FBN 28th Global Summit

8-11 November 2017, Gran Canaria, Spain

Summaries of Sessions

‘The positive impact of Family Business: Responsibility, Resilience, Regeneration’

From 8 to 11 November 2017, the 28th FBN Global Summit celebrated and explored ‘**the positive impact of family business**’ in Gran Canaria, Spain, just 100 km from the west coast of Africa and at a distance of about 1,100 km from the Iberian Peninsula. This collection of summaries captures some key ideas from the plenary and case study sessions. The positive impact of family business is clearly seen in the Summit’s three subthemes: Responsibility, Resilience and Regeneration.

Responsibility
Family businesses understand that corporate activities should not just minimise harm but also maximise good. Through the Polaris initiative (‘*Family Business as a Force for Good*’), business-owning families are change agents: they are taking the lead in opening up the multitrillion-dollar opportunity in climate change.

Resilience
During the financial difficulties of 2008-2015, family businesses demonstrated that they are the most resilient sector in terms of employment, having been slow to make people redundant and then generating new jobs as conditions improved.

Regeneration
The values of family businesses, including their long-term vision and commitment to sustainable growth, are key to renewed growth in economies. Long-term thinking is also much-needed for renewal in politics and society.

In addition to the six plenary sessions and 12 case studies, the Global Summit in Gran Canaria featured 10 small groups and 10 sobremesas, each repeated once, facilitating intimate, high level peer-to-peer exchange and remaining confidential to participants. Four Circles also took place as FBN is on a journey of transforming from a network to a learning community:

- FBN Learning Circle
- New Leaders Circle
- Philanthropy Circle
- Polaris Circle

We trust you will find these summaries useful and look forward to welcoming friends and seeing new faces at the next FBN Global Summit in Venice, Italy, from 10 to 13 October 2018.

Please note that the session summaries in this document are confidential and intended for FBN members only.

Contents

Wednesday 8 November session summary

Thursday 9 November session summaries

Friday 10 November session summaries

Family Gravity: a powerful and innovative way to leverage your uniqueness as a family business

Claudio Fernández-Aráoz, Egon Zehnder

Wednesday 8 November

Key Points

- The extended 'family gravity' model explains the uniqueness of a family business and traces success to people, DNA and structure.
- The connection between 'family gravity' and success is clear. Flourishing family businesses score highly on the new 'gravity index', whereas fading families have a much lower score.
- Family businesses can improve their gravity score by developing family leaders who are identified by potential and not only by their current performance, competence or past experience.

Synopsis

What attracts non-family executives to stay at family businesses? One answer is that they are caught in a 'gravitational field' that keeps drawing them closer. This 'family gravity' traces to three components: **people** (perhaps a single person, and not more than three people, who are at the gravitational centre), **DNA** (the values matrix of the business and family) and **structure** (which promotes effective governance, family involvement in the business and cohesion among family members).

Family gravity can be measured by a 'gravity index', which is being developed by Egon Zehnder and FBN and will be presented at future workshops across the network. Broadly, the index identifies four gravity types:

Gravity type	Gravity index (out of 100)	Comment
Flourishing family business	c.80	High scores on all components of the index
'Business first' families	c.70	High scores generally, but weaker on 'values'
Emotional leaders	c.60	High scores on 'people' but weaker on 'structures'
Fading families	c.40	Particularly weak on 'values' and 'NxG development'

A key strategy for improving the gravity index, which is clearly connected to ongoing business success, is to identify, direct and develop the potential of the Next Generation (NxG) to become great family leaders.

How can these leaders be identified? In the past, the focus was on measuring **current** performance in a list of competencies such as results orientation, strategic orientation, team leadership, change leadership, market understanding, inclusiveness, and collaboration and influence. But it would, in fact, be more useful to identify **potential**.

How can such forecasts be made? By assessing the four elements of potential: curiosity, determination, insight and engagement against specific roles. If any family member scores highly on these elements, then there's an opportunity to develop them as a leader for those roles.

It follows that important challenges for business families are to diagnose their current level of 'gravity', identify their gravity type, and then seek to strengthen both their gravity and performance by focusing on:

- **people**: particularly looking at their forecasted levels of performance, not just current levels
- **DNA**: remembering the special contributions that **family executives** can make, who have an edge when it comes to the internalisation of the values of the family and business
- **structure**: renewing the commitment to effective family/business governance, with an involved and cohesive family

In summary, a tremendous 'win' in families could be taking a closer look at their NxG; moving from a static genogram to a dynamic gravity system, business-owning families can assess their potential and help them become the great family leaders that they were always meant to be.

Summit opening

Karl-Erivan W. Haub, Chairman of FBN International
Belén Villalonga (emcee), Stern School of Business
Philip Mackeown (emcee), Musgrave, Ireland (5th generation)
Andrea Pinto, Pinto Holding, Ecuador (2nd generation)
Ignacio Osborne Cólogan, Osborne, Spain (6th generation)

Thursday 9 November

Key Points

- This 28th Global Summit is all about the positive impact of family businesses. It's a time to reflect on the programme's three subthemes: Responsibility, Resilience and Regeneration.
- FBN is a truly global organisation and is transforming into a learning community.
- Be a Polaris champion and join others who are determined to be a force for good.

Synopsis

Family businesses are in the best position to make a positive, sustainable impact. The FBN Pledge for A Sustainable Future promotes a culture of responsibility, resilience and regeneration: responsibility especially to non-family stakeholders, resilience in the face of an increasingly challenging world, and regeneration in the forms and processes family businesses must take to regenerate themselves.

FBN is a truly global organisation. This FBN Global Summit unites 460 participants from more than 40 countries. First-timers make up 35% of those present, and the NxG comprise 25%. The vitality of the network is evident as it regenerates itself. Yet some countries still do not have a Member Association so have little contact with other family businesses. FBN provides members with a way to connect, to share, to learn from each other. Its scope is apparent in the 31 Member Associations covering 65 countries, with over 3,400 business-owning families and 11,000 individual members who organise 750 activities each year. Some Member Associations are celebrating anniversaries, including Bulgaria (10 years), Italy (20 years) and Spain (25 years). New chapters continue to be formed, such as China, who emerged from FBN Asia to form its own Member Association, Greece, Levant and Luxembourg.

Polaris is a holistic framework that can guide family businesses through a journey to become more sustainable in their cultural, social, environmental and economic dimensions. Our planet is in our care but is suffering. Polaris provides family businesses with a way to deliver on the FBN Pledge, using its tools to join the journey, make headway on their aims and measure their own progress. It helps families turn their pledge into real action.

Everyone can make an impact, starting by making small changes. For example our oceans are filled with toxic plastic, so everyone should think about reducing plastic waste. One way is to use the green reusable water bottle distributed to all Summit participants. It's one small symbol of the simple changes that can be made collectively to save the environment and make a difference. Each individual can commit to adopting actions for sustainable living in their families as well as in their businesses.

Polaris is evolving from a movement of passionate members championing family business as a force for good, to a platform for learning, innovation and collaboration with like-minded partners. It is a force that helps businesses innovate, take concrete steps to do good and gain advantages. Indeed, sustainability is a long-term investment that will produce returns. Being at the core of the economy, family businesses have the opportunity and even the responsibility to make significant positive change. So help spread the word about Polaris, and become a champion as well as a force for good.

Global macro trends: how family businesses can respond to them – and shape them

José Manuel Entrecanales, ACCIONA, Spain
(3rd generation)

Thursday 9 November

Key Points

- Global megatrends are currently determined by 3-4 ‘nasty’ factors.
- Family businesses are the only entities able to actually do something about these trends, because they are global, have ideas and, most importantly, are capable of execution.
- Family businesses can be SMART, focusing on sustainability, mitigation, adaptation, resilience and transformation.

Synopsis

Family businesses have the awkward and difficult challenge of balancing business necessities with moral obligations and ethics, and putting all the elements together to find something that meets personal goals and allows individual achievement. What’s more, this must be done in an environment currently governed by global megatrends that are determined by a few nasty factors. They are climate change, population growth and resource depletion.

