

# The future of family enterprise:

Turbulence and  
transformation in  
the 2020s

**Authored by**

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# Foreword

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It gives me great pleasure to introduce **The Future of Family Enterprise: Turbulence and Transformation in the 2020s**, the result of a year-long research study in collaboration with the Cambridge Institute for Family Enterprise (CIFE), the research and education division of Cambridge Family Enterprise Group (CFEG). This white paper aims to help enterprising families – families who own businesses, make investments and pursue social-impact activities together – understand and navigate the new era that we have entered.

In the chapters that follow, we offer a penetrating analysis of how the global landscape has shifted. We observe that: *“In our complex and hyper-connected world, the pace of change has accelerated, disruptions occur more frequently in different aspects of our environment and a crisis anywhere can have a butterfly effect, unleashing global chaos.”*

The majority of enterprising families we surveyed expect turbulent times ahead and are concerned about the negative effect on their family enterprises. More than one-third of survey respondents expect high to extremely high turbulence through the 2020s, and an additional forty-six percent foresee moderate turbulence. More than two-thirds of those surveyed are moderately to extremely concerned about this turbulence.

As our analysis stresses, however, *“turbulent times are a two-edged sword for enterprising families,”* which can offer *“new opportunities for those with the mindset, skills and knowledge to navigate them successfully.”*

This white paper presents a new model for multigenerational family enterprise success and the key agenda items for family owners, their boards and leadership teams, and families themselves. We define the new model’s essential ingredients of family success as: *“being a purpose-driven family, living by core shared family values, pursuing a broad definition of value, designing a dynamic family enterprise and managing the ‘total wealth’ of the family.”*

We then consider how to implement this model via actionable recommendations to prepare for continuing change, turbulence and disruption; new challenges and opportunities; and altered generational transitions ahead. Specifically, we set out five transformation strategies to *“build according to your values.”*

We believe you should read this paper as a call to action to set new directions and adopt winning strategies for your family, family enterprise and family wealth. Use it also to spark family dialogue about what the future holds for your family and family enterprise and how you will adapt to it.

We would like to thank CFEG, the global authority on family enterprise, for contributing their deep expertise and many years of experience to this project, and for their longtime partnership in bringing cutting-edge knowledge, education and publications to our client families. Our gratitude



goes also to those families who participated in the survey and interviews conducted for this study, for contributing their personal stories and perspectives to help the global community of family enterprises reading this white paper. Finally, thank you for the trust and confidence that you place in Citi Private Bank.

Bringing you the latest thinking, strategies and approaches for tackling pressing issues is fundamental to our family approach, which helps you protect and build wealth for yourselves, your loved ones, future generations and our world.



**IDA LIU**  
Global Head of Citi Private Bank

# Introduction: turbulence and transformation

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The 2020s got off to a traumatizing start. COVID-19 has taken millions of lives, and its repercussions continue to cause massive disruptions to businesses, economies, supply chains and societies around the world. Geopolitical disturbances have led to dramatic confrontations and events that are reshaping the world order. Enterprising families and their family companies, family offices and charitable organizations have risen to the challenge with characteristic resilience and innovation. They converted manufacturing plants to produce PPE during the pandemic, gave philanthropically to help those in need, retained employees throughout the downturn and were anchors in their communities through difficult and disorienting times.

Family enterprises' traditional strengths, including their strong financial foundation, values-centric decision making, stakeholder loyalty and long-term perspective, have served them well during these crises. A recent study shows that the financial performance of family

firms has been significantly higher during the pandemic than that of their non-family counterparts.<sup>1</sup>

## THE NEW REALITIES OF CHANGE

COVID-19 and geopolitical crises are only two examples of the serious disruptions the world can expect in the years ahead. Economies, political systems financial systems, ecological systems and many more aspects of life will experience disruption, testing the ability of all of us to adapt quickly, learn new rules of success and adopt new attitudes and behaviors.

In addition to recognizing what is changing around us, it is vital to understand that the nature of change itself has changed. In our complex and hyperconnected world, the pace of change has accelerated, disruptions occur more frequently and a crisis anywhere can have a butterfly effect, unleashing global chaos. The future is much harder to predict in these conditions, which some observers describe as VUCA-volatile, uncertain, complex and ambiguous.

We describe this new variety of high-speed and disruptive change as turbulent. Turbulent times are a two-edged sword for enterprising families. On the one hand, they present new opportunities for those with the mindsets, skills and knowledge needed to navigate them successfully. On the other hand, they can spell disaster for those who don't accept and adapt to the new realities.

## EXPECT MORE TURBULENCE AHEAD

Experts contend that the environment of business, society and the family will only become more turbulent. The decade of the 2020s, in fact, is forecast to be one of the most unstable and transformative periods in centuries. Enterprising families need to ready themselves for ongoing, turbulent change and the challenges and opportunities that this new era presents.

Our research shows that enterprising families do expect continued turbulence in this decade and recognize that their family enterprises and their families will need to change to keep up. A main finding of this study, however, is that families are less certain that their families and family enterprises are ready to change in the ways needed.

## OUR STUDY'S SCOPE AND FOCUS

Our study's central question was: *How do enterprising families need to transform themselves to survive and prosper going forward?* How can their traditional strengths help them in this new environment? What new mindsets, strategies and skills will be required to succeed during the 2020s and beyond? To answer those critical questions, our research and analysis took a broad view of families and their enterprises against the backdrop of today's changing landscape.

<sup>1</sup> "Family Influence and Firm Performance: Evidence from the COVID-19 Pandemic," Academy of Management, July 26, 2021.

