

## **Cheers to French Entrepreneurs**

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The word entrepreneurship has its origins in the French word "entreprendre" which means to undertake a task or activity. So perhaps it is appropriate to demonstrate how family entrepreneurship can be a competitive advantage by exploring one of France's most successful family companies.



This last week Patrick Ricard, CEO at Pernod Ricard, the world's second largest wine and spirits group with brands like Chivas, Mumm, Wild Turkey, Beefeater and Absolut, assumed the position of Non Executive Chairman after over 30 years leading the firm that his father Paul created. What makes this story important for family businesses is appreciating how a founder and son were both entrepreneurs in very different ways. One in the first act of founding the firm and the son in the second act of growing and professionalizing the firm. Too often business families fail to meet their potential for value creation because the next generations do not sustain the family's entrepreneurial legacy. The Ricard family teaches an important lesson about making entrepreneurship a part of the family's values and also about the ongoing challenge this creates as the family and business expand and mature.

The Paul Ricard story is the classic business saga about a serial entrepreneur who saw new venture opportunities in an improved pastis formula, building a car racing track, introducing color movies to France, constructing an airport and an environmental institute. He knew no limits because the word non (French for no) was not a part of his thinking much less his behavior. So how did the firm he created, now known as Pernod Ricard, after the acquisition of a competitor, grow from a small regional French liqueur producer to the second largest wine and spirits company in the world?

One important success factor is that the next generation leader made the transition from a start up management style to organizational entrepreneurship by professionalizing management and exploring new growth strategies. The founder's vision was to dominate the global pastis market; unfortunately this sweet licorice flavoured drink did not have strong appeal outside France where today it remains a part of the summer holiday tradition. Typically founders are driven by their strong content knowledge about a specific product or market. Their vision is to grow by selling more of the product or service that gave them their initial success.

When Patrick took over he understood the importance of branding and customer loyalty from his Ricard experience. This deep market knowledge shaped the development of an industry consolidation strategy based on acquiring wine and spirit brands in different markets and then leveraging management, finance and strategy capabilities to expand market share and geographic coverage. While his competitors attempted to expand the market share for their individual brands Pernod Ricard expanded the global reach of their entire organization.

So what is the Ricard family's next entrepreneurial challenge? Our work at INSEAD suggests entrepreneurship is a continuum of activities for business families. It starts with founding a venture followed by the second act of growing and professionalizing the business. The third act is transmitting entrepreneurial values and skills to the third generation of an expanding group of owners and leaders. Here is where family education and development become important success factors because business-owning families must consciously work to develop the family's talent if they want family ownership to contribute to their future success. This has already started at Pernod Ricard with several third generation family members in executive positions of the company and one serving as president of the highly acclaimed Institute of Oceanography.

The last and on-going task for business families is institutionalizing an entrepreneurial spirit based on risk taking, innovation and stewardship with the future generations of family owners. The separation of ownership and management roles often creates conflicting goals, leadership rivalries and the possibility of family conflicts. Maintaining a capable and committed ownership group driven by entrepreneurial behaviors across generations is the ultimate measure of family entrepreneurship.

The Ricard family has successfully passed the first two entrepreneurial hurdles and with the third generation firmly in place the vision of becoming the world's leading wine and spirits group is within their grasp. Their challenge now is focusing their full energy on developing a world-class ownership group with the entrepreneurial spirit of the first two generations. If they can accomplish this goal entrepreneurship will, despite President Bush's quip that, "The thing that's wrong with the French is that they don't have a word for entrepreneur" will be very much alive and well in France.