Atmospheric CO_2 concentration has increased, affecting temperatures and forcing climate change. The acidity of oceans is a situation headed for disaster. We humans have used up over 60% of our maximum level of 450 parts per million of CO_2 concentration. Climate change will affect every aspect of our lives. The rapid recent increase in human population is also cause for concern. The world will reach an estimated 10 billion people between 2060 and 2070. Urbanisation is expanding; 60% of inhabitants will be living in cities. These concentrations will make life in urban areas miserable, as attested by commuting times, which in Latin America, for example, have reached an average of over 3.5 hours. Resource depletion, for instance of the forests, minerals and potable water, is also a major challenge. In addition, the wealth gap within countries is growing, even if, thankfully, globally the gap is decreasing. The problem, though, is that everyone knows what everyone else has, which is encouraging envy and migration, another megatrend. So what can family business do about all of this?

In fact, family businesses are the only agents of change able to actually do something about these trends, because they are global, have ideas and, most importantly, are capable of execution. Other social agents are capable of affecting these trends, but they don’t have the execution capacity: governments have influence but only in their own regions; non-governmental organisations lack the capacity to be makers of change; academia offers ideas and may have global reach but that community doesn’t have the power to execute.

Corporations have all the ingredients: global reach, ideas and innovative capacity and, above all, the ability to execute. In particular, family firms operate with a long-term vision, are more socially conscious and by definition are transgenerational and intergenerational. Family businesses thus have a huge responsibility, but also a great opportunity to solve these problems.

Family businesses have the chance to be SMART, to focus on sustainability, mitigation, adaptation, resilience and transformation. But this is not CSR (corporate social responsibility). It’s about making this focus a part of all business activities, placing it at its core. It’s about finding the opportunities while realising profits. The opportunities can be found, for example, in the UN sustainable development goals. They are the great needs of the world, which can translate into great demands and fantastic business prospects.

Family business members must decide whether to dedicate their lives to the company or to other goals and interests. But despite the difficulties and risks, when deciding between a personal life and a professional future, the right decision is to belong to the family and the business to safeguard the value of the company and of the ‘tribe’, because continuing the effort is worthwhile.

Heinrich Liechtenstein, IESE Business School
Valerie Mars, Mars, Inc., USA (4th generation)

Thursday 9 November

Key Points

- Faced with ongoing global disruption, family businesses need to look at their assets and ask if they are the best owners of them.
- In the *Sturm und Drang* of change, the family itself is the key consideration for the business.
- Constant learning is important, but integrating it requires a plan.
- Staying connected as a family should come from the heart rather than from a desire to be successful.
- As well as growing the business, pruning the family tree is another key for resilience.

Synopsis

Faced with ongoing disruption in the world, family businesses need to look at their assets and ask if they're the best owner of them. Waiting is no longer an option, as today's businesses will change or may even disappear. Asking hard questions with a certain distance are crucial for resilience, because business assets are ultimately not family assets.

Moreover, in the *Sturm und Drang* of change, the family itself is the key consideration for the business, especially if the firm becomes detrimental to the family's health and well-being. Assessing the financial situation and evaluating portfolios can help determine if owners are destroying value. In fact, the key question becomes whether the business is ahead of the curve, creating value and not just maintaining it. A good Board with external members advising the family is of course vital, as is the family's own Board, which can serve as a 'mirror' for self-reflection and consideration. Finally, a decision to sell must be made before the business starts declining; family businesses often hold onto assets too long.

The sign of a healthy family business is one that grows more quickly than the standard rate, which helps to avoid uncomfortable conversations about the business and the risk that families will sell in a trough rather than at a peak. Ensuring a clear-eyed vision and performing proper SWOT analyses can help to let go and not prejudge bad circumstances. Being diversified, and having a thread or business that survives difficult moments, are also helpful.

Because change is constant, sufficient time and energy put behind life-long learning will build resilience. In fact, the plan for doing so is as important as the content. Parents now get together to decide on what learning for the NxG should mean. Formalising plans could include using a common vocabulary for the family about the business and its concepts, and standardising metrics. The NxG also must get in the seat sooner; they need to have 'skin in the game' and the freedom to run things. They like to work together as a group, doing it on their own territory and without parents. Moreover, they don't see barriers that the older generations saw. Letting go is hard for the older generation (they shouldn't pass their baggage on to the NxGs).

As interest in the business could wane over time, it's ultimately the education of the heart, not the mind, that establishes the reason for the family's continuing existence. Some may say tradition and heritage matter – '*blood is thicker than water*' – but when families truly like each other, it can be very different. It's so much more than the attitude of, '*hey, we're all together, let's take a nice photo*'.

Just as the heart is a central force, being relevant and competitive can also mean being conscious of 'pruning' the family tree. While natural occurrences can diminish a family's size, its gravitas is more about ownership. As a 'big pot', it's to a greater degree a trust and is not owned by one person. Members are entrusted to be a force for good, and to hand on to the NxG. Different mechanisms can help achieve this; central is having one pot, which becomes ever stronger over time, even over centuries.

When merging the family business entails merging the business family: a personal account

Philippe Haspeslagh, Ardo, Belgium (2nd generation)

Moderator: Christine Blondel

Thursday 9 November

Key Points

- Particular issues face a family business that is looking to merge with another company – even if that company is owned by another branch of the same family.
- Merger discussions are likely to bring to the surface deep-seated dissatisfactions that have been kept hidden by family members in the interest of maintaining a show of family harmony.
- It's better to tackle conflict, and manage it, than to avoid it. Ultimately, a successful merger can result in family shareholders coming nearer to their goals and aspirations.

Synopsis

A merger of two companies is always challenging, not least because of the likely differences in vision and values between the two sets of owners, and because of cultural differences in management. But what about the merger of two companies that are owned by different branches of the same family?

On the positive side, greater similarity in vision and values is possible in this situation, as well as an underlying appreciation of common roots. The creation of a new, larger entity can improve competitiveness in global markets.

Yet at least four issues are associated with merging family businesses. One is 'myth of family harmony', which runs along the lines of '*we're so happy together and a major change will spoil things*'. In fact, it's rare for everyone's needs to be fully satisfied in a family situation, and quite possible that some people feel keen to make changes (such as cash out or exit the business) but have kept their desires hidden. The discussions about a merger will bring such desires into the open, apparently shattering harmony. The advice is '*don't be a hostage to family harmony*', to quote the title of an article in 2005 by George Kohlrieser.

A second issue pertains to the roles that will be open to the NxG. Many family businesses have strict criteria for the entry of NxG (university education, external experience, etc.) while others see jobs for any and every NxG as a basic function of a family business. This is a genuine deal-breaker; it would be better to call off a merger than to try to fudge this issue.

A third issue is whether the NxG will be forever shackled by the terms of the merger and its Shareholder Agreement (SA). One option is, at the time of the merger, to agree on a SA with a fixed 10-year term. After the 10 years, the generation in power will be free to completely revise the foundation on which the merger has been based, re-examining areas such as overall vision, risk level, dividend policy and scope of operations.

A final issue, a conceptual one, is whether it is more helpful for family shareholders to think of a merger in terms of bringing together two companies (= '*what's in the best interests of the two businesses?*') or bringing together family shareholders (= '*what's in our best interests as individual family shareholders?*'). The second of these options is a very useful way of thinking; the merger in the case study was conceived as a merger of seven family shareholders, each with their own goals and aspirations.

Overall, despite the particular issues associated with merging family businesses, the case shows that they can add major value. Even the conflicts associated with the merger can result in positive effects. '*The best way to approach conflict is not to avoid it but to manage it.*' Conflicts can cause some wounds but, just as scars are the basis of stronger tissues, so resolved conflicts are the basis of stronger relationships and better mutual understanding.

Pacari Chocolate – the dawn of a responsible family business

Carla Barboto, Pacari Chocolate, Ecuador (1st generation)
Santiago Peralta, Pacari Chocolate, Ecuador (2nd generation)

Moderator: Lucia Arteta Durini

Thursday 9 November

Key Points

- Company owners as individuals can build successful businesses by following personal convictions and accepting responsibility.
- It's all about responsibility: taking responsibility for all aspects of the enterprise.
- Leave nothing to chance; even choosing a company name and logo can make a difference, show responsibility and reinforce values.
- Family businesses are particularly well suited to generate sustainable and responsible businesses if they have well defined values, live them and pass them on to their company.