## OUR FAMILY ENTERPRISE DEFINITION

The family enterprise encompasses *all of a family's meaningful joint assets and activities*, including its family company(ies), family office or investment activities, philanthropic activities and community activities as well as internal activities intended to nurture family unity and develop family talent.

## OUR WHITE PAPER KNOWLEDGE BASE

*The future of family enterprise* draws on Cambridge Family Enterprise Group (CFEG)'s deep expertise, more than thirty years of experience working with family enterprises worldwide, and studying and teaching their multigenerational success strategies. We understand what keeps family owners up at night – or should – and how to effectively address these issues. Our conceptual frameworks and methodologies – interspersed throughout this white paper – guide our advice to families and help explain the new complex world that we face.

Our global survey of enterprising families and interviews with senior and next generation family members provided invaluable insights, bolstered by extensive secondary research. Our survey asked family members from Gen Z (born between 2000 and 2015) to the Silent

Generation (born between 1928 and 1945)<sup>2</sup> for their perceptions of turbulence in the 2020s, inquired about its impact on their family enterprises and families, and invited them to share their biggest challenges and opportunities and describe the approaches they are taking to survive and thrive.

## OUR LEARNINGS AND ADVICE FOR YOU

*The future of family enterprise* offers insights, frameworks and practical recommendations for adapting to new and evolving realities, illustrated by survey and interview findings and brief case studies. Its contents are divided into four main parts:

- *Part 1. The changing landscape for enterprising families* identifies external and internal factors that are changing the context for family enterprises and enterprising families and shares families' views on their readiness for change.
- *Part 2. A new model for family enterprise success in the 2020s* explains how traditional notions of stewardship are ill-suited to today's world and proposes a new approach for the longevity stewardship of family enterprises.
- *Part 3. Five transformation strategies for families and enterprises* is an agenda for implementing the new model of success in turbulent times. Specific, actionable recommendations are offered for each of

the five strategies.

- *Conclusion and discussion guide: We close with suggestions for using *The future of family enterprise* white paper to engage family members in productive discussions about the future of your family enterprise as you map your transformation journey for the 2020s.*

We hope that you find the white paper informative, revealing, and most of all a useful guide for navigating this turbulent decade and pursuing multigenerational success.



<sup>2</sup> The Silent Generation is generally defined as people born in or before 1946. They are the generation prior to Baby Boomers, born 1946–1964.



Part 1.  
The changing  
landscape for  
enterprising families

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It has always been true that families and family enterprises have needed to change with the times, adapting to forces inside and outside their group or organization. Externally, economies and political realities change, societies and communities evolve, industries mature and transform, new markets open and new competitors appear, and business models and businesses come and go.

Families and their enterprises also change, sometimes in response to external forces and sometimes because of internal forces. Family member interests and capabilities change, ownership groups change within and across generations, and business organizations change over time.

#### What are the implications for enterprising families?

Change-ready families use outside-in *and* inside-out thinking to consider how the family enterprise must adapt to external forces and to changing internal characteristics. They also have the will and the political support of the owners of the family enterprise to transform themselves as needed to survive and thrive.

In the following sections, we examine the forces driving change, explore enterprising families' readiness for turbulent times and preview our roadmap for family enterprise transformation during the 2020s.

## WHAT IS DRIVING CHANGE IN OUR WORLD?

A variety of factors can have an impact – positive or negative or a combination of both – on family enterprises. We'll begin with a look at external factors (global forces for change) and then consider internal factors (those that occur within the family and its enterprise).

### EXTERNAL FACTORS: GLOBAL FORCES FOR CHANGE

Today's changing landscape is being shaped by macro forces that can be broadly categorized as: (1) environmental degradation and ecological disruption; (2) technological advances and digital disruption; (3) globalization and deglobalization; and (4) socio-politico-economic influences. These four forces frequently interact to produce major trends or disruptions, as COVID-19 and geopolitical events have vividly shown.

