

Empowering the future of family business

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A four-part article series of
research-based practical insights
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Empowering the future of family business

A four-part article series of research-based practical insights

Whether you are a first-generation founder with a successor in the wings or a fifth-generation family enterprise, many important choices and decisions lie ahead for your business and your family — and those businesses of every age and stage in between.

What do your family members really want from the business? What aspects of your business should you keep and what should be changed or let go? What are the skills that you will need to take the business in a potentially new direction and who has those skills? How do you choose a successor who is right for today and for the foreseeable future? What are the appropriate family governance structures that need to be in place to sustain your business success across generations? And how can you make sure that those leading the business will sustain the family's values and sense of purpose to protect the family's legacy?

The **Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium** and KPMG Private Enterprise have come together to showcase the experiences and actions of the leaders of all types of family businesses throughout the world, at different generational stages, who are addressing these and many other questions. Both of our organizations have bridged extensive family business research and active involvement with family businesses globally to deliver practical insights and guidance on the actions that many leaders are taking to empower the success of their businesses.



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One of the important factors we have identified is related to demographic changes that are influencing the career opportunities and choices of many family members. Some have grown up in the family business and it is part of their DNA. For them, joining the family business is a clear choice. For others, that path may not be so clear.

We wanted to understand how the impact of changing demographics may be influencing the steps that family businesses are taking to sustain their growth, vitality and competitiveness. Insights into this question were captured initially in the **STEP Project 2019 Global Family Business Survey**. More than 1,800 family businesses across the globe contributed to the survey. The data analysis was then complemented by candid personal interviews with 37 business leaders from every region of the world, who described their firsthand experiences.

We are pleased to share these experiences in the four co-authored articles included in this collection. Each article addresses the ways in which multiple generations within families are having an influence on critical decisions about succession, governance and sustaining the family's legacy, as well as the changing role and impact that women are having in family businesses.

Here are a few highlights from each article to spark your interest in reading further.

Throughout this document 'We/Us/Our' means KPMG and the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium.

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About the STEP 2019 Global Family Business Survey

The Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium and KPMG Private Enterprise entered into a strategic alliance to conduct research to develop a deeper understanding of the impact of changing demographics on succession and governance practices for business families.

The STEP 2019 Global Family Business report surveyed more than 1,800 family business leaders from 33 countries across five continents: Europe, Asia Pacific, North America, South America and Africa. The survey provided an opportunity for the participants to provide their views on how changing demographics affect family business governance, succession, societal impact, entrepreneurial orientation and performance. A summary of the survey report can be found [here](#).

As a follow-up to the survey, more than 25 personal interviews were conducted with family business leaders (who represent some of the largest family businesses in the world) prior to COVID-19 and following its onset beginning in March 2020 until the publication date. The insights gathered from these interviews helped to deepen our understanding of the context behind the survey results and allowed us to explore these insights further in this article series.



“The courage to choose wisely: Why the succession decision may be a defining moment in your family business”

Choosing the right leader at the right time can be one of the most critical decisions for securing the continued success of your business. Given the increasingly multi-generational environment, we believed it was important to gain a deeper understanding of today's family business dynamics and the impact that different generations are having on succession plans.

Key takeaways

- **Expect the unexpected:** Family business leaders have a new appreciation for succession planning after unexpectedly having to assume the reins of their family businesses.
- **Give NextGen a voice:** Potential NextGen successors can bring a fresh perspective that may transform some aspects of the family business and, potentially, uncover previously unexplored opportunities.
- **Choose wisely and courageously:** Due to the family's multiple roles in the business, an entirely new framework may be needed for defining family business succession and the selection of future successors, a framework that is not necessarily based on the traditional primogeniture rule.
- **Know when it's time to pass the baton:** Formal retirement plans provide more certainty and formality as to who will assume the business reins and lead to family business prosperity across the generations.



“The power of women in family business: A generational shift in power and influence”

Encouraging studies have examined women’s changing roles over the years. However, studies that examine the future of the role of women in family businesses are sparse and fragmented. We have found that changing demographics are creating new roles and leadership opportunities for women in family businesses, demonstrating the value and influence that women are contributing.

Key takeaways

- **A fresh mindset:** There is a need to change preconceived notions and outdated mindsets regarding the roles of women in the family business.
- **Resisting stereotypes:** Women in family business are assuming key leadership roles, including those that would be in traditionally male-dominated industries where these women are succeeding and prospering.
- **Transforming leadership:** Women often have a transformational leadership style and a unique outlook that makes them highly effective holistic managers and leaders.
- **Succession choices:** As future generations become more involved in the family business, succession decisions are increasingly being driven on merit, capability and willingness instead of gender or kinship.



“Creating value through good governance: How to balance what is right for the business and right for the family”

Family business leaders have emphasized that it was essential for them to have *formal governance practices* in place as their companies grew and matured. The time came when it was necessary to create appropriate formal structures to make sure that checks and balances were in place for the business to scale up successfully. Likewise, good *family governance* practices were a key factor in fulfilling the family’s purpose and creating value for customers, employees, shareholders and their communities.

Key takeaways

- **The need for alignment:** Family governance works hand-in-hand with corporate governance, but it has its own unique purpose and value.
- **Conflict resolution:** An effective governance framework that includes communications protocol and conflict resolution processes is often used to provide a neutral mechanism for recognizing and resolving conflicts and promoting family harmony.
- **A flexible framework:** While governance rules may impose restrictions on the actions of the business and the family, they need to be flexible enough to allow managers and family members to pursue new activities within the system.
- **Family first or business first:** Families that formulate family employment policies illustrate what it means to be ‘family first’ or ‘business first’. Fairness, transparency and consistent execution are critical qualities of these policies.



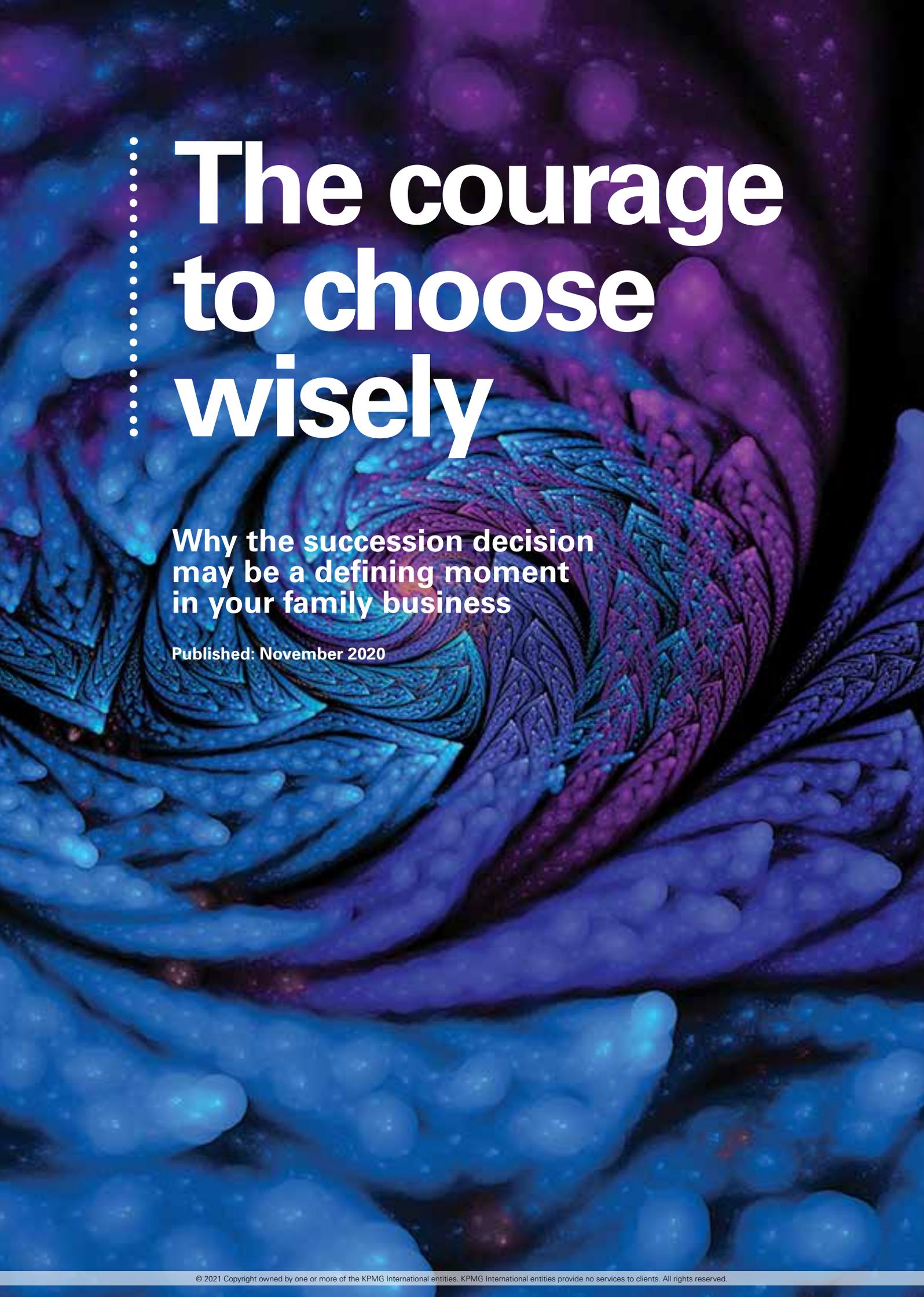
“The enduring legacy of business families: Sharing what matters across the generations”

Family business leaders emphasized that business and family legacies are not only about looking back at what is valued from a business and family point of view, but also about looking forward at what motivates families to want to continue to build on that value through future generations.

Key takeaways

- **Connective tissue:** Legacy is what binds the core purpose of the business, the family’s values and meaningful achievements across multiple generations.
- **Continuous improvement:** When legacy is leveraged as a means to learn from the past, it creates continuous improvements in business processes, while also strengthening the emotional connection between the family and the business.
- **Developing future successors:** Next-generation family members who consider preserving the family legacy as a moral obligation are encouraged to be involved in the business early, fuelling their intention to take on the business reins in the future.
- **Gift or obligation:** While the legacy that is left for future generations is generally welcomed and accepted as a ‘gift’, it also comes with an obligation to nurture, protect and grow it, which can be seen as a big responsibility for family members who are expected to enter and lead the business.

We hope these highlights have aroused your interest in exploring the in-depth insights throughout the article series. We wish you great success in empowering the future of your own family business and look forward to receiving further insights and comments from your own experiences.



**The courage
to choose
wisely**

**Why the succession decision
may be a defining moment
in your family business**

Published: November 2020

The power behind the family business

In the midst of the hyper-accelerated reality we now face, planning for succession may not be top of mind. However, as you consider all the options for sustaining your business today and in the future, the succession process itself may be instrumental in sustaining the family business model for generations to come. It could, in fact, be one of the defining moments in the history of your family business.

There is an indisputable power that lies within family businesses: an entrepreneurial mindset combined with the ability to master the speed of change. Rarely have these capabilities been more crucial than they are today, as the reality of COVID-19 makes it necessary to continue to expect the unexpected — to anticipate and prepare for the changes that undoubtedly lie ahead.

- Is your business fit for the future?
- Do you have a successor in mind and at the ready?
- Who could step in if needed?
- And do they have the capabilities and interest in leading the way forward?



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Choosing the right leader — at the right time

“The company functioned perfectly during my absence due to COVID-19, thanks to the structures and governing bodies we had already put in place at the board level and among the management committees. It is not clear that we would have been able to continue so smoothly otherwise.”

Alfonso Urrea Martin
General Director,
Grupo Urrea,
Mexico

Previous research has shown that the transfer of ownership and management control from one generation to another is one of the most important factors in the continuity of the family business and for preserving its family identity.¹ The family business leaders we spoke with confirmed that conclusion. They told us that choosing the right leader at the right time will be one of the most critical decisions they can make to secure the continued success of their business.

Rarely has contingency and continuity planning been more important and family businesses have an enviable advantage based on a history of agility, invention and resilience. Given the uncertainty every business is facing today, we would suggest that this is precisely the *right time* to step back and consider all the options for the future leadership and ownership of your family business and how those questions

can be embedded directly into your contingency plans.

Many family business leaders we spoke with echoed this view. As Mr. Alfonso Urrea Martin, General Director of the Tools Division of Mexico's Grupo Urrea told us, he was unable to manage his business at the most critical moment during the onset of COVID-19. Thanks to the company's well-established governance structure and continuity plan, the right people were already identified to step into his role, if it should become necessary, and the systems were in place to make it happen.

“The company functioned perfectly during my absence due to COVID-19, thanks to the structures and governing bodies we had already put in place at the board level and among the management committees. It is not clear that we would have been able to continue so smoothly otherwise.”
Alfonso Urrea Martin, Grupo Urrea, Mexico.

¹ Kandade, K., Samara, G., Parada, M. J., & Dawson, A. (2020). From family successors to successful business leaders: A qualitative study of how high-quality relationships develop in family businesses. *Journal of Family Business*

Preparing for the unexpected

Whether it is created through contingency planning or other succession methods, a succession roadmap is an essential guide for dealing with the unexpected. One family CEO told us, for example, that a dormant trust foundation has been established in his family firm as an umbrella over all the operational entities. In the event that the family business leader becomes incapacitated or passes away, the foundation will be activated. The members of the foundation fully understand that they will be responsible for ensuring that a new Chairman is appointed immediately to lead the business forward.

Too often, however, family businesses don't have detailed contingency plans, with specific guidance as to who will take control and keep the business running. In fact, only 47 percent of the family leaders who took part in our study had such plans. As a consequence, the next generation often feels morally obligated to take up the business reins, even if they don't want to or don't have the skills and experience they may need, they have no other choice but to be successful. One family business leader described his own unexpected succession situation poignantly. "I didn't have a choice. I had to run the business. I mean Sunday was the funeral and literally Monday morning I was at work... we could have been out of business in a month if I wouldn't have taken on the business. There was really nobody else to run it." Family business CEO, United States.

There are certain situations in which the norms of national cultures can make continuity planning and considerations for an emergency succession difficult, however. In many Eastern societies, for example, it isn't acceptable to talk about unexpected events that are related to the health of the elderly. Since those topics are taboo, it is very difficult for family businesses to consider what will happen should an emergency succession be necessary.

The insights we gained from family leaders we spoke with made it clear, however, that it only requires one case of an unexpected succession such as this for the family to make sure it is prepared to respond quickly in the future.

That is not to say, however, that the choices are always easy or obvious in Eastern or Western societies.

As Mr. George Vestey, CEO of the UK's 125 year-old Vestey Holdings described it, "Regardless of our intent, succession to the next generation is not a given. They have many choices outside the family enterprise and if they choose to succeed us, they will have to be as interested and passionate about the business as the four generations that have preceded them. More than ever, however, we must make sure that we let our successors write their own generational chapter if we want the family business legacy to survive."

“ I didn't have a choice. I had to run the business. I mean Sunday was the funeral and literally Monday morning I was at work... we could have been out of business in a month if I wouldn't have taken on the business. There was really nobody else to run it. ”

Family Business CEO
Scrap metal processing
business,
United States

A new generational outlook for the road ahead

Many family CEOs concurred with Mr. Vestey's comments, noting that Millennial generation leaders are having an increasingly important voice in the future direction of their family businesses and the choice of a successor. They are being given more space at the management table to address increasingly complex issues and opportunities, such as the accelerated digitization of business processes that are emerging globally. And when the intention is to keep the business in the family, in some cases next generation family members may be invited to join the business at an early age to begin grooming them for a future leadership role.

But many from the Millennial generation also come with a different outlook and business philosophy from their predecessors, as they seek greater personal freedom and a better balance between life and work.

Mr. Khalid Abunayyan, Chairman of Abunayyan Holding Company in Saudi Arabia described his view of

the Millennial perspective in this way, *"The generations coming behind us have a different mindset — a different ecosystem — that isn't right or wrong, it's just different. They are inspired by different things, they are fast, machine orientated and deeply involved in social media. To engage their interest in the family business and subsequently in leadership succession, there has to be a psychological attachment. It's important for them to see that this is a business with a social impact and purpose and that's what will continue to motivate them."*

As well, it is beginning to be recognized that the emotional attachment to the business may not be as deep for next-generation successors as it is with first-generation entrepreneurs whose life and business have often been deeply intertwined.

In the view of Mr. Andy Wates, Director of Wates Group in the UK, the worst-case scenario would be for a family member to join the business and resent the family for 'making them'

be there. Instead, the Wates family is telling their potential fifth-generation successors that they can pursue a career outside the company and join the family business at a later date, if that is their choice. They don't have to come into the business and stay for life, as previous generations may have done.

As one Hong Kong (SAR), China, family business leader put it, the difference between the generations in terms of the environment in which they are growing up and their education, values, ways of thinking and understanding the world cannot be underestimated.

As an example, we heard from many first-generation entrepreneurs in China who created their companies as a means of survival and eventually for profit. As their second-generation successors begin to take over, however, they are focusing increasingly on a broader mission to create value through social responsibility and the sustainability of their enterprises.

“The generations coming behind us have a different mindset — a different ecosystem — that isn't right or wrong, it's just different. They are inspired by different things, they are fast, machine orientated and deeply involved in social media. To engage their interest in the family business and subsequently in leadership succession, there has to be a psychological attachment. It's important for them to see that this is a business with a social impact and purpose and that's what will continue to motivate them.”

Khalid Abunayyan

Chairman,
Abunayyan Holding Company,
Saudi Arabia

What is the wise choice?

These next generation successors can bring a fresh perspective that may transform some aspects of the family business and potentially uncover previously unexplored opportunities that may redefine the identity of family business down the road. It takes courage, then, to choose wisely and remain receptive to new ways of thinking about the business — innovative ideas that could be transformational and integrate the business mission with broader societal issues.

The policies and practices of different nations can also play a major role in the selection process and, again, it takes courage to consider non-traditional alternatives.

We were interested in hearing about some of the cultural differences described by our study participants in that regard. The use of the “primogeniture” rule for succession — choosing the first-born child to lead the family business — was one of particular interest. In non-Western collectivist cultures, such as that in Peru, family CEOs confirmed that the primogeniture rule still holds.

In Western and individualist cultures, meritocracy is typically the main criteria for choosing a successor. Where does nepotism end and protecting the family legacy begin when primogeniture is the guiding principle?

The survey results don't conclude whether or not primogeniture is good practice and it continues to

be adopted in many non-Western cultures. However, previous research shows that family firms experience higher post-succession performance when they have the courage to disregard primogeniture and make their succession choices based on meritocracy. This is particularly true when the business grows beyond the second generation.² It takes courage to make a different choice and we would suggest that this is due primarily to second- or later-born family leaders being less conformist and less inclined to follow their parents' business model of being more open to new experiences and tolerant of risk.

Even when family businesses break away from automatic primogeniture succession, it doesn't necessarily mean that firstborn children aren't able to compete for leadership positions. It does suggest, however, that family decision-makers may need to create a constructive competitive environment — a ‘horse race succession’ — among their potential successors on the path to identifying the best fit for the family business' needs and the successors' personal needs.

In the case of Chinese family businesses, many face a unique succession challenge with only a daughter or a son to inherit the business as a result of the one-child policy programs. As ZHU Xuehao, the founder of Hawk Filtration Technology (Shanghai) Co. Ltd. in China has stated, he is fortunate since his only child is both willing and able to take over the family business. If that had not been the case, he would have been faced with having to train a non-

² Calabrò, A., Minichilli, A., Amore, M. D., & Brogi, M. (2018). The courage to choose! Primogeniture and leadership succession in family firms. *Strategic Management Journal*, 39(7), 2014-2035.

Key insights

We heard interesting points of view from family leaders regarding the factors that influence their succession intention and their choice of a successor, such as:



The potential lack of trust of parents in the children's capacity to lead the family business may decrease their intention to pass the business to future generations.



The next generation's emotional attachment to the business and their own personal values and goals will likely determine their desire to be successors.



While primogeniture is not necessarily the best practice, it is still widely adopted in non-Western cultures and less so in Western cultures.

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family member to succeed him or to sell the business outright.

In still other situations, there are family CEOs who are not confident that their next generation family members have the capabilities or passion to drive the business forward, despite the ideas and energy they can offer. For example, a family business leader in Canada who is currently preparing for his retirement told us he does not believe he will be succeeded by either of his sons. The youngest is actively pursuing a different career, while the eldest does not have, in his view, the ability to handle the pressures of a management role.

"I think at the end of the day," he said, "the family succession will probably end with me."



The freedom to choose

“The company is bigger than us. We don't want to stifle the company, so there will probably be more outside people coming in.”

Michael Hoey
Co-owner and Managing Director,
Country Crest,
Ireland

While transgenerational succession intention may be present within the older generation's plans, it might not necessarily coincide with the plans or abilities of the incoming generation. In that case, current leaders may choose a non-family successor to manage the business, while continuing to maintain the family's involvement through ownership.

As highlighted in a recent Wall Street Journal article, which cited the STEP Project research,³ involving family members in the business from one generation to the next is not always a given. For any number of reasons, children may not be as interested as their predecessors in picking up the reins. Both family business leaders and their potential successors have important choices to make.

For Michael and Gabriel Hoey, the current fourth generation co-owners and leaders of Ireland's Country Crest, these choices lie ahead for them and for their successors. Country Crest is a leader in sustainable food production and the brothers would like to maintain ownership and management within the family, if that is the choice of their next-generation family members. While precise roles have not yet been defined, formal structures are already in place to ensure the continuity of the family's sustainable farming practices. Those practices, combined with the family's strong intergenerational values, are deeply embedded in the business and they will continue to be the foundation for Country Crest's success for those who choose to lead it forward.



³Wall Street Journal, <https://www.wsj.com/articles/how-to-get-children-interested-in-the-family-business-11588986481>

Key insights

The family business leaders we met told us candidly about their own succession experiences and how the succession process can be improved for the next generation:



Next generation family members are learning from the past and are now setting up governance mechanisms to manage the succession process.



The use of trust funds is found to facilitate the succession process and to lead to more wealth accumulation.



Relying on an external party to manage the succession process is found to mitigate intra-family conflict in times of succession and to lead to a smooth succession process.

Tom McGinness

Global Leader,
Family Business,
KPMG Private Enterprise,
Partner,
KPMG Private Enterprise in the UK

The discipline of succession

Handing the family business over to a new leader, new management or a new owner is all-encompassing. It isn't exclusively about the selection and development of successors. It is equally about protecting the business brand and reputation, and retaining knowledge to make sure that the business is sustainable for years to come. It is also one of the most challenging experiences facing any leader, and most particularly an entrepreneur who has built a family business from the ground up.

Family businesses with well-established contingency and succession plans take into account the readiness and developmental needs of family members who are the most likely successors. Often this includes an educational foundation, complemented by direct business experience gained at various ages and stages in the family members' lives.

To facilitate this process and minimize the intra-family conflicts that sometimes arise during succession planning deliberations, family businesses are turning increasingly to external parties to guide and manage the process and help to minimize potential intra-family conflicts. External parties provide an independent point of view to facilitate productive discussions among family members and guide them through well-tested frameworks and processes to produce a personalized succession solution.

For example, in order to keep up with the demands of the business as well as the family, Mr. John K. Paul, Managing

Director of the Kuttukaran Group in India, told us that his family adopted a family constitution in December 2015. The following March, the Kuttukaran Family Trust was registered as part of the succession plan to bring all the company shares under the trust. *"In that way,"* Mr. Paul said, *"no individual family member holds shares that can be transferred at will. The intent is to help to bolster trust within the family and enable future generations to develop an affinity for the Group and maintain the Kuttukaran family legacy."*

Families generally understand the importance of starting the succession planning process early to get it right, and to view a good succession plan as the first step in maintaining the business' strength and the family's prosperity for generations to come.⁴

However, while this type of disciplined planning is generally accepted, we gained a surprising insight from our CEO conversations. It appears that, even when the selection of a successor is considered to be important, family businesses that are led by members of the silent generation (born between 1925-1945) or the baby boomer generation (born between 1946-1964) have *not* yet devised a succession plan.

This is concerning. It is not only a potential impediment to the smooth transition and continuity of the business; it is also a disservice to the successor who is ultimately required to assume the leadership role.

As the current CEO of a family business in the Netherlands explained to us,

⁴ KPMG, Succession in family business: start early. <https://home.kpmg/au/en/home/insights/2017/02/succession-planning-family-business-start-early.html>

his grandfather had difficulty giving up control and preparing another family member to assume the leadership of the business. This led to ongoing confusion throughout the family — as well as the business — as the structure of responsibility and decision-making remained unclear for several years. *“When my father and his brother succeeded by grandfather, he says, “they really went through a terrible time together. My grandfather could never completely let go of control. It really held back the growth of the firm, but also the personal development of the successors in that period. My father told me that he didn’t want me to have the same experience and that he needed to give me an opportunity to take a position as a senior business leader and make room for me to develop myself.”*

Many current-generation successors have learned important lessons from experiences such as this, and they are making every effort to make sure that proper succession processes are in place for the next generation in order to avoid repeating the mistakes of the past.

Mr. Andy Wates, Director of Wates Group in the UK, explained the succession process in his family business. The Group retained external family governance advisers to assist in planning the succession process from the third generation to the fourth. The plan was implemented 12 years ago, and third-generation family members continue to be active in the business. For future successors, Mr. Wates suggested that it will be important for his business to establish a firm end-date for the transition to his own successor.



Getting succession right

To get succession right, we believe there are a few important considerations for transferring management, control, ownership and equity from one generation to the next, all of which are in the best interests of the business and the family.



Know what the business needs

Many family business owners assume succession planning centres on who will run the business when they step down, but a broader perspective is necessary. The founder and the board or advisors need to consider where the business is in its lifecycle and what kind of leader or leaders it needs to progress.



Protect the brand

Many family businesses are built around a personal brand and may even be named after the founder. It’s important to retain the brand’s essence and evaluate how well it fits with the current business model.



Maintain financial confidence

When planning for the future, family enterprises must decide who will be in charge from a financial perspective, as many investors and banks consider the individual behind a family business to be a critical factor when making decisions on current and future funding. They need to have confidence that there continues to be strength in the business.



Retain legacy knowledge

The continuation of knowledge is as important as leadership and financial succession. That knowledge is often one of the business’s key competitive advantages and should be documented and communicated throughout the business and the family.



Document the plan

Finally, when a succession plan is developed and agreed, it must be explicitly articulated and formally documented among family.

When is it time to pass the baton?

“Deciding when it is time for me to retire is a very difficult question. The family business has been my life, it’s my passion and I have likely spent more hours in the office than in my house. I’m conscious of the fact that we all have to prepare for that day and the worst-case scenario would be to have that decision forced upon you. For me, it is important to understand that my role will change from the day-to-day running of the business to becoming a coach to the next generation of our family leaders who will keep alive the legacy that was built by my father and later by my generation.”

Khalid Abunayyan
Chairman,
Abunayyan Holding
Company,
Saudi Arabia

The succession plan is in place. How, then, do family leaders decide when it’s the right time to retire fully — or partially — or to assume a new role in the family business?

We were somewhat surprised to learn that 53 percent of the family business leaders in our study do not have a formal retirement plan, making the path uncertain for their potential successors and for the future of the family business.

For those who do have a retirement plan, the research tells us that family business leaders whose primary objective is to enjoy life and achieve financial security for the family plan to retire fully from business management. Some even consider selling their businesses outright.⁵ This insight is surprising, because it is in stark contrast to the traditional thinking that family business founders rarely leave their businesses because they derive so much fulfillment and personal identity from it.

From the same research, we find that leaders who continue to be passionate about their work rarely think of retirement and look for alternative ways to stay involved in the family business. Some don’t have a planned retirement age at all or they remain partially involved in the business through board membership or an advisory role.

As Mr. Khalid Abunayyan, Chairman of Abunayyan Holding Company says “Deciding when it is time for me to retire is a very difficult question. The family business has been my life, it’s my passion and I have likely spent more hours in the office than in my

house. I’m conscious of the fact that we all have to prepare for that day and the worst-case scenario would be to have that decision forced upon you. For me, it is important to understand that my role will change from the day-to-day running of the business to becoming a coach to the next generation of our family leaders who will keep alive the legacy that was built by my father and later by my generation.”

One cautionary note with regarding advisory roles, however. In some cases, although parents claim to have advisory roles and consider themselves to be only marginally involved in the business, next generation successors may not see it that way. They might perceive their parents’ involvement as controlling behavior and a lack of trust in their ability to run the business. The previous generation’s unwillingness to retire without leaving the company business completely often makes it difficult to truly delegate authority to the next leader and for new leaders to escape from their predecessor’s shadow.

As a family CEO in France pointed out, “I am starting to realize that my presence in the company can be detrimental to my sons’ ability to make their own names. They surely must think that, given that father is in place, we should not contradict him.”

Indeed, having little or no autonomy to make strategic decisions for the company, they may be concerned about not being able to escape their father’s shadow.

⁵ Akhter, N., Sieger, P., & Chirico, F. (2016). If we can’t have it, then no one should: Shutting down versus selling in family business portfolios. *Strategic Entrepreneurship Journal*, 10(4), 371-394.

Key insights

Family business leaders discussed their retirement plans and told us their decision would be influenced by several personal and family factors. These are some of the themes that are behind their decisions:



Leaders who continue to be passionate about their work in the family business often aren't actively making retirement plans.



Family business leaders whose primary objective is to enjoy life and achieve financial security for the family are more likely to retire from their business completely and may even consider selling the business outright if it provides the family with the financial support they may need.



Millennials may plan to retire much earlier than previous generations if they perceive that their work in the family business is stressful or is making them miss out on life.

Andrea Calabrò

STEP Global Academic Director,
Director,
IPAG Entrepreneurship & Family Business
Center,
IPAG Business School

As we look down the road and consider the retirement plans of millennial leaders, we may uncover a different picture of retirement altogether. NextGen business leaders are highly educated and they're motivated to deliver, however, they are not likely going to lead in the same way as their predecessors. They are more focused on achieving work/life balance, for one thing, and they plan to retire prior to their 50th birthday — not their 70th, 80th or 90th.

One of our family business leaders explained this well: *"I am not going to work until I am 90 years old just as my father did. I think about taking a Sabbatical year, in opening my mind towards other things, other investments, because being all day in the company does not let you see the world. One has to go out and see what is happening with other companies. I want to let the new generation do the day-to-day work here. They are very good at it."* Mr. José Manuel Suso Dominguez, CEO, Arrocería la Esmeralda, Colombia.

We even encountered a 33-year old family business owner who is already contemplating his retirement. It has nothing to do with his age, but by the amount of stress he experiences in his work and a desire to pursue a personal dream away from the business.

When considering the future leadership of the family business, understanding the likely timespan for this next generation of leaders will be as important as their needs and expectations. If millennial leaders are planning to retire much earlier than those before them, early succession planning will become even more critical.

Knowing when to exit

The research literature defines an exit as the process by which the founders of family firms leave the business that they have established by giving up some or all of their ownership and decision-making power.⁶

The theory of self-determination⁷ suggests that a leader's underlying motivation will affect their willingness to continue working and remain committed to the business. According to this theory, the level of trust in the next generation's capacity to lead the business is essential for their leadership development⁸ and whether or not they are motivated to assume control.

The next generation's interest and capability also has a direct effect on the current leader's decision to keep or sell the business. Family business leaders recognize the significance and importance of the next generation's willingness to take the business forward and to be committed to its success. Many have stood in those same shoes earlier in life. They also recognize that an exit strategy may be the best option if willingness and commitment are missing.

Our research suggests that the desire to keep the business within the family is highest when the current leader has offspring. Without children, family CEOs are more inclined to sell the business and enjoy the financial rewards of their exit. This may be a

reflection of the principle that having children can increase a leader's desire to pursue 'socioemotional wealth' for the family — the emotional value that the family derives from owning and managing a business.⁹

A decision to sell the business is also affected by the expectation of the potential conflicts that might occur among family members when the business moves to the cousin consortium stage. In cases when the business reins could be handed to a third generation that includes several cousins who are responsible for the management and operations of the business, a "pruning of the family tree" might be necessary. In cases such as this, the business is often bought out and owned by a single nuclear family — as opposed to the extended family of cousins — or it's sold to an external party.

Without children, the desire for socioemotional wealth is diminished and the current leader is generally less committed and attached to maintaining the family ownership of the business.

Whether forced or planned, family businesses are not always able to pass the leadership or ownership of their business from one generation to the next or to other members of the family. Succession planning presents a different array of choices for the transition in these cases, including:

⁶ DeTienne, D. R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing*, 25(2), 203-215.