Synopsis

The individuals who create a company can and should take responsibility for what they do and how they affect their community, as they base their businesses practices in sustainability and personal conviction. Whether or not they have a family business background or family to show them the way, experience or even the funds to start the enterprise, owners with a purpose can create something that makes them feel good about themselves and that will drive accomplishment. A good idea, hard work and enthusiasm, along with concern for the environment and employee welfare are the ingredients of a recipe for success.

Responsibility is all-important when operating a business, including taking responsibility for company values. Food is our human medicine. So anyone in the food business who thinks about sustainable practices should offer products produced without the use of chemical fertilisers, pesticides or other artificial chemicals, although that may not be the standard farming method today. Taking full responsibility for the product, knowing its primary characteristics as well as its side effects is a necessity in order to have 'no regrets'. The attitude must be, '*We sell food that you will eat so I will be responsible for that*.'

Getting involved in the entire supply chain, from the very beginning at the seed or pod level to the very end including packaging and transport, is needed for a holistic, ecological and ethical approach to farming. That involves being aware and accepting the risk and responsibility that go hand in hand with changing conventional practices, even at the most basic level. Pay farmers more for their hard work and dedication, for their knowledge of the plants and harvesting expertise, and the quality of the product will increase. That quality will bring about greater revenues and profits, but that's not the main reason to pay employees well – it's to do things properly. The owner in return receives knowledge, but also increased dedication, loyalty and trust. The result is a 'holistic' relationship between everyone who makes up the company, as well as with nature.

A product's name and logo reflect the business' values. They can reveal respect for workers, land, nature and sustainable business practices, whatever is at the root of the company. Thinking through these aspects means nothing is left to chance. Obtaining certain certifications, such as Demeter (achieving biodynamic status), B-Corp (meeting rigorous standards of social and environmental performance, accountability and transparency) or SPP (showing respect for the authentic, democratic, self-managing organisations of small producers) makes the corporate philosophy visible. It can help to reinforce and maintain company values. Plus doing things responsibly is good and profitable business.

It all boils down to responsible business grounded in strong convictions and values, resilience and patience. There is nothing more effective at inspiring others than a business that practises what it preaches – if sustainability is part of a company's leitmotif and how it operates, people will follow and the market will listen.

Aggressive growth, downturn and crisis: a test to the business and family

Antonia Nacht, Nacht family, Brazil (3rd generation)
Cristian Nacht, Mills Estruturas e Servicos de Engenharia SA, Brazil (2nd generation)
Francisca Nacht, Mills Estruturas e Servicos de Engenharia SA, Brazil (3rd generation)
Tomas Nacht, Nacht family, Brazil (3rd generation)

Moderator: Helena F. McDonnell

Thursday 9 November

Key Points

- Deal directly and consequentially with the dynamics of a crisis.
- Trust non-family members and parties, and add strong family governance to corporate governance to mitigate risks.
- Search out 'strategic sweet spots' and diversify.
- Talk about taboos to help lift the veil that shrouds transparency.

Synopsis

A crisis can be the start of a revolution for a family business to become more resilient. 'Never let a good crisis go to waste', said Winston Churchill about the good and bad of a crisis. Getting involved with the revolution can mean coming out stronger. A fundamental approach to resilience includes several actions:

Deal with crisis dynamics. The Chinese word for 'crisis', composed of two signs signifying 'danger' and 'opportunity', is highly symbolic of how businesses can look at resilience. Opportunity was plentiful for a Brazilian family business, founded in 1952 and one of the country's largest specialty engineering service companies (participating in the construction of Brasilia and the Itaipu project). It suffered in 2013 onwards during the crisis of deficits, inflation and growing unemployment. Like many others, this business did not see the fall coming, and was saddled with an asset-heavy balance sheet from big investments in equipment. Huge losses led to internal housecleaning, with one-third of employees let go. The company took three steps demonstrating resilience of the business: 1) changing the Board's composition, making it younger, more strategic and more focused on financial strengths, along with upping the skill level; 2) reducing the number of branches; and 3) focusing on cash – cash discipline, receivables, selling idle assets – and on the long term while keeping an eye on short-term prospects.

Trust non-family members and parties. Accepting that blood is not a prerequisite for good partnerships makes it possible to 'professionalise' and add value to the business.

Add strong family governance to corporate governance. Family businesses can add value by getting organised. It requires understanding one's place in the structure, getting to know extended family better and going to Board meetings. Information flow is crucial, as is transparency about money and its impact on taxes and testaments. Organising builds resilience: for example, a Family Owners Council can undertake hard, complex decisions; a Family Council can cover soft issues such as cohesion and communication, and a Family Assembly should deal with shareholders, spouses and kids. It all helps in learning how to respect each other and how to disagree.

Search out 'strategic sweet spots'. Consider growth vs dilution: could dilution of family ownership be an opportunity? Or, what about a capital increase? Other considerations are the amount of individual freedom, and the rational vs emotional aspects of many issues: how should the two dimensions work together? Being aware of what is an emotion and what is a fact helps, as could bringing emotions back into a discussion at the end of a process.

Diversify to keep the crown on the cash. Diversification can make the business more resilient, and a diversified business is more assured of having access to cash in trying times.

Talk about taboos. Openly discussing what is often suppressed will make things more transparent. 'The scariest monsters are the ones under the bed': the burdens of being an heir, death, challenges, differences in competence – these and more are critical to air out. And, understand that it isn't about *if* you pass away, but *when* you do.

Structuring governance and engaging the next generation in a global company with over 2,000 family shareholders

Jean-Pierre Delwart, Solvay, Belgium (4th generation)
Savina de Limon Triest, Solvay, Belgium (6th generation)

Moderator: Christine Blondel

Thursday 9 November

Key Points

- Emotions are key to engaging family shareholders in the family business, including the next generation of owners.
- These emotions can be strengthened by the effective operation of structures, such as a Family Owners' Council and a Next Generation Council.
- The positive consequences of engaged shareholders include a willingness, when necessary, to put money back into the company when more capital is needed.

Synopsis

How can a family business keep successive generations engaged in the family business despite their increasing remoteness from its day-to-day operations? The answer partly depends on the **emotions** felt by shareholders: their emotional engagement with the business, and their attachment to 'affectio societatis' (solidarity and mutuality between family shareholders).

Strengthening such emotions is possible – even in cases with a very large number of shareholders – through **structures**, **people**, **projects** and **technologies**.

Structures can include a Family Owners' Council that oversees the information flow between the shareholders and business. It can also organise activities to reinforce cohesion, such as Family Days held on company premises with interaction with non-family executives, or events that reflect the particular interests of the founders of the family business (chemistry, science, innovation, etc.). Another useful structure is a Next Generation Council, which can have its own charter and can organise activities aimed at NxG personal development and stimulation of entrepreneurship.

Some **people** take a personal choice to be engaged and active shareholders, rather than passively waiting for the annual dividend. These are the type of people who volunteer to work in the structures and put themselves forward for elections to Council positions. Many do it without pay, as a form of service to others. Active shareholders have every right to feel proud of their contribution to the vitality of the family shareholder group.

Projects can be aimed at particular age groups. An example would be a campaign that encourages family members to pass on the habit of responsible ownership as soon as they can, by gifting at least one of their shares to each of their children when they reach 18 years of age. The campaign might take the form of cartoons, leaflets or other persuasive communications.

Technologies such as secure intranets, Facebook groups or Instagram accounts are also ways to engage shareholders. Some business families have succeeded in connecting over 1,000 family members through the Trusted Family platform.

So it **is** possible to maintain a large group of family shareholders who are very committed to the business – even to the extent that they are willing to participate in a major capital raise, and reinvest many years' worth of dividends back into their company. Such commitment represents a significant competitive advantage for family businesses that want to sustain family success over generations.