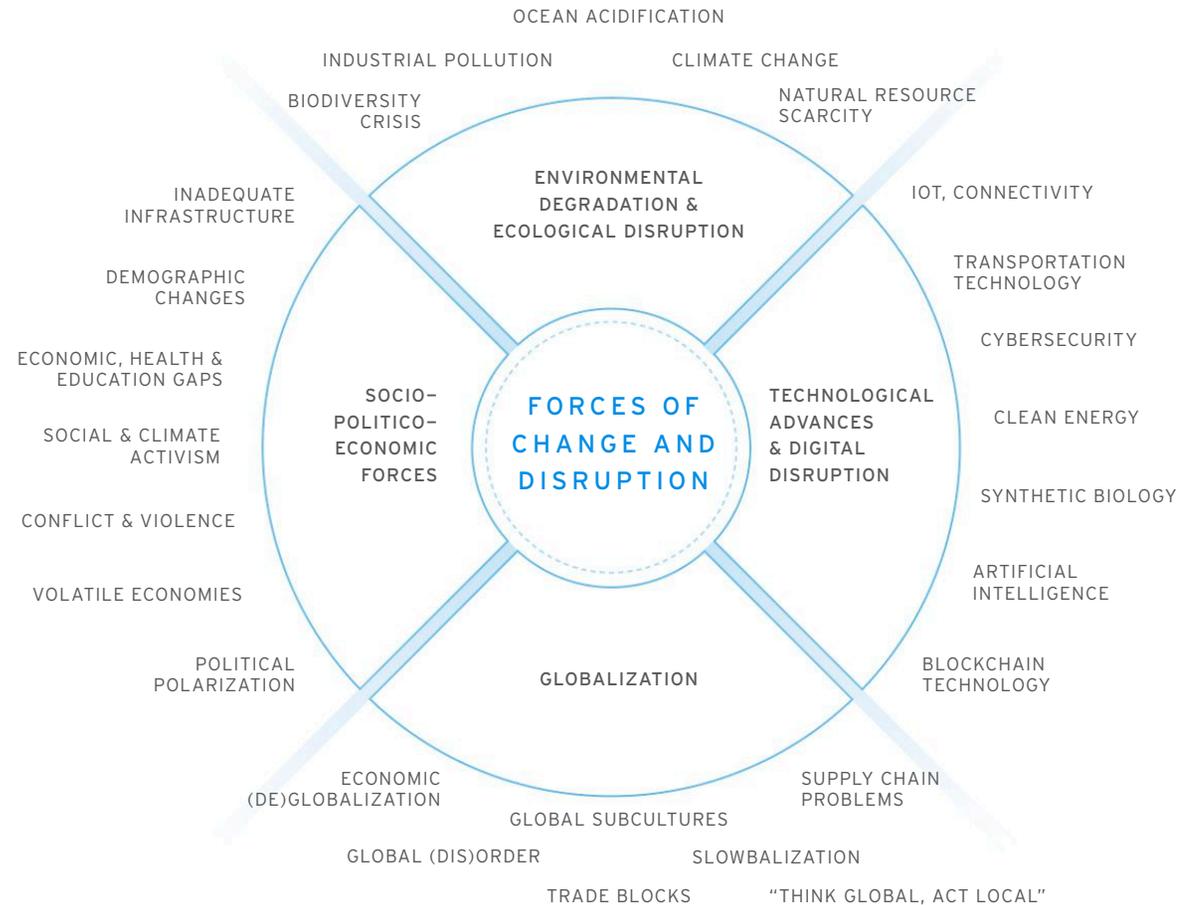


**Environmental degradation and ecological disruption**

Human beings have been degrading the aquatic, land and atmospheric environment of our planet since the first Industrial Age. The acceleration of that trend as the world has developed economically has been devastating. Business, society and personal well-being, as well as the natural world, have been impacted in myriad ways, from economic hardship and displacement caused by extreme weather to conflicts over resource scarcity to pandemics spawned by species and disease migration.

Today, we are at a tipping point in the planet's ecology, where failure to take corrective action will have dire consequences for people and the planet. An increasing sense of urgency is driving a call for "planetary politics" and a global response, including new regulations on businesses. It is also spurring new business priorities and practices, changes in personal, business and societal behavior, and a wave of "green" business innovations.

How do enterprising families perceive the situation? Fifty-five percent of survey respondents expect that climate change, ecological degradation and environmental regulations will have a moderate to transformative impact – positive, negative or a combination – on their family enterprises.



55%



John A. Davis, 2020.

55% of survey respondents expect that climate change, ecological degradation and environmental regulations will have a moderate to transformative impact – positive, negative or a combination – on their family enterprises.



# 74%

74% of our survey respondents expect that digitalization, the pace of technological change and cybersecurity will have a moderate to transformative impact on their family enterprises.

### Technological advances and digital disruption

The pace of scientific innovation has accelerated rapidly, producing breakthroughs like COVID-19 vaccines – notable both for their novel use of Messenger RNA science and their 10-month, highly collaborative drug development and approval process – as well as exponential technologies like artificial intelligence (AI) and 5G networks. One analysis performed in 2021 revealed more than five hundred technological and scientific trends across multiple sectors.<sup>3</sup>

Technology has come to be seen as a panacea for everything, but technological advances often come with a caveat of “promise and peril.” Digitalization, for example, which advanced rapidly during the pandemic, has created a hyperconnected world and a proliferation of new market niches (fintech, edtech, biotech, etc.). It has enabled progress in virtually all aspects of business and society. At the same time, digitalization brings serious concerns about cybersecurity, data privacy, intrusive surveillance and the misuse and harmful aspects of social media.

Seventy-four percent of our survey respondents expect that digitalization, the pace of technological change and cybersecurity will have a moderate to transformative impact on their family enterprises. E-commerce, cloud computing and software as a service, and fintech are expected to be significant to transformative factors by approximately half of respondents.

These survey results indicate a strong appreciation for technology’s potential, but it is difficult to imagine how a business of any scale would not be highly impacted by these technological advances. Remember the adage: “Change happens slowly, slowly, then all at once.” You don’t want to be caught trying to adapt when the “all at once” happens.

### Globalization and deglobalization

Globalization – the free movement of people, technology, capital, goods and services, and ideas across national borders – is a main driver of our increasingly interconnected world. It has reshaped our economic, social, cultural, political, environmental, technological and financial lives. Our own research indicates that family companies have been actively internationalizing their businesses over the last two decades and have enjoyed many benefits from doing so.<sup>4</sup>

There has been some backlash against globalization, however, and debates about its impact have sharpened in the face of COVID-19 pressures, superpower frictions, populist politics, supply-chain problems and the perceived ineffectiveness of international institutions. Some observers point to signs of deglobalization or, at the least, “slowbalization.”

<sup>3</sup> “2021 Technology Trends,” The Future Today Institute, 2021.

