



Guy Villax

GUY VILLAX

## Family owned businesses

Private companies usually have their shareholders meet every Sunday lunch, shop talk is kept to a minimum so as not to offend the "in-laws" and siblings not involved in the business. Family owned companies are involved in management and get remunerated by far more than just dividends. The reputation that comes with a company that does well, that is a highly-sought-after employer, that leads in innovation, in environmental thinking and international expansion, that does things right - rubs onto the family. For a family to be leading a business that is a role model brings a non-monetary compensation that makes this tight-knit group far richer than any stock market investor could ever be. Can you imagine the pride of a family where the business it owns addresses the capacity needs for the only paediatric HIV protease inhibitor? or the most innovative (avian) flu medicine?

The first wave of independent fine chemical companies that excel at serving the pharmaceutical were created in the fifties in Europe. They were founded by forceful entrepreneurs that all seemed to have: technical brilliance, an open mind to international horizons and a good dose of charisma and leadership. These businesses are now well into their second generation. We now see a second wave of entrepreneurs succeeding in this industry. They are in India and in China. Their growth has been phenomenal, we have seen them selling-out, we have also seen some weaknesses. But then not all family businesses pass the 50 year test of time.

The combination of ownership and management in a group of individuals bound together by family blood is a winning formula. Because this combination addresses the needs of the business better than any other model: the leadership at the top:

- has a profound knowledge of the technical aspects as well as the time it takes to get things done, the experience of past projects, the ability to pick trends and patterns where others mostly see confusion.
- has a deep belief in the industrial mission of the business, both in terms of doing it right and doing it well, but also doing it from the point of view of the customer - that implies much more than a service orientation. I often find myself telling bankers "why should we merge or sell out, what will it do for our customers?".
- is financially prudent, has a frugal dividend pay-out policy and long-lasting banking relationships that results in a strong balance sheet; but is technically aggressive keen on early adoption of new technologies.

- has a sense of ethics that does not allow for compromises. Ethical standards in a highly regulated business where service is paramount is an imperative and over time is the winning trump. Everywhere you will see that members of family businesses take an above average amount of time to serve their communities - in industry associations and in social responsibility matters.
- has a highly developed sense of opportunity. This is not just related to picking the right moments to invest in capacity, but also to go the extra mile to get a customer, to accept a bad business because it is a stepping stone to a sunny spot.
- has speed - to process all the inputs and get to a decision that is neither questioned nor subject to further reviews and questions. But also to change one's mind if one realises one has done a mistake. It is a decision-making process that is supported by the family that trusts the chosen leader, family members that from the age of 6 have been around the Sunday-lunch table and have seen many, many challenges. This collective memory of successes, and some failures, has demonstrated that over and above the soundness of the decisions, or the skills of the leader at the time, what has dictated success has been the business model because what matters most is to believe in a strategy and being able to carry it out whatever it takes, whatever the difficulties.

Family businesses also have built-in structural weaknesses. These are easily identifiable, and best practices from listed companies can address them without difficulty.

Aged 8 or 9 I remember my father returning in the evening from work with a twinkle in his eye - he was ecstatic because someone in the lab had finally been able to get that reaction to work. That's probably why I do what I do.

GUY VILLAX

Hovione  
Sete Casas  
2674 - 506 Loures  
Portugal