Finding your family business purpose

James Perry, COOK, United Kingdom (1st generation)

Moderator: Elizabeth Bagger

Thursday 9 November

Key Points

- A core purpose helps to define a business. But that purpose can take time and patience to elucidate.
- Finding the family business purpose is a bit like archaeology. The purpose is already there, waiting to be uncovered, but it takes mining and sifting to expose it.
- Even family businesses that have a lot of experience can benefit from stating their purpose clearly and expressing it through their activities.
- Once the purpose and a way to communicate it have been found, the commercial strategy will follow.

Synopsis

The reasons for creating a business can be multiple but defining its core purpose can take time and requires patience. Values, whether they be financial sustainability, highest quality, caring, or other principles and standards, can appear as the business grows but the core purpose is already embedded in it and needs to be discovered.

Finding the family business purpose is a bit like archaeology. The purpose is already there, waiting to be uncovered, but it takes mining and sifting to expose it. And that purpose may be found by looking outside the core business activity. It may not be about a company product or service at all. It could be spiritual, such as 'nourishing relationships'. That particular purpose would then mean that the sum of all the values and reasons for maintaining the business would revolve around fostering relationships, through customers, through business and society, through staff, through family, indeed throughout the entire value chain.

Even family businesses that have already been through myriad experiences, that may have started with a simple idea and grown remarkably or experienced rapid growth and gone through difficult times, need to stop and ask themselves why they are doing what they are doing. Sometimes it takes reaching the enviable point of having a clean, efficient commercial base to really be able to think about, verbalise and communicate the business purpose. But every business can benefit from being able to state its purpose clearly and expressing it through its activities.

Finding the family business purpose involves a dialogue with the whole company, through every team leader, until it is specified concretely. The book, *Start With Why* by Simon Sinek, is a good way to get the conversation going. It's a good idea to ask the senior leadership team to read it. It helps engage everyone to answer the question of why.

Once the purpose and a way to communicate it have been found, and that purpose has been put at the heart of the company, the commercial strategy will follow. That purpose becomes a fantastic tool to build competitive advantage, as when suppliers become interested in having a good relationship with a particular company because of its stated purpose. The purpose can affect staff behaviour as well. Those who identify with it do not come to work just to get paid. They come to work to do what they want to do because they are committed to the business. They can use their job to be the change they seek in the world. The purpose then has even greater commercial value because the talent wants to stay.

Finding a personal purpose as an individual is also important. Growing up in a family with a business, with parents with strong values, offers the opportunity to share something deeply. That's a great place to start looking for purpose, bringing it into the family environment and exploring it as a group. That experience can then be transferred to the business.

'*Our responsibility is to our purpose. The big win is living our purpose with integrity*.'

A rollercoaster ride through family business upheavals to entrepreneurship: my personal story

Risto Väyrynen, Leipomo Väyrynen, Finland (4th generation)

Moderator: Alexis du Roy

Thursday 9 November

Key Points

- The most interesting stories about resilience are often related to a crisis, not a success.
- Plans for succession or starting another business can rapidly deteriorate; things are not always black and white.
- When it appears nothing can go wrong, something just may; both corporate and family governance are thus critical.
- In a crisis, taking control is about aligning one's values and turning the page.

Sourdough, a living organism transferred through generations from one batch of baker's dough to the next, is as much a key ingredient for bread as it is a symbol of a family business's story of resilience. Defined formally as the ability to recover and rebound, resilience is often tied to success stories, but stories that aren't about success are often more interesting.

Plans for any business or undertaking can rapidly change and even deteriorate: things are not always black and white. Becoming the CEO of the family's large baking business seemed like a logical career step for a fourth-generation family member. In fact, besides a leading position producing hamburger buns, the company began to look at securing an environmental positioning as the world's first large-scale, zero-carbon bakery business. At the same time, plans to assume another position, that of chief executive officer of the father-in-law's boutique investment management business, were put on hold because the succession plan became unclear. In addition, the bold greenfield bakery project was sold to a pension fund which, as a potential partner, required a doubling in the size of the factory and assumption of control of the Board. However, the partner suddenly decided to withdraw, leading to disagreements and demonstrating that a loss of trust can quickly lead to a collapse '*like a house of cards*'. The business model was ultimately flawed. '*Everyone has a plan until they get punched in the face*', the boxer Mike Tyson once said.

Through it all, family and corporate governance are critical. Ploughing through adversity is often about coming to terms with an unknown situation – '*life is what happens to you while you're busy making other plans*', said the singer-songwriter John Lennon – and if it appears nothing can go wrong, something just may. In fact, a lack of contingency planning and proper risk analysis demonstrated that what may have looked good on the surface was not so great underneath. Corporate governance in this situation might have helped to guide business interests and development elsewhere.

Taking back control becomes about aligning values and turning the page. Consulting family members as well as outside experts, networks and, importantly, peers within FBN is part of resilience. Contacts with the network led to the creation of the New Leaders Circles, where it has been noted that people's attitude can help them be effective in any situation, especially in identifying things to be done and how to control one's life. Engaging in hobbies (such as cycling and climbing) helps, as does becoming re-energised through initiatives. Examples include developing the Fund Purpose Project, an inclusive investment platform dedicated to the United Nations Sustainable Development Goals, or founding a database for bakeries, and starting another bakery business. Continuing the tradition, the bakery uses the same sourdough started by the family in 1908!

The key learning from this fascinating journey is that something positive always comes out of sadness and sorrow.

FBN NxG Award for entrepreneurial business of the year

Ricardo Pineda Vila, Patrimonio Casa Grande, Colombia (4th generation)
Noora Keskievari, Leipomo Salonen Oy, Finland (4th generation)
Bruno Leone Jimenez, Servigroup SA, Ecuador (2nd generation)

Moderators: Dominique Otten-Pappas and Heinrich Liechtenstein

Thursday 9 November

Key Points

- The three finalists for this year's FBN NxG Award are entrepreneurial start-ups based in Colombia and Finland, plus an intrapreneurial project based in Ecuador.
- IESE Business School, which is FBN's 2017 academic partner of choice, will provide valuable learning opportunities to all three finalists, and especially to the winner.
- NxG entrepreneurs and intrapreneurs can apply for next year's Award via nxg@fbn-i.org.

Synopsis

The FBN NxG Award was created in 2009 to champion young family business members who initiate entrepreneurial or intrapreneurial projects. The Award fosters a community of young NxG entrepreneurs within the global network. In 2017 three enterprises reached the final:

EduEMPLEA (co-founded by Ricardo Pineda Vila) increases productivity/competitiveness through tailor-made vocational training that intentionally integrates teachers, students and companies.

OneMind Dogs (co-founded by Noora Keskievari) offers a dog training method that is easy, efficient and fun. It is a scalable business because dog owners learn online and are supported by a coach network.

Janec Pelagic Plant (run by Bruno Leone Jimenez) boosts the efficiency of processing pelagic fish such as sardines. Initially a project of the family business that went bankrupt in 2015, the pelagic plant has been re-designed for added-value products such as HGT (fish with no head, no guts and no tail).

The jury of the Award look for quality of the project; ability to renew/perpetuate the family business; sustainability and impact on society; level of innovation; and personal vision, enthusiasm and perseverance. During the session, a special vote of thanks went to the jury for their hard work.

Thanks to this year's partner, IESE Business School, all finalists will receive three coaching sessions from IESE professors, a free seat at the IESE MBA Family Business Conference and access to the IESE Entrepreneurship Platform, as well as their free pass for the 2017 FBN Global Summit. In addition, the winner will receive a free seat at the two-day IESE Global Family Séjour.

The winner was **Ricardo Pineda Vila**, whose business was much praised for its scope of operations. In 26 months the company has trained over 10,000 students from over 60 companies and achieved a 90% project repurchase rate. It is planning to expand from Colombia/Ecuador to the rest of Latin America.

Ricardo commented that learning how to present his company using the English language rather than his native Spanish was also a very valuable experience – so the reward is also in the process. His advice to other entrepreneurs is to develop the trait of curiosity; he tries to read a book every two weeks to gain new ideas and learn about the experiences of others. He feels that his most valuable mistake was when he hired a teacher who turned out to be unsuitable for a particular client. He had to switch to a teacher with more pedagogical empathy and the client appreciated how the situation was managed.