⁷ Deci, E. L., Olafsen, A. H., & Ryan, R. M. (2017). Self-determination theory in work organizations: The state of a science. *Annual Review of Organizational Psychology and Organizational Behavior*, 4, 19-43.

⁸ Kandade, K., Samara, G., Parada, M. J., & Dawson, A. (2020). From family successors to successful business leaders: A qualitative study of how high-quality relationships develop in family businesses. *Journal of Family Business Strategy*.

⁹ Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52(1), 106-137.

Key insights

The business leaders we met told us that it is not always possible to achieve a transgenerational succession and other options — even exit strategies in some cases — have to be explored. Here are some of the reasons why:

- Remaining as the owner but giving leadership and management roles to a non-family member.
- Relinquishing ownership through a third-party trade sale or private equity investment or buyout.
- Raising capital through an IPO.
- Relinquishing all or partial ownership through a management buyout.

Family business CEOs who choose any of these exit strategies do not do so lightly.



The desire to exit the business tends to increase when current family business leaders do not have children.



Lack of trust in the capacity of the offspring to lead the family business or the willingness and motivation of the next generation to continue to take it forward.



The anticipated conflict between family members at the time of succession when the family business reaches the cousin consortium stage will be positively associated with the decision to exit the business.

Tom McGinness

Global Leader,
Family Business,
KPMG Private Enterprise,
Partner,
KPMG Private Enterprise in the UK

Looking beyond the family

“ In the ‘old days’, the successor got a tap on the shoulder. Today’s generation, and the next, won’t buy into that. If upcoming generations are impressed by our family businesses, if they see a role where they can have an impact and get personal satisfaction and enjoyment from the work we do, THEN they will be able to see themselves playing a role in its future. The approach for getting them to that destination won’t be a tap on the shoulder. ”

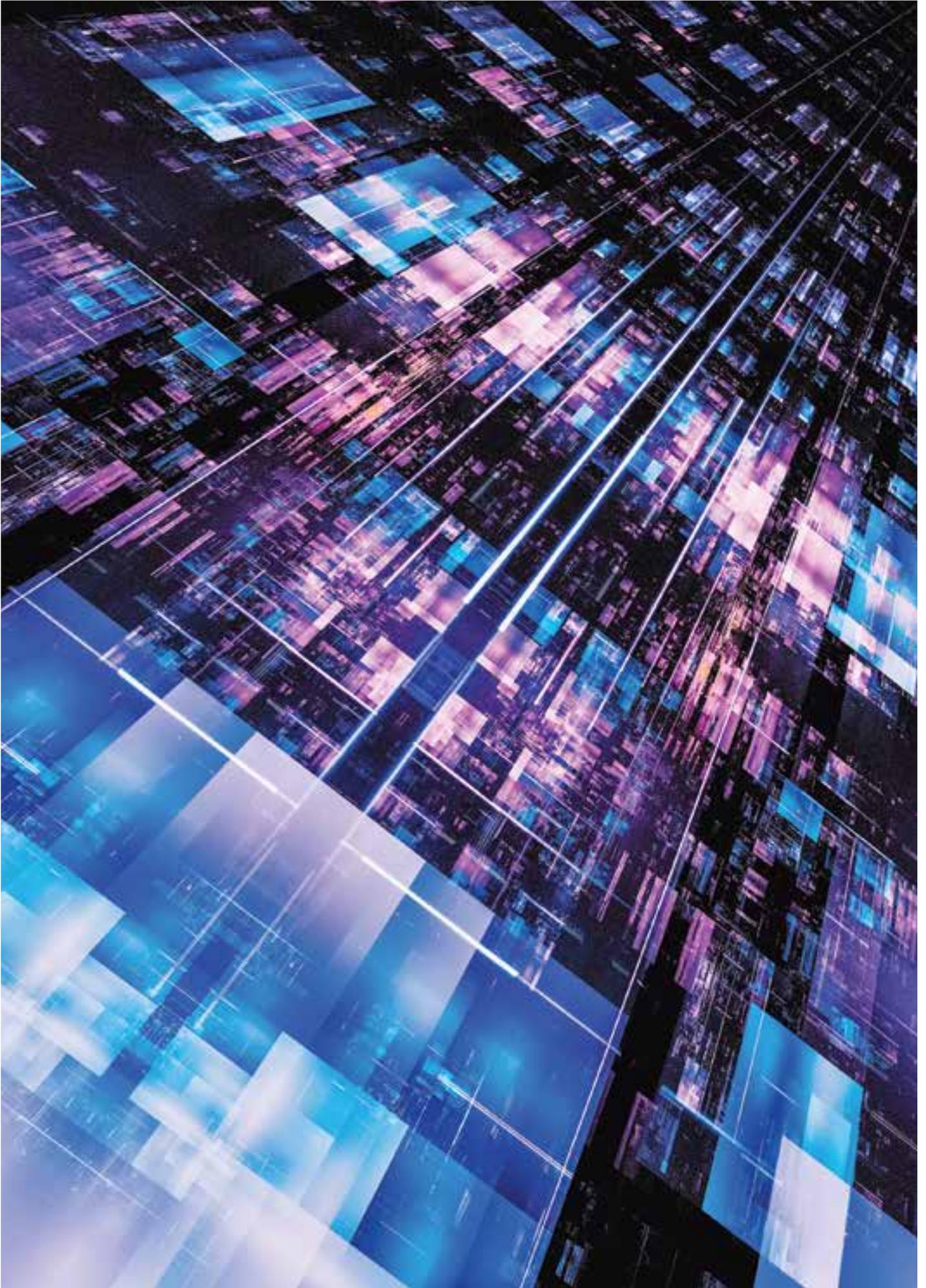
George Vestey
CEO,
Vestey Holdings,
United Kingdom

When a family business leader fails to engage successfully with the next generation, or if the right successor cannot be found, or if the family council is unable to be organized effectively, a pragmatic decision is often made to recruit the best non-family executive possible, while maintaining the interactive connections between the business and the family. This might require strengthening the capability and participation of the ownership group to reflect the ‘familiness’ of the business alongside a non-family executive who shares the family’s values.

Who will succeed you?

The family business leaders in our study told us that choosing the right successor will, indeed, be their most important legacy and a moment of personal pride. It will be built upon an important historical foundation, deep family values, a passion for what the business does and what it stands for and the impact it has on people and society.

The continuity of the family business and preserving its family identity depends on it.



The evolution of the family enterprise

“Our business is a process-driven machine. For the next generation, different platforms will be required to give them as many options as possible, especially for those who have a strong entrepreneurial orientation. Next generation family members are being encouraged to be involved in the activities of the Wates Family Enterprise Trust, for example, which provides an opportunity for them to get their feet under the family business table and become directly involved in deciding how, as “good owners,” the money from the Trust is allocated for societal impact.

Andy Wates ”
Director,
Wates Group,
United Kingdom

We learned a great deal from our CEO conversations. We believe there is an evolution taking place in the world of succession that is aligning the overall purpose of the family business with the motivation and beliefs of NextGen leaders.

Wates Group Director, Mr. Andy Wates, described it this way: *“Our business is a process-driven machine. For the next generation, different platforms will be required to give them as many options as possible, especially for those who have a strong entrepreneurial orientation. Next generation family members are being encouraged to be involved in the activities of the Wates Family Enterprise Trust, for example, which provides an opportunity for them to get their feet under the family business table and become directly involved in deciding how, as “good owners,” the money from the Trust is allocated for societal impact.”*

A similar view was echoed by Mr. Filipe de Botton, Chairman of Logoplaste in Portugal, who described the family’s progression from a family enterprise to a high-functioning enterprising family. He described family members who are engaged in the firm’s philanthropic projects, running the Family Office, board membership and diversification in business endeavors that are well outside the parameters of the company’s original core business.

This suggests that efforts to engage next-generation family members in

the family business are becoming increasingly diverse. From the family’s role in managing the core business, to ownership of company shares, membership on the board and active roles in the philanthropic activities of a family foundation — all are meaningful considerations for succession planning. Perhaps this the beginning of a newly defined reality of what “family business succession” looks like?

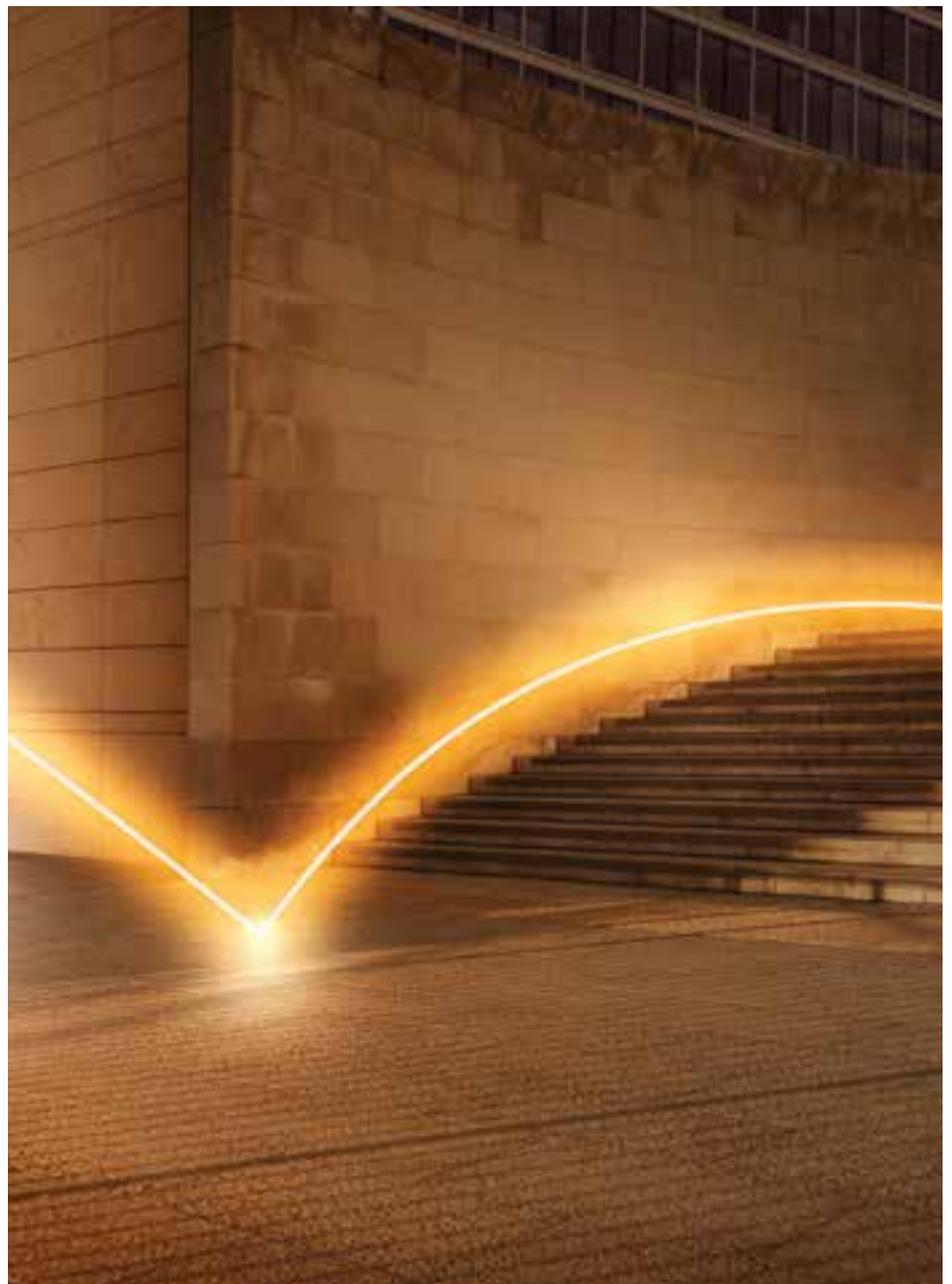
We hope you have enjoyed this first article in our series, focusing on family business succession. In what could become a defining moment for your family business, we hope we have reinforced and provoked your thinking regarding succession questions you may be contemplating:

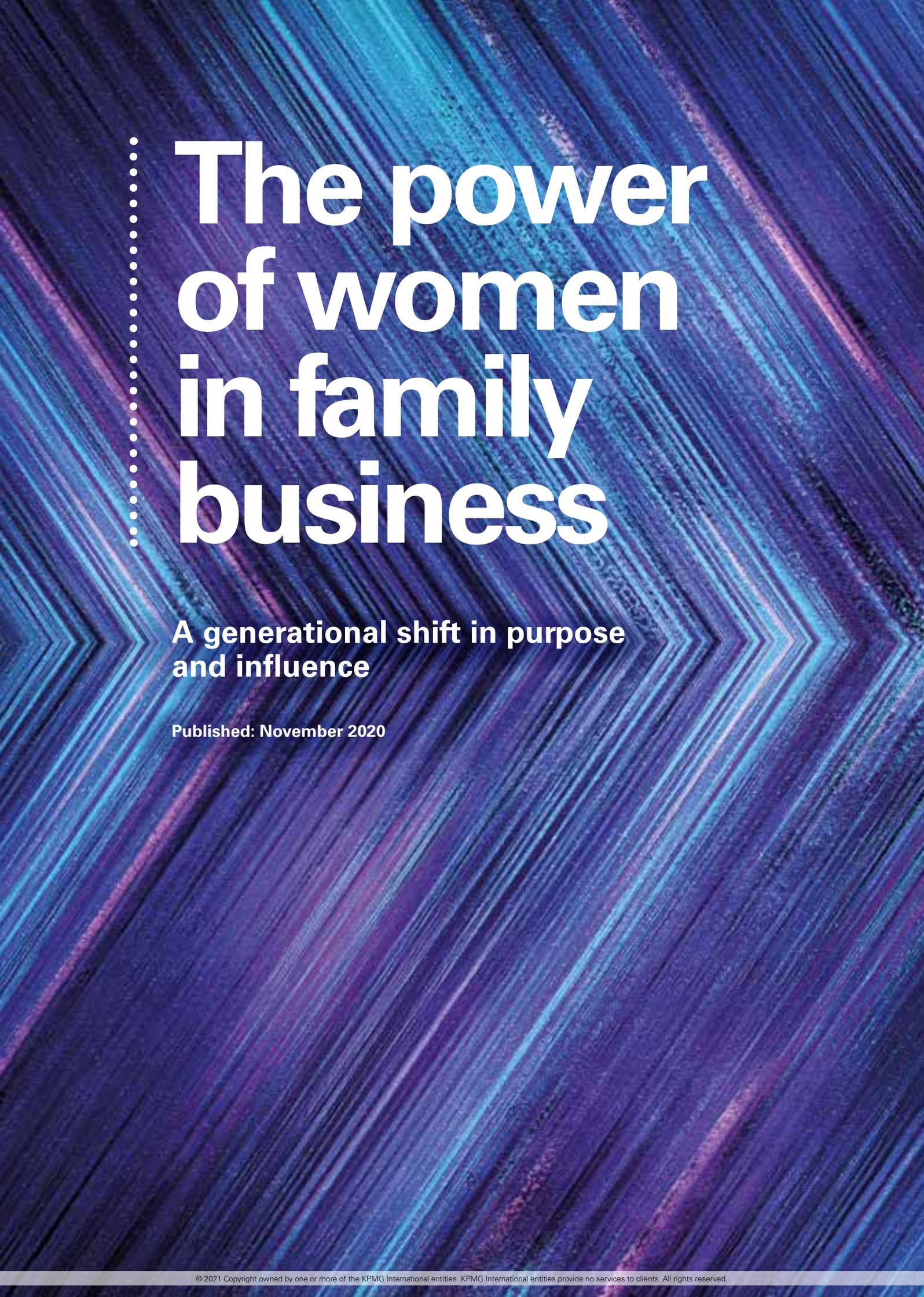
- Being prepared to expect the unexpected by weaving succession plans into the fabric of your business contingency planning.
- Understanding that the next generation’s outlook may not be the same as yours — not good, or bad, just different.
- Recognizing that future generations may be looking for an enhanced of purpose in the work of the family and of the business.
- Having the courage to choose wisely by selecting the right successor at the right time.
- Considering succession options beyond the family.

- Applying the same discipline to succession planning as you do in your business planning.
- Knowing when it's time to pass the baton to a new leader.

Family businesses have a wealth of experience and unique insights to share and we encourage you to learn more about some of the families who contributed to our study and helped to bring these insights to life. You can explore the stories behind the families on the **KPMG Private Enterprise website**.

The next three articles in our series will take a close-up look at the impact of changing demographics on societal impact, professionalization of the business, including entrepreneurial orientation and finally, legacy. And, as always, we welcome your feedback on this information and invite you to share your own perspectives and experiences with us and for the benefit of family businesses across the globe.





The power of women in family business

**A generational shift in purpose
and influence**

Published: November 2020

Emerging from the shadows

To begin, we believe it is important to acknowledge that the increasing number of women in the workforce has been one of the most significant changes in economies throughout the world in the last 40 years. Women have assumed leadership roles in industries as far-ranging as automobile manufacturing, mining, construction and advanced technologies.

Currently, 18 percent of family business leaders globally are women, with the highest percentage belonging to family businesses in Europe and Central Asia. And while the numbers are generally lowest in North America, recent statistics compiled by National Bank of Canada¹² show that 13 percent of the 38 companies in its 2020 Canadian Family index are led by a female chief executive versus five percent among S&P/TSX composite-listed companies.

In some cases, women have traditionally played a somewhat 'invisible' role in their family businesses, working behind the scenes in administrative duties, as informal advisors and moderators or focusing exclusively on managing their households.

No one said it would be easy to break away from those traditional responsibilities. The very nature of the family business culture and the multiple roles that female family members typically play has helped to keep the glass ceiling intact for some women who continue to have these dual roles, doubling their efforts in the business as well as in the family.

Kim Schoepflin, CEO of Kwatani in South Africa describes it this way: *"You are expected to dedicate yourself to the business, be a perfect mother and caretaker, be home early and still finish the job. My father used to say, 'you'd better leave the office by 5:00 because I don't want you going home late'. He was concerned about the care of his grandchildren, but you still have to finish the job. Behave like a mother, but make sure the business is being well run."*

Even as cofounders and co-owners of the family business, women were often found on the sidelines, facing similar challenges related to gender discrimination and stereotyping

¹² National Bank of Canada, "The Family Advantage — Fall 2020" <https://www.bnc.ca/content/dam/bnc/a-propos-de-nous/salle-de-presse/2020/study-the-family-advantage-national-bank-2020.pdf>



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Tom McGinness
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Family Business,
KPMG Private Enterprise,
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“My husband and I run this company together and we do not promote the fact that we are husband and wife. We even use different family names so that we are not positioned as ‘husband and wife’ inside the company. Otherwise, employees and customers talk to me differently — as the CEO’s wife and not someone who has the ability to help solve their serious technical issues.”

Female family business co-owner

Chemical processing business, Russia

to those found in the broader corporate world. Though they may have some involvement — and certainly an interest — in the family business, women’s efforts and contributions have not always been recognized or acknowledged in an official position or with monetary benefits. Often, they assumed less visible roles as informal advisors or performing accounting or administrative work.

Many women interviewed shared the view that unconscious bias continues to lie beneath the surface in some areas of modern society. **And because people are not able to see bias, it is imperative to call it out.**

The women family business leaders we spoke with generally agreed that legislation and mandatory quotas are not the answer, however. While they believe that quotas create greater awareness of bias and stereotypes and can be a starting point in countries where gender equality is not yet a cultural norm, none of the women we spoke with are in favor of forcing rules and programs onto companies.

Previous research has shown that gender stereotyping is often reflected in the roles and decision-making tasks that are handled by each partner in the business. Even when their credentials are equal to, or better than, those of their husbands’, it isn’t uncommon for women to discover that other businesspeople bypass them and look to their spouses for final decisions.¹³ Sometimes, this is based on the misconception by the outside world that women hold positions in the family business only because they are married to — or related to — the ‘boss’.

In some cases, this phenomenon has even led women to disassociate their identity from that of their husband in order to claim authority and establish themselves as business leaders. As one female co-owner and an active member of her family’s business described to us, “My husband and I run this company together and we do not promote the fact that

we are husband and wife. We even use different family names so that we are not positioned as ‘husband and wife’ inside the company. Otherwise, employees and customers talk to me differently — as the CEO’s wife and not someone who has the ability to help solve their serious technical issues.” Female family business co-owner, Chemical processing, Russia.

Family business women have an opportunity to step up and change this mindset by shifting their own mental framework when they enter the business. In the view of Margaret Hirsch, Cofounder and Executive Director of Hirsch’s in South Africa,

“Too often, women want everyone to like them and they go into their business or a workplace with that attitude. At the end of the day, they’re taken advantage of because of that attitude. It’s difficult to stand your ground when you want to be nice — even when you know it’s the wrong thing to do. That’s where doing the right thing and doing things right comes in. You have to stop and ask yourself, ‘what is the right thing?’ As women, we have to resist the need to constantly nurture and say ‘this is a business and what is the right thing to say or do?’”

Many also believe that raising awareness is a good starting point to encourage more participation of women on corporate boards.¹⁴ There is recognition that society is changing, as is education and children’s upbringing. As Jodi Bloomer, the Millennial generation Cofounder and Chief Business Development Officer of Canadian Fiber Optics Corp. explains, the goal of her young company is to create a culture where everyone can ‘do what they do, be who they are and do it well!’ “This goal was at the center of my own upbringing,” she said. “This is how my parents raised me and my sister. They weren’t training us to join the business but they did everything possible to make sure we could achieve our full potential by doing things well and in an authentic way by being who we are. What we chose to do was completely up to us.”

¹³ Cole, P.M. (1997). Women in family business. *Family Business Review*, 10(4), 353-371. Equal Measures 2030. (2019). 2019 EM2030 SDG Gender Index. Surrey, United Kingdom. Retrieved from <https://data.em2030.org/em2030-sdg-gender-index/> on July 24, 2020

¹⁴ Samara, G., Jamali, D., & Lapeira, M. (2019). Why and how should SHE make her way into the family business boardroom?. *Business Horizons*, 62(1), 105-115.

“Too often, women want everyone to like them and they go into their business or a workplace with that attitude. At the end of the day, they’re taken advantage of because of that attitude. It’s difficult to stand your ground when you want to be nice — even when you know it’s the wrong thing to do. That’s where doing the right thing and doing things right comes in. You have to stop and ask yourself, ‘what is the right thing?’ As women, we have to resist the need to constantly nurture and say ‘this is a business and what is the right thing to say or do?’”

Margaret Hirsch

Cofounder and Executive Director,
Hirsch’s,
South Africa

Key insights

Some of the key insights from the research demonstrate that women and men have an opportunity to work together to remove stereotypes and engender greater diversity in family business.



Both men and women contribute to gender stereotyping and they need to work together to clearly define their roles and responsibilities and communicate them to all stakeholders.



Families should actively socialize both women and men from an early age to garner know-how of the business and pursue the required education and training to prepare them for a career in the family business.



While quotas are not the answer for achieving greater gender diversity, they can be a starting point for creating new female role models.



Organizational practices and policies are required that promote fairness and minimize bias.

Dr. Nupur Pavan Bang

Associate Director,
Thomas Schmidheiny
Centre for Family Enterprise,
Indian School of Business

The 'hidden CEO'

“My mother was the guiding principle for the family and the entire company. She was the mother of the company, not just our mother, and everyone was clear that as long as she was there, everything would continue to run and we didn't need to worry.”

Family Business CEO
Mechanical engineering,
Germany

Due to the influence of societal bias and cultural or family traditions in some areas of the world, women may be consciously or inadvertently consigned to the role of 'chief emotional officer'. In this hidden 'CEO' role, they take care of the emotional needs of the family, keeping the family together and perpetuating the family's values and traditions to the next generation.¹⁵ In the words of one family business leader, *“My mother was the guiding principle for the family and the entire company. She was the mother of the company, not just our mother, and everyone was clear that as long as she was there, everything would continue to run and we didn't need to worry.”* Family Business CEO, Mechanical engineering, Germany.

The segregation of roles based on gender — both at home and in business — can be traced back to the industrial revolution. While men were associated with traits such as independence, autonomy, success and achievement, women were generally classified as nurturing and caring. Some of this gender bias continues today, even when it isn't conscious.

Traditionally feminine characteristics, such as loyalty, concern, sensitivity to the needs of others, problem-solving and conflict resolution genuinely reflect a holistic leadership style for women *and* men. It is a constructive approach for any business and can be a potential competitive advantage. In a family business, these unique characteristics and management style are assets to both the family and the business, combining loyalty to the

firm and to the family with sensitivity to individuals' needs and a decision-making process that is based on instinct, intuition and evidence. In an interview with the members of a traditionally patriarchal family business in Canada, for example, they noted that one of the key roles of the co-owner and wife of the CEO is to make customers and other outside parties feel as if they are part of the family.

As a mother, aunt and daughter, Margaret Hirsch believes that women play all of those roles in their families and take nuggets of wisdom from each of them to feed into the business. *“Those nuggets help you learn how to think on your feet,”* she says, *“and to handle a whole range of business and personal situations all at the same time. The multiple family and business roles complement each other and generally make women more flexible and adept at handling a wide-ranging number of different situations.”*

It also means that women can be faced with role conflicts and dilemmas in which they must balance their obligations at work and at home. While this is clearly challenging, we heard an interesting point of view from several of our interviewees who told us that, based on their family experiences, they have learned the ability to juggle many things at the same; that having multiple roles in their business and their family has brought out the skill to concentrate on details while not losing the big picture; that they can make quick decisions when needed, be disciplined in making tough decisions and have learned not to take things personally.

¹⁵ Lyman, 1988; Salganicoff, 1990



“Those nuggets help you learn how to think on your feet and to handle a whole range of business and personal situations all at the same time. The multiple family and business roles complement each other and generally make women more flexible and adept at handling a wide-ranging number of different situations.”

Margaret Hirsch

Cofounder and Executive Director,
Hirsch's,
South Africa

How women are redefining 'women's work'

“ I know we are interviewing a woman for a finance role right now who could become our CFO in the next 2 to 3 years. She would obviously have to get along with the family, but I've always found women to be more competent than men in a lot of areas because they have to be. Would I go out and try to recruit a female CEO to take my place? I don't know. I don't know if I would or not. I just don't know yet. ”

Family Business CEO
Scrap metal processing
business,
United States

In industries that have traditionally been dominated by men, women are encouraged to go into traditional 'women's jobs' and there can be confusion with respect to their perceived ability to lead these types of businesses. As the CEO of a scrap metal family business in the U.S. described to us, his industry is portrayed as a dirty and manly job, which does not attract a lot of female candidates. *"I know we are interviewing a woman for a finance role right now, who could become our CFO in the next 2 to 3 years. She would obviously have to get along with the family, but I've always found women to be more competent than men in a lot of areas because they have to be. Would I go out and try to recruit a female CEO to take my place? I don't know. I don't know if I would or not. I just don't know yet."*

Despite a conventional view of 'women's work' in some parts of the world and certain industries, a brighter light is shining through the glass ceiling of many family businesses. In what

would be considered non-traditional female occupations, particularly in male-dominated industries, such as heavy manufacturing, an increasing number of highly competent women leaders are standing confidently in the limelight.

We were introduced to women who were founders and cofounders of companies in industries that would historically be called 'men's work', including steel and scrap-metal processing, cement manufacturing and the production of hardware products. They agreed there should not be a bias toward women or men; that diversity generally adds value to a team, making it more interesting and conducive to different ways of thinking.

Kwatani CEO Kim Schoepflin, for example, is a successful leader in a highly male-dominated industry that produces large-scale mining equipment. The business was founded by her father and through her leadership, she has started to push forward the growth of the business backed by a

transformational agenda and with an enhanced focus on achieving greater diversity in the family's business. Two women currently sit on Kwatani's executive committee and they comprise 75 percent of the company's board and more than 50 percent of the management roles. Women are also employed in Kwatani as senior metallurgists, mechanical engineers and capital sales engineers, among other technical roles that might have been considered to be 'men's work' among previous generations.

The female family business leaders with whom we spoke are successfully breaking down many of the barriers and redefining how women in family businesses are perceived. They are not waiting for some other person or some other time for the environment to change around them. Most have grown up in their family businesses and they are respected for their experience, knowledge and skills by employees, customers and suppliers alike. They are

representatives of the change that many women seek.

Young female entrepreneurs have an additional layer of complexity in raising their credibility and 'legitimacy' to assume leadership roles. We believe that Canadian Fiber Optics Corp.'s Jodi Bloomer is a good representative of the Millennial generation that is beginning to assume these roles. She has learned from other women in her life that as a woman in a male-dominated business, she can push and prod in a gentle way without getting into an ego battle.

"In this case, being a woman has had advantages because the men around me don't need to try to intimidate me," she told us. "I am not challenging to them. I acknowledge that they know more than me in their own special areas; that I am here to learn and I need their expertise and input to make good decisions for our company. There is a mutual appreciation for what each party does well," she says.

“ I am not challenging to them. I acknowledge that they know more than me in their own special areas; that I am here to learn and I need their expertise and input to make good decisions for our company. There is a mutual appreciation for what each party does well. ”

Jodi Bloomer

Cofounder,
Canadian Fiber Optics
Corp.,
Canada

The transformational power of women

“ It is not possible to grow a family business today if the leadership team is made up of only women or only men. True leadership begins with letting go of your ego and opening yourself up to a diversity of opinion, mindset and experience, and it’s faulty to assume that women have higher levels of emotional intelligence than men. Family businesses have a responsibility to lead by example to help shape this broader perspective. ”

Ramia El Agamy
CEO,
Orbis Terra Media,
Switzerland

It is generally held that women, by their nature, demand more collaboration and consultation than their male counterparts. The women we spoke with agreed. Through many generations, they have been raised to be more sensitive to the needs of others and more social as mother, peacekeeper and caretaker. It is difficult to get it out of women’s nature, they told us, and it isn’t natural when women try too hard to turn off that instinct.

Nevertheless, they pointed out that women who are expected to have this naturally enhanced level of sensitivity face the danger of being pigeon-holed as the chief emotional officer of the family business — and nothing more. If this is the case, they likely haven’t been socialized and groomed to internalize the business values and practices to the same extent as their male family members. And, by not being given the same opportunities to actively participate in the business and build their own successful careers, they risk being left out of opportunities to assume leadership positions.

This is likely why the representation of women in key leadership and management positions in some family businesses remains elusive, despite several studies that have proven that having women in management and board positions leads to better

firm performance due to superior governance and effectiveness.¹⁶ A recent study among Swedish family firms¹⁷ provides even more evidence of the powerful impact that women leaders have on their firm’s performance when they hold the role of CEO, along with board membership and ownership.

As an earlier study on gender interactions within family firms pointed out, the greatest improvements in a family firm’s profitability occur when the CEO is a female family member with family and non-family female directors. The potential explanation for this is that the presence of women directors enhances the self-esteem and confidence of the female CEO, raising a female-friendly corporate culture that encourages cooperation and knowledge sharing among its members.¹⁸ This does not mean that the presence of females, in and of itself, leads to better corporate performance. However, the presence of qualified and supportive individuals, regardless of gender, can significantly enhance the company’s performance.

Ms. Ramia El Agamy, the CEO of Orbis Terra Media in Switzerland is quick to challenge stereotypes. *“It is not possible to grow a family business today if the leadership team is made up of only women or only men,”* she says. *“True leadership begins with letting go of your ego and opening yourself up*

¹⁶ Terjesen, Couto, & Francisco, 2016

¹⁷ Bjuggren, Nordström, & Palmberg, 2018

¹⁸ Amore, M. D., Garofalo, O., & Minichilli, A. (2014). Gender interactions within the family firm. *Management Science*, 60(5), 1083-1097.



Key insights

The research shows that some women in family business continue to challenge role stereotypes while also having unique leadership skills to contribute.



The innate characteristics of women as nurturers and caregivers translates to a role as “chief emotional officer”, a factor in the success and perpetuity of the family business. Their presence brings additional resources that the family business can capitalize on.



Women have unique and transformational leadership styles and skill, judgment and a unique outlook that makes them holistic managers and leaders.



Women in family businesses are continuing to work on role conflicts to pave their own path in the business and the family and resist being designated only as the family caregiver.



It is not possible to grow a family business with a leadership team that is made up exclusively of men or women.