<sup>4</sup> “Family Firms and Globalization,” Cambridge Institute for Family Enterprise Study, 2018

There is growing evidence, however, that it is not an either-or question but rather a matter of balancing the two forces.<sup>5</sup> Some economic and societal activities benefit from globalization, while other activities warrant local or regional approaches. Glocalization, long a popular marketing concept, is being more broadly used to describe the process of adapting global solutions to local needs.

Enterprising families appear to see both sides of the coin. Sixty-one percent of survey respondents expect globalization to have a moderate to transformative impact on their family enterprise; fifty-two percent expect deglobalization to have a similar impact.

**Socio-politico-economic influences**

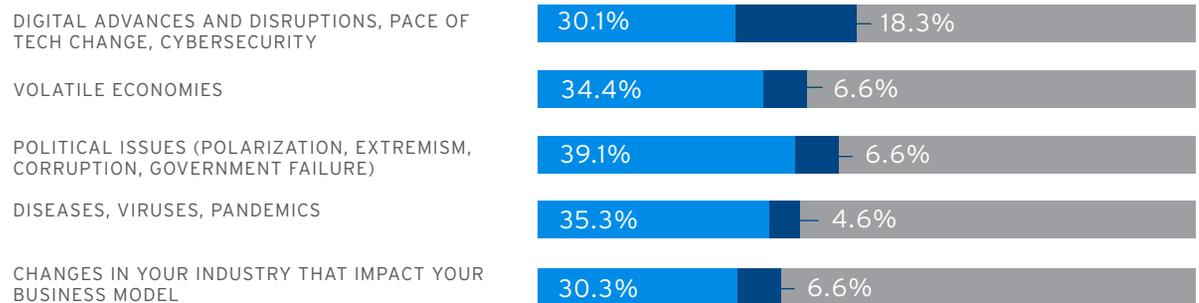
This category encompasses a variety of interacting change drivers. On the economic front, they include changes in industries and economies, wealth distribution (including gaps and mobility), the movement toward decentralized finance, and the ability of economies and financial systems to adapt quickly (or not) to shifts in the world.

Political influences include governmental activities at all levels of government, as well as geopolitics, political movements and the ability of political systems (democratic to autocratic) to provide what their constituents want or need.

The societal dimension includes demographic characteristics and trends, generally and for families in particular. The aging of the world’s population and changing generational attitudes and behaviors are two examples. Other key factors are the infrastructure supporting society (physical, organizational, digital), education (childhood, work-related, lifelong) and the health and safety of communities.

Respondents to our survey rank several socio-politico-economic factors as top external change factors, along with technological advances and disruptions. Political concerns include polarization, extremism, stalemates, corruption and government failure to address important social and economic concerns. Economic volatility, diseases and pandemics, and industry changes also top the list.

**TOP FIVE EXTERNAL FACTORS IMPACTING FAMILY ENTERPRISES**



■ TRANSFORMATIVE IMPACT ■ SIGNIFICANT IMPACT

*The Future of Enterprise Survey, Cambridge Family Enterprise Group, 2022.*

<sup>5</sup> “What is Deglobalization?” Markus Kornprobst and Jon Wallace, Chatham House, October 18, 2021.

## INTERNAL FACTORS: FAMILY AND FAMILY ENTERPRISE

Business families are changing, often mirroring societal trends. Members of enterprising families are becoming more well-educated, more geographically dispersed and more diverse in many ways. Gender roles and career paths are changing. Enterprising families have become more focused on satisfying individual needs and supporting individual success and are putting less emphasis on members' responsibilities to their family. Family enterprise leaders are being challenged to be more transparent and inclusive about decision making.

Thanks to longer life spans, families are now spread out over three or more generations. Younger generations, raised in a digital world and highly attuned to societal issues on a global scale, bring different perspectives, priorities and capabilities to the family enterprise. They are waiting impatiently for a place at the family enterprise table or are sometimes choosing other career paths, often to fulfill their entrepreneurial dreams.

Retiring Baby Boomers are expected to trigger a huge wave of business transfers and the greatest wealth transfer in history, which is heightening attention to succession planning. Some Boomers are choosing to remain in control beyond the traditional retirement age of 65, but the oldest among them are already 77 years old (in 2022), and the youngest will turn 66 in 2030.

*What did we learn when we asked survey participants what impact they expect a variety of family factors to have on their family enterprises during the 2020s?*

Perhaps not surprisingly, generational shifts figure prominently on the list. Top-ranked factors include the transfer of leadership, wealth and ownership control to the next generation, different generational attitudes and priorities, and intergenerational communications. More than seventy percent of respondents expect these factors to have a moderate to transformative impact on family enterprises.

It is important to remember that impact can be positive, negative or a combination of both. Some respondents offered "the next generation with new ideas" or "the third generation taking the leap to lead" as their family enterprise's biggest opportunity. For others, "the younger generation not being interested in the old business" or "aligning values and culture across generations" are significant challenges.

Other family factors also come into play. Sixty-two percent of respondents say that shifting roles for family members as the business evolves (e.g., from roles in operations to holding company roles) and the family's desire to have a positive social impact will have moderate to transformative impacts on the family enterprise.



### ARE ENTERPRISING FAMILIES READY FOR TURBULENT TIMES?

**Enterprising families see turbulent times ahead and have varying levels of concern about their negative effect on their family enterprises.**

Thirty-four percent of survey respondents expect high and extremely high turbulence through the 2020s, and another forty-six percent foresee moderate turbulence. Levels of concern about turbulence range from low (thirty-three percent) to moderate (forty-seven percent) to very or extremely concerned (twenty percent).

