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Lessons in Realpolitik for Successors

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UNDERSTANDING power—its uses and abuses —is one of the most formidable challenges that face aspiring successors as they rise to positions of authority in family companies. The relatively sheltered upbringing that wealthy business families provide their children does not always prepare them for the harsh demands of effective leadership.

For advice on the darker side of power relationships, there is probably still no better guide than The Prince, Machiavelli's classic work. Machiavelli—one of history's first and most controversial family business consultants—was trying to ingratiate himself with the Florentine princes of the powerful Medici family during the early 1500s. Like their counterparts in modern-day family companies, the Medici successors had to figure out how to best establish their credibility as leaders under the shadow of their often phenomenally effective predecessors.

Although it is frequently read today as a work of detached political philosophy, The Prince was actually written as a user-friendly guide for aspiring successors during a time of vengeful rivalries and bloody wars among city and papal states. Machiavelli's model for strong, effective leaders was the shrewd but ruthless Cesare Borgia. The book— dedicated to a Medici prince—was also an impassioned tract designed to instruct rulers in what they would need to do to bring order in chaotic times.

Family businesses are, happily, more civilized, and no one would favor some of Machiavelli's extreme solutions even for resolving the worst family feuds. Nevertheless, The Prince provides many insights into the fundamental political realities of leadership that are essential for successors to understand.

Machiavelli calls our attention to the fact that it is impossible to hold a position of leadership without sooner or later evoking the envy and wrath of those whose lives are affected by the leader's decisions. Successors who are driven by a need to please and be liked by all will invariably fail.

Being a leader means allocating resources in ways that will inevitably displease some who do not get all that they want. It means hiring and firing employees, and disciplining those whose performances or behaviors fall short of the leader's expectations. It means having the power to set the direction of the business even when other strong leaders are fiercely opposed. It means outsmarting competitors who may use every strategem—ethical and otherwise—to seize the firm's customers and markets.

In every organization, leaders are the lightning rods for the emotional dynamics of its members; this is especially so in family companies in which the top managers may have deep-rooted rivalries and the leader may be a parent. When Machiavelli asserts that a prince is often forced to "act like a beast," he is not just evoking the politically incorrect language of the Middle Ages. He is calling our attention to some basic power dynamics. He tells us that princes must learn from both the fox and the lion, because "the lion is defenseless against traps and the fox is defenseless against wolves." In times of trouble, leaders must sometimes turn into lions and foxes, but not all successors are prepared for it.

Consider Frank Thomas, who at 42 took charge of his family company. Thomas's father had been a hard-driving executive who made tough decisions easily, and sometimes cold-bloodedly. In contrast, Frank (not his real name) was a gentler sort, a member of the '60s generation who prided himself on a more humanistic and participative approach to management. Two years into the son's presidency, the company was hard hit by the loss of government contracts. To survive, the company would have to fire 40 percent of its employees, including many high-salaried executives whom Frank regarded as personal friends. He didn't have the stomach to do it. Only when the board dismissed the successor and set up an emergency task force did the company take the painful steps necessary to salvage the business.

Machiavelli appreciated that princes who ascend to power through privilege may not only be too soft for the job but have to work harder to establish their credibility. "Men who become rulers by prowess [meaning, through their own ability and achievement] acquire their principalities with difficulty but hold them with ease," he observed. On the other hand, men who "become princes by good fortune [for example, through inheritance] do so with little exertion on their own part; but subsequently, they maintain their position only by considerable exertion. They make the journey as if they had wings; their problems start when they alight."

This, indeed, is one of the reasons it is essential for successors to demonstrate their ability through unambiguous performance at real jobs. Only through a track record of tangible, measurable achievement—ideally both outside and inside the family company—do they acquire the right to lead the family business.

Sadly, many potential successors shy away from line positions with real accountability. These are the "assistant to the vice-presidents" in family businesses, who, as Machiavelli indicated, make the journey to the top "as if they had wings." All too frequently they crash land, bringing down the family company with them.

Machiavelli also points out how critically important it is for a prince to pick a highly competent executive team of individuals who complement the prince's own skills and will challenge him to view the world as it is, rather than as the prince would like it to be. "The first opinion that is formed of a ruler's intelligence is based on the quality of the men he has around him," Machiavelli wrote. But even successors who have acquired a top-notch education may lack the shrewdness and street smarts to judge the character of others. I've encountered successors who, driven by their own insecurities, surround themselves with weak employees who fawn and praise them in order to realize their own hidden agendas. These are the same successors who resist bringing outsiders onto their boards, out of fear of having their decisions critically scrutinized.

Truthful advice is to be actively encouraged, but within limits, according to Machiavelli. "The only way to assert yourself against flatterers is by letting people understand that you are not offended by the truth, but if everyone speaks the truth to you, then you lose respect. So the shrewd prince should adopt a middle way, choosing wise men for his government and allowing only those the freedom to speak the truth to him, and then only concerning matters on which he asks their opinion.... But he should also question them thoroughly and listen to what they say; then he should make up his own mind, by himself."

Finally, Machiavelli speaks as a true modern consultant when he suggests leaders must be flexible to cope with change. "If a man behaves with patience and circumspection and the time and circumstances are such that this method is called for, he will prosper; but if time and circumstances change, he will be ruined because he does not change his policy..." ▪

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