Mary Jo Fedy

National Private Enterprise Leader,
KPMG in Canada

to a diversity of opinion, mindset and experience. It's faulty to assume that women have higher levels of emotional intelligence than men or that men are more capable to deal with hard business issues than women. This only leads to further stereotyping. Family businesses have a responsibility to lead by example to help shape a broader perspective on the capabilities of all family members whether they be male or female."

Family businesses led by female CEOs generally have a distinct transformational and less autocratic approach to leadership, as we observed in the transformational leadership style of many of the family business leaders with whom we spoke. The evidence generally shows that women tend to encourage individuals and teams to pursue new business opportunities, identify opportunities for change and make decisions on their own.

In theory, there is less conflict and greater diversity when women are directly involved in the business and the **STEP 2019 Global Family Business Survey** showed that the less autocratic style of female family business leaders appears to be strongest in Europe and Central Asia. As we continue to break apart the stereotypes, however, it's worth noting that the STEP study also showed that as business leaders age, female leaders actually become more autocratic than their male counterparts.

Succession by merit

“ Now I believe I can be the ‘daughter’ in given situations while also having a role and responsibilities as a director and a C-suite executive in a business that the family is deeply invested in emotionally and financially. ”

Jodi Bloomer

Cofounder,
Canadian Fiber Optics
Corp.,
Canada

As was highlighted in the first article in this series regarding family business succession, “The courage to choose wisely,” traditional family firms have often followed the implicit rule of primogeniture in matters of succession and inheritance, transferring the business from the father to the first-born child and, often, the first-born son. To prepare them for their future roles, sons have often been socialized around the family business during dinner table conversations at home and some early involvement in the activities of the business.

Sons and daughters can have different experiences in this socialization process, however. In particular, daughters can be often influenced by the family’s traditional gender roles, which are formed at a young age during regular interactions with the family. These experiences can lead female family members to be more concerned about the family and its needs than the needs of the family firm.¹⁹

Similarly, if primogeniture is followed within the family business, daughters are clearly aware that the likelihood of them being the successor to the family business is very low, even if they happen to be the first born. As a result, even when they are exposed to the family business, research has shown that the emotional commitment of daughters to the firm is noticeably lower than that of sons.²⁰

As a consequence, some women do not consider that they can have the same

opportunities as their male siblings for career growth in their respective family businesses when primogeniture is adopted. We do believe, however, that change is in the wind in many countries across the globe.

Interviews with family business leaders have shown that even though primogeniture is still the norm for succession in many countries, as well as in individual family businesses, new rules in certain countries are opening up leadership opportunities for women in family firms. One important example is China, where the gender equality movement has raised the social status of women and the one-child policy has given women equal access to resources.

As ZHU Naifeng, General Manager of Hawk Filtration Technology (Shanghai) Co., Ltd. told us, he will be more inclined to use “meritocracy” in choosing the most competent person — male or female — as his own successor as a direct result of these significant social changes.

We believe that further change is on the horizon. With improved access to higher levels of education, coupled with shrinking family-size, the STEP 2019 Global Family Business Survey shows that the role of women is continuing to progress. Some research has looked at the effect of succession and gender and suggested that father-to-daughter succession is more harmonious and creates less conflict around issues of leadership and power.

¹⁹ Decker, R. A., Haltiwanger, J., Jarmin, R. S., & Miranda, J. (2017). Declining dynamism, allocative efficiency, and the productivity slowdown. *American Economic Review*, 107(5), 322–326.

²⁰ Calabrò, A., Minichilli, A., Amore, M. D., & Brogi, M. (2018). The courage to choose! Primogeniture and leadership succession in family firms. *Strategic Management Journal*, 39(7), 2014–2035. <https://doi.org/10.1002/smj.2760>

Key insights

While family traditions and social norms often impact the choice of women as successors, the research suggests that next generation leaders will increasingly choose their successors based purely on merit.



There is a gender-based pattern to succession. When the current CEO is a woman, there is a higher chance that the next CEO will also be a woman.



When family business succession is traditionally based on the primogeniture model, women may be less inclined to consider a professional career in their family businesses.



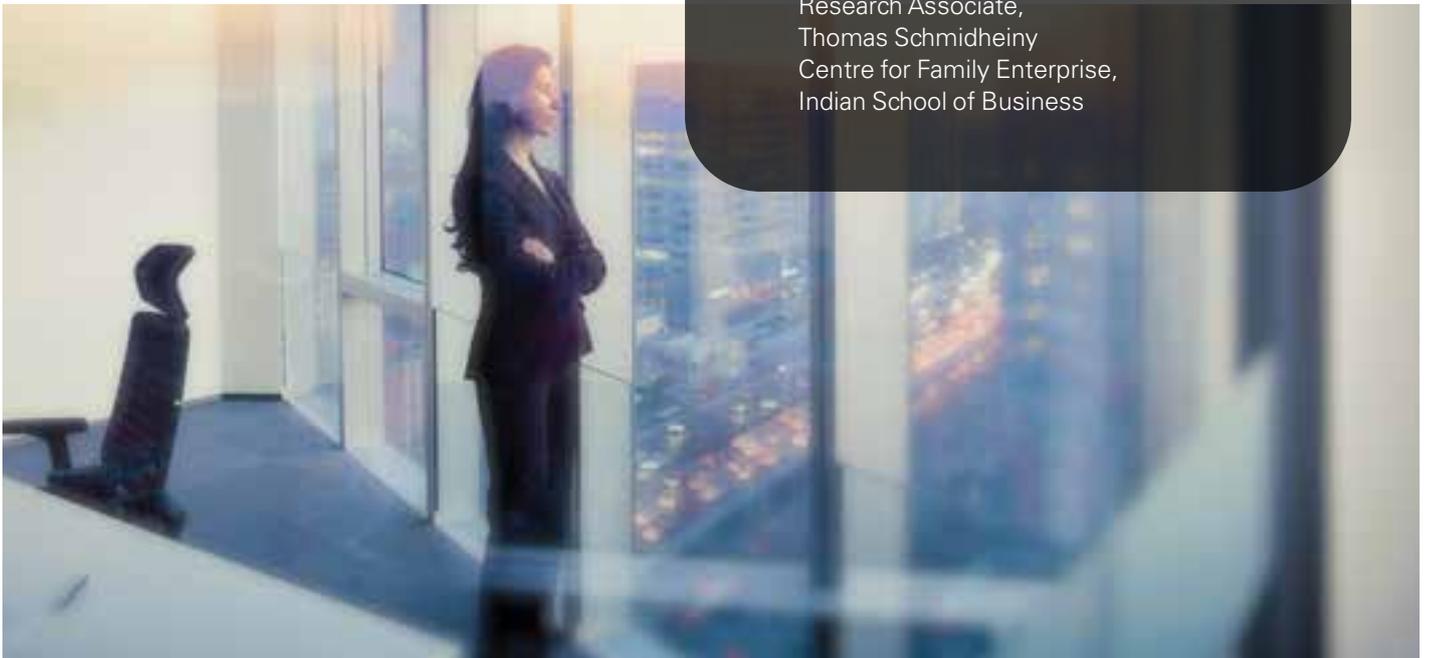
As future generations become more involved in the business, family firms' decisions on succession are increasingly being driven on merit, capability and willingness instead of gender or kinship.

Yashodhara Basuthakur

Research Associate,
Thomas Schmidheiny
Centre for Family Enterprise,
Indian School of Business

Ms. Bloomer of Canadian Fiber Optics Corp. had been working outside her family's business for several years when she made the decision to contribute to the next phase of the business led by her father. In expressing her desire to join the family firm, she felt it was important to make it clear that she was there to add value to the business and not with her hand out as 'the daughter'. She believes the father/daughter dynamic changed at that point as she and her parents had the experience of working together through an intense period of time in the family and a great deal of change in their business.

Through this process, Ms. Bloomer believes that her role in the family has evolved. *"Now I believe I can be the 'daughter' in given situations while also having a role and responsibilities as a director and a C-suite executive in a business that the family is deeply invested in emotionally and financially."*



The impact of societal change on family business leadership

“ I know a woman in charge of a company that makes locks may look a bit strange because we are used to seeing her in more feminine settings. All this is the product of my dad’s work and we all ended up falling in love with it. This is what we prepare for: taking over the business. We multi-task, we do many things at once. In the midst of this situation, women have come forward without fearing the challenges we face daily.”

Claudia Visani
CEO,
Inversora Lockey,
Venezuela

To respond to the mounting need to address the issue of under-representation of women in top management positions, new national and cultural norms that advance the roles of women in family business are emerging.

As an example, in the last 2 decades, women’s visibility in Venezuelan family firms has been favorably influenced by their greater involvement in the labor market. Many young women successors to Venezuelan family businesses have shown that they can take charge of their businesses just as effectively as their male counterparts. Such is the case in the Visani family, owners of Venezuela’s Inversora Lockey, where the founder included his daughters in the family business from an early age, even though the family’s companies operated in traditionally male-oriented industries.

As second-generation Claudia Visani, Inversora Lockey’s CEO and Board member from 2007 until 2019 describes, *“I know a woman in charge of a company that makes locks may look a bit strange because we are used to seeing her in more feminine settings. All this is the product of my dad’s work and we all ended up falling in love with it. This is what we prepare for: taking over the business. We multi-task, we do many things at once. In the midst of this situation, women have come forward without fearing the challenges we face daily.”*

The family business of Grupo Urrea, a hardware manufacturer in Mexico, is another good example of how the participation of women in the company and its corporate governance bodies has paralleled changing social norms. In the early days of the business, bringing daughters into the company was not a consideration since there wasn’t a ‘women’s work’ option. However, by the time the fourth generation of the family business reached working age, those social norms had changed dramatically and the two eldest female cousins were the first to join the company.

In the current generation, the role of women in the business family Urrea is comparable to that of the men. Thus, among the cousins of the fifth generation, are three prominent female entrepreneurs who have fully integrated a successful fashion and art company supported by their parents.

While the women we spoke with do not support broad government-mandated social changes or quotas, there is evidence in some jurisdictions around the world that these measures have been successful in opening the doors to women.

In India, for example, the amendment to the *Hindu Succession Act* in 2005 conferred property rights to daughters — whether married or unmarried — and granted them rights equal to those available to sons. A subsequent legal mandate prompted family firms in India

to increase the number of women represented on their boards compared to non-family firms.

In another example, Norway was the first country to mandate a 40 percent gender quota for women on the boards of publicly-listed companies in 2005. Since then, more countries in Europe, Asia, Latin America, North America, Middle East and Africa have recommended voluntary targets for women directors on the boards of listed firms.

The immediate effect of these quotas has been an upsurge in the representation of women in key positions globally. A new gender diversity milestone was reached in 2019 when none of the S&P 500 list of companies reported a male-only board. And women's share of S&P 500 board seats reached a new high of 28 percent in the spring of 2020.²¹

Promoting gender balance at the board level opens the door for more exciting opportunities for family businesses to increase female representation throughout their companies. Appointing women in senior roles can create a "trickle-down effect", meaning that more gender diversity at the executive level will translate into more gender diversity across the organization.²² This may be the lever that family business leaders need to make more female appointments in

the next level of management and, ultimately, to improve gender diversity throughout their entire business.

Recent social changes, whether mandated or voluntary, have had a profound effect on life in general and on family businesses specifically. In Saudi Arabia, the government's support for the empowerment of women in the workplace has changed the landscape of the public and private sectors. In the case of family businesses, women were typically included in the ownership structure under *Sharia Law*, especially after the departure of the founder, though they were not generally included on the management team. Their exclusion was not attributed simply to family preferences and social norms, but to the challenges women faced because of broader gender segregation in the workplace. New social norms in Saudi Arabia have transformed that situation and increased the involvement of women in family firms.

As the CEO of a general trading company in Saudi Arabia described, *"Society has changed and we are definitely fine with having a female CEO. Before, it wasn't simply that the families weren't comfortable with the CEO being a woman. The reality was that she wouldn't have been able to function. She couldn't go to the ministries and meetings were very hard to get. Things have changed significantly and all of that is normal today!"*

“ Society has changed and we are definitely fine with having a female CEO. Before, it wasn't simply that the families weren't comfortable with the CEO being a woman. The reality was that she wouldn't have been able to function. She couldn't go to the ministries and meetings were very hard to get. Things have changed significantly and all of that is normal today! ”

Family Business CEO
General trading company,
Saudi Arabia

²¹ Bloomberg News. <https://www.bloomberg.com/news/articles/2020-05-15/female-board-participation-rises-in-s-p-500-index-in-april>

²² Gould, J. A., Kulik, C. T., & Sardeshmukh, S. R. (2018). Trickle-down effect: The impact of female board members on executive gender diversity. *Human Resource Management*, 57(4), 931-945.

A challenge to outdated mindsets

Although the family business legacy may be handed down to them, many women around the world still shoulder the primary responsibility as caregivers of their families and households. They also continue to face the complexity of skeptical parents, siblings or hostile employees to prove their mettle and succeed in managing and leading their business.

As with women in non-family businesses, women in family firms require strong networks that are not dominated by family influence, as well as mentoring and guidance to orient them successfully toward management and leadership roles.

Women in family businesses are strategically placed to manage this dilemma and bring about the change in their organizations and society at large by becoming role models and mentors for younger women who will contribute to the future talent pool.

As one female family business CEO pointed out, women have some unique challenges when it comes to networking. Men, she said, have traditionally gone golfing or for drinks after work to stay connected. That isn't a natural phenomenon for women, who are usually rushing home to take care of the children and prepare dinner. Networking is more difficult for women and it often isn't working very well.

The female leaders we spoke with are emphatic that they have an obligation to empower other women and to be aware of the baggage that other women are carrying after being surrounded by outdated beliefs and actions. At the same time, they recognize that women still seem to feel that they have to work harder and do more. The danger is that this can come across in completely the wrong way in an organization that just wants women at the table because they're talented and bring their own perspective.

When we asked whether the need for people to legitimize themselves is based on gender or on an established mindset, the women who joined our discussions concluded that gender is the primary factor based on a mindset that has been embedded among women themselves. *"What is it that we have inside of us,"* they asked, *"that tells us we have to work harder and do more?"*

The guidance we heard from them is that women need to believe that they have a choice — to work harder and do more — or not. The end result may not be the same, they said. However, the outcome is fundamentally different when a person makes a choice rather than acting from a position of fear or a belief that they are somehow lacking.

They also told us that in the 'old days', women tended to be jealous of one another and they didn't celebrate each other's successes.

Key insights

Women in family businesses face opportunities and challenges in overseeing business issues as well as those of the family. In fact, from the business side, they can bring different skills and perspectives and there is a need for a new leadership mindset for women in family business.



The unique disadvantages for women in family businesses include the blurred line between work and life, expectations that you will dedicate your life to the business and family dinners that become business discussions and make it difficult to 'switch off'.



Women often feel invisible. They need skills, tools and opportunities to increase their visibility and break the stereotypes so they can't be overlooked.



Legislative mandates and corporate governance measures are a starting point for creating new female role models and developing the pipeline for future women leaders.

Karmen Yeung

National Private Enterprise Leader,
KPMG China

The tide is changing and the need for women to feel that they have to compete is going out with the tide.

For young female family leaders, acknowledging and celebrating the efforts of generations of women who have preceded them is viewed as important. Women supporting women is more prevalent in the next generations because of this mindset shift and a stronger commitment for women to empower each other.

If this is the way things should be for women in business, we were reminded of the importance of acknowledging that this level of support isn't the way it has always been. It's due to the hard work of countless numbers of women *and* men who have come before and helped to open the doors.



Gaining a fresh perspective on family business leadership

Women *and* men have an opportunity to strengthen their family businesses by embracing their differences and not fighting against them.

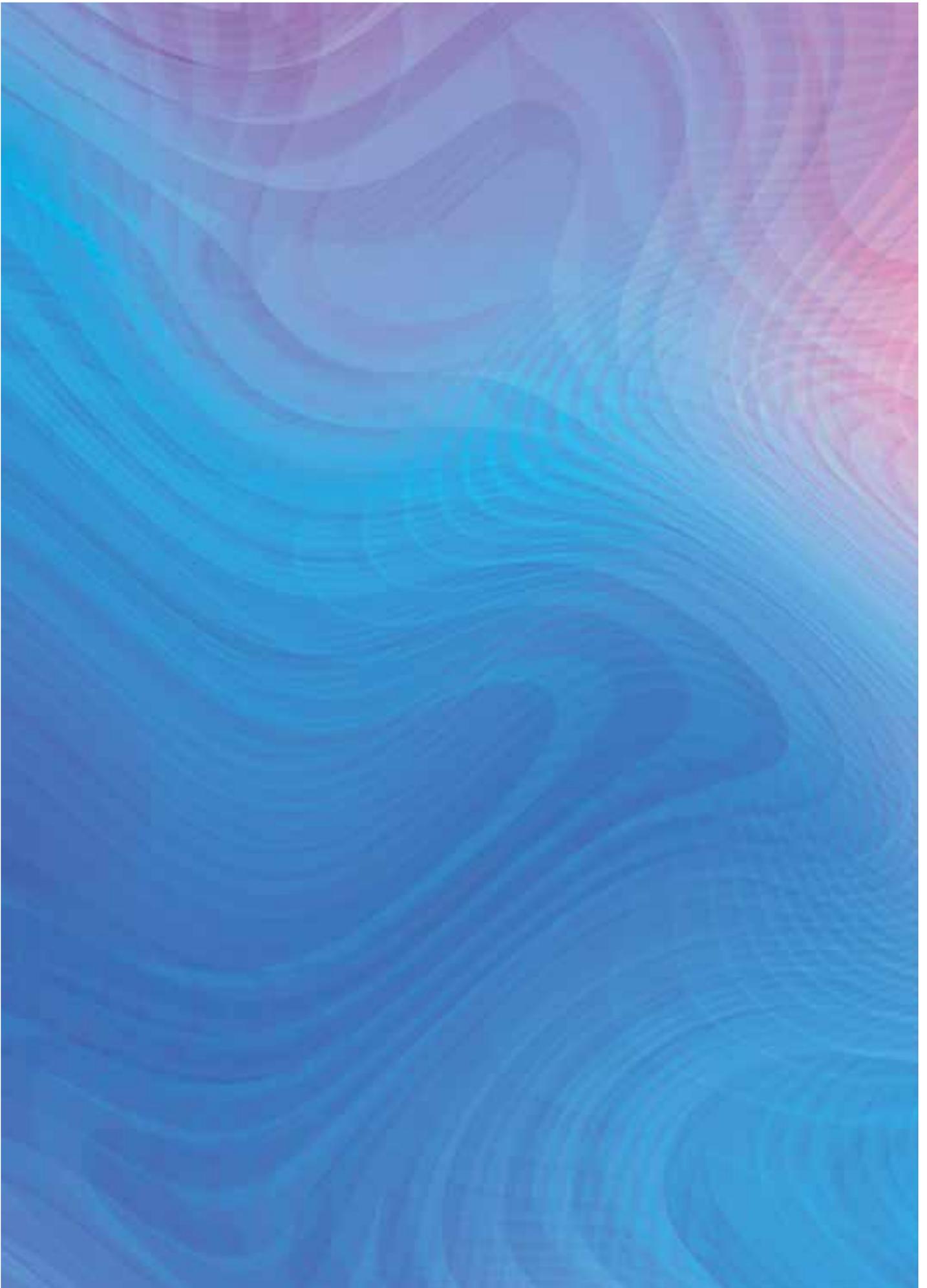
A diversity of views and approaches has tremendous power in helping to move family businesses toward more interesting and prosperous futures. Greater diversity also harnesses the resilience and adaptability that are the hallmarks of family businesses and their ability to be leading voices at the forefront of change.

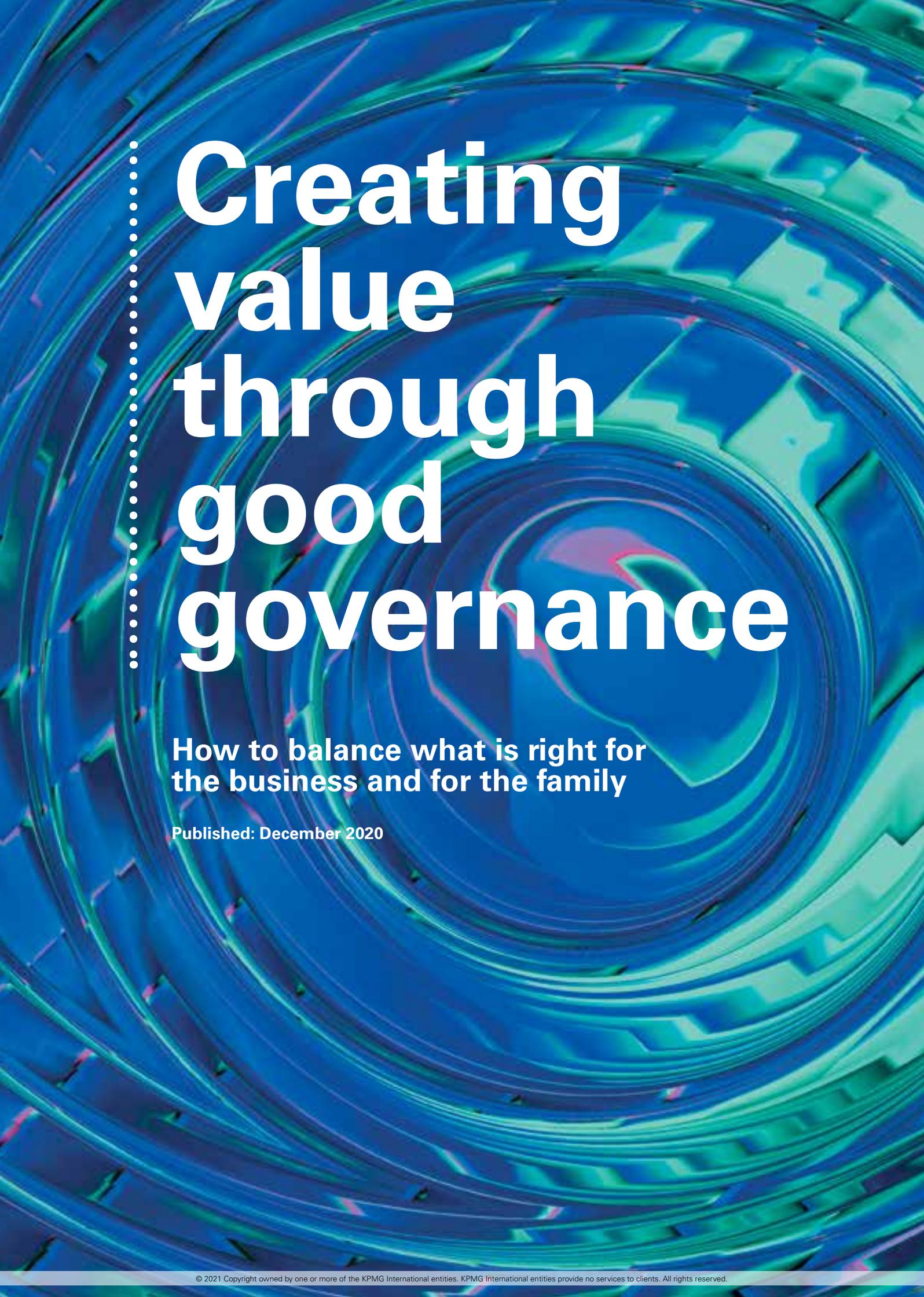
Family businesses that are committed to empowering women might start by evaluating their beliefs and perceptions and encouraging open discussions of everyone's viewpoints within the family — especially those among different generations and genders even if those conversations may be uncomfortable at first. The courage to be candid and open to a new perspective has the power to change an existing, and likely

outdated, narrative regarding the roles that women play in family businesses and the competitive advantage that they can contribute in the future.

The good news is that women in family businesses are strategically placed to bring about this change in their own companies and in society at large as role models and guides for the next generation of women who will contribute to the future talent pool.

Family businesses have shared a wealth of their experience and unique insights on how they are strengthening their business by embracing fresh gender and generational perspectives. We encourage you to learn more about the families who contributed to our study and helped to bring their insights to life on the impact of changing demographics and the influence of women in family businesses. You will find profiles of these prominent family business leaders on the **KPMG Private Enterprise website**.



The background features a complex, abstract pattern of concentric, overlapping circles and lines in shades of blue and teal, creating a sense of depth and movement. A vertical dotted line is positioned to the left of the main title.

Creating value through good governance

**How to balance what is right for
the business and for the family**

Published: December 2020

The family governance value proposition

Choosing the right governance practices in a family business is a critical ingredient for its long-term sustainability. While business governance is essential for effective business processes and establishing control mechanisms, family governance processes and structures serve a different purpose. Not only do they help to support a strong communication environment among family members, but they also help to define who the family is as a group and what they want to achieve.

As revealed in the STEP 2019 Global Family Business Survey, 88 percent of family CEOs around the world reported having a medium-to-high level of family identification with their firms. Our findings have shown that the level of family governance development is linked to how strongly family members identify with their firm.²³

What is the value of good governance in the family business environment?

We typically describe governance as a system of interconnected philosophies, mechanisms, structures and practices that support good decision-making and communication among individuals. In a family business, these individuals have shared interests and goals as well as multiple roles as shareholders, operators of the business and members of the family.

A strong family governance system that might include tools such as family councils, assemblies and constitutions provides clear guidance as to how decisions will be made by the family (both for the family and for the business) and it helps to create a unified voice both inside and outside the family. All of this contributes to the professionalization of the business and cohesion within the family itself.

About 40 years ago, the “three-circle model of the family business system”²⁴ was introduced as an organizing framework for understanding family business systems. In simple terms, this model presents the three interdependent and overlapping groups that comprise a family business: family, business and ownership. While overlapping in some spheres, each group has its own goals, priorities and dynamics and the long-term success of family business systems depends on how well each group functions and supports the others.

The framework for family governance must support the decision-making processes, communications and cohesiveness of all of these groups as owners and operators of the business and as contributing members of the family itself.

²³ STEP 2019 Global Family Business Survey — “The impact of changing demographics on family business succession planning and governance.”

²⁴ Tagiuri R, & Davis J. (1996). Bivalent attributes of the family firm. *Family Business Review*, 9(2), 199-208.



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Global Leader,
Family Business,
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KPMG in the UK

Governing with intent

“The concept of a ‘best practice’ in family governance doesn’t exist. A good practice 10 years ago might be frowned upon today.”

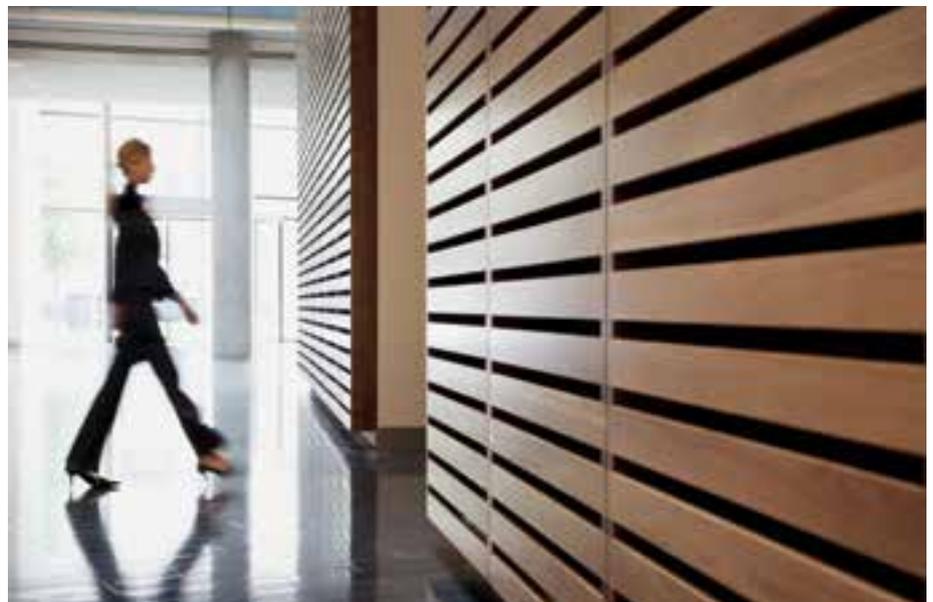
Family business CEO
Construction industry,
United Kingdom

By its very definition, the controlling family in a family business is a driving force for deciding how the business chooses to operate and how it will define success. Often, these choices are based on the shared purpose of the family and the business: ‘Why are we here? What do we want to accomplish together? How do our choices reflect and support our family’s values?’

Several family business leaders told us that it was essential to have formal governance practices in place as their companies grew and matured. The time came when it was necessary to create appropriate frameworks and structures to make sure that checks and balances were in place for the business to scale up successfully. They told us that good family governance practices were a key factor in fulfilling their family’s purpose and creating value for customers, employees, shareholders and their communities.

Family leaders such as these are often looking for the ‘best structure’ and advice on governance ‘best practices.’ The concept of a ‘best practice’ in family governance doesn’t really exist and as one family business leader described, *“What was considered to be a good practice 10 years ago might be frowned upon today.”*

In reality, governance systems are a dynamic set of tools and it’s important to review them regularly to ensure that they continue to be appropriate and relevant at given points in time and, most particularly, during times of significant change. Better questions to be asking are: How does the enterprising family system define success? What does the family — as owners, executives and family members — and the business need in order to be successful at any given point in time?



Making governance 'fit for purpose'

Due to changing demographics, we are beginning to see an emerging theme. There is a gradual shift away from being 'family owned and run' — which is particularly common in first- and second-generation family firms — to being 'family owned and non-family managed', whereby family members are only involved at the ownership level (and occasionally on the board), but not in the day-to-day operations of the business. This makes it necessary for governance structures to adapt to a new scenario in which family members are primarily owners and are not involved in running the business.

Such is the case for J. Murphy & Sons Limited, a third-generation family business that develops and maintains large infrastructure projects in the UK, Ireland and Canada. For this family, there is a clear definition of decision-making authority that is embedded in the family's governance framework and captured in the shareholders' agreement. While no family members — with the exception of CEO John Murphy — currently participate in the day-to-day operations of the business, each branch of the family is represented on the operating company board to provide family oversight. This governance mechanism is designed in part to make

sure that the family's purpose and values are reflected in all the strategic decisions that are made by the business.

With appropriate governance structures and systems in place, both business decisions and family relationships can be enhanced. As J. Murphy & Sons CEO, John Murphy explained, *"Every responsible business needs a good governance framework to draw a clear line between where the family is and where the business is. I am very proud of the heritage of our family ownership and I see the benefit of the generational long-term thinking that comes with it. However, businesses need to have a professional edge and having a strong governance structure helps to define how one maintains that level of professionalism."*

In the case of Universal Cement Corporation in Taiwan, a different model has been adopted. The company was a founding member of the 'Tainan clan' in the 1960s, a collection of businesses that were jointly owned by several leading families and members of the community. Under the clan model, non-family, professional management was the governance choice for all of the companies that were members. Over time, however, Universal Cement's

business began to decline due to a lack of innovation and the highly conservative approach of the non-family management team. Consequently, Mr. B.-Y. Hou, Universal Cement's Chairman and CEO, assumed full ownership and management control in 2008 along with his two fourth-generation sons. When a family owns the equity but does not have adequate mechanisms for overseeing the company's performance, non-family management control may not be the best governance choice for the long-term development and sustainability of the business.

The evolution of informal governance systems to those that are more formalized is inextricably linked to the increasing complexity of the business and the family. It makes it necessary for the governance systems to evolve in parallel with the progression of the family and the business and continue to be fit for purpose at that time and stage of the family's evolution.

Therefore, family governance needs to be adaptable and reflect the generational composition, roles and responsibilities of family members as their ownership and management responsibilities evolve.

Whose role is it to govern?

“ We have been creating, together with my children, the future governance rules for the family assets. It’s a process that we’re going through together so that they can define what they want, in terms of governance, for the assets of their own children and grandchildren. ”

Filipe de Botton
Chairman,
Logoplaste,
Portugal

We have learned through research and direct experience with family businesses throughout the world that families who engage all generations of family members in planning and implementing their governance systems achieve two objectives. First, senior members of the family have the opportunity to reflect on what they have built and to pass on what they have learned through various changes in the family’s approach to governance. Second, next-generation members of the family bring a fresh perspective for addressing the challenges that the current generation is facing in the family and in the business. Perhaps most importantly, the next generation of the family has the opportunity to co-create the future systems that they will ultimately oversee.

As Filipe de Botton, Chairman of Logoplaste in Portugal described, *“We have been creating, together with my children, the future governance rules for the family assets. It’s a process that we’re going through together so that they can define what they want, in terms of governance, for the assets of their own children and grandchildren.”*

Family business leaders we spoke with also described how family governance practices and tools are helping to shape and reinforce a shared future for their families by continuing to open up opportunities to review and agree upon the fundamental purpose of the business, confirm the family’s core values and define the desired culture and vision of the business for the future as potential successors come to the forefront.