“The world is not as we thought it would be pre-COVID-19, and it will become even more different with 5G and other advances,” one family business founder and CEO observed. “I rate turbulence as high not because of change itself but because of resistance to change, fear of change and lack of experience with change. You need the right outlook.”

**Families are generally optimistic about their enterprises’ future success, but they are more confident about their ability to perform well through the 2020s than through the next generation.**

Fifty-nine percent of survey respondents are very or extremely optimistic about success through this decade, compared to forty-five percent for next-generation success.

Turbulence will affect different family enterprises differently, of course; it’s your response to it that spells success or failure. Jackie Slater Whitten, a third-generation owner of a U.S. family enterprise engaged in real estate and investment activities, shared her family’s experience with what she described as “big catalysts for volatility and disruption in recent years.”

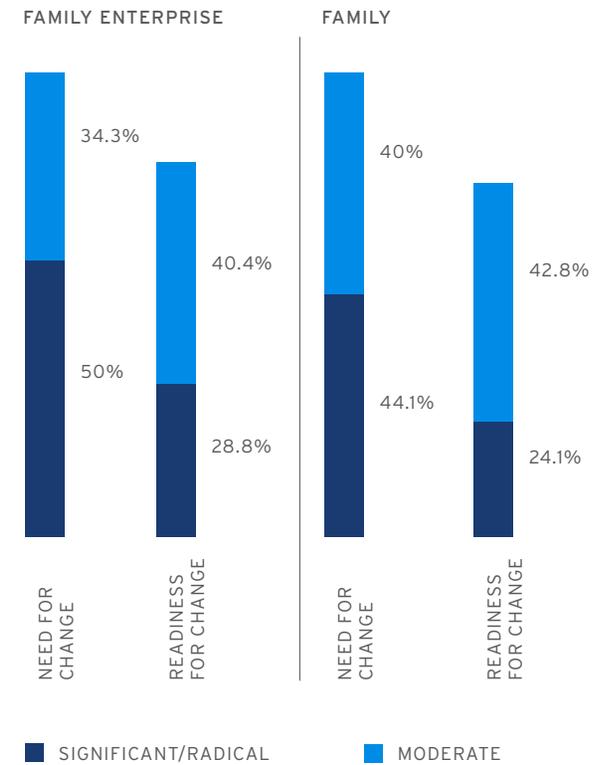
“Turbulence makes you question traditional business models,” she said. “We think ours will last, but we have to be ready to change and are constantly asking ourselves, ‘what are the potential pitfalls and how would we pivot’ Our biggest opportunity is the flip side of disruption; it’s getting us out of our comfort zone and presenting us with investment opportunities where we can take advantage of patient capital.”

And now, the big question: How ready (i.e., willing and able) are families and family enterprises to make the changes needed to adapt and be successful through the 2020s?

**Enterprising families believe that their family enterprises and their families need to change, but many do not feel ready for it.**

Overall, eighty-four percent of respondents say that moderate to radical changes will be required (including fifty percent who foresee the need for significant or radical family enterprise changes), while approximately two-thirds feel moderately to extremely ready to make the necessary changes.

### FAMILIES AND THEIR ENTERPRISES: NEED FOR CHANGE VERSUS READINESS FOR CHANGE



*The Future of Enterprise Survey, Cambridge Family Enterprise Group, 2022.*



*Families undergoing generational transitions appear to feel especially unprepared, perhaps reflecting the need to make important internal decisions and deal with external forces of change simultaneously. Their perception of turbulence is roughly equal to that of other families but they are more concerned about it. They are also less optimistic about future success and perceive less change readiness for their families and family enterprises.*

#### WHAT'S NEXT?

Families and their enterprises have demonstrated great resilience through history and, most recently, through the COVID-19 pandemic and its repercussions. We are encouraged that they recognize the need to build new capabilities as they look to the future.

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Our biggest challenge is to be prepared for the next disruptors, with an open view to continuous change.

—SURVEY RESPONDENT

The following sections of the white paper introduce a model for family enterprise transformation and success in this new era, focusing on five strategies that build on traditional family enterprise strengths and offer new perspectives and tools for continuing success.



## Part 2. A new model for family enterprise success in the 2020s

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Families that have survived in business for generations generally emphasize their stewardship of the family enterprise, and rightly so. But there has been a misunderstanding of what the term “good steward” means. In this section, we propose a redefinition of stewardship and describe a new model for family enterprise success in the 2020s.

## REDEFINING STEWARDSHIP FOR TURBULENT TIMES

For decades, stewardship has meant taking care of the family business and passing it on to the next generation. In today’s turbulent world, the idea of stewardship as caretaking is a recipe for disaster, given the rapidity with which industries transform, businesses turn over, technologies advance, generational interests evolve and family members’ capabilities change.

Building value according to your values is the new north star for enterprising families.