Other advice from the finalists included '*trust your passion*'; '*make it a goal each day to stay happy even when you're really busy*'; '*a business plan is important but the reality of the market is more vital*'; and '*be quick to share leadership with a person who'll be better than you at certain tasks*'.

NxG entrepreneurs or intrapreneurs are encouraged to apply for the 2018 Award via nxg@fbn-i.org.

Why we can't wait: the role of family businesses and the imperatives to act now on climate change

Christiana Figueres, Global Covenant of Mayors for Climate and Energy
Simon Torres, Contempo, Colombia (2nd generation)

Thursday 9 November

Key Points

- Family businesses that adopt Polaris are better, stronger, more innovative.
- Our planet is suffering but solutions are at hand and there is hope at the end of the tunnel.
- The deepest transformation ever seen is happening because of the exponential nature of the disruption caused by moving from fossil fuels to renewable, clean and limitless energy sources.

Synopsis

Polaris has evolved from a framework to deliver on the FBN Pledge to a movement of passionate members championing family business as a force for good, to a platform for learning, innovation and collaboration with like-minded partners. The family businesses that have adopted it are better, stronger, more innovative. They know that doing good is not charity, it makes good business sense.

Despite being in our care, our planet is suffering. Humans are dumping 110 million tons of manmade global warming pollution into the atmosphere every 24 hours. The climate system is warming. This affects humans, plants, animals, our entire ecosystem. Climate-related catastrophes, such as hurricanes, are increasing. Destructive droughts and water shortages are common, in southern Brazil and elsewhere, while flooding has occurred in Tamil Nadu, India, and Miami, Florida. Climate change is also a medical emergency. The Zika virus is spreading, as are other diseases. And estimates suggest 50% of all land-based species are at risk of extinction in this century.

But solutions are at hand. Wind energy delivers 16 times the electricity it was predicted to provide in 2010. Globally, wind could supply more electricity than needed, 40 times over. Solar installations are increasing, as is the energy storage market. Auto manufacturers are moving to electric vehicles. So things can and are changing for the better.

The deepest transformation ever seen in the global economy is happening because of the exponential nature of the disruption caused by moving from fossil fuels to renewable, clean and limitless energy sources. Seven elements are part of this transformational process, stimulating a more stable world:

1) **Disruption**: Renewable energy is disruptive. Solar costs have decreased 80% in eight years and are now competitive with fossil fuels. Wind and solar energy are also fundamental disruptions as energy sources. And electric utilities are having trouble reinventing themselves.
2) **Devaluation**: Renewables are devaluing the incumbents. Solar is now cheaper than coal in many jurisdictions, including in India.
3) **Dematerialisation**: It used to be necessary to dig up coal and oil or gas, which was in solid, liquid or gas form and needed to be transported far and wide to produce electricity. Wind and solar have completely dematerialised fuels, and they don't need to be transported far any longer.
4) **Decentralisation**: Renewables allow the decentralisation of electricity production. The huge power plants are becoming obsolete. Solar panels can be affixed to any hut. Every building can produce its own electricity, harvest its own water and produce its own food.
5) **Democratisation**: Access to energy is deepening due to solar panels or wind turbines that can be placed in the remotest villages, thus making it the possible to provide electricity to the 1.3 billion people who today still don't have it. The democratisation of energy will help them become stronger economic agents.
6) **Digitalisation**: Renewables are already interconnected through artificial intelligence and other new technologies, so we know where they are needed and can use them more efficiently. These energies will not increase along the same curve as population growth or GDP. We are delinking those curves.
7) **Disentanglement**: Geopolitics used to be linked to fossil fuel supply and demand, with suppliers wielding control. Geopolitics were determined by their transport routes. That has changed because energy no longer needs to be imported. Energy dependence that caused war has changed through energy independence.

Building a family of brands for the world to love generation after generation

22nd IMD Global Family Business Award

Winner: Pentland Group plc, United Kingdom: Rubin family

Friday 10 November

Key Points

- While recording billions in sales and having been listed for 35 years until 1999, the Pentland Group has always been a family business.
- The thread of resilience runs through its businesses and its family governance.
- Pentland regenerates by looking outside the company to avoid becoming insular, investing in the right opportunities and making the Pentland 4.0 programme available for the NxG.
- Responsibility as a family business comes through its ethical and sustainable practices.

Synopsis

Of the 47 nominees for the IMD Global Family Business Award 2017, Pentland Group stood out as a beacon for family business leadership with its 20,500+ employees in the sports, fashion, outdoor clothing and footwear sectors, including familiar brands such as Speedo, Lacoste and Ellesse. With 2016 sales in excess of £2.9 billion and having been listed for over 35 years in the past, Pentland remains a true family business delivering on this Summit's themes – resilience, regeneration and responsibility.

From a humble start as The Liverpool Shoe Company in 1932, it emerged from a number of key strategic pivots as an amazing portfolio of sport and fashion brands, reflecting the thread of resilience running through its business. A listing on the London Stock Exchange in 1964 helped build capital for growth but led to unsustainable tension between its long-term thinking (as a family business) and delivering results in quarters (as a publicly held company); it was '*like living in hell, without dying*'.

Going private again in 1999 put the six family shareholders in full control of their destiny and with no long-term debt. Among the six, dividends and shareholding are equal, with dividends also seen as helping to manage through difficult times. Resilient family governance is key to Pentland's success – not just through its structures and the family's Friday-night dinners, but in its concern for the NxG. Pentland 4.0, a two-year educational and development programme, addresses key questions, such as what good and bad family businesses look like, and what it means to be a responsible owner.

Regeneration in the business is through innovating in its portfolio of brands and investing. For the former, Speedo performance swimwear, with its 65% global market share, provides leading-edge performance innovation. For investing, identifying the best opportunities and making great deals are central to Pentland's success over the years. The company's US$77,500 investment (a 55.5% stake) in Reebok in 1981 turned into a spectacular US$770 million exit in 1991. Even '*the one that got away*', the acquisition of a 20% stake in adidas that never materialised into a full buyout, resulted in a nice profit on the currency exchange rates. Investing in outside businesses also allows Pentland to continue learning, as with the decision to work with Amazon.

Responsibility as a family business translates into ethical and sustainable practices, which include sponsoring the Pentland Centre for Sustainability in Business at Lancaster University (UK). The company has worked with a number of charities, and is mindful of its environmental impact by reducing emissions and harmful substances across the value chain. Reflecting its responsibility vis-à-vis its employees, it was not only voted the best corporate workplace in the United Kingdom in 2003, but also the 16th best large workplace in Europe in 2016.

Underlying the nurturing of Pentland's family orientation are aspects of servant leadership; the third generation in charge sees its role as '*the steward of the next generation*', yet all the while keeping the older generation involved or informed. The transition from the third to the fourth generation can be eased by including the older generation, even by giving them ownership of others' ideas ('*It's always his idea*' is a management tip for NxGs). In the deep family values at Pentland, it certainly seems to work.

Regeneration at its core: CEO transition at a global leader in plasma-derived medicine

Raimon Grifols Roura, Grifols SA, Spain (3rd generation)
Victor Grifols Deu, Grifols SA, Spain (4th generation)
Victor Grifols Roura, Grifols SA, Spain (3rd generation)

Moderator: Belén Villalonga

Friday 10 November

Key Points

- The situation in which a CEO is succeeded by two co-CEOs is relatively unusual, but good reasons abound for going down this route.
- Good reasons are related to benefits in decision making, checks and balances, and leadership transition.
- The conditions in a family firm might be particularly suited to co-CEOs, especially if the two leaders share an instinctive understanding of the family's values and business.

Synopsis

When people hear that a CEO has been succeeded by two co-CEOs, their first reaction is often: '*Why two CEOs rather than one? Couldn't you make a decision?*' But, in fact, there are good reasons for choosing co-CEOs:

Well-considered decision making: Co-CEOs can talk ideas over and check each other's thinking without any fear that criticism will harm their career prospects. It's common for co-CEOs to sit in neighbouring offices so they can easily chat and get informal views on issues as they arise.

Checks and balances: With co-CEOs, the chance is minimised of one all-powerful person being tempted to ignore the proper procedures or to take shortcuts that destabilise the organisation.