With potential succession events on the horizon and multi-generational perspectives emerging within the family business, there is additional pressure on understanding the impact that governance practices may be having on critical, and often long-term, decisions. This includes the criteria for the development of future successors and the criteria for making the right choice of a successor at the right time. These and other important considerations for succession planning are addressed in detail in the first article in our co-authored series, **“The courage to choose wisely: Why the succession decision may be a defining moment in your family business”**.



“Every responsible business needs a good governance framework to draw a clear line between where the family is and where the business is. I am very proud of the heritage of our family ownership and I see the benefit of the generational long-term thinking that comes with it. However, businesses need to have a professional edge and having a strong governance structure helps to define how one maintains that level of professionalism.”

John Murphy
CEO,
J. Murphy & Sons,
United Kingdom

The mechanisms of family governance

Family dynamics often make conversations challenging and discussions in family business are no exception. It can be difficult to talk about how the business may need to change and to agree on how to support its evolution from one generation to the next — potentially from a business that has been based on a tradition of ‘trust, informality and implicit rules’ to a new tradition of ‘structure and explicit rules’. As the business matures and grows, the presence of family governance mechanisms becomes all the more essential.²⁵

While evolution can be challenging, the value of good family governance systems at every stage of the business far outweighs the obstacles. Family business governance is about maintaining the equilibrium between what the business is trying to achieve and what the family wants to achieve. So, in addition to customary corporate governance systems, families in business have the opportunity to build their own unique family governance systems to balance their economic and family-centric goals and translate them into a shared vision for the family.

Family governance also may include the management of assets and wealth through family councils, assemblies and constitutions and the need to build cohesiveness throughout the family, especially when it begins to move to the cousin consortium stage and beyond.

Over the past 2 decades, the concept of the family office has gained momentum. While families — especially those in the West — primarily set up family offices as one-stop shops for investment, tax and estate planning, they have now progressed well beyond wealth management to also carry out important governance, education, philanthropic and social functions.

In one case that we are familiar with, a family business in Venezuela set up a holding company — which could be seen as a form of the family office — to effectively manage the family’s business portfolio, which allowed them to create a shared vision on topics such as strategy, diversification, risk, profitability, taxation and control. The family is now in the process of institutionalizing the family office to advance the family governance functions and help the family establish its constitution.

²⁵ “The Power of Governance in Family Business” 21 February 2017, Dominic Pelligana, KPMG Private Enterprise, KPMG in Australia <https://home.kpmg/xx/en/home/insights/2017/01/power-of-governance-in-family-business.html>

Key insights

When assessing the role of family governance in your business family, it is important to consider some key principles and characteristics of effective governance.



Family governance in the family business model focuses on supporting the shared purpose, principles and values of the family and its business and answers the questions: why are we doing this together and what do we want to achieve?



Good governance sets clear boundaries around who decides what: what is a business decision, what is a board decision, what is a shareholder decision, what is a family decision?



There are many family governance mechanisms, such as family councils, assemblies, constitutions and family offices, but they are only effective if they are cohesive and flexible so that the family can work together and adapt them as necessary.



Family governance is dynamic and must continue to be 'fit for purpose' as the business and the family evolve.



Family governance works hand-in-hand with corporate governance, but it has its own unique purpose and value.

Jesus Luna

National Private Enterprise Leader,
Partner,
KPMG in Mexico

Promoting cohesion, flexibility and communication

Effective family governance systems promote cohesion, flexibility and communication. This echoes Olson’s model of marital and family systems, demonstrating that a functional family system requires a balance of cohesion and flexibility that is facilitated through good communication. Family *cohesion* is defined as the emotional bonding that family members have toward one another and the degree to which they are connected.²⁶ In environments that are often dynamic and unpredictable, *flexibility* is the key to finding the right balance between stability and change to maintain the health of the organization. While governance rules may impose restrictions on certain behaviors and actions, it can also be flexible enough for family members to undertake important actions within the governance framework. COVID-19 has provided a multitude of examples of the ways in which good governance systems have upheld the need to be flexible without diminishing the stability of the business and the family.

The key here is how a system balances stability versus change. A case in point is how effective governance systems can prepare the family and the business for unpredicted adversity. The goal of good family governance is to make sure that family members

stay connected and have opportunities to voice their concerns and share their emotions in a professional setting.²⁷ An effective governance framework that includes *communications protocol and conflict resolution* processes is often used to provide a neutral mechanism for recognizing and resolving conflicts and promoting family harmony whenever possible.

Forums such as family assemblies and family councils often provide a dedicated platform for family members to discuss specific issues. However, it is important to note that these structures may be ceremonially adopted²⁸ and do not necessarily diminish the need for family members to acquire good and respectful communication skills for speaking, listening, self-disclosure, clarity and staying on topic with each other.

The family business leaders we have spoken with are generally well aware of the critically important need to maintain an open and constructive dialogue within their families. As Balázs Lévai, Sales Director, BioTechUSA in Hungary, described, “*In the family, we discussed everything. Every contradiction became a compromise, never a suppressed contradiction that wasn’t heard and discussed.*”

²⁶ Olson, D.H. (2000). Circumplex model of marital and family systems. *Journal of Family Therapy*, 22(2), 144-167.

²⁷ Berent-Braun & Uhlaner, 2012; Umans, Lybaert, Steijvers, & Voordeckers, 2020.

²⁸ Parada, M. J., Gimeno, A., Samara, G., & Saris, W. (2020). The adoption of governance mechanisms in family businesses: an institutional lens. *Journal of Family Business Management*.



“ In the family, we discussed everything. Every contradiction became a compromise, never a suppressed contradiction that wasn't heard and discussed. ”

Balázs Lévai
Sales Director,
BioTechUSA,
Hungary

Learning to get along

“ We went for 3 years without talking to each other. It still marks your life, even when some of those family members are no longer here. I’ve never forgotten it and I think that strong people shouldn’t try to impose themselves on others’ decisions. We must leave room for everyone to state their own intentions. ”

Owner

Housing sector family business,
France

Despite the recognition of the importance of open and honest dialogue, there are often family boundaries that can undermine the goals that are necessary to drive meaningful discussions and resolve potential conflicts. Poor family relationships can add to the hazards, since they don’t represent a moment in time, but an entire history of personal and familial development. Childhood disagreements may perpetuate into the present and insert themselves into interpersonal dynamics in the business. Your mother, for example, might be your parent and your boss at the same time. Or, as the eldest daughter in the family, you may find yourself working for your youngest brother.

These situations are not unusual and conflict can be the norm for some families in business. Not only are these situations detrimental to family harmony, but they can often spill over and affect the long-term sustainability of the business itself. Avoidance isn’t usually considered to be an ideal conflict resolution strategy. Because conflicts can be detrimental to some families, however, it can lead them to practice partial avoidance by resorting to an ownership exit or the termination of a family relationship rather than reopening old family wounds.

“We went for 3 years without talking to each other. It still marks your life, even

when some of those family members are no longer here. I’ve never forgotten it and I think that strong people shouldn’t try to impose themselves on others’ decisions. We must leave room for everyone to state their own intentions,” said an owner of a housing sector family business in France.

Those families that have effective systems for managing conflicts are more successful in focusing on the goals of the business and the family rather than on personal views or old grievances. Without question, “open communication” is cited as the most effective strategy for preventing and resolving conflicts. Many family business leaders also subscribe to implementing a defined decision-making authority to help reduce potential role ambiguity that can ultimately lead to conflicts.

While literature suggests that family and corporate governance systems are effective means for managing conflict,²⁹ they were cited infrequently by family leaders during our conversations. However, we noted that families who establish family governance mechanisms, such as family constitutions, often use those as a basis for defining how conflicts will be resolved and how specific situations will be managed effectively.

²⁹ Kubiček A, & Machek O. (2020). Intrafamily conflicts in family businesses: A systematic review of the literature and agenda for future research. *Family Business Review*, 33(2), 194-227.

Key insights

A documented conflict resolution process is only a backstop. If the process has to be activated frequently, larger business and family issues likely need to be addressed.



Conflicts are a natural part of the family business system. It is important to seek to understand the nature and root cause of the conflicts in order to resolve them.



Well-defined decision-making authority in the family business can reduce role ambiguity and potential conflicts.



Families should consider using a combination of conflict management strategies, such as open communication, governance, mediation and family therapy to achieve the best results for individuals, the family and the business.

Luis Díaz-Matajira

Assistant Professor,
School of Management,
Universidad de los Andes,
Bogota, Colombia

In certain situations, there is value in being preemptive. In one case that we are aware of, a prenuptial agreement is included in the family protocol as a mandatory requirement prior to the marriage of any family member. These agreements are intended to ensure the continuation of family ownership in the event of a divorce and they define in advance that any division of property will be based exclusively on matrimonial assets that are not linked to the ownership of the family business.



Investing in the family's most valuable asset

The principal purpose of our research was to evaluate the impact of changing demographics on family business practices. We weren't surprised, of course, to learn that the pace of change is increasing rapidly with the growing multi-generational outlook and approaches of family business leaders.

In this environment, families have an immediate opportunity to secure the futures of their businesses by investing in their most valuable asset — the next-generation family members who will lead the businesses forward.

The development of this new breed of future leaders does not happen in a vacuum, but at the nexus of the family and the business. It also isn't confined to formal education alone, but includes the informal learning opportunities within the business that the family often provides from an early age. This implicit knowledge usually begins to develop in the early years through family experiences and working in the family business.³⁰

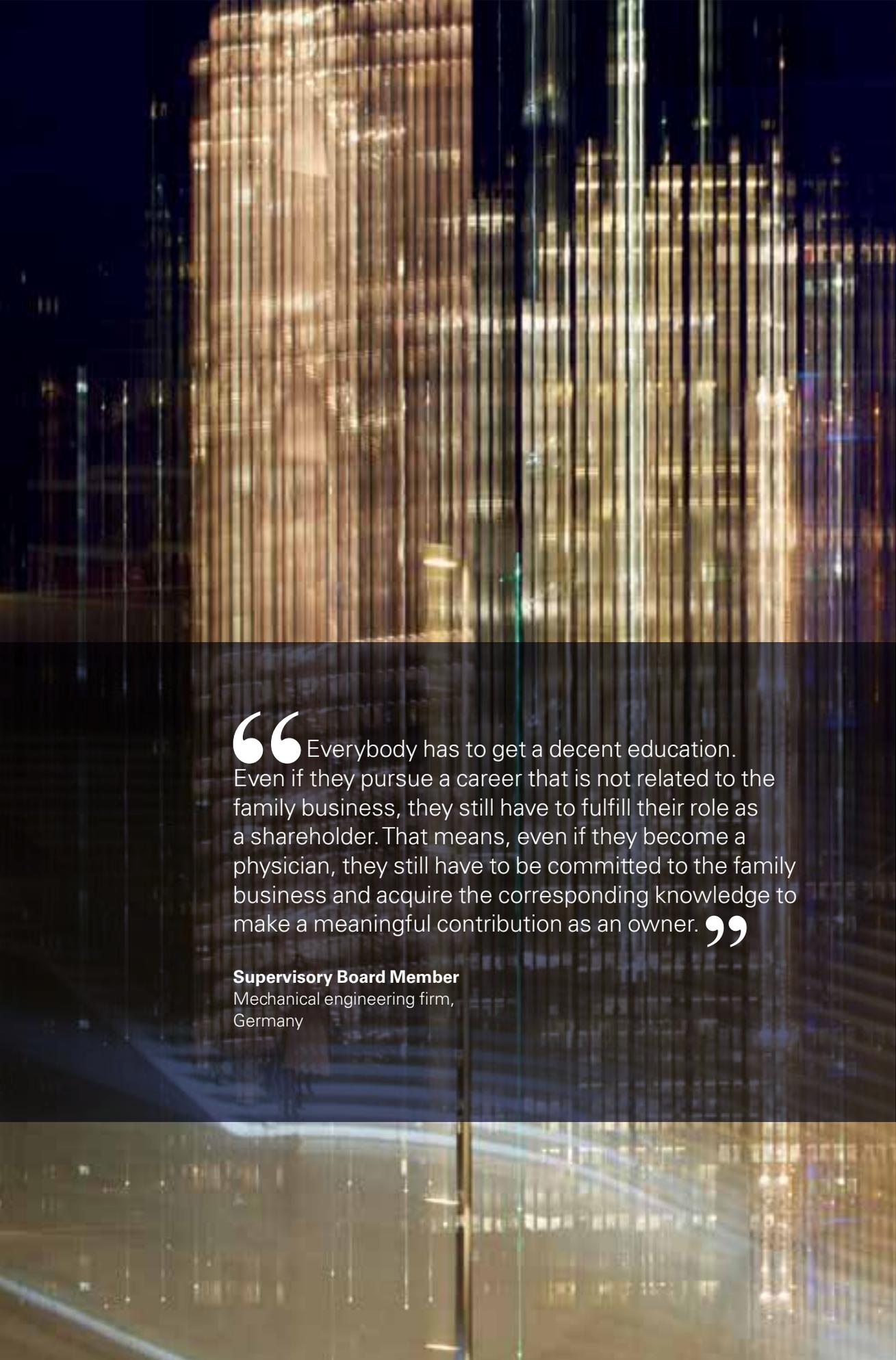
By applying their family governance systems to create learning opportunities, families are also able

to provide coaching and mentoring options to next-generation members through their participation in philanthropic projects, internships and apprenticeships. Future family leaders are often also engaged in junior boards or as observers of the family council, owners' council or a business board.

Others have embraced the concept of the 'learning family', setting up education and career committees within the family governance system. In this way, they coordinate learning initiatives through a family-specific curriculum that educates the next generation about family values and traditions and provides an opportunity for their talent and creativity to be explored.

As a family business leader in Germany described, *"Everybody has to get a decent education. Even if they pursue a career that is not related to the family business, they still have to fulfill their role as a shareholder. That means, even if they become a physician, they still have to be committed to the family business and acquire the corresponding knowledge to make a meaningful contribution as an owner."* Supervisory Board Member, Mechanical engineering firm, Germany.

³⁰ Chirico, F. & Salvato, C. (2008). Knowledge integration and dynamic organizational adaptation in family firms. *Family Business Review*, 21(2), 169-181.



“Everybody has to get a decent education. Even if they pursue a career that is not related to the family business, they still have to fulfill their role as a shareholder. That means, even if they become a physician, they still have to be committed to the family business and acquire the corresponding knowledge to make a meaningful contribution as an owner.”

Supervisory Board Member
Mechanical engineering firm,
Germany

The role of governance in family career planning

“When I had to choose a career, I was guided by my father and the passion I already had for the company because I had worked in the laboratory and distribution in my youth. When I studied industrial engineering, I was happy because I knew that it would ultimately help me do my job well in the company.”

José Manuel Suso Dominguez
CEO,
Arrocera la Esmeralda,
Colombia

There is a strong association between family education and career planning. Successful families that have formal family governance systems typically establish a dedicated education and career committee to help identify the career aspirations of family members and bridge them to the development plans of the business and the family.

Even when next-generation family members do not see the family business as their preferred career choice, families tend to immerse them in the entrepreneurial environment of the family at a young age. *“When I had to choose a career, I was guided by my father and the passion I already had for the company because I had worked in the laboratory and distribution in my youth. When I studied industrial engineering, I was happy because I knew that it would ultimately help me do my job well in the company,”* said José Manuel Suso Dominguez, CEO, Arrocera la Esmeralda, Colombia.

The intention of next-generation family members to make the family business their career choice is reinforced when they see a clear development path ahead of them.



Key insights

Family education and effective mechanisms that support career planning contribute to the succession intent of next-generation members.



Families should seek to understand the individual aspirations of next-generation family members and the intended development plans of the family and the business as part of the career planning process.



A career development plan with clear rules and policies can help raise future generations' succession intentions.



There is no one-size-fits-all approach to career planning. Families should tailor their strategies to reflect the development trajectory of next-generation family members, the family and the business.

Jeremy Cheng

Researcher,
Center for Family Business,
The Chinese University of Hong Kong,
Hong Kong (SAR), China

Family first or business first?

“We plan on having professionals in most senior management positions in the future so that the company’s operations are managed independently from family members, while the family continues to retain control through the board of directors.”

Claudia Visani
Board member,
Inversora Lockey,
Venezuela

The importance of developing human capital is reflected in both corporate and family governance systems due to the need to engage and develop family and non-family members. As we heard from family leaders, there are various factors that affect decisions about engaging non-family members as managers — or even leaders — of the family business. When the family perceives advantages in engaging professional management for the sustainability of their business, it is typically based on a fundamental decision to put ‘business first’.³¹

As an example, Claudia Visani, former CEO and current board member of Venezuela’s Inversora Lockey explained, *“We plan on having professionals in most senior management positions in the future so that the company’s operations are managed independently from family members, while the family continues to retain control through the board of directors.”*

There are several factors that can influence such a decision. Some families choose to engage family members almost exclusively in leadership and managerial roles. In the case of Arrocería la Esmeralda, a family-run rice production and distribution business in Colombia, for example, the family protocol states that if there are two equally qualified candidates for a position in the business, the

family member is to be selected. The family acknowledges that there are pros and cons to this policy and clear family employment policies have been adopted in their governance structure that everyone must adhere to.

While some family firms may be accused of nepotism in their succession and recruitment practices, this is not universally true. The choices they make have to be right for that specific family and at that specific time in their life cycle and based on the history of the family, their current dynamics, future aspirations and overall attitudes and values.

In this context, the concept of ‘fairness’ relates to meeting the economic and non-economic goals of the family business simultaneously.^{32, 33} The privileged treatment of family employees, if based on merit, does not necessarily contradict the ‘business first’ mentality, but it relates to the family’s aim to maximize its performance, as measured by realizing both the economic and non-economic goals of the controlling owners.

With changing demographics and the gradual shift away from ‘family owned and run’ to ‘family owned and non-family managed’ that we noted earlier in this article, the concept of ‘business first’ may have increasing appeal in certain family business situations.

³¹ Astrachan, J.H., & Kolenko, T.A. (1994). A neglected factor explaining family business success: Human resource practices. *Family Business Review*, 7(3), 251–262.

³² Samara, G., & Paul, K. (2019). Justice versus fairness in the family business workplace: A socioemotional wealth approach. *Business Ethics: A European Review*, 28(2), 175–184.

³³ Samara, G., & Arenas, D. (2017). Practicing fairness in the family business workplace. *Business Horizons*, 60(5), 647–655.

Key insights

While family firms may be criticized for nepotism, many have adopted professional norms and standards in their succession and recruitment practices.



Families can strike a balance between being 'family first' and 'business first' by implementing governance principles and practices that incorporate their choices in human resource planning.



Families that formulate family employment policies illustrate what it means to be 'family first' or 'business first'. Fairness and transparency are critical qualities of these policies, however, the consistent execution of the policies is the key to deriving true benefits for the family and the business.



Establishing a retirement age for management and governance roles is advantageous to the current generation and future successors.

Tom McGinness

Global Leader,
Family Business,
KPMG Private Enterprise,
Partner,
KPMG in the UK

Nurturing tomorrow's entrepreneurs

“The entrepreneurial spirit in succeeding generations is kindled through the freedom given to them to start their own ventures. It is prescribed in our family constitution that monetary support and mentorship will be provided to family members who want to undertake such activities upon the discretion of the family business board.”

John K. Paul

Managing Director,
Kuttakaran Group,
India

In addition to the importance of education and career development, nurturing transgenerational entrepreneurship is often a family priority. It is viewed as essential for the continued development of innovations that will bolster the competitiveness of the business while also sustaining the core purpose, principles and values of the family. Family governance structures have a role to play in this regard by formalizing the processes that provide family members with practical experience and opportunities to unleash their entrepreneurial spirit and create their own new ventures.

As described to us by Mr. John K. Paul, Managing Director of the Kuttakaran Group in India, his family's entrepreneurial ambition is actively supported in the following way: *“The entrepreneurial spirit in succeeding generations is kindled through the freedom given to them to start their own ventures. It is prescribed in our family constitution that monetary support and mentorship will be provided to family members who want to undertake such activities upon the discretion of the family business board.”*

More and more often, we find that families are turning their attention to the 'founding intention'³⁴ of their

family business and encouraging family members to embark on an entrepreneurial career. This sometimes includes the creation of a next-generation venture inside the family business or a separate business that is independent of the original family endeavor. Family businesses that undertake initiatives such as these offer real opportunities to family members to pursue a boundaryless career by developing their skills inside the family business and beyond.³⁵

As an example, when it was recognized that the entrepreneurial drive of the next generation of their family members was already well entrenched, one family in Guatemala developed a “young talent development program.” Its aim is twofold: to encourage the development of innovations and to introduce young family members to the company's culture. Next-generation members are invited to develop a project to improve the business in an area that's of greatest interest to them. In one case, the fresh perspective of a young, up-and-coming entrepreneur in the family gave senior management a rapid insight as to how a new generation of consumers perceives the company's products and markets and a plan for how the business could pivot as a result.

³⁴ Schroder, Schmitt-Rodemund, & Arnaud, 2011; Zellweger, Sieger, & Halter, 2011.

³⁵ Arthur, M.B., & Rousseau, D.M. (1996). The boundaryless career as a new employment principle. In M.B. Arthur and D.M. Rousseau (Eds.), *The boundaryless career* (pp. 3-20). New York, NY: Oxford University Press.

Key insights

Nurturing the passion for entrepreneurship across generations drives innovation, family energy and future competitiveness.



Embracing the concept of the learning family, families should rethink the education and development of the next generation, including formal and informal learning aimed at increasing their roles as both shareholders and business managers.



The family governance system can be an effective mechanism to coordinate and plan the learning initiatives of the next generation of family members and the family as a whole.



Continuing investment in the entrepreneurial spirit of all generations can better utilize their energy and drive innovations forward.

Miguel Ángel Faura Borruey

National Private Enterprise Leader,
Partner,
KPMG in Spain

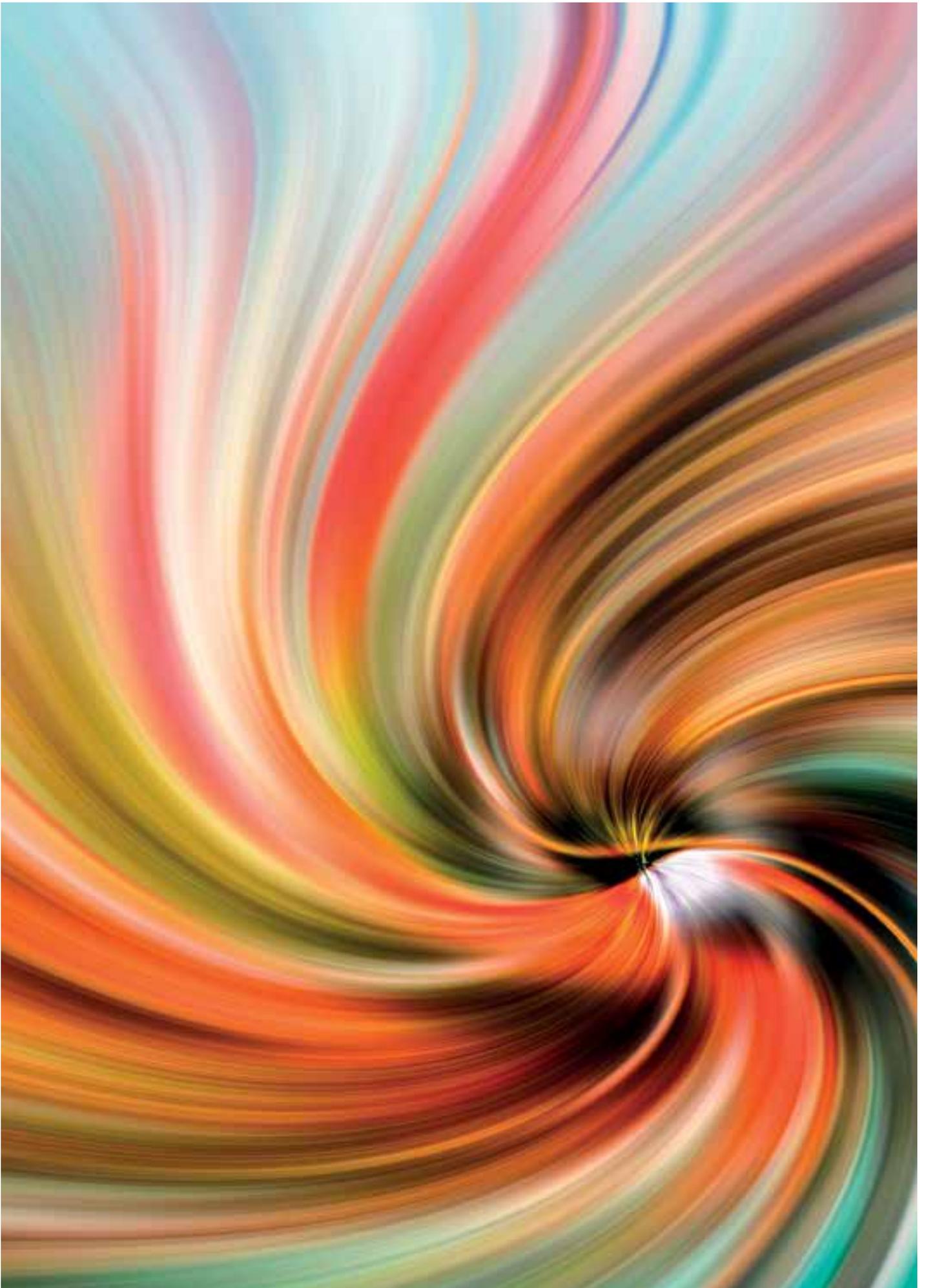
A blueprint for family governance

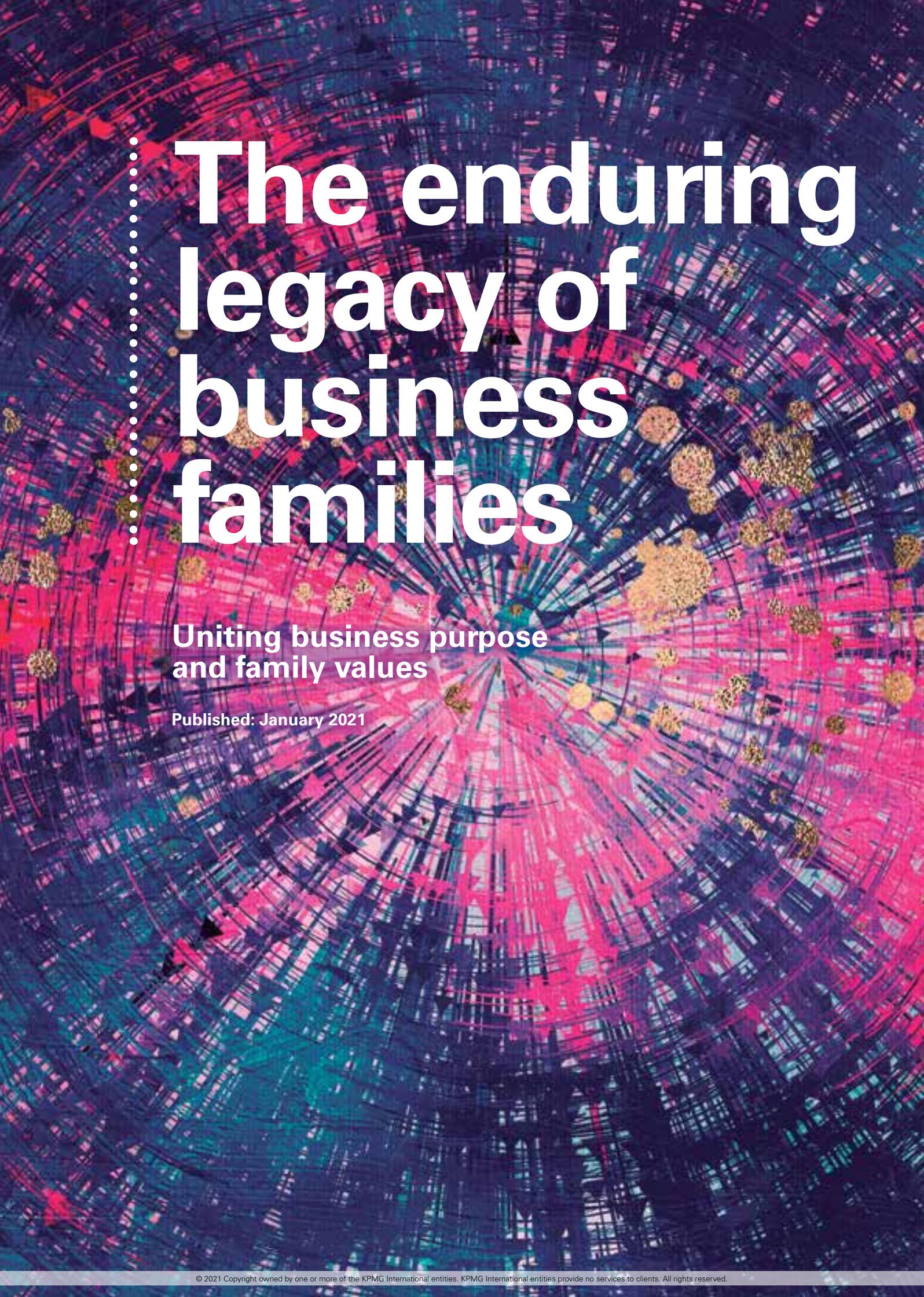
It is important for every family business to ensure its governance practices and mechanisms are aligned with the realities of the day. The key is to determine how well each family's governance system is able to balance the need for stability while retaining its agility and resilience. While governance rules may impose certain restrictions on the behavior or actions taken by the business and the family, they also need to be flexible enough to allow managers and family members to pursue new activities within that framework.

The responses to COVID-19 have revealed excellent examples of how family governance systems have achieved this balance through decision-making frameworks that are flexible enough to allow quick action to protect the family business without losing sight of its core purpose and values.

The evolution of informal governance systems to those that are more formalized is inextricably linked to the increasing complexity of the business and the family. It makes it necessary for governance systems to evolve in parallel with the progression of the family and the business. This requires them to be flexible enough to achieve their intended objectives — even during periods of unpredictable change — so that they can continue to be fit for purpose.

We encourage you to learn more about the families who contributed to our conversations and brought to life their insights on the impact of changing demographics on family governance practices. You will find the profiles of these prominent family business leaders and their businesses on the **KPMG Private Enterprise website**.





The enduring legacy of business families

Uniting business purpose
and family values

Published: January 2021

Paying it forward

Family and legacy go hand in hand and most families in business have a desire to connect and contribute to sustaining their legacy across the generations.

One way we do this is by sharing and maintaining the things we value, such as important traditions, milestones, personal histories and the family's beliefs and principles. In family business, legacy is the connective tissue that binds the core purpose of the business, the family's values and meaningful achievements across multiple generations. It represents the tangible and intangible assets: the financial worth and the social and emotional value that the family has accumulated, adapted and paid forward.

In this way, legacy is an effective medium for decoding, transferring and interpreting the purpose, values and meaning of the business family across the generations. And, as is the case with so many business and family subjects, family businesses bring their own unique twists and nuances to the subject of legacy.

In family business research, legacy has been used to explain entrepreneurship, customer relationships and longevity. To enhance our research with firsthand experiences, we went to the source: family business leaders across the globe who joined us for conversations and offered their personal and impassioned descriptions of their own business and family legacies. They made it clear that business and family legacies are inextricably intertwined and each serves a purpose in reinforcing the other.

They also reminded us that legacy is not only about looking back, but also looking forward at what is valued from both a business and family point of view, and what motivates families to want to continue to build on that value through future generations.



Albert James
Associate Professor,
Rowe School of Business,
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Georges Samara
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Tom McGinness
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Jubran Coelho
Private Enterprise Leader for the South
Americas Region and Brazil,
KPMG in Brazil



Silvia Rimoldi
National Private Enterprise
Leader,
Partner,
KPMG in Italy

Passing on more than what you receive

“ Legacy is a vital part of our history that has to be nurtured, protected and grown and it is a big responsibility for the family to take it forward. The worst thing would be to pass on something to the next generation that is less than what you received. ”

Third-generation family member and shareholder
Mexico

Each family's legacy is as unique as the family itself. It can be a bloodline, a name, heirlooms, a legal entity or family stories, myths and artifacts.³⁶ As we've encountered in most family businesses, the family legacy also typically includes the principles, purpose and values that underpin both the family and the business.