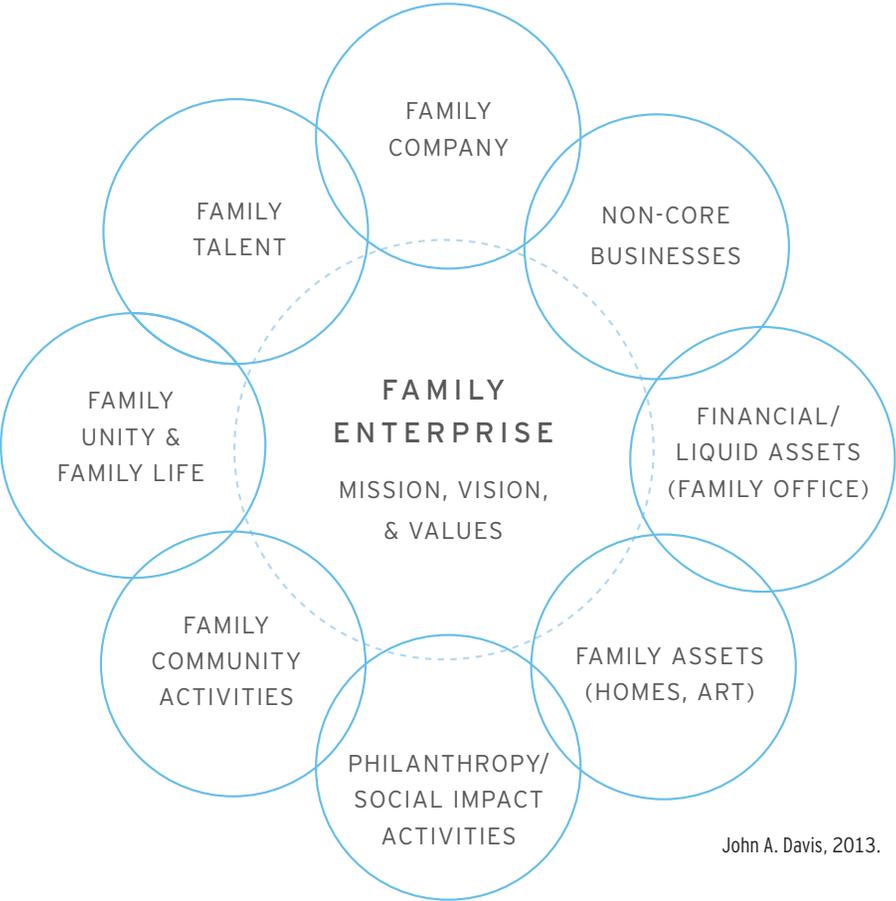
The traditional definition of stewardship has led to many unfortunate cases of family support for a legacy company even when it was declining and conditions couldn’t be improved. In these situations, the family usually goes down with the ship, value is destroyed and not recovered, the family loses its reputation and credibility, family members lose confidence and family unity is damaged.

Good stewardship needs to be redefined as doing what you can in each generation to build multiple kinds of value – financial, intellectual property, social impact, relational and talent. That requires thinking about the family enterprise as a portfolio of assets and activities, not just the family’s legacy business. A grounding in shared values guides the way, uniting the family and building pride and commitment. This is the new model for family enterprise.



Good stewardship needs to be redefined as doing what you can in each generation to build multiple kinds of value – financial, intellectual property, social impact, relational and talent.

**THE FAMILY ENTERPRISE PORTFOLIO  
OF ASSETS AND ACTIVITIES**



John A. Davis, 2013.



## FIVE ESSENTIAL INGREDIENTS FOR SUCCESS

Successful families build value according to their values. But how? The new model for family enterprise success has five essential ingredients: (1) being a purpose-driven family; (2) living by core, shared family values; (3) pursuing a broad definition of value; (4) designing a dynamic family enterprise; and (5) managing the “total wealth” of the family. Here is a brief description of each ingredient, with suggestions for adopting or strengthening them.

### 1. Being a purpose-driven family

Your family's purpose or mission is your answer to the question: what are we trying to accomplish together as an enterprising family? A family mission statement, one that is compelling, achievable and created with family-wide participation, is a powerful and motivating instrument for the family.

Families that are deliberate about pursuing their purpose use it to guide their important family enterprise choices. What types of value do we want to build? What types of assets and activities should compose the family enterprise and express the family's values? A family mission may last for generations but, in today's quickly changing world, it should be reassessed and refined as situations and interests change.

For example, the members of one third-generation family enterprise decided that they had made enough money to meet their family's needs for a few generations. They developed a new, inspiring mission for their family – to uplift disadvantaged societies through their companies. The family became deeply engaged in using their wealth, businesses, talents, networks and other resources to accomplish that mission.



## SAMPLE FAMILY MISSION STATEMENT

As an enterprising family, our purpose is to do well by doing good for our country, region and the world. We strive to build things of value, create wealth and remain a united and aspiring family through three commitments:

1. *Legacy* – We are dedicated to expanding our grandparents' mission to transform our sector in our region and enable populations to be more literate, better educated and prepared for the future.
2. *Stewardship* – As owners, we strategically use our energy, creativity, resources and capital to grow the value of our businesses, drive innovation in our industries, support our stakeholders and advance society.
3. *Family* – We believe in building family relationships and unity. We are committed to developing family members' characters and capabilities and providing access to capital that will enable future generations to perpetuate our legacy and mission.

## 2. Living by core, shared family values

The important or core values of a family should guide the way family members treat one another, their stakeholders and others outside the family, and how they operate their businesses and conduct other family enterprise activities. These values signal to family members and outsiders: “This is what we stand for; this is our special way of being in the world.” Living by core values, especially during tough times, builds pride and unity in the family. Statements of family values can bind generations together in the present and with their heritage.

One astute teenager interviewed during our research explained the importance of the values taught by her grandparents and parents for family unity. She then added: “I see our company as part of the family because it shares the same values – treating people equally, seeing far ahead and working toward the future, gratitude and modesty about what we have achieved, and giving back to the community and society.”

## 3. Pursuing a broad definition of value

Successful families view their enterprises as centers of value creation that express family values and support multigenerational success. *Financial* value is a necessary but not sufficient type of value for families to build. A strong financial foundation helps to grow the family's businesses and other assets, fund family philanthropy and other shared family activities, and support family members' lifestyles.

