of a missed opportunity when it comes to building evidence of leadership diversity.

Additionally, women often step up, consciously or inadvertently, into the ‘hidden’ CEO role, being that of the ‘chief emotional officer’. Innate characteristics of women as nurturers and caregivers can translate to women taking care of the emotional needs of the family, keeping the family together and perpetuating the family’s values and traditions to the next generation.

This is another ‘invisible’ role, which factors into the success and perpetuity of the family business and is discussed in more detail in the STEP Project Global Consortium and KPMG Private Enterprise *The power of women in family business* report of November 2020.

The power of governance structures

A way to foster diversity is to make sure that the business has governance structures such as family councils or business advisory board meetings. These forums can be particularly helpful if there is only one senior family role in the business, as they can give other family members as well as non-family employees and advisers a chance to share fresh perspectives.

We spoke to a Queensland business where the Millennial generation were challenging the views of the leadership generation about the role of female leaders in their male-dominated industry using these forums.

Our interviewer reported:

“What is important is that the next generation family members are able to voice this at the family council and/or business advisory board meetings and thereby influence the family business culture and strategic direction of the family business.”

Building diverse family businesses

While in Australian family businesses, having family members in leadership is key, and the role of the leader is selected based on merit not gender, there is still opportunity to foster diversity across the organisation.

Some ways to increase diversity include:

- developing transition plans for which all interested and capable next generation family members can apply
- encouraging the next generation to explore and communicate their interests and commitment to pursuing a leadership role
- working early to develop their knowledge, skills and experience to ensure that they are prepared
- introducing flexible work arrangements which can open access to talent that may not have the capacity to work standard hours
- when hiring non-family staff, exploring how that opportunity can bring in new expertise and skill sets not currently within the family
- building in formal forums such as family council and/or business advisory board meetings to ensure there is an opportunity for fam-

ily and non-family members to share their diverse thinking.

“Diversity in family business can provide a greater pool of talent for leadership roles and improve decision-making quality due to the different perspectives offered.”

— Kaajal Prasad, partner, Family Business & Private Clients KPMG Australia. **FS**