By associating the long-term orientation of the business with the intention to maintain it through multiple generations, the pragmatic nature of family business is closely connected with the 'generative' nature and emotive underpinnings of the family's legacy — that stage in adult life when people are motivated to nurture and guide their children and grandchildren.³⁷ This is how families code, transfer and interpret meaning across multiple generations.

There are aspects of legacy that represent both the business and the family to reflect the family's wishes, behaviors and expectations, while also bequeathing specific items of value from the business such as a sum of money, property or an ongoing business enterprise from one generation to the next. There is an expectation that future generations will maintain, adapt and continue to grow the gift that has been given to them.

As a third-generation family member and shareholder of an industrial manufacturing company in Mexico explained, *“Legacy is a vital part of our history that has to be*

nurtured, protected and grown and it is a big responsibility for the family to take it forward. The worst thing would be to pass on something to the next generation that is less than what you received.”

The choices that one generation makes will affect the choices of every generation that follows and it is important for older generations to 'make space' for the next generation to make their own decisions about how they will take the family and business legacy forward.

The founder plants the seeds and it is the family's responsibility to continue to nurture them and help them to grow. This reminded us of two parenting styles³⁸ — the carpenter and the gardener — that are often discussed in family literature. The concept is that the carpenter thinks that the child can be molded (just as a sculptor might do) by taking a block of marble and chiseling it into a form that they want the next generation to resemble. They tell family members what school to attend, what jobs to have and they shape the next generation into how they want it to look.

The gardener, on the other hand, plants the seed and waters it, allowing the next generation to grow in the direction that *they* want. The family cultivates opportunities to help them get there. The gardener mentality gives members of the next generation the space to make their own choices with the guidance and support they need to make good decisions.

³⁶ Barbera, Stamm, & DeWitt, 2018; Dyer, 1988; Hammond et al., Hunger & Rowles, 2005.

³⁷ Dollahite, Marks, & Wurm, 2019; Erikson, 1963.

³⁸ Alison Gopnik, "The Gardener and the Carpenter: What the New Science of Child Development Tells Us About the Relationship Between Parents and Children", Farrar, Straus and Giroux, 2016.

Key insights



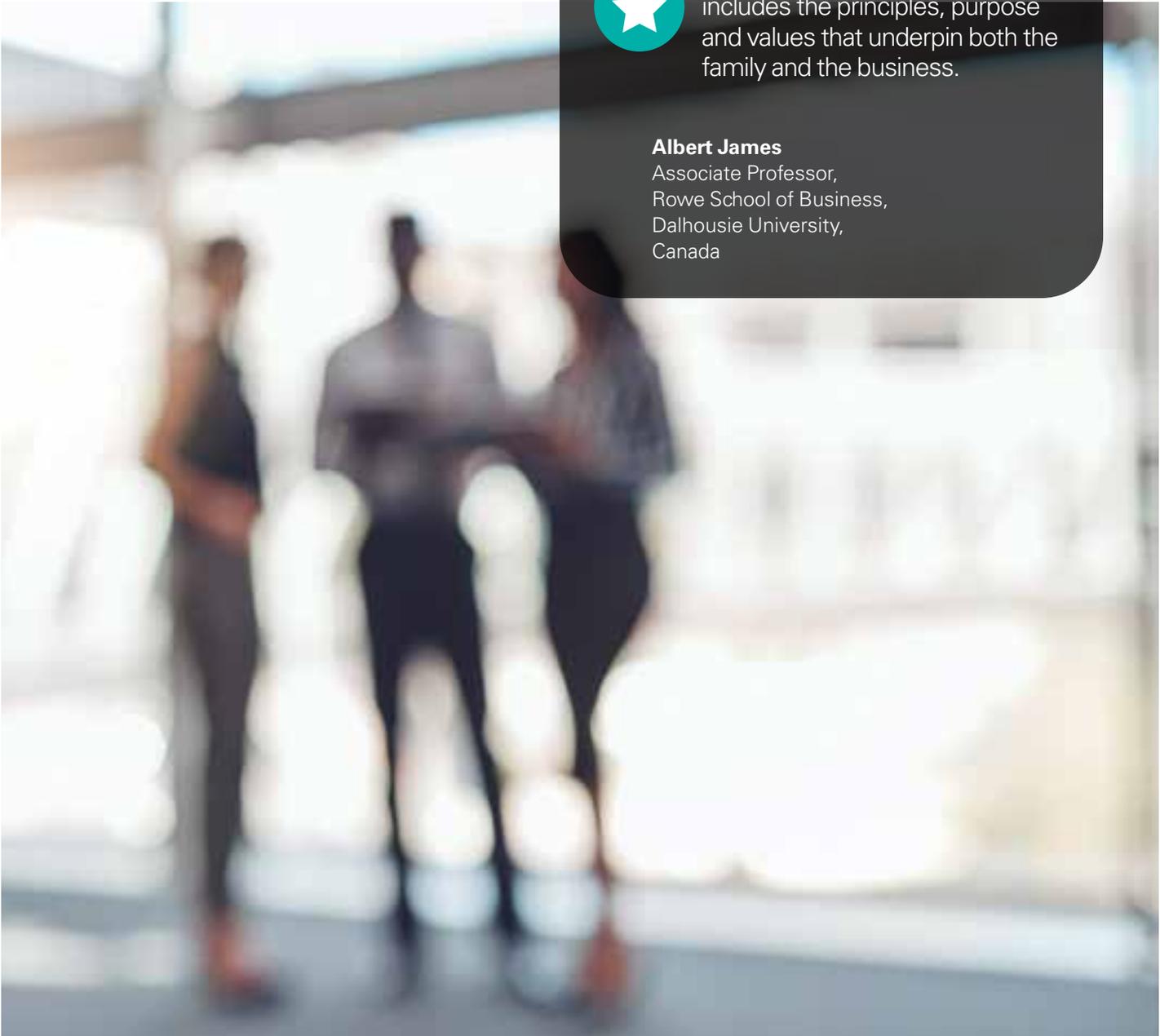
In family business, legacy is the connective tissue that binds the core purpose of the business, the family's values and meaningful achievements across multiple generations.



The family legacy typically includes the principles, purpose and values that underpin both the family and the business.

Albert James

Associate Professor,
Rowe School of Business,
Dalhousie University,
Canada



Legacy lessons from the past

“My parents were entrepreneurs. They ran a business. My mother’s parents ran businesses. Being an entrepreneur runs deep in our family and it’s in our genes.”

Family business CEO
Canada

By its very nature, the family is a stable social grouping that has been sustained throughout society. Though there have been transformations and variations over time, family remains a “unity that can be distinguished from other forms of social organization.”³⁹ In contrast, businesses are less stable. In fact, some US statistics suggest that more than half of new businesses will cease to exist within their first 5 to 10 years.⁴⁰ It makes sense, therefore, that a familiar way in which family members often refer to their business legacy is in relation to the impact that the family’s purpose, values and principles has had, and will continue to have, on their business.

For example, Mr. George Vestey, CEO of Vestey Holdings in the UK, told us a compelling story of the resilience and ingenuity of his family and how the family’s business has survived an abundance of world crises for more than 125 years: from wars to revolutions, political uprisings and hostile competitive environments, right up to the current uncertainties surrounding COVID-19.

Regardless of the type of crisis, Mr. Vestey described how the family has exhibited the same resilient characteristics throughout the generations and succeeded in pivoting their business each time due to the family’s incredible ability to reinvent itself. This legacy of reinvention is what subsequent generations of his family have strived to maintain in both the business and among their family members.

Among many of the families that we interviewed, we found there was a deep and almost genetic link between families and their businesses in which family members clearly intertwined their family identity with their business activities.

As a Canadian family business CEO described it, “*My parents were entrepreneurs. They ran a business. My mother’s parents ran businesses. Being an entrepreneur runs deep in our family and it’s in our genes.*”

While the legacy that is left for future generations is generally welcomed and accepted as a ‘gift’, the obligation to carry it forward can also be a burden. A select number of family business leaders with whom we spoke talked of the “burning requirement” for the family to be involved in the business to continue its legacy and how that is occasionally found to be a heavy responsibility and a source of tension.

However, Mr. Luiz Alexandre Garcia, Chairman of Brazil’s Algar Group, emphasized to us that while sustaining the family and business legacy is a weighty obligation for the younger generations in his family business, it is important for them to understand their responsibility as shareholders. Beyond their ownership responsibilities, they are encouraged to pursue their personal dreams without a sense of obligation to work in the company. If they’re prepared to be successful on their own merits outside the family business, they are encouraged to follow their own interests and pursuits.

³⁹ Cigoli & Scabani, 2006, p.24.

⁴⁰ Lyengar, 2015; JP Morgan & Chase, 2014.

Key insights



The pragmatic nature of family business and its long-term prosperity are closely connected with the 'generative' nature and emotive underpinnings of the family's legacy, which is how families code, transfer and translate their legacy across multiple generations.



When legacy is leveraged as a means to learn from the past, it creates continuous improvements in business processes and strengthens the emotional connection between the family and the business.

Georges Samara

University of Sharjah,
Global Research Champion,
STEP Project,
Editor-in-Chief for Business Ethics:
A European Review

Opportunity or moral obligation?

“Many next-generation family members consider preserving the family legacy as a moral obligation, which encourages them to be involved in the business early and fuels their intention to take on the business reins.”

Andrea Calabrò
STEP Global
Academic Director,
Director,
IPAG Entrepreneurship
& Family
Business Center,
IPAG Business School

A *family business* is an asset that has value at a specific point in time. Its legacy is the generational value that the *business family* has contributed over several periods of time. This legacy is not something that the next generation is simply given, but a responsibility they are asked to undertake to maintain the success of the business and the reputation of the family.

Receiving a legacy is often seen as an honor and a privilege, and a legacy conversation can be a very positive one about “bringing it forward” and growing it. However, there is also an appreciation for the significant responsibility that comes with carrying a legacy forward. It can be challenging to think about achieving what your parents or grandparents achieved — likely with fewer resources at their disposal. Will I ever be as good as them? How can I continue to honor what they have created?

A young family business successor in Hong Kong (SAR), China told us about the opportunities that are being provided to him for sustaining his father’s legacy. *“Inheriting my father’s legacy is my responsibility, but growing the business is my true mission. Succession means you don’t need to sell the business; it’s yours to grow and an opportunity for you to build your own identity and social status.”*

The responsibility for being a good owner and steward grows exponentially with each generation. Founders who fail with one idea often go back to the beginning and start over.

The asset that future generations are responsible for taking forward generally involves many more people and the impact of its success or failure can be more substantial.

There is no going back, but it isn’t always easy to move forward either. Although there may be different points of views among different generations as to how to manage the business, one thing remains constant: the desire to maintain and grow the business and the family legacy.

A CEO from Saudi Arabia described this situation in his family, saying, *“My father didn’t have anything to protect when he started. I started with a legacy that I needed to protect and we have differences about how to do that. The way I was educated is different than the way he was educated; the market today is definitely different than the way it was in his time. I believe that’s why he and I have differences about the future direction of our business.”*

Even for family members who might not work in the company, legacy is a responsibility that each generation must perpetuate to disseminate the principles and values of the family and the business and the obligations of being an owner. We are beginning to see an emerging trend with some family businesses moving toward being family owned but non-family managed. This will make it even more important to tie future generations to the core purpose of the business and an understanding of what it means to be a good owner.

Key insights



The desire to preserve family business legacy can be an asset or a liability for the family business, depending on how it translates into business practices.



While most future generations view legacy as a 'gift' to be preserved, some see the obligation to carry the legacy forward as a burden.

Jubran Coelho

National Private Enterprise Leader,
Partner,
KPMG in Brazil



Sustaining a legacy of values

“Algar Group has operated for 90 years in many different fields and the business has changed a great deal in that time. But the principles, purpose and values of the company have never changed. That’s our primary legacy. It is what has brought the company to its position today and what will carry it into the future.”

Luiz Alexandre Garcia
Algar Group,
Brazil

There is a clear overlap between the values that represent the family and how those are extended to create and sustain a family business legacy.

Family members in our interviews clearly see the family identity being reflected in their business activities as we found in the case of Country Crest in Ireland. Brothers Michael and Gabriel Hoey are the current generation behind Country Crest and they have a passion for producing the best quality food while also maintaining long-established relationships with local Irish and international farmers. The firm’s farming practices are directly connected to the Hoey family’s strong intergenerational values: respect for the land, environmental reciprocity, sustainable practice and community investment.

Family business leaders like Michael and Gabriel Hoey are bequeathing their accumulated family legacies to their businesses, not only to improve and maintain them for themselves and future generations, but for the benefit of all the communities they engage with along the way.

Mr. Luiz Alexandre Garcia of Brazil’s Algar Group described a similar situation in his family business by saying, *“Algar Group has operated for 90 years in many different fields and the business has changed a great deal in that time. But the principles, purpose and values of the company have never changed. That’s our primary legacy. It is what has brought the company to its position today and what will carry it into the future.”*

Not all family businesses are led and managed by family members like the Hoey brothers and Mr. Garcia. Given the importance of family values, we were interested in understanding the impact of the emerging “family owned but non-family managed” business model mentioned earlier and the ability to sustain the legacy of business families is this new model. We were fortunate to have the opportunity to discuss this question with a recently hired non-family CEO in Mexico.

He told us that he views the family’s legacy as the “lighthouse” for the management team. The question for management is not simply “where do we want to go?” but also “how do we want to get there?”. The family’s purpose, principles and values are the guiding light. He understands the critical importance for management to continue to be the pioneers and innovators that the founding generation embodied.

He also understands the importance of maintaining respectful relationships with the company’s employees and communities. A pioneering spirit and respect for everyone that the company touches are the two guiding principles and framework for the companies’ operations. These are legacies that must be sustained in determining how work gets done and how management executes the company’s plans.

Key insights



Family members often refer to their business legacy in relation to the impact that the family's purpose, values and principles have on the significance of the business.



In family businesses that are led by a non-family CEO, the clarity of the family's purpose, principles and values guide how decisions are made and the firm is managed.

Silvia Rimoldi

National Private Enterprise Leader,
Partner,
KPMG in Italy



Purpose and philanthropy to achieve lasting meaning

Many family businesses create and sustain their legacies by making meaningful contributions to the communities around them. Often, this takes the form of philanthropic activities with families and their businesses giving back to society through financial contributions to organizations that are important to them. Many also make significant 'gifts in kind' by donating their time and sharing their expertise on community and charity boards.

For example, Mr. Brian Sidorsky, who is Executive Chairman of Lansdowne Equity Ventures in Canada, attributes his personal business success to the opportunity he was given to participate in the local Junior Achievement program in his teenage years. It was there that he learned the principles of good business practices and where his passion for lifelong learning began. Mr. Sidorsky has returned that gift as a former Chancellor of Junior Achievement Worldwide's University of Success, a curriculum program that teaches financial literacy to make the world a better place for youth across the world.

In several of our interviews, we heard about the expansive contributions that many family business leaders are making, along with multiple generations of their family members, to long-term social initiatives that are a meaningful reflection of the family's values and purpose.

The involvement in social issues that Mexico's Grupo Urrea has shown throughout its history, for example, began with the actions taken by Raúl Urrea Avilés, who led the business in the mid-1950s. In his eyes, the perfect indicator of the company's success was a comparison between the welfare of the company and that of its employees. He became president of COPARMEX (the Employers' Confederation of the Mexican Republic) and worked together with the Confederation of Mexican Workers to create the Jalisco Institute of Social Assistance. Its mission was to provide dignified housing to workers in the region. Through the institute, workers saved 5 percent of their salary and Grupo Urrea contributed the same amount as a salary incentive.

While the initiative was implemented first in Grupo Urrea, it was adopted by several companies that belonged to the confederation. It became the model for decent housing and the basis for the nationwide creation of the National Workers' Housing Fund Institute

Similarly, legacy engenders a commitment and tangible support to corporate social responsibility which often becomes an important thread that ties families together across the generations. As an example, Ireland's Country Crest has gone as far as establishing a dedicated corporate social responsibility (CSR) arm in the business which is led by Michael Hoey, who feels that he and his brother's generation have a duty to give back.

The value system of the Hoey family and the internal operations of Country Crest emphasize that a commitment to community is a duty well beyond being a charitable effort. It is just the way the family and their employees work.

Through their commitment to CSR, the family business has invested in a variety of social and environmental actions that have lent a strong sense of community care, accountability and environmental reciprocity to the company's name.



Looking back in order to move forward

“ In my experience, the best way to build a legacy culture is by engaging members of younger generations in company activities, such as philanthropic efforts and family assembly meetings, and through examples of the desired behaviors in every action and every decision that is taken every day.

Tom McGinness
Global Leader,
Family Business,
KPMG Private Enterprise,
Partner,
KPMG in the UK



Most of us would like to know that we've contributed something to the world and the lives of others that is worth being remembered and carried on. As with many aspects of family business, creating and sustaining a meaningful legacy has special significance. Not only does it represent the achievements of the business, it is also a reflection of the character of the entire family and what they want to pass on to future generations to maintain and adapt.

Through our conversations with family leaders across the globe and several members of their families, we have gained practical insights into how families are using their accumulated knowledge and experiences to strengthen their businesses. We've seen how family values are continuing to be embedded in their businesses and their motivations to not only extend their family and business legacies, but to continue to nurture and guide their evolution.

This reinforces our understanding of how the stability of the family as a social organization is being leveraged to support and sustain family businesses and it is clear that family and business legacies are important to each other and to each generation.

There are unique opportunities to not only institutionalize family business legacies, but for future

generations to revitalize them to make sure that they continue to have meaning in contemporary society.

Even when faced with financial challenges, some of which were a result of the financial crisis in Asia, Thailand's Siam Amazing Park has remained committed to preserving the company's vision and the family's legacy. While a sale of the business was contemplated at one point in its history, the second-generation family members were convinced that the business could be revitalized with more contemporary management practices. They were committed to maintaining the business and the family's heritage of bringing affordable entertainment to the people of Thailand and it was a legacy that they were passionate about preserving.

We have observed that the desire to perpetuate family values and to continue the past accomplishments of the family across generations is at the heart of a family legacy. The business legacy perpetuates the family's business activities, such as the pursuit of innovation and entrepreneurship across the generations.

Mr. John K. Paul, Managing Director of Kuttukaran Group in India described the value of institutionalizing the legacy of the family and the business in this way:

“Members of the Kuttukaran family shall not only seek prosperity in their lives, both personal and official, but also strive to pass on a saga of prosperity to their descendants. The family, the businesses it holds and, above all, the brand legacy called ‘Kuttukaran’ always needs to be preserved as a coherent whole. The strength of all individual members of the family lies in being identified under the ‘Kuttukaran’ umbrella.”

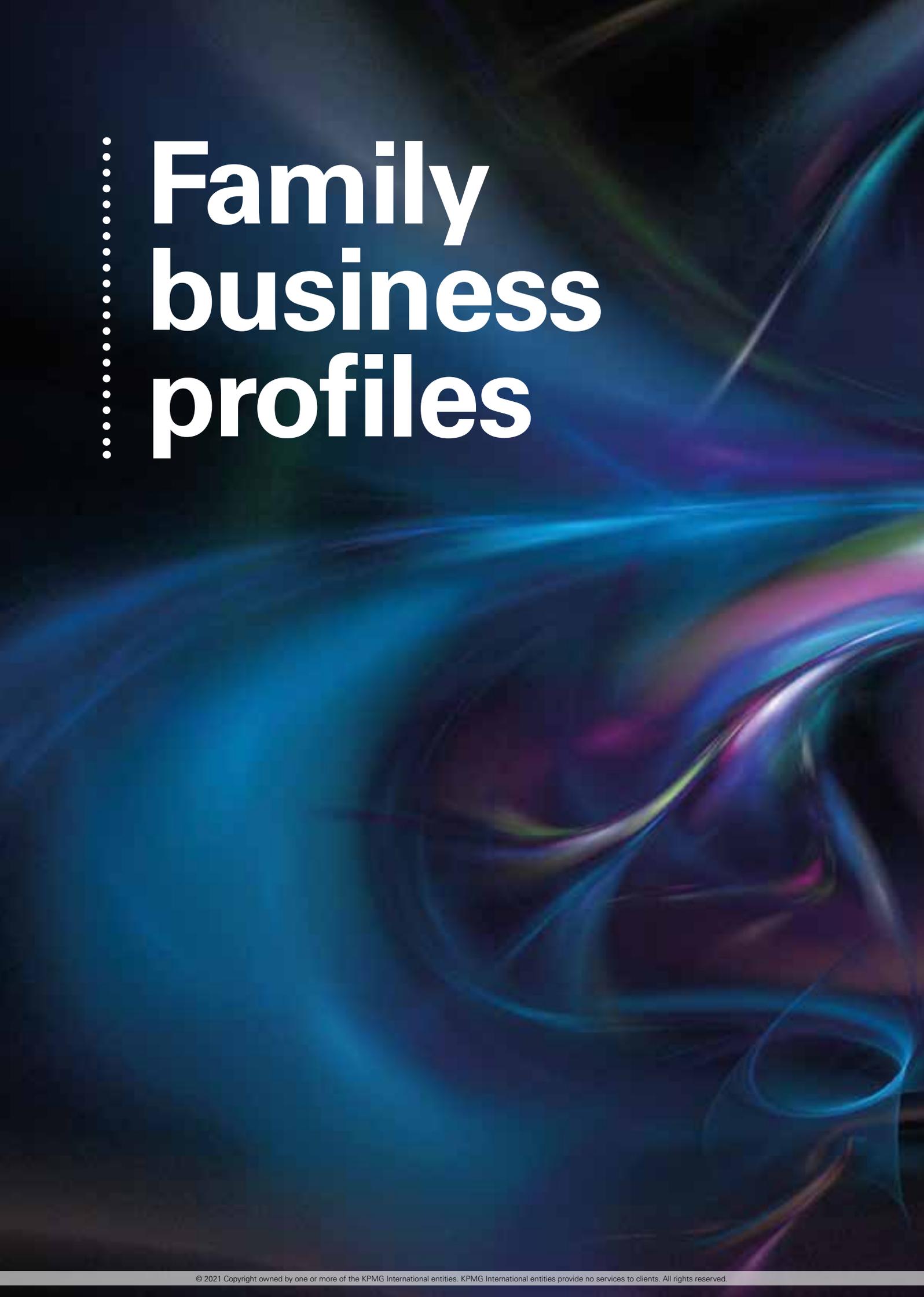
It is clear that family and business legacies are important to the various generations involved in family business. What resonated most for us is the way in which the cohesion of the family as a social organization can be leveraged to stabilize the more changeable business organization.

Through our discussions with family business leaders, we learned how transferring their values into their businesses continues to be central to their family and business legacies. While this may be seen as a burden or a challenge by some, we were encouraged to hear from most that the opportunity to carry these legacies forward is a strong motivator and an opportunity to be embraced.

It is our hope that this will encourage more family businesses to continue to unite the purpose of their business and the family’s values for an enduring legacy that generations to come are inspired to carry forward.

If you are interested in learning more about the families who contributed to our legacy, succession planning, governance and diversity discussions, we encourage you to read the profiles of these prominent family business leaders on the **KPMG Private Enterprise website**.

If you have any questions or wish to discuss this article further, please reach out to **familybusiness@kpmg.com** or **andrea@thestepproject.org**.



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**Family
business
profiles**





Family business profiles

Khalid Abunayyan, Chairman

Abunayyan Holding Company

Established: 1950

Family: Abunayyan

Business sector:
Integrated water, power
and energy solutions

**Current leader's
generation:** Second

**Generations active
in the business:**
Second and third

Family ownership:
100%

Annual turnover:
Not available

Operations:
Saudi Arabia, with
subsidiaries in Middle
East and North Africa

“Our company’s purpose is ‘sustaining life’ — we want our successors to be proud of that legacy for themselves and their children.”

Abunayyan Holding Company, Saudi Arabia — An enduring sense of purpose to support a sustainable future

Mr. Abdullah Abunayyan, the founder of the Abunayyan family of companies, pioneered the importation of modern technology to harness Saudi Arabia’s scarce water resources for agriculture. As a family business start-up in 1950, the company permanently transformed the nation’s irrigation methods by supplying diesel-powered water pumps to farmers. Today, the family business has an impressive portfolio of businesses covering public private partnership investments, including Vision Invest and Acwa Power, as well as products, solutions and services through its strategic business units and joint ventures that provide integrated solutions for water, power, oil and gas and construction.

The next phase in the company’s evolution has begun as it transforms from an LLC to a closed joint stock company. Khalid Abunayyan, Chairman of the Board, describes this next stage of the company’s transition in this way, “We are progressing from being a family-owned and family-run business to being family-owned — and **best-managed** company. Our succession decisions are focused on achieving this distinction.”

Laying the groundwork for management succession

The family of companies now includes several brothers from the second generation, and third-generation family members who are today in the business. Khalid Abunayyan considers it to be unlikely, however, that all family members in future generations will work in the business. “I don’t see my children being forced to join — or the business being forced to employ them. It has to be of mutual interest for it to work. Some children may have certain ambitions or interests to be part of the family business, but there is no automatic process for handing down the business to our older sons or daughters.”

Unexpected successions

Mr. Abunayyan emphasizes that succession planning does not begin with an imminent retirement event. For smooth transitions, succession should be approached as a clear and ongoing process that continuously assesses the rise and development of the next generation within the business and their ability to earn the family’s confidence as they progress from entry level to management positions.

To prepare for unexpected events, such as a health-related emergency or the sudden departure of an individual in a management or leadership role, Abunayyan Holding Company has obtained legal and structural guidance from external advisors. The family has documented a thorough and agreed-upon process for identifying successors to step into these roles, if necessary, and invested significant amounts of time discussing the protocol for an unexpected succession to ensure that everyone is aligned.

Preparing for future succession events

To solidify the foundation for responding to planned and unexpected succession events, the company is actively building a program in each strategic business unit so that family members, regardless of their age, can step in if their capabilities are needed. In addition to their capabilities, Mr. Abunayyan emphasizes that it is equally important to ensure that these family members understand and uphold the family values and continue to reflect them in all their actions.

Special development programs are being implemented for NextGen family members, including courses at Stanford and Harvard, external coaching and specialized leadership courses in financial management and strategy development. *“My nephews are in the business, and I serve as their coach and mentor,”* says Mr. Abunayyan, *“We’re trying to understand their aspirations and what they want to achieve to develop customized programs that work for them.”*

The continuous engagement of NextGen successors

One of the company’s succession goals is to maintain the continuity and prosperity of the children. As cousins, they will constitute the majority of the future shareholders and they are actively involved today in the business to ensure they are aware of what is happening and have confidence in its direction,

regardless of whether or not the family business is their final career choice.

As Mr. Abunayyan explains, *“The worst situation would be for one generation to pass away and have the children say, ‘Just give me the dividend check’. That would destroy the strength — the DNA — of the family. As ownership starts to dilute through the generations, it is becoming even more critical to keep the succeeding generations involved. Even if they don’t have a vote in the board today, they can hear the debate and learn how decisions are being made. If they have gone through the journey and listened to these debates and business discussions, they will have faith in the institution and want to remain attached to the business.”*

For those who do choose a role in the business, a family protocol was developed in 2011 to address the ways in which the next generation will be engaged and developed.

- Following completion of their education, family members are required to work in an external organization for at least 3 years prior to entering the family business.
- They are treated in the same manner as all other employees. Pay and benefits are the same for family and non-family members alike.
- They cannot be hired by a relative. They must be interviewed by a team that includes HR and satisfy all the job requirements — competencies, technical skills and soft skills.

Strengthening board leadership

Board succession is on the minds of the Abunayyan family as well, particularly following the transformation of the holding company, which presents an opportunity to invite non-executive and independent members onto the board. There will be eight board members — five family, including the chairman, and three non-family independent members who are investment, audit, and industrial investment subject matter experts. The company believes that

strong succession at the board level is vital to continue to steer the company and to provide direction and leadership continuity alongside family members who can engage with the public, assist with business development and interact with stakeholders

Institutionalizing the business of the family

The company is moving toward the formation of a family council and other initiatives that will continue to strengthen the institutionalization of the family business and shield it from individual and personal decisions by shareholders. Mr. Abunayyan emphasizes that, *“These approaches have been written into management science for 100 years, but that doesn’t make it any easier. Try to implement it in a family business, and you can throw all your MBAs out the window. It’s very complex, and the emotional reaction of family members isn’t always logical or reasonable.”*

Securing the business and family legacy

“From a family perspective,” concludes Mr. Abunayyan, *“I want to make sure this is an institution that will continue for the next 100 years. I want to leave behind a place where the shareholders and future generations are inspired and interested in being a part of it. From a business perspective, my father didn’t aspire to be wealthy. This was not his priority. He created a business legacy and culture that centered around reliability, innovation, customer centricity and honesty. Till today, these remain our core corporate values. We want to create a global business that serves our company’s purpose of sustaining life and creates long term economic, social and environmental value. This is my father’s legacy that we hope to endure through future generations of the family business. If our employees, shareholders, customers and young family members believe in our purpose, I’ve done my job, and that’s what will inspire the future generations.”*



Family business profiles

Ramia El Agamy, CEO

Orbis Terra Media

Established:
2008

Family:
El Agamy

Business sector:
Publishing, media and
marketing services

**Current leader's
generation:**
First and second

**Generations active
in the business:**
First and second

Family ownership:
100%

Annual turnover:
Not available

Operations:
Switzerland

Employees:
Not available

“The role of every leader is to assemble the jigsaw puzzle pieces in a manner that is aligned with the company's sense of purpose and a deep appreciation for disparate opinions.”

Orbis Terra Media, Switzerland — Leadership in a multi-dimensional family of businesses

Orbis Terra Media is an international media content studio and publishing house led by Ramia El Agamy, a second-generation member of a family of businesses. The founding business was an education advisory firm created by Ramia's father more than 30 years ago. The family enterprise now includes Orbis Terra Media as well as the Tharawat Family Business Forum — which is a non-profit network dedicated to Arab family firms — and Tharawat Magazine, a global publication for family businesses that was cofounded by Ramia who is also its editor-in-chief.

When Ramia's father opened his education design firm, it was for the purpose of pursuing a lifelong quest to improve lives through education. Her mother's career in healthcare reflected a passion for improving peoples' lives as well. The unifying factor in all the family's businesses today is this interconnected sense of purpose. It is the foundation of the family and

the root of the family's enterprises as reflected in Orbis Terra Media's initiatives and several publications and podcasts that are dedicated to supporting family businesses and entrepreneurs throughout the world.

Developing a wider generational and world view

Ramia and her sisters Farida and Shereen lead all but one of the El Agamy family of businesses. Ramia says that it might be appealing to take the romantic view that somehow her generation 'got it right' for women in family businesses, where generations before them weren't successful. However, as she points out, the will and impetus for change happens at the precipice and is more practical than generational. With women comprising more than one-half of the world's population, there is a real need for women to be in the workforce. If that was not the case, conversations about gender diversity and women as leaders would not be happening at all.

She also recognizes that the increasing focus on women in family business specifically is not the epiphany of a generation or a sudden moment of illumination. It is an economic reality and one that has been pushed forward by multiple generations of women who rallied for their right to vote and to participate in the workforce. Ramia takes note that her generation happens to have been born at a tipping point of what hundreds of years of lobbying and work efforts have accomplished.

To continue to progress, Ramia believes that her generation and those that follow have a responsibility to shape how peoples' overall well-being is affected as more women assume leadership roles. This reshaping extends well beyond the fact that women are able to do meaningful work and are considered to be legitimate successors to their family business. It also includes how that process happens and what success looks like when women they take on these roles.

Redefining success

Ramia suggests that the broad definition of a successful family business will continue to evolve through the experiences and outlook of each generation and the business and social environment they are operating in at the time.

Her parents, for example, built their business to support the wellbeing of their family. The economic environment was on their side and it helped them achieve that goal during a long period of invention and economic advances following the Second World War. In contrast, Ramia and her sisters started their careers in the midst of an economic recession. As a consequence, Ramia explains that she has never worked in boom times and she and her sisters have a scarcity mindset, not one of never-ending prosperity. As a result, each has her own definition of

what happiness and success looks like. In their businesses, they hold each other accountable for making sure that each business defines success equally by fulfilling its purpose and addressing the economic and social reality of the time.

In the current climate, for example, Ramia suggests that she may decide it's more important to create jobs than to achieve high profit margins. That is a legitimate choice and it doesn't mean that the business is less successful. It's just a different metric from what might have been considered a successful business outcome during boom times.