But other types of value are also important for the enduring success of the family and the family enterprise. These include the stocks of *intellectual property* value (knowledge and know-how), *reputational* value (the brand of the family and family enterprise), *relational* value (relationships within the family and with key stakeholders), *talent* value (the skills and understandings of family and non-family contributors) and *social impact* value (derived from helping communities, society and the planet). Each part of the family enterprise can contribute to broad value creation.

A broad definition of the kinds of value that the family wants to build offers each generation the latitude to choose the assets and activities needed to build the desired types of value. Enterprising families should define their value creation priorities and translate them into actionable strategies that are actively supported by family members.

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I see our company as part of the family because it shares the same values – treating people equally, seeing far ahead and working toward the future, gratitude and modesty about what we have achieved, and giving back to the community and society.



Family enterprises are dynamic, living systems. They need to be adaptive and will evolve over time, as the family's goals, needs and interests change.

#### 4. Designing a dynamic family enterprise

A family's enterprise should be viewed as a portfolio of jointly owned assets and shared activities that exist to pursue the family's mission, build different kinds of value and express the family's core values. It is also a vehicle for addressing family members' diverse interests, capabilities and goals and boosting their engagement. Some family members will gravitate to building value through the family business; others may prefer to build value through the family's philanthropic or other activities.

Selecting assets and activities that individually and collectively add value and are compelling to family members is a key part of the family enterprise design process. Having the right portfolio of assets and activities allows a family to make the point that several kinds of value are important to the family, and that family members can be recognized for contributing in different ways. The more family members can connect and contribute to the family enterprise, the higher the likelihood that the family will remain united and committed to the enterprise.

Family enterprises are dynamic, living systems. They need to be adaptive and will evolve over time, as the family's goals, needs and interests change. A periodic "mapping" and review of your portfolio of assets and activities is a useful way for owners to assess current performance, effectiveness and family interest. It is especially important during periods of generational transition or a strategic redirection of the family enterprise.

54% of surveyed families take a portfolio approach to selecting their investments, businesses and activities.



## FAMILY OFFICES AND THE FAMILY ENTERPRISE

Family offices date back to the late 19th century, when the Rockefeller family pioneered the concept. Today, they may operate as private single-family offices or as multifamily offices supporting more than one family.

Investment management is typically their primary function: forty-two percent of our survey respondents invest through a private family office. Some family offices also provide legal and tax support, administrative and lifestyle services, and family governance support.

For larger family enterprises, they offer a structure for reducing complexity, improving efficiencies, attracting financial talent and ensuring a unified strategy.

## 5. Managing the family's "total wealth"

A family's total wealth includes the several stocks of value that it has earned over time (financial, reputational, etc.). Enterprising families need to ensure that their broad portfolio of assets and activities is generating adequate returns for the family's investment of time and capital. If returns need to increase, should the family change its assets and activities, its consumption, or its talent contributions?

If, for example, there is not enough growth in family talent to contribute to the family enterprise, what investments or changes need to be made? This perspective aids the design of the family's portfolio, focuses attention on more than financial value creation and raises issues that are important for gauging the sustainability of the family enterprise system.

Strategic management of your family's total wealth is a complex endeavor. It requires strong owner support, a well-defined and well-managed process, and effective governance. Owners councils (for overall direction), boards (to monitor performance of companies), investment committees (for investments) and family councils (for the family's voice) can all provide valuable forums for discussions and decisions about the family enterprise.



## CASE STUDY

# The Tamari Family:

## Multigenerational resilience and success



In September 2021, ninety-nine-year-old Abdallah Wahbe Tamari and his eighty-four-year-old wife, Samia, boarded a plane in Beirut, Lebanon, fleeing the difficult situation there and returning temporarily to their previous home in Geneva, Switzerland. “That,” observed their son, Wahbe, “is an example of our family’s history of resilience.”

The Tamari family’s story is one of perseverance and success in the face of repeated disruptions. The original family business, an import-export company, was founded in 1905 by Abdallah’s father in Jaffa, Palestine. Forced to emigrate to Lebanon in 1948 when the State of Israel was created, the family restarted their business there but had to flee when civil war erupted in 1975.

The Tamaris resettled in Geneva, Switzerland, where they founded another successful commodity business called Sucafina in 1977. Tensions erupted when the sons took over, and the company was split between Abdallah and his brother in 1985. Abdallah refocused his part of the business on coffee and was joined by his two sons, Wahbe and Nicolas, when they completed their university studies.

“Our vision is to be the leading sustainable farm to roaster coffee company in the world, built on a foundation of entrepreneurship, expertise, passion, humility and integrity,” Nicolas said. The company is committed to creating value for all stakeholders and embeds technology and innovation into every part of its business.

In 2004, Nicolas succeeded his brother Wahbe as Sucafina’s CEO and Wahbe branched off into other areas of interest. “We wanted to avoid the problems that my father and his brother experienced, and we also wanted to diversify our portfolio,” Wahbe explained. In addition to Sucafina, the family is active in real estate and property investments as well as wealth management and investing, as part of a multifamily office. Wahbe manages the family’s real estate business and investments.

The family businesses successfully weathered the COVID-19 crisis while developing plans for the future. “The world is constantly changing; so we must anticipate change, adapt and look for opportunities to create value,” Nicolas observed. A worsening crisis in Lebanon adds to their concerns

about political, economic and other global issues. “We are doing what we can to help the country,” Wahbe said.