'Good cop, bad cop': Co-CEOs can rotate the fulfilment of roles such as 'bad cop', improving effectiveness while increasing job satisfaction. (Sometimes it's nice to be the good cop.)

Shared travel: When they travel together, co-CEOs can derive more benefit from trips because of the added social dimension and mutual support. Alternatively, when they travel separately, co-CEOs can cover more ground more quickly.

Smoother transition: If the co-CEOs are from different generations, one of them will always provide continuity, even when the older one retires and is replaced by a younger person.

The conditions that exist in a family business might be particularly suited to co-CEOs. First, if both are from the same family, an underlying similarity of background and outlook will exist. They will have grown up with the business and have an instinctive shared understanding of it. This promotes a mutual conception of vision and strategy.

Second, family co-CEOs may have fewer of the ego issues that can infect hard-driving careerists who are desperate to get to the top. Family members may be happier with the notion of '*our*' business, as opposed to the careerist who thinks of '*my*' business and cuts any rivals down to size.

Third, family co-CEOs are likely to have known each other for many years, not just in a professional capacity, but also as uncle, nephew, etc. The potential richness in their relationship, which is long and varied, can foster very successful commercial interactions.

Given all these points, people's first reaction to a leadership transition should perhaps change to *'Why **not** two CEOs?*'

Powerful paradoxes: ME-BYO – innovation, tradition, meaning

Hiroko Ogawa, Brook's Holdings Co., Japan (6th generation)

Moderator: Gonzalo Jiménez

Friday 10 November

Key Points

- Ancestors and spirituality can play a major part in family business decisions, including who the NxG owner will be.
- The young generations in a family business can combine tradition with innovation to develop the company in unexpected ways, helping it to endure.
- A strong leader will seize the opportunities for change and renewal, which can expand the enterprise geographically and commercially.
- Decisions to accept new challenges and take new risks are often rooted in previous generations' power and wisdom.

Synopsis

Ancestors in many cultures are very important. Family members over decades or centuries can make or break a company, due to internal crises (family issues, poor management or disinterest) or external catastrophes (war or disasters). Yet generational pillars can emerge who keep the business afloat or even take it to new heights. These family pillars are not necessarily employed in the family business. They may be totally out of public view but their decisions nonetheless affect the family and business tremendously.

Such decisions include how the NxG should be brought up to epitomise the family values (such as responsibility, gratitude, discipline, care) and to carry on the family and business code of conduct (embracing motivation, maturity, honesty). They are sometimes responsible for rebuilding a failing enterprise. They may also designate who will take control of the family business, affirming their decision in some cases without providing clear reasons, yet intuitively knowing who will be most suited to the task. Spirituality may play a role in these decisions and family members may acknowledge the special power and wisdom of the family pillar to make such decisions.

Despite, or perhaps because of, deep-seated cultural and family traditions, a strong family leader can combine innovation with upbringing and education to develop the family company in new ways. Observing market changes, detecting emerging trends and integrating new technologies can propel the business in unexpected directions. A strong leader will seize the opportunities for change and renewal, which can expand the enterprise geographically and commercially.

Today, innovation and traditional business values and purpose can combine into new platform development projects that can bring new meaning and added quality of life to people. Me-Byo is such a project, although it is unrelated to the original family business. The term means 'neither healthy nor sick' and promotes the idea of a healthy balance in life. It addresses the quasi-global challenge of healthy ageing. The project, still under construction, aims to provide wellness, comfort and basic amenities through BiOTOP!A, in the Me-Byo valley, that offers greens spaces, restaurants, a spa, fitness centre and healing villa near Mount Fuji just one hour by car from Tokyo. Through healthy food, exercise, nature experiences and other programmes, it helps people discover a 'new' healthier lifestyle.

Decisions to accept new challenges and take new risks are often at the root of flourishing businesses. They are often tackled in the spirit of those in previous generations who instilled discipline, confidence and curiosity in family members, handing them advantages that will help them succeed within their families and their businesses.

How emotions can either make or break your family and your family business

Sophie Cuendet, Cuendet family (5th generation)

Friday 10 November

Key Points

- While suppressing emotions could break a family business, dealing with them will help it flourish.
- Expressing emotions help family members to become self-assured, to signal needs and to connect with others.
- Finding the benefit of emotional self-awareness is like destroying the old to start the new.
- Using words as windows, not walls – in the spirit of non-violent communication – can help people formulate requests and become non-judgemental around others.

Synopsis

Being vulnerable and authentic when communicating with others may very well be one of the world's biggest challenges. Emotions are at the core of this; many people suppress them and thus take great strides backwards in communicating. However, through self-assertive training and by using non-violent communication methods, people can improve how they interact and get along with others.

The example of an over 200-member family, anchored in fundamentalist Christian beliefs and stricken by intrafamily discord, provides proof of the possibilities. A family culture of hiding and never being daring hindered the business, and the family only met occasionally. Originally producing music boxes, the business shifted to milling, and the first and second generation developed and diversified the business further. However, family conflicts led to one member being kicked out, and to another in the third generation keeping those threatening him at a distance. Moreover, squabbles arose between branches, with the situation escalating to a family member committing suicide. The moment had arrived to reflect and consider what had happened and how to avoid such problems affecting the NxG.

Suppressed emotions had been the stubborn force threatening and even ending relationships. From there, three to four years of meetings with siblings began to flush out hidden problems. Mutual respect and trust quickly followed; it was about destroying the old to begin the new, rekindling the desire for business (a real estate project) and getting the relationships back. By shifting perspective, those emotions were welcomed as a sort of guiding star. Such emotions, for example sadness and love, signal an unmet need, in this case for healing and connection, respectively. They can also motivate to act and connect people to each other. In fact, through self-assessment of their assertiveness, people can reacquire the ability to speak and stand for themselves. Each person has their own 'world map', conditioned by culture, religion, education, life experiences and traumas, unresolved burdens and more. No one has a monopoly on how everyone should think and act. For that reason, people must understand that something can be done about it, which ultimately leads to better lives and better family management.

Moving from emotions to the words used to express them led naturally to the tenets of non-violent communication. In fact, how people use words is critical: '*words can be windows or walls*', according to Marshall Rosenberg, psychologist and founder of the Center for Nonviolent Communication. People can say anything; it just depends on how they say it. It's largely about attitude and approach. A simple though effective approach when communicating is to remember:

O = Observation: being objective in describing a situation, using observable facts
F = Feeling: describing one's feelings with respect to the facts
N = Needs: becoming aware of one's needs and expressing them
R = Request: formulating a request for action, using the first-person approach, 'I', to elaborate one's personal feelings and positions, thus allowing those listening to more easily respond

As demonstrated, suppressing emotions could break a family business. But dealing with them, and using them as a guiding star, will help it flourish. The golden rules? Always speak in the first person, 'I', and listen to others in a non-judgemental and empathetic way.

Reinventing the wheel: the automotive sector over four generations

Claudio Alonso Rohner, Domingo Alonso Group, Spain
(3rd generation)
Sergio Alonso, Domingo Alonso Group, Spain
(4th generation)

Moderator: Jesus Casado

Friday 10 November

Key Points

- When siblings share the position of CEO in a family business and the relationship is not good, the FBN safe space provides perspective and insight.
- The family business protocol is useful as a code of procedure and behaviour, but it also offers occasions to have frank and honest dialogue between family members.
- When a sector is undergoing enormous change, it's best to progress step by step, while using to advantage any new and useful tools.
- When there are problems, there are always opportunities as well.

Synopsis

If siblings take over a family business together, becoming co-CEOs, and their relationship is not good, the FBN safe, shared-learning space that allows frank discussion and intimate exchange and learning can help put the relationship back on track. The family members can speak to peers and take comfort in the fact that they are not alone in any particular situation. Problems can be shared and suggestions considered to unite the family and improve bonds within the unit and the business. One bit of wisdom might be, for instance, that it's more important to decide than to command. That important insight might well make the relationship with the sibling easier. It may alter the perception of authority and help to focus instead on the real issues, the direction to take and strategies to follow. Altering certain perceptions and expectations within the family and business can lead to greater cooperation, agreement and trust.