The sisters' most difficult challenge in defining what the success of their businesses looks like in today's environment has been uncoupling their goals from family expectations. All three are learning to let go of pleasing family members and moving toward pleasing the business by making decisions that support the goals of the business as they have defined them. Ramia is quick to point out that no one wants to disappoint their family and the uncoupling process is not an easy one. She and her sisters started by recognizing old patterns in their behavior and now challenge each other in answering, "Are we making this decision because it's best for the business or because we really want to make the family happy?"

Creating a diverse and sustainable business

In the quest to ensure that she continues to do what is best for the business, Ramia emphasizes that Orbis Terra Media's sustained success is only possible by welcoming a diversity of perspectives and wide-ranging expertise. The role of every leader is to assemble the jigsaw puzzle pieces, she states, in a manner that is aligned with the company's sense of purpose and a deep appreciation for disparate opinions. As a family business

leader, she has an opportunity to lead by example and a responsibility to help shape that open mindset.

Due to the nature of their businesses, Ramia believes that she and her sisters may have more opportunities than leaders of non-family businesses to have candid conversations about patterns of behavior and perceptions that may be putting women and others at a disadvantage. While this may present a unique opportunity for progress in the family business environment, Ramia is concerned that women's views are not being communicated sufficiently to truly open up opportunities to invite a diverse range of viewpoints and experiences and to discuss them openly in the hope of achieving a more balanced view.

She is quick to clarify that these patterns are not coming from a place of malice or poor intentions, but because businesses and business environments have historically been dominated by men and traditions that are difficult to change.

Ramia believes that it took a long time for she and her sisters to feel that they were allowed to be as ambitious as men, to be big dreamers and pursue 'big, hairy, audacious' goals. She and her sisters have recognized this about themselves and are giving each other permission to go after what they want and to stop waiting for someone to tell them they're good enough.

With access to the right content, for example, reading the right book or article at the right time, and the open acceptance of new generational points of view, Ramia believes that peoples' thinking can begin to pivot. We are on the cusp, she says, of a powerful basis for challenging each other on an old narrative about the role of women in family businesses. That's what really matters now and there are many conversations to be had.



Family business profiles

Nelly Vélez and José Ávila

Avila Wagner SAS

Established:
1971

Family:
Avila Wagner

Business sector:
Hardware retail

Current leader's generation:
Second

Generations active in the business:
Second and third

Family ownership:
100%

Annual turnover:
Not available

Operations:
Colombia

Employees:
150

“ We are focused on maintaining the company's traditional values while also refreshing its vision for the future. ”

Avila Wagner SAS, Colombia — Transforming retail with the next generation.

Avila Wagner SAS represents an entrepreneurial legacy that has been sustained across the family for close to 50 years. It began with the passionate efforts of the original founders, Nelly Vélez and her husband José Ávila, who acquired a retail hardware operation in 1971. Ferretería Argentina (Argentina Hardware Store) was located in the town of Pasto outside the main markets of southern Colombia, where hardware companies were not well-situated at the time. The couple's ambition was to stand out from their competitors. Energized by that competitive spirit, they made an 8-hour journey across rural roads every 2 weeks to stock up on products in the city of Popayán.

With a larger inventory of high-quality products, lower prices and great customer service, Nelly and José succeeded in setting themselves apart. By 2010, Ferretería Argentina employed 150 people in three stores with sales approaching 40 billion pesos (US\$11 million). They also succeeded in sharing their values and entrepreneurial character with their children and their youngest daughter, María Fernanda, in particular.

The contribution of women to the Avila family of businesses

From its earliest days, the Avila family's entrepreneurial ambition was reflected in a commitment to shared leadership by both men and women in a traditionally male-dominated business. The starting point was a bold decision by Nelly Vélez to sell her family home in order to finance the acquisition of Ferretería Argentina, the starting point for her and husband José to work side-by-side and build a thriving business together.

That same entrepreneurial energy reemerged with another female member of the family in 1997 when María Fernanda, the youngest daughter of Nelly and José, opened Ferretería Buenos Aires (Buenos Aires Hardware Store) together with her husband Petter Wagner under the legal entity Avila Wagner Limited.

In a business that might typically be seen as 'men's work', the contributions of mother Nelly and daughter María Fernanda are noteworthy. In addition to being the cofounder of her business, María Fernanda has held several influential roles in Ferretería Buenos Aires, ranging from sales and treasury to overseeing the company's substantial financial affairs.

Different times, new capabilities

The founders of Ferretería Argentina and Ferretería Buenos Aires have built a strong sense of 'emotional ownership' into their businesses with family and non-family members alike. This affinity and loyalty to the business underpins their strong commitment to its success and the family's keen interest in keeping it growing for future generations.

It is widely recognized that succession planning is not an event that happens on a scheduled date, but rather a process that takes place over a period of time. This process had not yet started in the Avila family. Following the passing of José Avila in 2015, a protracted 2-year succession began. The succession choices between the son and daughter of his first marriage and the daughter of his second were intricate and it took time to resolve them satisfactorily.

Despite the complexity of the Avila family structure and this challenging succession experience, the motivation to keep the business in the family remains strong. The second-generation successors to the Avila family of businesses have reaffirmed their commitment to keeping the leadership and ownership of the business within the family in order to secure the emotional roots that were fostered by the founders' entrepreneurial energy.

The hope is that the third and fourth generations will be interested in joining the business, bringing more diversity of ideas and plans for the future with them, while staying committed to the core values that have made the businesses great. By tapping into the knowledge of these younger generations who have grown up in technological environments, the family is eager to add a fresh, contemporary perspective to a very traditional retail business — one that creates a powerful new competitive advantage.

While the commitment is there, varied perspectives are arising between the second and third generations regarding the plans for sustaining Avila Wagner's prosperity. María Fernanda and Petter are focused on maintaining the company's traditional values of excellent customer service, good prices and high-quality products, all which have been the foundation for the success of their business to-date. Their children are introducing challenges to the company's traditional vision with the goal of charting a refreshed path for taking the business forward.

Forging a new path

It is evident that María Fernanda and Petter want the next generations of the family to be their successors and they acknowledge that resolving the differing points of view regarding the company's vision will be the first critically important step before this goal can be realized. Family discussions are already underway to surface the new perspectives and to consider them carefully to ensure that the business will continue to prosper for generations to come.

While the Avila Wagner family hopes to keep the business in the family and the family in the business, they also recognize this may not be the career choice for future generations. Some are already pursuing careers outside the family, particularly if they haven't been involved directly in the decision-making and don't have a significant enough emotional ownership and attachment to the business to make it their career choice.

Others, such as Stefano, the youngest son of María Fernanda and Petter, are charting their own paths inside Avila Wagner. Stefano's emotional attachment to the business is already strong and he is focused on learning by observation and respecting the history of the successful businesses that his family has built. He is learning each task that his parents

perform, sharing in the day-to-day operations and contributing a next-generation point of view on the future of the company.

En route to a prosperous future

María Fernanda and Petter's retirement plans and the stability of their post-retirement income are another important part of the family conversation regarding the path ahead for Ferretería Buenos Aires. The creation of a family council is being considered to maintain communication and unity among the family members and to contribute to the smooth transfer of the ownership and leadership of the business down the road.

The emotional ownership of the family business is embedded in María Fernanda and Petter's retirement decisions due to their strong desire to protect the company's values as a fundamental basis for its continuing success. As a result, they are contemplating the creation of a board of directors so that they can continue to participate in the business and transfer their knowledge to future generations through this new role. They are also considering the formation of a family council to maintain open communication and unity among all the family members and support the smooth transfer of ownership and leadership in the business when the time for their retirement arrives.

The entrepreneurial spirit of the Avila Wagner family is the engine that drives its leaders. Looking ahead, María Fernanda Avila and Petter Wagner fully understand the need to ensure that the vision for the future is fully aligned throughout the family to help achieve the company's economic goals. At the same time, they have also recognized that welcoming greater diversity of ideas from the younger generations may help transform the traditional retail business and continue to advance the entrepreneurial spirit of the family.



Family business profiles

Jodi Bloomer, Cofounder

Canadian Fiber Optics Corp.

Established:
2016

Family:
Bloomer

Business sector:
Telecommunications
infrastructure

**Current leader's
generation:**
Second

**Generations active
in the business:**
Second

Family ownership:
100%

Annual turnover:
Not available

Operations:
Canada

Employees:
20

“ It should be okay for women and men to embrace their differences. It is the differences that are important for moving us all forward. ”

Canadian Fiber Optics Corp., Canada — A new generation of family business leadership

Canadian Fiber Optics Corp. is a family-owned telecommunications infrastructure company. Headquartered in western Canada, the company builds and delivers high-speed internet connectivity to remote and rural communities in underserved areas. The origins of the company are the story of a transformative family succession decision that led the first-generation founders of the Bloomer family to exit their long-established and traditional businesses to become shareholders in an ambitious new technology enterprise founded by the next generation — their daughter, Jodi Bloomer, and her husband Arjen Kaput.

While this might not be a typical family business succession story, it has a great deal in common with most. For one, it is clearly extending the entrepreneurial spirit of the family from one generation to the next and taking the family

values forward with it. Second, it is fulfilling both generations' desire to create and build a business that will be sustainable in the family for multiple generations to come.

A transformational turning point — for the family and the business

Jodi initially chose not to be involved in the traditional family business, wanting instead to figure things out for herself and create something uniquely her own. After a few minor successes and what she describes as 'good character-building failures', an opportunity presented itself to support her family through a complete business restructuring. This process ultimately led to the family's consequential decision to exit their businesses entirely. Not only was this a critical turning point for the family, it also paved the way for a new career path for Jodi when she recognized that she had skills and knowledge that would add value to the exit process.

The transition from daughter to business advisor is not always a straight or easy path. In Jodi's case, it was critically important to declare her dual roles openly, and recognize that it might take time for her parents to be able to differentiate between her role in the family and her responsibilities in the business. She started by openly expressing to her father that she was there to add value to the exit process, not as a 'daughter with her hand out'.

For family business successors, she describes the transition to a dual family/business role in this way: *"It is important to be very clear about why you are making the choice to join a family business, the role you can play and what you can offer that will add value to the business and to the family — not what you can get from it. If I have to ask myself those questions every day for months, I will. Frankly, it's empowering."*

Blurred lines

Jodi is the first to admit that the lines between her as the daughter and her in the business were blurred initially and it was often difficult to detach the two. They were comingled and it took some time to achieve clarity on how to separate them. In the early stages, it was more challenging for her father than her mother to see Jodi as an adult and to let go — to trust how they raised her and to be confident in her knowledge and ability to execute business plans.

However, the exit process became a significant transition point itself, as it became increasingly necessary to allow others to become involved in the business and contribute their very specific expertise. It also allowed the

trust that already existed between father and daughter to unfold in a business relationship. The business relationship evolved and became clearer when Jodi and Arjen founded Canadian Fiber Optics Corp., with her family financially and emotionally invested in the company, but not participating in it directly.

Leading with respect

Jodi is a young woman working in a tech industry dominated by men. In Canadian Fiber Optics Corp.'s early days, she was running the construction side of the business. She understood the importance of earning the respect of the men on the company's construction sites, many of whom are her father's age and have been working in the industry for more years than she has been alive.

Her starting point was a position of enquiry to acknowledge that they knew more than her and to understand their specific areas of expertise. Their input is critical to making good decisions on behalf of the entire company. As their business leader, she has established a tone of mutual appreciation for their experience and knowledge, combined with her technology and business development know-how.

Future prospects for women in family business

The Bloomer family raised their daughters to be strong women. The message when Jodi and her sister Carlie were growing up was, 'you can do whatever you want'. Today, she feels that her entire family — husband, father and mother, sister and brother-in-law — are always right beside

and behind her to support her in what she has chosen to do.

Externally, where she is not known, however, she recognizes that there may be perception issues that have to be addressed quickly for women in business, particularly those working in male-dominated industries, to build and maintain their credibility.

In today's environment, authenticity is becoming increasingly important. For women in male-dominated family businesses, that means leading like a woman, not like a man — to be feminine, sensitive and intuitive in a business environment and effective in growing a prosperous business.

An environment that allowed women in business to be authentic often didn't exist for previous generations and women had to 'put on their shoulder pads' and work hard at trying to be one of the boys. It is Jodi's hope that authenticity becomes the standard for all women in business. To lead the way, she believes that family businesses have an exceptional opportunity to give a new generation of women a greater voice in their businesses and demonstrate the value they add through their talent and distinctive perspectives.

"When you believe that this is the way things should be for women in business, it's important to remember that this isn't the way things have always been," remarks Jodi. *"It's due to the hard work of so many women — and men — who have come before us to open the doors. It should be okay for women and men to embrace their differences because it is the differences that are important for moving us all forward."*



Family business profiles

Filipe de Botton, Chairman

Logoplaste

Established:
1976

Family:
de Botton

Business sector:
Plastic packaging

Current leader's generation:
Second
(with non-family CEO)

Generations active in the business:
Second and third

Family ownership:
40% via Family Office
Generation

Annual turnover:
EUR 500 million

Operations:
Portugal, with 64
factories in 16 countries

Employees:
2,400

“Innovation has always been at the center of everything we do. Being one step ahead means taking calculated risks and a willingness to invent your own future.”

Logoplaste, Portugal — The evolution from family enterprise to enterprising family

Marcel de Botton arrived in Portugal in 1940 and for many years, he owned one of the largest Portuguese plastic factories in the greater Lisbon area. That all began to change, however, in 1974 as dramatic developments in Portugal's political landscape began to have a negative effect on the management of privately-owned companies. He sold his interest in the company for \$1 and returned to what he loved best — rigid plastic packaging — and Logoplaste was born in 1976.

At the time, only companies with fewer than 50 employees could operate without an employee council or union. That political situation wasn't about to change, so Marcel thought of an ingenious way to make it work for him. He created what he called a 'through-the-wall' business model, producing packaging in small factories (each with fewer than 50 employees) that were installed directly on the client's site. This fully integrated solution, marked the beginning of in-house manufacturing in Europe, and Logoplaste grew aggressively in the Portuguese market between 1976 and the late 1980s.

Time to pass the baton

To maintain the company's growth momentum, Marcel de Botton knew that Logoplaste needed to expand its horizons and its markets and an international expansion strategy would be the answer. He also recognized something that entrepreneurs often fail to admit: he did not have the capabilities that would be required for an aggressive entry into foreign markets.

A NextGen successor steps forward

While research suggests that many family business CEOs are often reluctant to pass the leadership of their business to the next generation, Marcel de Botton's decision is an exception. At the age of 64, and with international expansion as the impetus, Marcel decided to pass the leadership baton to the next generation, his son Filipe. In addition to representing some foreign banks in Portugal, Filipe de Botton had already been playing an important role in the financial matters of Logoplaste for several years.

The legacy of an entrepreneurial mindset

While Filipe was involved in the family business at an early age, he was also an entrepreneur in his own right outside the family firm. He founded a private bank with his longtime friend, Alexandre Relvas. When the bank was sold in 1991, Filipe de Botton used his proceeds to purchase the ownership shares of Logoplaste from his father and sisters, giving him both management and ownership control.

As a condition of the purchase, Filipe made sure that his father would continue as the company Chairman. To this day, Marcel de Botton, at the age of 94, remains the Honorary Chairman of Logoplaste.

New ownership structures for a bold way forward

This succession of both management and ownership to Filipe was a new chapter in the Logoplaste family narrative — a family business story that continues to build on the visionary strength and ingenuity of its founder.

In Filipe de Botton's words, *"Innovation has always been at the center of everything we do. Being one step ahead means taking calculated risks and a willingness to invent your own future. It also means developing new ideas, new concepts and revolutionary ways of thinking about the business — and who will be the right person to lead it in a bold new direction."*

Filipe took one of those bold steps in 1996 when he invited his friend and former business partner, Alexandre Relvas, to join Logoplaste as Co-CEO and a minority investor, opening up the group's leadership to a non-family member for the first time. Logoplaste experienced strong international expansion under their co-leadership, a success that appears to contradict some research that suggests that non-family CEOs of family firms outperform when they *don't* share power with family members.

As Logoplaste's success continued, a new expansion opportunity emerged in 2016 that required a large capital injection, and Logoplaste made a decision to seek a private equity investor. In 2016, Carlyle

Group became a 60 per cent shareholder in Logoplaste. The de Botton Family Office retains the remaining 40 per cent.

Filipe became Chairman and Alexandre joined the Board, as both stepped down as Co-CEOs. And for the first time in Logoplaste's history, a non-family CEO was hired.

The challenge of non-family CEO transitions

Filipe acknowledges the difficulty in the transition to an external CEO. "It was hard," he says, "of course it was hard, even if you tell yourself it is not. In the first couple of months I was here in the Family Office and I did not understand why they were having meetings in the Logoplaste office across the lawn and I wasn't being called to attend those meetings. It was not that I wanted to be there. I just suffered because of not being there."

The continuing role of family governance

Although the CEO succession process was externalized, within the setting of the partnership with Carlyle, the de Botton family intends to maintain its role in the governance of Logoplaste.

"Logoplaste is, at its core, a family business," as is stated on the company's website and the de Botton family continues to be the key ingredient in Logoplaste's success and continuity.

As Filipe de Botton explains: "In order to strengthen your role as an influencer in the company, it's very positive when your business partner understands that what you are suggesting is, indeed, the best thing for the company; that you are not just taking positions based on emotions and personal aspects." One day in the future, his successors can help in the selection of the next CEO for Logoplaste.

Planning for the third-generation successor

According to Filipe, maintaining the bond between the company and the founding family is important, even for the private equity investors, since this link increases the company's value. For this reason, he is confident that the involvement of the next

generation of de Botton family members in the company will be vital. Although private equity is currently the first shareholder, he is conscious that the fund will exit at some point in the future and it will be necessary to identify a successor who will be prepared to carry the business forward.

Planning for that succession is already underway.

The future of the family business

Filipe has led the de Botton family's progression from a family enterprise to a high-functioning 'enterprising family'. He has created many new ventures outside Logoplaste such as a non-profit organization to support children with disabilities, a joint venture with another family firm which is the leading premium ice cream producer in Portugal, a co-work venture, as well as one in ceramics and another related to blueberry production. Filipe's son Lourenço works in the company's blueberry operations and the family shares a modern open-office space with 20 co-workers, all working side-by-side on the family's commercial and philanthropic ventures.

The evolution from a family enterprise to an enterprising family

In the case of Logoplaste, the transfer from the first generation to the second and the plan for the transfer from the second generation to the third appear to be very different transition events. However, they share two important and common threads in the de Botton family enterprise:

- a strong-willed entrepreneur with a clear vision of how the business and the family should evolve, and
- an older generation that begins to consider succession at an early age (Marcel in his '60s and Filipe in his late '50s).

Marcel de Botton did not hesitate to pass the company leadership to the next generation. As the passion for sustaining the family business continues to echo through the second and third generations, Filipe de Botton also appears to welcome the idea of passing the baton within the family as well.



Family business profiles

José Manuel Suso Dominguez, CEO

Arrocera La Esmeralda S.A.S.

Established:
1950

Family:
Suso Dominguez

Business sector:
Rice production and distribution

Current leader's generation:
Second

Generations active in the business:
Second and third

Family ownership:
100%

Annual turnover:
Not available

Operations:
Colombia

Employees:
352 direct employees and 4,500 indirect employees

“Several members of the family have influenced the evolution of our corporate governance and created policies and protocols that have made our decisions more objective.”

Arrocera la Esmeralda S.A.S., Colombia — Cultivating a family and a business together

Arrocera la Esmeralda S.A.S. has reached an important milestone in its history, celebrating 70 years of sustainable rice production and distribution throughout Colombia. Today, the company retails a wide variety of rice products under its legacy brand *Arroz Blanquita*, as a tribute to Mrs. Blanquita Cárdenas, the mother of the founder of the family's business.

He notes that when he and his siblings were graduating from university in the 1980s and 1990s, they brought with them a new generational mindset that reflected the importance of implementing total quality management, just-in-time production and continuous improvement — all of which were garnering widespread *attention* at the time, but not widespread *adoption*.

Learning from experience

As in many family businesses, the current CEO, José Manuel Suso Dominguez, was exposed to the business at an early age, working in the company during the summers.

“When I had to choose a career,” he says, “I was guided by my father and by the passion I already had for the company. I used to do a bit of everything and I was always making observations and finding opportunities for improvements. My father could see that those were important contributions.”

This informal learning throughout the summers advanced the development of José Manuel's understanding of the family's values and traditions. It also gave him the opportunity to apply his creativity in developing innovative solutions to the company's operations.

The second-generation vision

The original business approach had been cautious and operated under two key principles: paying the maximum price to the farmer and selling at the minimum price to the consumer. This small-margin approach meant that many operations, including inventory management, were conducted in-house and often by hand. While the principles behind the strategy were admirable and benefitted farmers as well as customers, it wasn't optimal for the company's growth.

With José Manuel's arrival, a modernized vision for the future was introduced — one that would promote agro-industrial innovation in an efficient and sustainable way, supported by fair trade and a respectful commitment to equality and diversity.

Good governance 101: Purpose, values and vision

The family's values and core purpose to 'grow and provide healthy food for life' did not waver with their ambitious vision. Since the 1980s, the company has been striving to educate farmers and help them transform their farming operations to be more competitive. The family's values are embedded in the values of the business and among the associates who support the progress of its operations.

The vision for the company has continued to evolve across the generations. When the company was founded, the first generation was not familiar with quality-control processes. In contrast, the second generation began to project the company toward total quality control in order to streamline its processes and deliver high-quality products, staying true to the family's core values and purpose.

As its second-generation leader, José Manuel has advanced the company to become a leader in its sector, not only for implementing advanced technology and quality mechanisms, but also for the international recognition it has received, including ISO 9000 and ISO 14000 certifications.

What is the protocol for choosing the next leader?

To sustain the company's momentum, the question of who could lead the business into its next phase became increasingly important.

Arrocera La Esmeralda SAS has had only one succession event when the leadership of the company was transferred from the founder to his first-born son, José Manuel. He had been preparing for this leadership role for most of his life by working in different areas of the company from a young age.

No protocol was adopted in this first succession process. For the next generation of leadership, however, the family has implemented a family protocol for selecting successors and other family members who want to work in the business. There are specific written conditions that must be met, including a requirement for potential successors to complete a formal education while also spending time in the company to manage their own projects and learn the operations of every area of the business.

Family members have strictly accepted the protocol and resisted hiring any family members until the protocol procedures have been well-established

and communicated. An additional family governance tool has also been developed to support the protocol with the formation of a family council. The family council mechanism is being used to approve the hiring of all new employees and the council's hiring decisions must be unanimous. If two candidates with equal qualifications are presented and one candidate is a member of the family, the family council is expected to select that family member for the role.

Keeping the company in good family hands

The Arrocera la Esmeralda family protocol has also been designed to protect the family's assets by ensuring that the ownership of the company remains in the family's hands.

As well, one of the practices that has been maintained is to permanently involve family members in the work of the company, especially for those who are perceived to be potential candidates for succession. This practice has served a dual purpose as protection in the event that a manager is unable to perform a role, while also allowing the family to closely study the performance and skills of potential successors and ensure that the leadership of the company will continue to be in the best possible hands.



Family business profiles

Luiz Alexandre Garcia, Chairman

Algar Group

Established:
1930

Family:
García

Business sector:
Diversified

Current leader's generation:
Third

Generations active in the business:
Second and third

Family ownership:
75%

Annual turnover:
US\$570 million

Operations:
Brazil, Colombia & Mexico

Employees:
21,000

“When we discuss family business legacies, ownership is not enough. There must be a leader within the business and the family. It's important to know who will carry the flag to the next generation.”

Algar Group, Brazil — A living legacy of people serving people

A rice threshing machine was created by Mr. Alexandrino Garcia on October 10, 1930 and marked the founding of the Algar Group whose name represents the initials of its founder. Mr. Garcia was a visionary, well ahead of his time, and he had an extraordinary capacity to overcome challenges. He also had a genuine commitment to serving others. His goal was to make life easier for people and to help them prosper.

The founder's commitment continues today and the company openly communicates its primary purpose as “people serving people” across its telecom, technology solutions, entertainment and agricultural commodities businesses.

Reconciling the family/business connection

The Garcia family no longer thinks of the Algar Group as the family business because they believe

that a true family business is one in which the entire family becomes involved in managing the company. And under such circumstances, the financials of the company are blended with those of the family.

Algar Group, on the other hand, sees the family relationship with the business as, “a family that controls a group of companies”, and it is important to differentiate between the company/business and the family/owner of the assets. The Algar Group's management team is comprised of business managers from outside the family and only three family shareholders currently work in the company.

The family owners' primary responsibility is to provide guidance to the managers; direct the company strategy; make sure its culture is aligned with that of the family; and develop the next generation to become good owners.

Over the decades, Algar Group has consistently reinforced the interdependence of the company culture and family culture and their shared purpose. The family has an important responsibility in making sure that the principles and values of the family continue to be the driving forces behind the company's strategic direction. It is also the family leaders' role to make sure there is a long-term view that generates ownership behavior throughout all generations of the family and among the company's employees.

Mr. Luiz Alexandre Garcia, Chairman of the group, said that the responsibility for sustaining the business is far greater for future generations than it was for the original founder. Founders usually come from humble beginnings and, if they fail, they go back to the beginning and often start over. When future generations receive a large asset that they are responsible for managing, the scale of the potential damage can be much higher if they fail because the company no longer belongs to only one person.

Learning to become a good guardian

The first lesson that Algar Group teaches the members of each generation is their responsibilities as owners. Even though they may never work in the company, they have to be conscientious guardians of the company's principles and values and to prepare themselves as much as possible for the role that they will be expected to play based on their interests and abilities.

Mr. Luiz Alexandre Garcia, Chairman of the group, remarked that members of the next generation can prepare themselves to be executives of the company if that's where their interests lie, or as a board member if they have the right qualifications. Another option is to not be involved in the business at all and participate only as an active member of the family. While no one in the family relinquishes their ownership responsibility, it is up to them to decide independently what role they want

for themselves beyond being a good owner and to be prepared to attain the academic credentials and experience that will be required if that is their career choice.

Family members are told that they will be provided with the best training in terms of education and life experience to build their life and to be successful in a business role within the company if that's what they choose. They have the right to make that decision, but there is no family obligation to do so and family members are encouraged to pursue their own interests and develop their own particular capabilities outside the company.

While this is a highly democratic approach, Mr. Garcia pointed out that it can be potentially challenging to develop the next generation's sense of ownership when they don't actually work in the company. Without this connection, there is a possibility of them saying, "I'm going to sell my shares because I don't have a sentimental relationship with the company." The Algar Group works very hard to keep an emotional attachment in place and to help the members of each generation understand that ownership is their responsibility but preserving the legacy and taking it forward is a requirement that has even greater consequences.

Learning to live the legacy

Sustaining a legacy can feel like a weighty obligation for younger generations who may not fully understand the importance of the purpose and values of both the family and the company. There are two key factors in Algar Group's mission to keeping the legacy alive within the family: repetition and transparency.

As Mr. Garcia explained, "You have to keep doing this over and over again because each generation will ask the same questions that the previous generation asked. Sometimes, these are difficult topics, such as why family

members' spouses and in-laws don't participate and work in the business." The main rule, he said, is to be transparent and speak from the heart. If one difficult topic is discussed with one segment of the shareholders, everyone else is made aware of that conversation and has the same information.

As in many family businesses, there are regular family rituals, meetings and family events to talk about the family's history and learn about the business. The family legacy had been embedded in the business using old movies of his grandfather who has achieved icon status within the family. As well, Mr. Garcia's father is 85 years old and is the 'culture ambassador'. Everyone likes to talk to him and take pictures with him when he attends events. However, the family legacy is now becoming more institutionalized as it moves from being focused on a specific family member to being the wider family and the business collectively.

On a more formal basis, there is a Shareholder's Academy with academic lessons and leadership coaches. Equally importantly, the family has created UniAlgar, a formal teaching mechanism for employees to learn about the company's culture, values and principles and develop their management skills through classroom lessons and videos.

The legacy that the founder has left to the family is enduring and while the business itself will change, the culture should last forever. The testament to this is that Algar Group has operated for more than 90 years in many different fields of business. The principles, purpose, values and success of the company have never wavered and have been widely recognized. As recently as November of 2020, Algar Telecom was recognized as Brazil's "Company of the Year" by **Exame**, a magazine specializing in economics, business, politics and technology published by Editora Abril.



Family business profiles

Margaret Hirsch, Executive Director

Hirsch's

Established:
1979

Family:
Hirsch

Business sector:
Homestore retail

Current leader's generation:
Second

Generations active in the business:
First and second

Family ownership:
100%

Annual turnover:
US \$18 million

Operations:
South Africa

Employees:
800

“Women who perform diverse roles in the family as well as in their business are often more flexible and they're able to make good decisions in the moment while juggling multiple priorities.”

Hirsch's, South Africa — A champion for women in family business

Margaret Hirsch has become an inspiring example to businesswomen across Africa, starting from humble beginnings to eventually co-founding and managing Hirsch's with her husband Allan. Today, Hirsch's is the largest independently owned appliance and electronics retail operation in South Africa.

It was a small business for a long time and only began to expand significantly when the founders were in their fifties. For 30 years, Margaret poured her energy into building the business. She was 62 when Hirsch's began its transformation into a business family and she was able to broaden her interests beyond the scope of the core business to pursue several new philanthropic endeavors.

One of her passions is to act as a champion of women's empowerment. She strongly believes in giving back to the community and is driven by a desire to guide and assist people in less fortunate situations, having firsthand experience from financial and emotional setbacks in her own early life.

“Lioness” of Africa — matriarch of the family business

“Lionesses of Africa” is a social enterprise working to advance Africa's female entrepreneurs. One

of its ongoing projects is identifying and celebrating 100 inspirational African women who are motivating and supporting the entrepreneurial dreams of other women across Africa. Margaret is one these influential lionesses.

One of her enthusiastic interests is creating opportunities to work with entrepreneurs and family enterprises to help them build their businesses. Through a regular series of networking events and conversations that she leads with other business experts from around the world, she provides practical guidance that is helping to build up the business acumen of existing entrepreneurs and those who have a dream of becoming one.

Laying the groundwork for the next generation of the family business

Within the Hirsch family business, the Hirsch's son and daughter were not encouraged to enter the family business directly based on their parents' belief that it would be healthy for them to work outside the family first to develop an understanding of what it's like to be an employee. The Hirsch siblings saw what was going on in the world, considered the options and ultimately made the choice to join the family business.

The Hirsch's son Richard assumed the CEO role in 2002 and daughter Luci will come back into the business in a larger role when her own children reach university age. In the interim, the family believes that the time that both Richard and Luci are investing in the development of the Hirsch grandchildren will ultimately pay off for the business. Even at their young age, the third-generation members of the Hirsch family are developing leadership skills and are ambitious, high achievers. While no one can say today how many of the grandchildren will have a passion for the Hirsch family business and the capabilities to play a leadership role, the groundwork is being laid. Margaret is confident that at least one or two will join the family business and open an entirely new chapter in its future when they do.

In the current environment — and likely for the foreseeable future — decisions regarding who in the upcoming generations may join the business will come down to their enthusiasm and interest in the business itself, their vision for its future and their capabilities. While Margaret is a champion for the empowerment of women, she does not carry a female or male bias when it comes to selecting the most qualified and capable person for any job, even within her own family.

The value of a female perspective

Without bias, it should be noted that there are some unique and added benefits in the wife/mother/owner combination in family businesses, one of which is the value of empathy that women often contribute. During the early days of COVID-19, the need for greater empathy escalated in many companies, as employees, customers and members of the communities that surrounded them dealt with the anxiety associated with a completely unexpected and unpredictable event. The empathetic ability of many female business leaders came to the fore in helping to address their companies' business challenges as well as those of the people around them.

While empathy is an important and distinguishing characteristic of many women in family business, Margaret cautions against the tendency of some women to over-nurture and she often reminds budding female entrepreneurs that when running a business, one has to decide what is the right thing to say or do, not what will be nice and make you well-liked.

Women who perform diverse roles in the family as well as in their business are often more flexible and able to make good decisions in the moment as well. As the

matriarch of the family business, Margaret understands the complementary value of being able to simultaneously run a family household, juggle multiple business priorities and watch over the people in her life.

As a champion for future generations of female entrepreneurs and family business leaders, Margaret offers this guidance for the next generation of young women who have a passion for their family enterprise and are looking for ways to get involved and rise to the challenge.:

- Put effort into proving you can do the job. It doesn't matter if you're male or female, getting a job in the family business should be based on merit, not kinship and you can look for ways to contribute — even in small steps — that will elevate you in the family's eyes.
- Have confidence in yourself. When things don't go well and you think there must be something lacking in you, remind yourself that it isn't you who is lacking. There are things around you that are getting in the way. It's up to you to recognize them and work your way around them.
- Have the courage to do the right thing. It isn't your family that boosts you up or brings you down — it's knowing what is right and choosing to do it.



Family business profiles

Michael and Gabriel Hoey

Country Crest & Ballymaguire Foods

Established:
1910 (family farm) &
1993 (Country Crest)

Family:
Hoey

Business sector:
Sustainable agriculture
and food production

Current leader's generation:
Fourth

Generations active in the business:
Fourth

Family ownership:
100%

Annual turnover:
US\$97 million

Operations:
Ireland, UK &
North Ireland

Employees:
350

“ We believe in sustainability and in being true to nature to deliver the best produce to the market. ”

Country Crest & Ballymaguire Foods, Ireland — Passionate about Irish food, agriculture and the environment.

Michael and Gabriel Hoey enjoy a long-standing family farming heritage dating back to the establishment of their family farm in 1910. These strategic fourth-generation brothers have expanded beyond the traditional farming practices of their predecessors to answer the call of modern consumer needs. And they have done so without compromising their deeply embedded, intergenerational family values: respect for the land, environmental reciprocity, sustainable farming practices and community investment.

In 1994, the Hoey brothers established Country Crest, which initially specialized in potato growing, grading and packaging for retailers and providing private label products for grocers' brands. Today, Country Crest is a multi-division company that supplies potatoes and vegetables to retailers across Ireland, Northern Ireland and the United Kingdom.

They have also expanded their product horizons with prepared foods and vegetable accompaniments through their

sister company, Ballymaguire Foods. The brothers' vision is to lead the way in viable food innovations by producing fresh and healthy prepared meals for consumers through sustainable and traceable farming practices within the "farm-to-fork" model.

Local impact through the family's shared values

The family's values are evident in Country Crest's farm-to-fork model and the day-to-day operations of Ballymaguire Foods' stated values: sustainability, teamwork, integrity and trust, quality, community, innovation and giving back.

The value system of the Hoey family and the internal operations of its businesses emphasize their commitment and duty to the community and the imperative to give back to society. The family business has invested in a wide variety of social and environmental actions that reflect a strong sense of community care, accountability and environmental reciprocity that are a reflection of the company's name and reputation.

Sustainability is a long-held value and practice that has strengthened the legacy of the Hoey family business. Family and non-family members alike in Country Crest and Ballymaguire Foods refer to the family's strong affinity to the land. Responding to consumer trends and increasing demands for sustainably produced foods that are packaged and transported in environmentally conscious ways, Country Crest has placed sustainability as the first priority in its business decisions.

It isn't surprising that implementing sustainable business practices and identifying opportunities to achieve environmental reciprocity continue to be primary areas of focus and concern for the brothers.

Redefining local impact

The Hoey family's impact and commitment to sustainable farming practices do not begin or end in their local communities, however. In the Christine Valley agricultural area of Haiti, for example, agricultural activities have declined considerably over the past 3 decades, from strong cane sugar and tomato production to basic subsistence farming. In response, the Christine Valley Model Farm project was set up by Michael Hoey in 2008

following a visit to Haiti. The aim of the 10-year project is to make substantial capital investments in farming equipment, training and skills to make Christine Valley a viable and sustainable agricultural community once again. The project covers 18 hectares of land and provides income for 40 local families in the area. It has also influenced wider communities in the region to adopt practices for the safe and sustainable production and sale of food.

Country Crest has provided considerable amounts of equipment and personnel to Christine Valley, with one company representative facilitating and overseeing the entire project. The brothers are committed to similar international efforts that are transforming farming opportunities in different parts of the world.

The Hoey family supports Halalele High School in Lesotho, for example, with the aim of educating the school's 300 pupils about sustainable food production, food security and nutrition. In partnership with Portmarnock Community School in Dublin and the non-profit Action Ireland Trust, Country Crest has developed a gardening training program in a 10-acre field that is maintained by the school and its pupils.

Country Crest has also developed a 5- to 10-year sustainability project among a community of 2,000 farmers in the Temo Moho area of Lesotho, empowering local farmers to grow and sell certified seed potatoes for export.

Building a legacy beyond borders

Michael and Gabriel Hoey have transformed the family farm from a traditional agricultural practice to a professionalized farm-to-fork family business for modern-day Ireland. The family businesses, Country Crest and Ballymaguire Foods, are distinguished by the embedded family values that lead their business practices and the sense of care and belonging that is felt among family and non-family members alike.

Their investment in local, Irish and international communities, "mother nature" and the wider Country Crest family is evident. There is clarity around the purpose, vision and values of the family and its businesses. And, as they continue to act as stewards and guardians of the land, this is the legacy that Michael and Gabriel Hoey will pass onto the next generation of the family, the future leaders of Country Crest and Ballymaguire Foods and future the sustainable farming practices of countries well beyond the borders of Ireland.



Family business profiles

Jack Hou, Vice-President

Universal Cement Corporation

Established:
1960

Family:
Hou

Business sector:
Cement and building materials

Current leader's generation:
Third

Generations active in the business:
Third and fourth

Family ownership:
Not available

Annual turnover:
US\$18.3 million

Operations:
Taiwan (jurisdiction)

Employees:
581

“Our succession and innovation decisions were decided simultaneously to keep the company competitive and to make sure it continues to be fit for the future.”

Universal Cement Corporation, Taiwan (jurisdiction) — An integrated network of families and businesses.

Universal Cement is a family business within a family of businesses and it reveals a unique system of ownership and management in the *family* business model. The company's origins began with capital from the Hou family in 1960, followed by investments from 40 additional families and community shareholders shortly thereafter. Four founding family leaders from the Hou, Wu, Yan and Kao families came from nearby locations in Tainan City in southern Taiwan. They, along with their relatives and villagers in nearby communities, not only helped to establish Universal Cement, they also helped to finance the creation of several companies in their communities.

All of the families are from the Beimen District of Tainan. They are business partners, good friends and the primary

leaders of what has become known as the “Tainan clan,” a group of families that brought together their capital and human resources to build significant commercial enterprises during a vigorous period of industrialization following the recovery of Taiwan. They invested in each other's companies and gradually developed a unique system of corporate governance for overseeing them collectively.

Adopting a non-family governance model to maintain autonomy

Unlike many family businesses that are controlled by a single family, ownership and management rights of each company in the Tainan clan are not controlled by individual families. While the four core families have a significant ownership stake in their individual businesses, there are also numerous minority shareholders from several families in local communities.

In order to keep the management and operation of each company running smoothly, the founding members of the Tainan clan decided to maintain the autonomy of each company's management team by appointing non-family CEOs who had full responsibility for each company's operations. Ownership remained among the families within the Tainan clan. However, family members typically did not participate in the regular operations of their own companies.

The Hou family originally followed this non-family management protocol, even though the family owns the majority of Universal Cement's shares. The commitment to non-family management began to change, however, in 2008.

Demand in the cement industry was beginning to decline rapidly and growing environmental protection issues were on the horizon. Universal Cement was under the management of a very conservative non-family CEO at the time and without any innovation or diversification plans, the company was beginning to operate at a loss. It became clear that a new, transformational strategy was required for the company to survive. And, so, 48 years following the formation of the business, the third-generation chair and CEO of Universal Cement, Mr. B.-Y. Hou, purchased all the shares of the company and assumed management control.

All signs point to transformation

Unlike some family leaders who have concerns that their children may not be interested in the family business, Mr. B.-Y. Hou was one step ahead. Not only did he take control of the family business, he also created a development map for his two fourth-generation sons who had strong attachments to the business. They also had the talent and willingness to introduce innovations that would be necessary for the family enterprise to evolve and survive.

Along with their father, the two sons entered the family business to apply what they had previously learned while working outside the company. They revamped the company's operations and fulfilled their father's succession plan.

C.-S. Hou, the elder brother, is currently Universal Cement's executive deputy general manager. Early in his career, he was a member of the research team of the Industrial Technology Research Institute in Taiwan, where he was engaged in the research of thin pressure sensors. His expertise in the electronics industry and his creative vision became a source of diversification for Universal Cement.

C.-Y. Hou, the younger brother, is the deputy general manager. During his studies abroad, he once served as the President of the Harvard Taiwan Student Association and interned in a US financial institution.

Business transformation through strong family governance

The succession and innovation decisions made by Mr. B.-Y. Hou have worked hand-in-hand to keep the company competitive and for family members to continue their professional development.

The next-generation family leaders have changed the conservative culture of the company and managed to preserve its revenue and profits in a mature industry. One of the first steps that the Hou brothers took was to increase the performance of gypsum board construction material, which added profits to the core business of Universal Cement.

The second step was a transformational investment in the production of value-added products, including the development and commercialization of high-tech materials, such as thin-pressure sensors.

In 2010, Universal Cement signed a contract with the Industrial Technology Research Institute to transfer the patented technology of novel pressure sensor and collaborate on its application to computer, communication and consumer electronics products and establish the production line of novel pressure sensors.

The brothers also introduced strict controls in the business, reduced excessive costs and conducted a deep analysis of the cement industry to proceed in a new direction with building materials, such as gypsum board. By 2014, the performance of gypsum board surpassed cement and ready-mixed concrete as the most profitable division of Universal Cement.

The value of family leadership

The Universal Cement example illustrates some of the potential challenges in monitoring and motivating the performance of non-family leaders. In particular, if the family owns the equity but does not have adequate mechanisms for overseeing the company's performance, non-family management control may not be a good governance choice for the long-term development and sustainability of the company.

The return of family members to assume management duties at Universal Cement not only shows the value of family management and leadership, it also highlights the potential for continued trans-generational entrepreneurship in a mature company and industry when innovations and potential areas of diversification are not only encouraged but expected.

In this case, the succession and innovation decisions were decided simultaneously, making the company competitive once again and providing the family oversight necessary for ensuring that it continues to be fit for the future.



Family business profiles

Bálint, Balázst, Katalin and Ferenc Lévai

BioTechUSA

Established:

1993 (legal predecessor: JLM Powerline Kft)

Family:

Lévai

Business sector:

Manufacturing and distribution of dietary supplements

Current leader's generation:

Second

Generations active in the business:

Second

Family ownership:

100%

Annual turnover:

US\$88.35 million (2019)

Operations:

Hungary and 70 countries

Employees:

1,800

“During an intense development phase, the second generation took on a significant role and brought a systems approach as well as new ambitions to our business.”

BioTechUSA, Hungary — Governance and ownership for a second generation.

With \$50 in their pockets, Katalin and Ferenc Lévai headed to Ukraine during the rapid build-up of the fitness market in 1992. Their goal? To raise enough capital to finance a new gym-equipment import business.

Within a short period, they successfully equipped 150 gyms across Hungary. When the gym equipment market became less attractive, Katalin and Ferenc quickly mastered the art of the pivot and introduced exercise-related nutritional supplements to their gym customers. By 1999, they had managed to take over the BioTechUSA brand name from the former American owners and partners, and since 2004 they have dealt exclusively with the distribution of dietary supplements, opening the first European BioTechUSA franchise store in Hungary in 2005. Today, they have over 170 stores spread across Europe and produce BiotechUSA products in their own factory in Hungary.

2020 was a year of dynamic growth. After buying Shopbuilder, the biggest and oldest dietary supplements web shop in Hungary, they acquired their biggest competitor, Scitec Nutrition, and doubled the number of employees to 1,800. The headquarters moved to a new 3,200 square meter office building.

Growing into the family venture

From the seeds of Katalin and Ferenc's modest beginning, the Lévai family has nurtured their business into a full family affair with Ferenc's mother working as a warehouse supervisor in the early days of the business, his father as the accountant and Katalin overseeing the head of office with Ferenc in charge of strategic management.

“It was just a dream at the time,” says Ferenc, “but I wanted all our work in the ‘90s to lay the foundation for a family business that would provide a relatively better life for the second or third generations of our family.”

The second generation arrived in the mid-'80s with the birth of their sons Balázs and Bálint. From the outset, Katalin and Ferenc taught their sons independence, perseverance and responsibility. Balázs and Bálint recall being involved in small company tasks during school holidays, such as going to the warehouse to label products.

In their childhoods, they did everything together. During high school, they spent a year in Germany, where they lived with separate families and attended the local secondary school, all of which required them to build relationships and learn a language in order to prosper.

When they were able to speak German fluently, Ferenc took the boys with him to exhibitions and negotiations, where they listened and learned or acted as interpreters. *"We went with them everywhere and grew into the business,"* Balázs recalls.

Creating a path to the family's shared future

Since 2014, Balázs has been the company's sales director and Bálint has been its CEO.

Their university days appear to have been an important turning point in the decision to join the family business. They were involved in corporate assignments, such as inventing product names and later criticizing them on the basis of what they were learning. Together, they developed an idea for a self-branded shaker and were given the green light to tailor the concept to BioTechUSA. Today, that shaker represents revenues of US \$3.3 million.

Generational transitions and the challenges ahead

While they achieved this early success, the brothers soon realized that they had to learn the practicalities of operating a

business. In 2010, after graduating from university, they took jobs in open positions at the company — Bálint in the marketing department and Balázs in sales.

The boys steamed ahead with Balázs travelling and building international strategies, and Bálint responsible for building strategies, processes and structure. These were serious assignments with significant responsibilities, and implementing their ideas was left entirely to them.

Managing conflict — maintaining cohesion

The teams that the company has built have always been dynamic. Bálint and Balázs have attracted young people to the company, and that youthfulness is evident today as people inside the company are being educated to grow into more senior roles.

Following several on-the-job learning years, the family voted unequivocally to make Bálint the CEO in 2014. He was already responsible for marketing and IT and communicated well with other company executives. Although Balázs is 2 years older, he spends much of his time abroad in international trading activities and he was appointed Sales Director.

The success of the generational changeover was not guaranteed, however.

Recognizing that conflicts in the transfer of ownership would be inevitable, the Lévai family acknowledged that respectful communication was necessary so that everyone was aware of the decisions that were being made. Ownership and leadership responsibilities had to be very clear as well as how these responsibilities would continue to support BioTechUSA's underlying vision and family values.

The family discussed everything openly and made every effort to make sure that conflicts were not suppressed. These candid conversations led to compromises because Balázs and Bálint had proven themselves professionally after several years in the business, making it easier to reach a solution or agree to a concession.

The dynamic and harmonious relationship between the two boys is also very important in the life of the company. They easily adapt to each other and stand behind each other's decisions.

The transfer of governance and ownership

The process of the generational changeover and the transfer of corporate governance and ownership was deliberate and divided into two stages. In 2014, Balázs and Bálint assumed leadership authority and were given full control of the company. In 2019, the transfer of ownership was completed when it became apparent to Ferenc and Katalin that the business — and the values that underpinned it — remained intact under the leadership and control of the second generation.

Today, Balázs and Bálint each enjoy a 45 percent ownership in the family business, with their parents retaining 10 percent, and they ensure the preservation and regulation of family property through a family trust fund. While a separate protocol has not yet been developed for an unexpected succession, the organization is designed to run smoothly and independently without them.



Family business profiles

Chaiwat Luangamornlert, Founder

Siam Amazing Park

Established:

2008 as Siam Park City (rebranded as Siam Amazing Park, 2019)

Family:

Luangamornlert

Business sector:

Amusement parks

Current leader's generation:

First

Generations active in the business:

First and second

Family ownership:

100%

Annual turnover:

Not available

Operations:

Thailand

Employees:

Not available

“ Even when faced with financial challenges, we were committed to preserving the company's vision and the family's legacy. ”

Siam Amazing Park, Thailand — Creating a world of eternal fun and happiness

Mr. Chaiwat Luangamornlert, the founder of Siam Amazing Park, has been a successful business person since the 1960s. In his first entrepreneurial endeavors, he was among the first in Thailand to invest in breeding and marketing freshwater fish, followed by his entry into the real estate development market.

Recognized in Thailand as a true visionary, he became involved in the leisure and attractions sector in 1980, based on the strong belief that he could bring affordable and endless happiness to families in Thailand. He started this new journey with the opening of “Siam Amazing Park,” the first water and amusement park in Thailand. It has now succeeded in becoming a second-generation family business and one of the largest theme parks in southeast Asia.

The cultivation of an entrepreneurial family

Mr. Chaiwat has successfully instilled his entrepreneurial spirit throughout the family. He has also taken good care to ensure that his next-generation family members were well-prepared to become potential successors through their formal education,

exposure to the business from an early age and by ensuring that they have had the opportunity to take roles in the company that fit their talents and personal interests.

His eldest son, Mr. Sittisak Luangamornlert, for example, was interested in technology and electronics since early childhood and his father provided full support for his interests, such as purchasing a computer for him to pursue his self-study interests. When he joined the business, Mr. Sittisak was the initiator of the company's information technology system to improve the management of the park, increase efficiency and reduce costs by streamlining the ticketing process with new point-of-sale software.

The second son, Mr. Wuthichai Luangamornlert, had both a marketing vision and market development capabilities. After earning a master's degree from a university abroad, he joined the company and began standardizing service processes, enhancing the park's brand and opening up new markets in China and western Asia. As the firm's Managing Director, he continues to concentrate on raising the park's visibility

throughout the world and playing a lead role nationally among representatives of the amusement park industry.

The third second-generation family member to enter the business is Mr. Chaiwat's daughter, Mrs. Jirawan Diskul Na Ayutthaya. She also completed a master's degree abroad and with her knowledge of finance, she is responsible for overseeing the company's accounting and finance functions and implementing enhanced financial controls and cost-competitive procurement processes. An entrepreneur in her own right, Mrs. Jirawan had created her own retail and property rental businesses prior to joining the family firm and has succeeded in diversifying the park's revenue with the introduction of new goods and services.

Protecting a legacy in challenging times

In 2008, Siam Amazing Park faced a number of financial and business challenges, some of which were a result of the financial crisis in Asia. One serious consideration for Mr. Chaiwat at that time was the potential sale of the business.

The second generation was convinced, however, that the business could be turned around with the introduction of more contemporary management practices. The family was committed to maintaining the business and recognized the importance of the family's vision to bring affordable entertainment and joy to

the people of Thailand. It was a legacy that they were passionate about preserving.

Mr. Chaiwat consequently stepped aside from his operating position in the business and assumed an advisory and consultative role to help guide his successors. By doing so, he provided them with the room and authority to take the business forward in a bold and more contemporary direction.

With their international experience, this second generation of business leaders applied their knowledge, ability and the resilience they inherited from their father to take the accounting, finance, marketing and management of the park to a new level of sophistication. However, international competition among amusement parks was on the rise and Mr. Chaiwat assumed a more active role once again with the introduction of a new concept called "Siam City Bangkok," which would make use of the remaining land surrounding the Siam Amazing Park. The goal was to add an attraction that would recreate the landmarks and daily life of the residents of ancient Bangkok and increase overall park attendance.

An important part of Thailand's tourism strategy is a local entrepreneurship stimulus program to promote "One Tambon One Product" (OTOP) locally made and marketed products. Mr. Chaiwat had seen an example when visiting Japan where a village was built to sell local products. He saw the opportunity

for a similar approach at "Siam City Bangkok" by including cultural products and promotional opportunities that would support rural villagers and help to simulate life in the old town.

The keys to unlocking intergenerational success

The second-generation of the Luangamornlert family has been successful due to the entrepreneurial environment in which they were raised and how the founder opened up the business landscape to them from an early age. With a new multi-billion-baht Siam City Bangkok project on the horizon, they are well-prepared to work side-by-side with their father to capture the next period of growth with the addition of Siam City Bangkok to the park.

The family believes that this inter-generational success has been built on three core principles:

1. Visionary succession planning and a gradual process that took into account each family member's interests, abilities, development and readiness.
2. A focus on relationships with equal opportunities for the family and all employees.
3. Maintaining good relationships and harmony in the family, emphasizing honor and acceptance.



Family business profiles

Alfonso Urrea Martin, CEO

Grupo Urrea

Established:
1907

Family:
Urrea

Business sector:
Tool manufacturing

Current leader's generation:
Fourth

Generations active in the business:
Fourth and fifth

Family ownership:
100%

Annual turnover:
Not available

Operations:
Mexico

Employees:
388

“ If the welfare of our employees is improving, that’s a good indicator of the company’s growth and success. ”

Grupo Urrea (Tools and Locksmith Division), Mexico — Preserving the family’s social legacy

Grupo Urrea is a five-generation family business that was founded in 1907 as “Valvulas Carroll” (Carroll Valves) by William Carroll. Mr. Carroll was an adventurous New Yorker who came to Mexico with a US railroad company. He chose to remain in Mexico where he created a successful business in a rapidly emerging market for indoor bathroom fixtures, valves and plumbing products.

In 1963, thanks to the vision and inspiration of William Carroll’s son-in-law, Raúl Urrea Avilés, the company added a tools division through an association with Proto Industrial Tools in the US (now a division of Black & Decker). Today, Grupo Urrea continues to operate through two equally important divisions: one focused on manufacturing and marketing valves including showers, ceramic products and accessories for bathrooms and kitchens; the second on tools, hardware and locksmith products that are distributed in more than 20 countries across the Americas.

The birth of a family legacy

Raúl Urrea Avilés empowered his children at early ages to take responsibility for the operations of the company’s two divisions, which made it possible for him to devote more attention to social issues that were of great personal interest and importance. The social impact of Grupo Urrea continues to be central to the way the company conducts business today and it is the power behind this legacy that the family and the business have sustained for close to 114 years.

It began with a deep concern for the welfare of Grupo Urrea’s employees. For Raúl Urrea Avilés, the company’s growth and success was only meaningful if the welfare of its employees improved as well. If, for example, the percentage of employees who could own a house or a car was growing, that was a good indicator of the company’s success.

Raúl Urrea worked on many social projects as president of COPARMEX (Employers’ Confederation of the Mexican Republic). In this position and

working together with the Confederation of Mexican Workers in the region, he promoted the creation of the Institute of Social Welfare of Jalisco, the mission of which was to provide workers with dignified housing. It encouraged workers to save 5 percent of their salary, which would then be matched by their employer as a salary incentive. Grupo Urrea was the first company to implement this program and it was later adopted by many of the companies that belonged to the Confederation.

The improved housing levels of workers through this program was widely recognized and it was presented as a model for decent housing to the President of Mexico. It was one of the most successful practices in the region and immediately became the basis for creating INFONAVIT (Institute of the National Housing Fund for Workers) to improve housing for workers nationwide.

Another important contribution of Raúl Urrea as President of COPARMEX was the promotion of the investment of foreign companies in Jalisco. Working hand-in-hand with the American Chamber of Commerce, he secured the arrival of large technology-intensive companies such as Kodak and Motorola. These milestones laid the groundwork for the state of Jalisco to become the Mexican Silicon Valley, which

eventually hosted companies such as IBM, Hewlett-Packard and many others.

Raúl Urrea also understood the importance of education within the family and among members of the communities surrounding the family business. He became a benefactor of ITESO (Institute of Technology and Higher Studies of the West), a leading Jesuit University in the region that was not recognized to offer professional degrees in its first years of operation. His involvement was fundamental to the Institute being granted the "Recognition of Official Validity of Studies" by the Ministry of Public Education. This recognition gave the University the freedom to grant university degrees and design the curricula for the programs it offered.

Preserving the legacy

These examples represent the birth of the family legacy that is now being sustained and carried forward by the next generation of successors.

Alfonso Urrea C., son of Raúl Urrea, was also President of ITESO for 10 years, from 1987 to 1996.

Most recently, for example, Alfonso Urrea Martin (grandson), the current CEO of the tools division, participate with a group of Mexican business leaders in an initiative

called "Companies for Wellbeing." This program ensures that all participating companies provide their workers with a wage of at least 6,500 Mexican pesos per month, which is 75 percent higher than the current official minimum wage and sufficient to cover the basic needs of an average family.

The tradition of caring for the well-being of the company's employees has been maintained within the Urrea family and its businesses over the decades. When employees face difficulties such as an illness, disability or death of a family member, Grupo Urrea has consistently provided them with compassionate personal and financial support.

Through the generations, different leaders of the Urrea family have continued to build on the vision that the company's success is a reflection of the success of its employees and the communities in which it operates. The current generation of cousins who are leading the company, Alfonso, Juan Carlos and Raúl, are members of Generation X. They demonstrate the entrepreneurial characteristics of their generation and they have successfully combined their innovative spirit with a social agenda in taking Grupo Urrea to its next level while retaining the heritage that the family has built so far.



Family business profiles

Kim Schoepflin, CEO

Kwatani

Established:
1976

Family:
Vogel

Business sector:
Custom-built mining
equipment

**Current leader's
generation:**
Second

**Generations active
in the business:**
Second

Family ownership:
Not available

Annual turnover:
Not available

Operations:
South Africa

Employees:
190

“You build credibility by being authentic and acknowledging what you don't know. If you do that, it really doesn't matter what other people think should be men's work or women's work.”

Kwatani, South Africa — A passion for creating value through diversity

Kim Schoepflin has chosen the road less travelled. As the second-generation successor to the family business founded by her father, she is charting her own path as the CEO of Kwatani in South Africa's male-dominated manufacturing and mining industry.

She is the first to acknowledge the challenges of being a woman doing what some consider to be 'men's work'. Whether there is overt discrimination or more subtle inherent bias, she says there can be an undertone in some companies that 'you are not legitimate' and that 'women don't belong here'. Kwatani stands apart.

The company has been supplying the South Africa mining industry with large-scale vibrating equipment for 44 years. Approximately 5 years ago, the company entered into a partnership with Vhatsila Holdings, which acquired a 30 percent share of the company. Today, 100 percent of Kwatani's ownership lies in the

hands of women, 51 percent of whom are black women, making Kwatani the first company in its class to exceed the requirements of the South Africa Mining Charter.

The focus on women in an industry dominated by men sets Kwatani apart. Kim is quick to point out that 50 percent of South Africa's population is female so, practically speaking, it makes sense that qualified women are available to work in any industry. In Kwatani's case, women are currently running the company's business development, internal sales, warehouse, dispatch, HR and finance departments. Half of management roles and two of the company's three board positions are also held by women.

The importance of knowing what you don't know

Kim has a European strategic consulting and investment banking background. She was catapulted into the interim CEO role at Kwatani

following the illness of her father. A search began for an external leader who had extensive experience in manufacturing or engineering along with the requisite entrepreneurial drive and cultural fit with Kwatani. She became the permanent CEO when a suitable external leader could not be identified.

Male and female family members face potential challenges in family businesses if there is a perception that they have their jobs only because they are someone's son or daughter or have another family relationship. There can be a significant difference in this perception when family members have proven that they have delivered results outside the family business. Even though she does not have the engineering background that could be expected, she believes that her work experience in Europe, outside the family business, was to her advantage.

While the transition to the CEO role wasn't completely smooth, Kim was able to establish her credibility as a leader who could take the business in new directions by 'knowing what she didn't know' and ensuring that the right people were in place who *did* have the expertise where it was needed.

The hidden wealth in family bonds

The strong intergenerational bonds within family businesses have been shown to deliver healthy financial and emotional dividends over time. It is widely believed that this is particularly true of the bond between fathers and daughters in family business relationships.

Kim's father, Gunter Vogel, was the founder of the Kwatani business. He carried traditional beliefs and values throughout his life and the idea of having a female senior manager, let alone a female CEO, likely wasn't on his radar as the business continued to grow and mature.

Her father may have been old fashioned, but he was also pragmatic. When he saw what his daughter was accomplishing as a strategic consultant and investment banker, he understood the value she could add to the family business. Not only was she talented, she also had diverse experiences outside the family business that could help to take the business in a new direction.

An evolving leadership style

In her previous corporate role in Europe, Kim was very results-driven and her style was authoritative. She suggests that the family culture of the Kwatani business added a consultative element to her leadership style and that she always sought her father's advice and thoughts on new ideas. Today, she taps into her team and members of the board for similar sources of objective input.

She supports the view that the multi-faceted roles that women play as a daughter, wife, mother and manager can result in exceptional leadership qualities. In addition to learning to handle many things simultaneously, she believes these multiple roles have honed her ability to concentrate on details while not losing sight of the big picture, to make quick decisions when needed, to be disciplined in making tough choices and not to take things personally. All would be outstanding qualities for any leader to embrace.

Does she feel the need to legitimize her role as the leader of a company that traditionally operates in a man's world? She is emphatic, saying, "*You build your credibility by being authentic, acknowledging what you don't know and asking the right people the right questions. If you do that, it really doesn't matter what other people think should be men's work or women's work — and the kind of work that you should or should not be doing.*"

Having said that, it is understandable, she says, that some distant family members, though not those who are actually familiar with the Kwatani business, are likely asking themselves, "what is a woman doing in that role?"

In some family businesses, female leaders can face challenges with employees as well, especially men who are working in manufacturing jobs. To address this potential issue directly, Kim is visible on the factory floor, visits customers on the mine site in overalls and safety boots, on occasion participates in the assembly and testing process of exciter gearboxes and talks with employees as they're working on the line. All of this is done in the interest of understanding what they are doing and exploring their ideas.

Legislating gender parity — is this a good idea?

It isn't surprising to note that men hold most of the power and influence in mining and manufacturing and it is generally difficult to find qualified women for roles such as engineering. However, Kwatani differentiates itself and employs a number of female engineers. While unconscious bias may not have abated and quotas can create greater awareness of biased beliefs and practices among some people, Kwatani does not subscribe to legislated programs, mandated quotas or other rules for hiring women as the answer.

Kim strongly believes, however, that family businesses have a responsibility and an unbiased set of opportunities to set the example and lead the progression toward greater diversity in businesses of all types.



Family business profiles

Brian Sidorsky, Executive Chairman

Lansdowne Equity Ventures Ltd.

Established:
1967

Family:
Sidorsky

Business sector:
Real estate and
land development

**Current leader's
generation:**
First

**Generations active
in the business:**
First

Family ownership:
100%

Annual turnover:
Not available

Operations:
Calgary, Canada

Employees:
Not available

“My greatest legacy will be sharing my formula for success with future generations and stimulating a passion for growing their own businesses.”

Lansdowne Equity Ventures, Canada — A 50-year formula for success

In 1967, at the age of 20, Mr. Brian Sidorsky embarked on his first venture: the opening of a small furniture store in the city of Calgary in western Canada. He speaks of learning about how to be a successful entrepreneur at “the school of hard knocks” and attributes his early successes to the experience he gained during his teenage years through the local Junior Achievement program. There, he not only learned how to run a business, he also gained in confidence his abilities and self-esteem.

The business he created through Junior Achievement turned into the inspiration for his first business venture and gave him the lessons on buying and selling that he required to be successful as a furniture retailer. That seedling business ultimately grew to become the largest retail furniture and appliance store in the city and he ultimately sold it to a large national furniture chain in 1980. Following that sale, Lansdowne Equity Ventures became a reality.

Over the past 30 years, Mr. Sidorsky has become a highly successful owner and operator of shopping centers, residential housing and commercial property developments and a sizeable portfolio of land banks.

The Sidorsky formula for “worth creation”

Mr. Sidorsky has children and grandchildren, none of whom have joined him yet in the family business. He is committed to sharing his business acumen among the youth of the world, however, and one of the starting points is within his own family.

His ambition is to transfer the knowledge and the financial and experiential wealth that he has gained over the past half century to his children and grandchildren. His desire is to maximize their abilities and to help them appreciate the opportunity they have been given to create even greater family worth by succeeding together for many generations to come.

As the family patriarch, he sees his roles as helping to define the purpose of the family and its financial and non-financial wealth, then acting as a guide, alongside his wife Gail, to his children and grandchildren to set them on the right course to be successful.

He wants to leave his “worth creation” formula for success as his family legacy, which includes the opportunity for future generations to maximize their natural tendencies and abilities and successfully reach their potential. His wealth creation formula aligns the family around a core purpose, a set of shared values and behaviors and recognition of the value of the asset that is created through a strong and united family.

Achieving family alignment

In reality, it's rare to find many families in which everyone is moving in the same direction and at the same pace. The definition of success can be diverse, as can family relationships where not everyone gets along.