Having a family business protocol is useful. It's a declaration of intention that provides knowledge of what the other family members think. It can be a guide for family members who get lost, but it also informs the NxG about what they need to do to one day take over control, including educational and language requirements and recommended work experience. Being at the helm is an enormous responsibility: people's jobs depend on the company, so it would be negligent to join it without proper preparation. But the protocol is more than just a code outlining what the family members agreed together. Its preparation also provides opportunities to sit with the family to speak frankly and honestly about issues that might not be broached otherwise. It opens up the conversation and prospects for dialogue.

The more one knows about certain industries, such as the automotive sector, the less it's clear what to expect. There's much talk about electric vehicles and self-driving cars. The batteries and electronics, too, will change. These innovations will revolutionise the market, and change revenue streams and how business is conducted. How will cars be sold? Who will produce and sell them – who will be the competitor? The only thing that is certain is that the sector will change enormously. In this situation it's best to progress step by step – changing procedures or products and services too early can generate substantial losses.

But the automotive industry business model is not dead. Family businesses in this sector have many possibilities. Today a great deal of data can be collected about customers. That means that with the help of information technology, businesses can know exactly the wants, wishes, buying behaviours and service needs of clients. And other business ideas, problems and prospects that do not even exist today will arise. When there are problems there are always opportunities. It's a good idea to constantly diversify into new areas. So, constantly innovate and do not be afraid of new things.

Roadmap to failure

Ricardo Pineda Vila, Patrimonio Casa Grande, Colombia
(4th generation)
Rodrigo Lozano Vila, Patrimonio Casa Grande, Colombia
(4th generation)

Moderator: Santiago Perry

Friday 10 November

Key Points

- Mapping a family business's evolution along dimensions of ownership, business and family can uncover needs and lessons to be learned.
- A bad vision for the business can lead to failure.
- All family members need to truly share the values in the context of the functional organisation and running the business.
- 'Training the trainers' is critical to ensuring a common vision endures among the NxG.

Synopsis

Imagine some members of a family announcing that the family business should close. Having moved down the path of ownership from a start-up to a controlling patriarch and then sibling partnership, the final stage of creating a 'cousin consortium' would not happen. What began with a family entrepreneur managing an airline, processing sugar cane and mining feldspar, the raw material used for glass and ceramics, would become a slow road to potential and actual failure. A look at what went wrong and lessons to be learned from a tumultuous time would be critical.

Evaluating such a period over the dimensions of business development can prove helpful for any family business. The book *Generation to Generation: Life Cycles of the Family Business* provides a multidimensional model for such mapping along three axes: 1) ownership, as a business evolves from a controlling owner to a sibling partnership and finally to a 'cousin consortium'; 2) the family, which moves through phases of entering the business, working together and finally passing the baton to the NxG; and 3) the business, as it develops from start-up to expansion, formalisation and finally to maturity. In this case, the family business did not reach fulfilment along all axes.

What lessons can family businesses take as they evolve through their own cycle of development?

A bad vision can lead to failure
No one will fight the battles that invariably arise in a family business if members aren't committed to the vision. Holding regular family assemblies can help nurture engagement. In addition, the vision of wealth needs to be right. Distributing money among the family can be difficult if fiscal regulations are not well enforced, and if family members are not taught to reinvest in the business and help it grow. They should also understand taxation issues. Above all, the NxG will be critical to supporting the vision in the future; integrating them into the business should be a priority.

Values are everything
A family may have certain functional aspects in place – family assemblies and counselling, an external CEO and a Board of Directors with family and non-family members, and cousins entering the Board. However, when some members reject or neglect the family's values, things start to fall apart. The business side could fail. For example, a family's construction firm, underpinned by using the family's own land, may not be able to generate revenue and allow profits to be reinvested; some assets may be liquidated; siblings may disagree; and a death in the family could be too much to overcome. A decision to sell everything could result in only nostalgic assets remaining. Overall, if a business's leaders think about the family values rather than how to make a profit (or to receive money without working for it), the business could very well be saved.

'Training the trainers' will help prepare NxGs for the business
The older generation risks having its NxG lose interest in the business if it neglects to 'train the trainers' (i.e. to develop leadership). The NxG will notice if the vision and values are there, which should be those they care about. An audience poll underscored how critical this phase is: only 30% were sure their families shared a common vision. Indeed, it's something to work on.

Family business: life after the digital disruption

Javier Cabrerizo, Unidad Editorial, Spain
Pedro Moneo, Opinno, Spain (1st generation**)**

Friday 10 November

Key Points

- Digital disruption – including the shift to smartphones and new expectations about interactivity and on-demand service – is forcing change in many business models.
- These changes include a shift from a focus on products to a focus on customer experience. Also, many firms are looking to create a new digital division or a parallel digital company.
- All these changes are likely to be deep-rooted so it's vital to build trust and secure full alignment.

Synopsis

Digital disruption has massively affected many industries and can be very hard to deal with – '*the hard thing about hard things is that there's no instruction manual'*. There's uncertainty about the right answers and even about the right questions. But some relevant questions include:

In a digital world, what do your customers really want from you?
Traditionally, firms thought in terms of '*our products*' but now it's better to think of '*their outcomes*'. For example, it can make sense to replace the mindset that customers want newspapers (i.e. product) with the mindset that they want news and commentary that will enable them to make informed choices (i.e. outcome). This opens the way to significant changes in terms of delivery, subscriptions, loyalty, etc.

When faced with digital disruption, how soon should you take action?
The erosion of traditional business models tends to happen slowly at first, then all of a sudden. So the moment to take action is before revenues fall off a cliff, while there is still sufficient cash to make the necessary investments in a new business model. It can take a very painful chunk of profits to build a viable future.

Does digital disruption mean that the family business has to become a tech business?
No, a fundamental change in DNA isn't needed, just a recognition that firms are now (inevitably) operating in a digital world. Traditional businesses can leverage powerful assets, such as their brand, processes, customer loyalty and cash. Many digital start-ups would love to have these assets, which are a source of competitive advantage.

Which of your managers is going to lead your response to digital disruption?
Some firms choose a potential CEO as their Chief Digital Officer, with the expectation that he/she will redesign business processes throughout the firm, giving them unrivalled knowledge of the new business model when he/she becomes CEO. Other firms build up a parallel digital company, which will always remain separate from the main firm, while piggy-backing off its infrastructure and back office functions. In this case, the Chief Digital Officer needs to be a skilled intrapreneur but not necessarily a future CEO.

How can you exploit digital disruption to reduce costs?
As digital technologies transform industries, costs are under constant pressure. This is a threat, of course, but also an opportunity. For example, it's becoming much cheaper to test out prototype goods and services. Try announcing the concepts on Facebook and see if anyone clicks on them. If lots of people are interested, the business will have gained a mailing list for when it actually launches them. If no one bothers to click, it will be obvious that it's not worth spending money on bringing them to the market.

But, '*there is no silver bullet*'. It seems almost inevitable that deep-rooted changes will generate emotional reactions and pushback. So building trust and full alignment between owners and managers while avoiding 'back-door' communication is vital. Even so, it will be hard work to make the necessary shift from '*this is something we have to do*' to '*we are actually doing it*'.

Doing good is a US$12 trillion opportunity

Ayse Unluturk, Sun Tekstil, Turkey (2nd generation)

10 November 2017

Key Points

- 'Doing good' is a lauded principle for local engagement, which can reach enormous breadth and scale on a global basis.
- The United Nations Sustainable Development Goals provide a framework for the private sector to contribute to improving society and well-being in the world.
- Opportunities in four key sectors can make a huge difference and are valued at US$12 trillion.

Synopsis

'Doing good' is a lauded way of helping local communities around the world. But doing good on a global scale has enormous potential breadth and scale. The 17 Sustainable Development Goals cover infrastructural, economic, social and environmental dimensions, and constitute a historic opportunity for businesses to make a major impact on society and the well-being of the world.

In pioneering solutions that work to meet these goals, businesses have a US$12 trillion occasion to make a huge difference in key sectors. How does this break down?