Mr. Sidorsky keeps an open mind. “I come from a place where I took the time to understand who I really am; that I’m not just a collection of my grandfather’s thoughts or my father’s experiences and

belief systems. I wanted to get far beyond that and I understood that I had the freedom to choose the kind of parent that I wanted to be; to instill a legacy of good values and sense of purpose within my family,” he says.

In this way, he is equally focused on keeping his mind open to give his children and grandchildren the opportunity to see everything that’s on the menu and not to force feed them into taking the path that he might be keen for them to follow.

He starts by asking questions about what success looks like. What does it look like for the collective and for each of them individually in terms of achieving financial wealth, business success, their personal ambitions and contributing to society?

Giving back more

Mr. Sidorsky may be a graduate of the school of hard knocks, but his Junior Achievement experience and his openly declared “self-help” mindset have taken him very far. From furniture retail to mobile homes to commercial real estate, his cumulative knowledge has been applied to a wide breadth of industries. His enduring legacy is being built on this wealth of knowledge and experience and giving back more than what he has received.

For example, he is a former Chancellor for Junior Achievement Worldwide’s University of Success and was involved in creating a curriculum program to teach financial literacy that will make the world a better place for youth across the world. It begins with exposure to critical skill sets, such as collaboration, creativity, self-confidence and resilience to prepare students for university, vocational education, the workforce or their own start-up ventures.

Students shadow skilled mentors such as himself and test their skills through multiple channels and experiences. Many of the students have already launched their own businesses and enjoyed their first taste of entrepreneurship.

As he describes it, “We are teaching the world how to fish with financial literacy programs in 127 countries that reach 10 million students a year.”

He is also helping to fulfill his legacy ambitions by laying the groundwork for the next generation of entrepreneurial success stories that mirror his own.



Family business profiles

George Vestey, CEO

Vestey Holdings

Established:
1895

Family:
Vestey

Business sector:
Food production

Current leader's generation:
Fourth

Generations active in the business:
Fourth

Family ownership:
100%

Annual turnover:
US \$650 million

Operations:
United Kingdom

Employees:
1,000

“As custodians of a family of businesses, the company’s aim is to build and improve them for the future.”

Vestey Holdings, United Kingdom — Good ownership is good for everyone

Vestey Holdings is a fourth-generation family business, involved primarily in the global food industry. CEO George Vestey tells a compelling story of the resilience and ingenuity of his family and how the family business has survived many world crises over the past 125 years, from wars to revolutions, political uprisings and hostile competitive environments and the current uncertainty created by COVID-19.

2020 marks the 125th anniversary of the Vestey family business when brothers William and Edmund Vestey established the Union Cold Storage Company in Liverpool. Among the first to exploit the potential use of refrigeration, the company developed cold storage facilities across the UK and throughout Russia, the Baltics, and Western Europe. This made it possible to supply large quantities of quality affordable meat, poultry, eggs and fish to the growing UK population during the Industrial Revolution.

Keeping the family in the business — and the business in the family

As George Vestey describes, “Ours is a brilliant story of pioneering people who lived tough lives. What they and

succeeding generations have done has defined us as a family. We would be remiss in letting the flame of our family identity go out.”

This family legacy of reinvention is what the current generation wants to continue through the immediate and future family succession processes.

Ownership succession as a priority

The family ownership structure is critical for Vestey Holding’s success, and a great deal of thought has been given to the subject of ownership succession. There are 11 children in the fifth generation of the family and it is not yet known whether any members of the cousin generation will be interested in, or capable of, taking on management or leadership roles.

With the assistance of an external facilitator, a family council is being created as a vehicle for the succession process. The first priority will be to address the inter-generational transfer of ownership to the 11 cousins. Management succession will become a focus further down the road when these NextGen family members have become more attuned to the business.

Preparing the next generation through the Family Council

Vestey Holdings had several non-family CEOs in the past and found that much of the family culture was lost in the process. The imperative now is to rebuild and maintain the resilient, entrepreneurial culture at the heart of the Vestey family business through successive generations.

As part of the ownership structure, the family council will be the mechanism to bring together all 11 of the NextGen family members to learn about the business, and to create greater engagement between the family and the business. This next generation of future entrepreneurs is not there to receive lessons on how to manage the business. They are there to begin building their own opinions and to understand what's happening in the business, just as George Vestey himself did when he joined the family business in the late 1980s as a trainee butcher.

Role of the current generation

The current generation's role is to reinforce the foundation of the family values, expected behaviors and identity and to help the next generation explore new ways to become involved in the business to determine whether they want to be a part of it going forward.

If the current leaders fail to engage with the next generation successfully, or are unable to find the right successor or if the family council is unable to get itself organized, a pragmatic decision will likely be made to recruit the best non-family executive possible, while retaining the deeply rooted sense of 'familiness'. This might involve strengthening the capability and participation of the ownership group to reflect the familiness components of the business alongside a non-family executive who shares their values.

The value of frameworks and an external perspective

George Vestey exhibits a strong understanding of the nature of succession and the role of independence in the process. In his view, the frameworks and processes are as important as the output.

There is agreement that the current fourth generation of the family should not assess or select potential successors due to the inevitable possibility of bias. This, and the potential for successors to be 'hurt' by their family members' decisions, makes neutrality essential. Therefore, the family council will play a role in measuring the benchmarks for succession, while using non-family advisors to guide the process.

An external advisor has been retained to facilitate the succession planning process and has assisted in the formulation of the family council. He will also be instrumental in guiding the conversations with other family members who have ownership interests and the 11 members of the next generation who will be invited into the family council. The external facilitator is expected to ease potential tensions and conflicts among the family members and to guide discussions on potentially sensitive and difficult-to-discuss issues.

The selection criteria for future generations

The succession model for the Vestey family has evolved between the generations with an appreciation of the unique characteristics of each new generation as they join the business. The model has changed over time as the result of a liquidity event, a desire to change the role of cousins, the implications on future leaders and the evolution of a stronger relationship between family members and the business.

However, while the model may have evolved, the standard criteria for selection continues to be based

on meritocracy — on technical competency, ability, willingness and the business need. Equally important to Vestey Holdings, it is also based on the potential successor's passion for the business, energy and commitment to 'do good' for society, the environment, and all the company's stakeholders. This mindset is considered to be essential for continuously reinventing the business as new challenges arise while remaining true to the family's core values.

"We're here to do good," states George Vestey, "and we will expect the next generation to take a lead on societal impact and sustainability issues. We need to be able to have conversations with them about those issues and their responsibility so that they have a clear vision of how they can make a contribution to the family business and to society in general. I believe the generation coming behind us already has these issues on their radar, and they will be able to have tremendous impact if we set them free to do it."

George refers to his earlier military training, where the motto was 'To Serve. To Lead' and believes that 'We Serve, We Lead' is an appropriate way to define the vision and values of the Vestey family business.

"Good ownership" — the remit for the next generation

The enduring entrepreneurial spirit of the Vestey family continues to influence the way its business is led today. Vestey Holding's aim is to sustain its business through long-term thinking and careful succession planning. Maintaining a profitable business is an essential prerequisite. Without profit, the company cannot be sustainable or able to do good. *"But we stand for a greater sense of purpose than profit alone," states George Vestey, "as we have a responsibility — both collectively and individually in the business — to enhance our local communities by making them a better place to live and work now and in the future. By being a good owner, that's good for business and good for everyone."*



Family business profiles

Claudia Visani, CEO

Inversora Lockey C.A.

Established:
1975

Family:
Visani

Business sector:
Lock and padlock
production/distribution

**Current leader's
generation:**
Second

**Generations active
in the business:**
First, second and third

Family ownership:
100%

Annual turnover:
Not available

Operations:
Venezuela (exports
throughout S. America
and the US)

Employees:
500

“Gender equality has characterized the family, and now we have an opportunity to turn our attention to generational diversity as well.”

Inversora Lockey C.A., Venezuela — Three generations aligned around a shared purpose

Inversora Lockey C.A., founded by Claudio Visani and a group of strategic partners in 1975, has been producing and marketing the CISA and Schlage lock brands throughout South America for decades. By the early 1990s, the company accounted for more than 70 percent of the entire Venezuelan lock and padlock market.

Since 2007, the ownership and management of Inversora Lockey has been in the hands of second-generation members of the Visani family, at which time the youngest daughter, Claudia Visani León, was appointed as the CEO and firstborn son, Andrés Visani, as COO and Vice Chairman.

Laying the groundwork for succession

In 2015, CEO Claudia Visani León negotiated the purchase of all of the company's shares from its international partner at the time. Her father's lifelong dream to have full ownership of his company had finally been achieved.

Today, three generations of the Visani family are involved in the business, with second-generation family members having control over ownership, management and governance. The company founder, Claudio Visani, maintains his presence with regular visits to the company's facilities.

Even though Claudio Visani did not have a formal succession plan, the family believes that two important elements led to the successful transfer of leadership to the second generation. The first was the confidence everyone had in both Claudia and Andrés. The second was their individual academic achievements. Andrés joined Inversora Lockey in the late '80s after completing an industrial engineering degree and an MBA. He also gained direct experience at CISA in Italy before entering the family business.

Claudia became directly involved in the family business in 1995 as a lawyer specializing in the fiscal and financial areas, which were critical aspects of the relationship with Inversora Lockey's several national and international partners at that time.

The rise of female family business leaders

Over the past 20 years, the visibility and influence of women in business has continued to increase, with women increasingly taking charge of their family firms. The women of Inversora Lockey are no exception and their involvement is rooted in the gender equality that was practiced by their parents.

Eunice León, wife of Claudio Visani, played an important role in the company's early days. She supported Claudio when he decided to become an entrepreneur and once the business was stabilized, she developed her own professional career as a criminal lawyer specializing in public corruption. This, in turn, led to her holding important positions in the Venezuelan public sphere, in addition to directing postgraduate studies in criminal law at the Central University of Venezuela.

The Visani women have been raised in an environment in which they play valuable family roles at home and productive roles in the company. The importance of having a role in the family business was instilled in the daughters from an early age, regardless of the male-dominated nature of the industry in which they worked.

In 2019, an unexpected event created the family's second succession when Claudia Visani stepped down as CEO to relocate to Mexico following her husband's appointment as Nestlé Mexico's Executive President and Chairman. The family's board of directors appointed Marila Visani, who had co-created the company's financial structures with her sister Claudia, as the firm's new CEO.

As Claudia explains, *"I know that having women in charge of a company that makes locks may look a bit strange, because we are used to seeing her in*

more feminine settings. All this is the product of my dad's work and we all ended up falling in love with it. This is what we prepare for — taking over the business. We multitask, we do many things at once and we come forward without fearing the daily challenges."

The basis for a smooth transition

While a documented succession plan was not in place at Inversora Lockey, the family had undertaken several informal and important activities that facilitated a smooth transition of the leadership roles to Andrés and Claudia, including:

- **The engagement and preparation of potential successors who had expressed an interest in the business.**

Both Andrés and Claudia were involved in the family business after completing their undergraduate and graduate studies and both had gained previous work experience in organizations that were not related to their family.

- **Progressive empowerment of the successors.**

A gradual allocation of management responsibilities allowed Andrés to strengthen the production processes and introduce quality control procedures and provided Claudia with the freedom to implement management improvements.

- **Implementation of communication and governance procedures.**

Corporate governance structures were in place due to the partial ownership by external partners and a board of directors that provided oversight on the company's strategic direction and financial results. Separately, Claudio Visani engaged his second-generation family members in an *ad hoc* family council that included two daughters who

were not involved the day-to-day business or decision making. When the family assumed 100 percent ownership of the company, the *ad hoc* family council was transitioned to a formal board of directors that included all four members of the second generation.

- **Development of financial structures to safeguard the family assets**

Claudia, supported by her sister Marila, developed a set of financial structures aimed at addressing the monetary issues related to shared family assets. This included setting up a holding company to effectively manage the Visani family's portfolio, allowing them to adopt a shared vision on topics such as strategy, diversification, risk, profitability, taxation and control and consolidated reporting of results.

Claudia and Marila promoted the development of a position that is responsible for managing the family's inheritance, similar to that of a family office, though that protocol is not currently in place.

Navigating the road ahead

Gender equality characterizes the dynamics of the Visani family. The second generation now has an opportunity to turn its attention to generational diversity as a matter of priority as well. With three demographic cohorts coexisting in Inversora Lockey, the Visani family is in a unique position for the Baby Boomer, GenX and Millennials to share their visions and diverse points of view and contribute to the future direction of the business.

Ultimately, there are three generations aligned around a shared purpose, vision and set of values and who are ready to take them forward for the good of the family and the business.



Family business profiles

Andy Wates, Director

Wates Group

Established:
1897

Family:
Wates

Business sector:
Construction

Current leader's generation:
Fourth

Generations active in the business:
Fourth

Family ownership:
100%

Annual turnover:
GBP 1.6 billion

Operations:
United Kingdom

Employees:
3,800

“ We recognize that ‘joining the business later’ may be a realistic expectation for the next generation. ”

Wates Group, United Kingdom — Inspiring better places, communities and businesses of tomorrow

From its early days in 1897 as a house building pioneer, the Wates Group has become one of the leading privately-owned construction, development and property services companies in the UK. With four generations of family leadership behind its success, the company is preparing to pass the reins to a fifth generation of successors who will write the next chapter of the Wates family and business legacy.

The role of non-family executives

The Wates Group's day-to-day executive management roles are held by non-family members, with five family members on the company board. As for the next generation of family members and their relationship with the business, succession discussions in the near term will likely focus on the stewardship of the company through board, family council alongside family advisors and non-executives.

Andy Wates, Director and Chairman of the Wates Family Enterprise Trust, emphasizes, *“Losing the family culture would make you question the point of having a family business at all.”*

Professionalizing the generational succession process

Andrew Wates, former Chairman of the Wates Group, was heavily involved in the Institute for Family Business and the Family Business Network, and introduced numerous progressive processes. He was instrumental, for example, in introducing a parallel planning approach for professionally managing the succession and transition processes.

The fourth generation has moved those processes further. By doing so, they can continue to evolve the business in a way that is appropriate for the incoming generation's needs, interests and capabilities as well as current business norms.

What will inspire fifth generation leaders?

The family leaders of the Wates Group anticipate that several members of the fifth generation will have an interest in joining the company at some time in the future. Nevertheless, Andy acknowledges that the NextGen cousins have more options than previous generations and some may be more inspired

to pursue their own entrepreneurial interests than to take on a role in the family business.

"We're a very large business," he says, "and when the next generation of our family faces a choice, they may be asking themselves, 'Do I want to be part of this big machine or do I want to do something on my own?' We're saying, 'Come and kick the tires first and find out'. We hope they'll give it a try. If not today, they may decide to join the business later in their careers."

Wates Group has recognized that 'joining the business later' may be a realistic expectation for the next generation of successors, with an array of timeframes for when they may want to enter and exit. It's essential, then, for the business to be flexible, for the family to adapt its views of what succession looks like and be sensitive to this in the process.

The role of the family trust

As Andy indicates, *"The family members who are coming behind us don't have to come into the business and stay for life — as previous generations might have done. The resources of the business can enable their personal success, as long as it's aligned with the collective purpose of the family."*

While members of the third generation considered themselves to be "owner managers"; the fourth generation adopted a new philosophy, embracing the principle of being "good owners." As such, the purpose of the business should be a force for good, and the family business legacy of being good owners should be sustained and transferred to all succeeding generations. The Wates Family Enterprise Trust has proven to be a useful tool for supporting this sense of purpose and family members' personal pursuits while also being an effective way to engage them and add value.

NextGen family members are encouraged to become directly involved in the activities of the Trust, and participate in deciding how, as responsible owners, the money from the family trust can be used to support sustainable communities, at-risk youth and improved housing.

Creating a shared vision

The multi-generation relationships within a family can often be diverse and complex, making it necessary to be very clear on the family purpose and the role that everyone plays. At Wates, family leaders believe it is important for the fifth generation to understand the importance of positive relationships with each other and

the need to come together regularly. The starting point has already been planned gatherings of all generations discussing the potential opportunities for those who want to actively engage with the family business.

The first of many steps to come

The emphasis in the succession planning process is on coaching future generations, establishing what viable career path they are interested in and where their strengths lie. It is key to respond collectively with complete transparency about the opportunities and potential limits with an approach that is fair to everyone. All of these elements are essential to understand in order to make the generation's entry into the business a success.

The first fifth generation family member has taken the first step and is about to enter the business directly from his graduate studies. The requirement now is to make sure his experience is positive, and he receives ongoing mentoring and support of his personal development.



Family business profiles

ZHU Xuehao, Chairman

Hawk Filtration Technology (Shanghai) Co., Ltd.

Established:
2002

Family:
ZHU

Business sector:
Specialized filter
manufacturing

**Current leader's
generation:**
First

**Generations active
in the business:**
First and second

Family ownership:
100%

Annual turnover:
Not available

Operations:
Shanghai Qingpu
Industrial Zone

Employees:
500

“Being willing to lead is a question of enthusiasm. Being able to lead is a question of ability.”

Hawk Filtration Technology (Shanghai) Co., Ltd., China — Willing to lead with enthusiasm — able to lead with ability

Hawk Filtration Technology (Shanghai) Co., Ltd., located in the Shanghai Qingpu Industrial Zone, is a specialized filter manufacturer. Established in 2002, the company currently makes more than 1,000 types of specialized filters for vacuum cleaners, air purifiers, automotive air conditioning, power tools and respirators. The company's vision embodies the protection of the environment, clean air, pollution prevention and safeguarding human health. Among its customers are many of the most well-known brands in North America, Europe and mainland China.

Within the next 3 years, Hawk Filtration Technology will be led by the family's second-generation successor, ZHU Naifeng, who is expected to continue to evolve the company's industry specialization and overseas expansion strategies. The company was founded by his father, ZHU Xuehao, who is exiting the company gradually and plans to retire fully when he believes his son is ready to inherit the business.

For family business leaders such as ZHU Xuehao, China's one-child policy has presented unique challenges, with only one daughter or one son to choose from as a potential successor — assuming that the second generation is interested and willing to take over at all.

Most of the enterprises founded by the first generation of entrepreneurs in China are concentrated in traditional industries, many of which are being transformed and expanding internationally in a global economy. The overseas education of many second-generation family members is generating innovative strategies and operating models that are transforming many family businesses through the succession process.

ZHU Naifeng is a typical representative of this second generation. He possesses an overseas education and work experience and had many options to consider before his decision to return to China and the family business.

Critical factors for successful succession

ZHU Xuehao announced his 5-year retirement plan at the company's 2017 annual meeting, along with several senior employees who have been with him from the start of the business. Despite ZHU Xuehao's retirement intentions, Hawk Filtration Technology does not have a written succession plan. However, as with many first-generation leaders, he has his own criteria for how a successor will be chosen.

“My dad has a couple of preconditions to evaluate whether I can take over the family business,” says son ZHU Naifeng. “The first is the willingness. Enthusiasm is a prerequisite and everything else is based on that. The second is to train a successor to see if they are capable of succeeding. There can be a wide span between those two conditions. You may have the will to do it but do you actually have the ability you need in order to succeed?”

Cultivating a successor

For any second-generation family member who meets the first condition and is willing to take over the family business, the process does not happen overnight. After completing his studies and being employed in North America for several years, ZHU Naifeng returned to China to begin working at the ground level of the family business, rotating among different departments, from driving delivery trucks to sales and then as the sales manager.

In late 2006, problems arose in the foreign trade business sector of Hawk Filtration Technology. With the language proficiency he fostered when studying abroad, ZHU Naifeng began to work as a foreign trade salesman in the division. Under his direction, the company's foreign trade business improved dramatically. He was ultimately given the opportunity to lead the independent foreign trade segment and he gradually formed his own management team.

ZHU Naifeng recognizes that cultivating a successor requires visionary thinking and preparation and he was fortunate to have the opportunity to develop a segment of the business independently. He suggests that providing potential successors with an opportunity to lead and develop a division or special portion of the business, such as the opportunity that he was given, is of benefit to everyone.

For the potential successor, it is an opportunity to decide if taking over the family business is right for them and what they really want, if they have the will to lead and whether they have the skill set and knowledge to be successful.

For the current business leader, it provides a first-hand and practical

way to assess a potential successor's leadership skills, alignment with the company's values and vision and their ability to get results.

Both ZHU Xuehao and ZHU Naifeng have gained important insights from ZHU Naifeng's leadership of the foreign trade division, especially as it relates to several generational differences in each other's vision for the future of the business, strategic opportunities and management approach.

Managing intergenerational differences

A different generational perspective for the future of Shanghai Hawk Filtration Technology began to emerge in the third year following ZHU Naifeng's return to China, when he worked as the foreign trade project manager in the family business. As a second-generation successor, he was looking for more freedom to manage the business in his own way, applying the experience and knowledge he had gained from his time in North America. This led to challenging discussions with ZHU Xuehao regarding the company's strategies and customer philosophies.

It was during this time that ZHU Naifeng made a decision to return to business school for an Executive MBA. *“I met great mentors and classmates who gave me a lot of guidance and help, which led me to identify my own shortcomings and helped improve the discussions with my father about the future direction of our business,”* he says.

It also helped him to understand that within any company there can only be one person making the final decisions. *“When I realized this, I adjusted my position,”* he says, *“I would then talk to my dad about a lot of things and give him many opinions and ideas, and he made the final decisions.”*

The experience of ZHU Xuehao and ZHU Naifeng provides important insights regarding the value of leveraging the diverse experiences and perspectives of different generations, including:

- the importance of open discussions to consider new ideas from all generations within the business — even when the timing may not yet be right for implementing them,

- the need to thoroughly assess the company's culture, structure and employees' capabilities when considering visionary new strategies, and
- the amount of patience, time, careful thought and planning required to fully develop a new strategy and implement it successfully.

Broadening the view of succession

As a key component of the strategy development process at Hawk Filtration Technology, both generations have now broadened their views of succession as well, with an increased appreciation for the need to have a thoughtful succession process at all levels of the business. As ZHU Naifeng explains, the succession of the company's core values is one important factor. Equally important, however, is being able to transfer the knowledge and experience of everyone in the company to the people who will come behind them.

ZHU Naifeng believes that the factors his father uses as his guide to succession — willingness and ability — are ‘intertwined twigs’. Making a mistake with any of them could lead the business in a negative direction. Consequently, with more than a decade of training at the company's grassroots level, he is now guiding the family business alongside a team of mid-level core leaders who he is developing and promoting as they continue to build their own capabilities.

The cultivation of successors is a systematic project, as is the exit of the first-generation founders, and ZHU Xuehao has taken a training program divided into several steps for his own retirement planning. While the team established by ZHU Naifeng and his core of managers continues to take the business forward, ZHU Xuehao remains as its Chairman and stays closely connected with Hawk Filtration Technology while also organizing his retirement life.

“I now arrange my life according to three ‘ones,’” he says. *“One-third of my time for traveling and reading, one third for company management and one third for helping and promoting my son's work.”*

Methodology note

Authors: Georges Samara, University of Sharjah, Global Research Champion, STEP Project, Editor in Chief for Business Ethics: A European Review, and Andrea Calabrò, STEP Global Academic Director, Director, IPAG Entrepreneurship & Family Business Center, IPAG Business School

The following is a summary of the methodology that we adopted to develop a series of four co-authored articles: The courage to choose wisely, The power of women in family business, Creating value through good governance and The enduring legacy of business families, which were included in the STEP Project Global Consortium and KPMG Private Enterprise “Empowering the future of family business: A four-part article series of research-based practical insights.”

1. Sample and data collection

The STEP Project Global Consortium and KPMG Private Enterprise 2019 Global Family Business Survey revealed the ways in which demographic changes are affecting family business behavior in various circumstances. To better understand the reasons behind these findings, we adopted a qualitative approach that not only allowed us to answer the “why” and “how” questions, but also enabled us to gain a deeper understanding of the perspectives of the interviewees and to uncover unanticipated avenues of interest in the field of family business research and practice.

In collaboration with KPMG Private Enterprise, we collected qualitative data from 37 cases in 22 countries, territories, or jurisdictions spanning five continents: Asia, Africa, Europe, North America and South America. The list of locations from which the data were collected is presented in Table 1. We also collected information about the industry in which the family business operates, the generation leading the family business, number of employees, annual turnover rate and the position held by the interviewee.

Twenty-six cases were collected by STEP Project Global Consortium affiliated universities and eleven cases were collected by KPMG Private Enterprise. Furthermore, because the COVID-19 pandemic had such significant impact on business practices, we followed up with additional interviews to explore specifically how the global pandemic affected individual family businesses and business families. For example, the initial questions for the succession theme aimed at investigating different generational and demographic perspectives around retirement plans, such as: “What may trigger/have triggered your thoughts regarding retirement? Is age a critical factor that is driving you to think about retirement more? What concerns do you have?” While the COVID-19 follow-up questions also addressed the succession and retirement topics, they were targeted specifically at understanding how the pandemic had affected family business succession plans, “How has COVID-19 affected your family business practices (e.g., succession, governance, contingency planning, early retirement, entrepreneurship)?”

2. Case study approach

We used a multiple case studies approach to analyze the data and purposefully ensured diversity in our sampling and data collection. This process allowed us to increase the variability and comparability across our main variables of interest (Eisenhardt & Graebner, 2007). Given the global nature of the STEP Project Global Consortium and the international scope of the findings, we made sure to have a diversified sample from multiple continents and regions. This permitted us to explore a variety of perspectives on how demographical changes are impacting family businesses across different cultures and institutional contexts.

Every STEP affiliate conducted semi-structured, in-depth interviews with family business leaders in their respective countries, using open-ended questions in their interviews. Additional questions emerging from the dialogue allowed the interviewers (our affiliates) to explore the personal stories and perspectives of the interviewees (DiCicco-Bloom & Crabtree, 2006; Woodfield & Husted, 2017). The questions were consistent and replicated across interviews to ensure consistency and allow comparability.

All interviewees had the option to remain anonymous or for their names to be disclosed. This allowed for the free expression of their perspectives and permitted us to compare different perspectives across the interviews. Out of the 37 cases, 15 opted to remain anonymous and 22 agreed to reveal their identities. Interviews were conducted in multiple languages: English, Spanish, Portuguese, Turkish, Chinese, Thai, Hungarian, Russian, French, Dutch and German, all of which were later translated into English. Subsequently, the STEP affiliates submitted a document that highlighted the different and most interesting perspectives collected from their interviews. These documents were used for analysis purposes and for conducting our qualitative data collection.

In addition, all the quotes in the report were reviewed and approved by their respective owners prior to publication. Furthermore, for those cases that agreed to disclose their identity, we created individual family business profiles based on the developed cases, which were also validated and approved by each of the family firms prior to publication. The family business profiles are available on the Empowering the future of family business website.

3. Philosophical assumptions regarding the nature of social reality

Because we are addressing a complex phenomenon as to how demographic changes are impacting family business processes, we adopted an inductive approach, taking an interpretivist perspective (Nordqvist et al., 2009). As previously outlined, we adopted a multiple case studies approach to provide a robust basis for interpretation (De Massis & Kotlar, 2014) and to elicit a rich understanding of the interviewees' perspectives. Using multiple cases also allowed us to make comparisons for identifying similarities and differences across cases coming from multiple countries and cultures (Yin, 2009). Furthermore, all interviewees were still active in their family business in senior managerial roles. Therefore, they were well informed about the business history, culture and processes.

4. Data analysis

Following the guidance of Grodal et al. (2020), the qualitative analysis was structured in four main stages. The first stage involved identifying broad themes where we noticed that generational changes and demographics are impacting various family business variables. At this stage, we followed a manual textual analysis and made sure that the initial categories we developed were theoretically meaningful and distinct. The interview questions were focused on the variables that we investigated in the STEP Project Global Consortium/KPMG Private Enterprise 2019 Global Family Business Survey, while keeping an open mind for unanticipated avenues. In particular, we noticed different perspectives of multiple generations with regard to several family business outcomes, which were later grouped around succession, the role of women, proper family governance and building and sustaining the family business legacy.

The second stage involved engaging in an open coding process to generate initial categories. Staying close to the data and reading the case write-ups and quotes carefully, we extracted codes that reflect the evolution of the perspectives of different generations around their family businesses in general and around succession, women, governance and legacy in particular (Nordqvist et al., 2009). To ensure consistency, we continuously compared the codes initially extracted from the first cases that we analyzed with the new codes that were generated as the data analysis evolved and as we analyzed more cases collected by STEP affiliates and by KPMG Private Enterprise. As we progressed with our coding and initial categories began to develop, we noticed several commonalities across the findings (Strauss & Corbin, 1998).

The third step involved refining the initial categories. While in stage 2, we found several broad themes and categories. We looked at the data in a careful and holistic manner and retained the categories that showed consistency across the cases, which provided us with enough information to reach theoretical

saturation. At this stage, we eliminated some themes where not enough information was available and we grouped other themes where we found several commonalities. For example, we initially had a theme focused on sustainability. However, this theme was eliminated as the data was present in very few cases, which did not allow us to make general inferences on how demographic changes are affecting the sustainability practices of family businesses. Moreover, the intention to transfer the business to future generations and entrepreneurial exits were grouped with succession, as they both refer to either a succession intention or an intention to exit the business. At this stage, the analyzed data showed consistency and richness around four main topics: succession, women, family governance and family business legacy.

The fourth stage involved a theoretical integration of the collected data by looking at it holistically and reanalyzing some of the findings. This involved an iterative process, during which we developed our initial findings and looked for either confirmatory evidence (i.e., additional support) or contradictory evidence that led us to eliminate some findings (Grodal et al., 2020). The outcome of this stage is an overall understanding of how succession, the role of women, family governance and legacy take form across different institutional contexts and how and why demographic changes are affecting these variables. When no new insights were found, including the additional data collected by KPMG Private Enterprise, we realized that we had reached theoretical saturation and that our findings are rigorous (Strauss & Corbin, 1998).

5. Reliability

To ensure reliability in the coding process and analysis, one researcher initially took the lead in performing the first round of qualitative analysis of the submitted cases. Subsequently, the STEP qualitative research committee, the KPMG Private Enterprise team and the STEP academic director were involved in analyzing the data. After discussion among all involved parties, consent was reached on the main variables that would constitute the focus of the qualitative reports and on the main codes and categories.

6. Concluding remarks

We believe that our qualitative approach has provided much-needed details that complement and add to the STEP Project Global Consortium and KPMG Private Enterprise "Empowering the future of family business: A four-part article series of research-based practical insights". This co-authored article series provides an in-depth explanation of the perspectives of the interviews and expands on some of the most important reasons behind the quantitative report findings, while also exploring several unanticipated avenues. It is our hope that you find our approach rigorous and replicable and that you have enjoyed reading the co-authored article series from the case studies.

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Table 1: List of countries

Continent	Countries/territories/jurisdictions	
Asia	Philippines Thailand China Hong Kong (SAR, China)	India Taiwan (jurisdiction) Saudi Arabia
Europe	France Portugal Netherlands Italy Turkey	United Kingdom Switzerland Spain Germany Russia
North America	USA	Canada
South America	Peru Mexico Colombia	Guatemala Venezuela Brazil
Africa	South Africa	

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Family Business Leaders

Khalid Abunayyan
Abunayyan Holding Company,
Saudi Arabia

Luiz Alexandre Garcia
Algar Group,
Brazil

José Manuel Suso Dominguez
Arrocera la Esmeralda,
Colombia

Petter Wagner
Avila Wagner,
Colombia

Ferenc Lévai
BioTechUSA,
Hungary

Jodi Bloomer
Canadian Fiber Optics Corp.,
Canada

Gabriel Hoey and Michael Hoey
Country Crest,
Ireland

Alfonso Urrea Martin
Grupo Urrea,
Mexico

ZHU Xuehao
Hawk Filtration Technology (Shanghai) Co. Ltd.,
China

Margaret Hirsch
Hirsch's,
South Africa

Claudia Visani
Inversora Lockey C.A,
Venezuela

John Murphy
J. Murphy & Sons Limited,
United Kingdom

John K. Paul
Kuttukaran Group,
India

Kim Schoepflin Kwatani,
South Africa

Brian Sidorsky
Lansdowne Equity Ventures,
Canada

Filipe de Botton
Logoplaste,
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The STEP Project Global Consortium is a global applied research initiative that explores family and business practices within business families and generates solutions that have immediate application for family business leaders. The STEP Project Global Consortium aims to be a leading global family business research project with an international reputation. The research insights are specifically drawn to be of relevance to developing new theoretical insights that can offer novel and valuable best practices recommendations to the business stakeholders and the practice community at large. Having a global worldwide orientation, the STEP Project Global Consortium offers networking opportunities for researchers, family business owners and consultants coming from five continents.

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