Food and agriculture: Feeding everyone on earth is a concern, so squandered food is troubling: 23% of it is wasted. Reducing food waste will benefit those in need and instil better food management practices. Forest ecosystems are in danger, with beef, soy, palm oil and paper pulp production accounting for 50% of deforestation. Low-income families spend as much as 60% of their income on food, so investing in low-income food markets is one excellent prospect.
Estimated opportunity: US$2.3 trillion

Cities: The challenges for urban areas in the future include tackling congestion, ensuring more affordable housing, and expanding the use of energy-efficient buildings and electric vehicles.
Estimated opportunity: US$3.7 trillion

Energy and materials: As many as 1.2 billion people worldwide still lack access to electricity. Ensuring supply and distribution offers options such as using circular models in machinery and expanding the use of renewables.
Estimated opportunity: US$4.3 trillion

Health and well-being: Health systems have growing demands, and basic services are still lacking in developing countries. While the incidence of diabetes is increasing in higher-income nations, 75% of those afflicted live in low-income countries. Risk pooling, remote patient monitoring and telehealth are considerations in addressing the big challenges in this sector.
Estimated opportunity: US$1.8 trillion

Collectively, the value of opportunities for the private sector come to at least **US$12 trillion**, with 50% of the total in developing countries. Achieving the goals in these areas also creates jobs. So while the sustainable business model may still seem like an option, in some industries it is an imperative and how the world will conduct business in the future.

Better family businesses, better world

Colin Mayer, Saïd Business School, University of Oxford

10 November 2017

Key Points

- Family businesses will be a major force in dealing with future challenges and the Fourth Industrial Revolution because they can be both more imaginative and innovative than other business types.
- Their purpose and governance structure bode well for their long-term prosperity.
- Measuring success as benefits generated for and by people is key to family business resilience.
- Standing for and defending their values can help family businesses stem the impact of institutional investing.
- Trust, shared by family businesses and people, will ensure the moral fibre of society's corporations and thus their ability to remain competitive.

Synopsis

Business faces greater political, social and environmental challenges than ever before. Along with the general breakdown of trust in business, technological and scientific innovations are creating greater opportunities for business to be a future force for good – or evil.

Family businesses will play an important role because of the short-termism in capital markets and the lack of engagement in the corporate sector. They will be a major force in the Fourth Industrial Revolution, their potential to promote idiosyncratic value making them more imaginative than other businesses. This difference builds up over time, especially through the efforts of the NxG. How they get there is contingent on their purpose. While many firms are driven to maximise profits, that raises red flags among regulators, which in turn forces firms to circumnavigate restrictions. Ultimately, companies exist first to provide goods and services. The dichotomy of purpose means the task remains of transforming the corporation into something that benefits society.

Governance is one route towards ensuring the success of firms dedicated to producing goods and services versus profits. Successful companies are often owned by industrial foundations, which stress values and long-term thinking over short-term horizons – much like family businesses do. The important difference between firms owned by foundations and widely held firms is that the former survive – in fact, 60 years on average compared to the norm of 20 years. The emergence of public benefit corporations in the United States is further evidence of this.

Measuring business performance is another contingency for success. Doing so today covers more types of capital than before and increasingly the human side, which is central to family business resilience. The industrial foundation may become the modern form of philanthropy. It has purpose (for example, operating in the slums of the world's poorest regions), builds relationships and measures performance in relation to human, social and financial capital. In this sense, family firms and people have a mutual interest.

Family businesses can help stem the tide of institutional investment by emphasising that their owners stand behind what they do. Shifting institutional investor interest away from a US$70 trillion market is difficult when investors want the highest returns. This spells trouble: being 'left-side-of-the-brain blind' shows rebalancing is required so that people are aware of their responsibility in giving over real ownership in companies. Increasing numbers of companies in the UK and US are unwilling to tolerate the impact of capital markets on their activities, and have exited from them. And, although regulations in financial markets are designed to protect small investors, they have been damaging for companies' development. This left-side blindness has tilted the balance too far towards institutional investment.

Restoring trust in institutions is one of the most important issues of this decade. Trust, a key interest shared by family businesses and people, affects everything, in a range of industries. Society and institutions are relied upon to tell the truth in a world of increasing uncertainty. Prosperity results from an environment of trust. And, taken further, the competitiveness of nations depends on the moral fibre of its corporations.

The Summit baton was symbolically passed to Elena Zambon, President of FBN Italy (AIdAF), who encouraged FBN members to come to next year's annual gathering in Venice, from 10-13 October 2018.

2018 will be the Year of the NxG. The theme of the 29th Global Summit will be inspired by the FBN Pledge for a Sustainable Future: '*For Future Generations: We pledge to share our values and long-term aspirations with the Next Generation*'.

NxG have always played a crucial role in the sustainable development of business-owning families, in particular in Venice. In the 13th century, Marco Polo journeyed across Asia, building bridges between East and West. He first set out at the age of 17 with his father and uncle, travelling over land along what later became known as the Silk Road.

Topics will include:

- Internationalisation: discovering modern silk roads for families in business
- Networking: travelling with and learning from Italian business-owning families
- Community building: sharing and living common values and building bridges between business-owning families

She stressed that the real strategic assets of family businesses are their reputations, their way of doing things and their commitment to responsibility. They are global citizens and, with their distinctive lens, family businesses are contributing to a better world in the future. She concluded: '*You can't miss it!*'

'Family business is a journey, where you need a lot of patience, communication and fair process. It's also a learning journey – to learn by families, for families and across generations.'

Save the dates for 2018

The year 2018 will be NxG focused, the year in which to celebrate the FBN NxG experience and for NxGs to find their own definition of the future. There is much to celebrate, including the size of the community, having reached 5,000 members, the 10th edition of the NxG Award, an engaged NxG talent pool and a vibrant NxG community in each Member Association.

We look forward to welcoming you in 2018 for unique peer-to-peer interaction and experiential learning, by families, for families, across generations.

International activities

28 April – 1 May	14th NxG International Summit, La Hulpe (Belgium)
6-8 June	FBN Annual Retreat and General Assembly, Milan (Italy)
9-10 June	Polaris Training, Milan (Italy)
10-13 October	29th Global Summit, Venice (Italy)
November (second half)	NxG Entrepreneurs Day

Regional and local activities

See http://www.fbn-i.org/coming-events-country/

'FBN has everything to teach me because of the sibling relationship, and about using the business as a vehicle to pursue purpose and profit.'

A Sustainable Future

Without a sustainable approach our future is at risk. Not just the future of our businesses but, we also risk the lives and livelihoods of generations yet to come. This is why we, The International Board of the Family Business Network, are reaffirming our promise to promote a business model that will sustain not only our own generation, but all those that follow us.

The benefits of a sustainable approach are apparent to us all: the responsible use of capital is a powerful force for good and with corporate stewardship comes corporate advantage. Businesses that achieve great things deliver greater financial results, but these issues we face are more pressing than immediate financial return.

To provide future generations with more than we have received ourselves is a deep-seated human ambition. It is found in all walks of life, but it is in family owned businesses that inter-generational thinking is intrinsic. We believe that our inherent understanding and appreciation of legacy brings an obligation to support and promote a sustainable future in all that we do. As custodians of tomorrow, we believe that it is our duty to act now by making these pledges:

<u>For our People:</u>
We pledge to do all that we can to create and nurture
workplaces and working cultures where our people flourish.

<u>For our Communities:</u>
We pledge to be responsible global citizens making positive
contributions to the communities that we work and live in.

<u>For the Environment:</u>
We pledge to search for ways to have a positive ecological
impact and contribute to a flourishing environment.

<u>For Future Generations:</u>
We pledge to share our values and
long-term aspirations with future generations.

We know that these are bold promises and we do not make them lightly. But in order to protect all that we have done and create a sustainable future, where our work lives on, they are vital. We call on all family owned businesses, worldwide, to take responsibility for the future of our children and our children's children.

Please join us in our pledge.

Karl-Erivan W. Haub	Farhad Forbes	Peter Therman	Priscilla de Moustier	Serife Inci Eren
Elena Zambon	Eliane Garcia Melgaço	Fred R. Sasser	Sajen Aswani	Joachim Uriach
Maya Faerch	Arjun Chowgule	Thierry Lombard	Andrew Wates	Alexis du Roy de Blicquy

polaris

FBN International