On August 4, 2020, the Port of Beirut suffered a disastrous explosion. The Tamari Foundation, which was established by Abdallah and Samia in 2012 as the family’s philanthropic arm and today is presided over by their daughter, Della, took action. “On August 20, we launched the Unite for Lebanon Emergency initiative, which has been able to mobilize important resources to mitigate the devastating impact on the population and raise awareness in the international community,” Della explained.

From a family perspective, transitioning to the fourth generation, which has six members aged 12 to 22, is considered a challenge and an opportunity. “My parents and their values unite the fourth as well as the third generation, so they have an important role,” Wahbe observed. To facilitate the transition, senior family members are formalizing their business and family agreements in a forward-looking family constitution. “Our next gens are committed to our family spirit and philanthropy but it’s too early to tell whether any of them will join the family business,” Nicolas said. “It’s time to get them more engaged!”

## What’s the secret to being a successful multigenerational business family?

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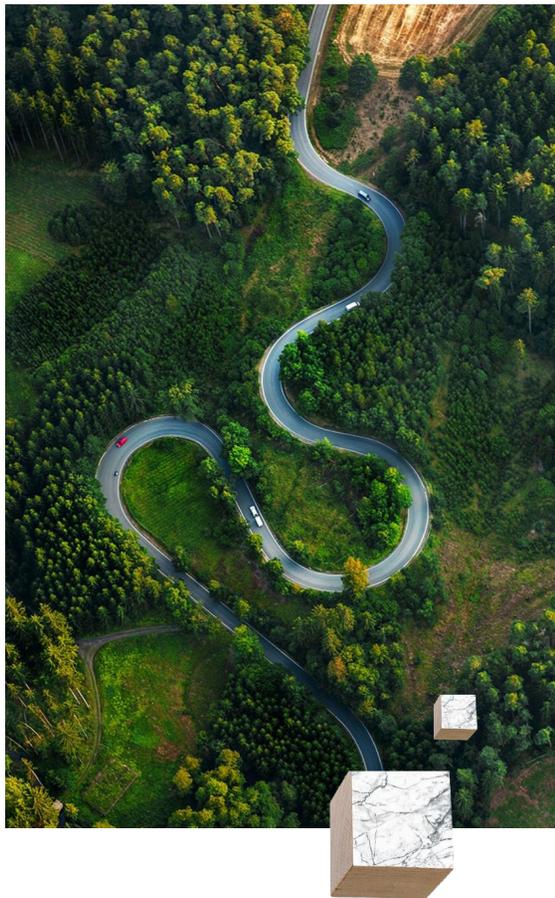
Be entrepreneurial, honor your commitments, stay humble and always be ready for Plan B. And stick to your values that’s what unites the family.

WAHBE AND NICOLAS TAMARI

## Part 3. Five transformation strategies for families and enterprises

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Many enterprising families recognize the need to transform themselves for turbulent times. In Part 3, we propose five key strategies for successfully implementing the new value and values-driven model for family enterprise success in the 2020s.

### TRANSFORMATION STRATEGIES FOR ENTERPRISING FAMILIES

#### BUILD VALUE ACCORDING TO YOUR VALUES



1

- 1.1 TAKE THE JOB OF OWNERSHIP SERIOUSLY
- 1.2 DEVELOP A STRONG TEAM OF ACTIVE OWNERS
- 1.3 COLLABORATE MORE, CONTROL LESS

## REORIENT AND RETOOL YOUR OWNERS

When families or family ownership groups meet to celebrate the accomplishments of the past year, do business leaders thank the owners for their contributions to enterprise success? Not often. Managers and employees are recognized, as they should be, but typically the owners are not. This creates the impression that owners are “along for the ride” and should stay out of the way of the important work that is being done by others, mainly managers.

In reality, of course, capable, aligned and loyal owners have always been an essential foundation for the enduring success of family enterprises. They are even more important in these turbulent times, when businesses need to be much more agile – able to see change coming and quick to scale or exit existing businesses or enter new areas of business as needed. That requires at least the consent of owners, if not their capital and active leadership.

Unfortunately, owners often misunderstand their mandate as being supportive of the status quo rather than taking an active, strategic role in shaping the family enterprise’s future. They may define

their role too narrowly (i.e., as limited to monitoring financial performance and addressing estate issues). And executive owners, who are close to the business and could grapple with strategic choices, tend to focus solely on achieving operational excellence, guided by what we call an Operator Mindset.

### The importance of family owners today

Enterprising families cannot afford to take their hands off the steering wheel during these challenging times when owner-level decisions (such as where to bet their capital, who to partner with, how much risk to take and who should lead the enterprise) will account for most of a family enterprise’s gains or losses. They need to recognize that good owners add value and are critical to the success of the family enterprise.

All owners need to take their job seriously and be equipped to do it well. Some owners with the experience and capabilities to steer the family enterprise – we call them Active Owners – must be deeply engaged in strategic direction-setting and oversight. They too must be well equipped, with the mindsets, skills and networks required for success in today’s fast-changing, hyperconnected world.



1

- 1.1 TAKE THE JOB OF OWNERSHIP SERIOUSLY**  
 1.2 DEVELOP A STRONG TEAM OF ACTIVE OWNERS  
 1.3 COLLABORATE MORE, CONTROL LESS

## 1. Take the job of ownership seriously

When the ownership group functions well, it supports the enterprise with financial and operating stability, talent for key roles and strategic direction. Keeping an ownership group organized, united, committed and contributing over multiple generations is difficult but essential for family enterprise longevity.<sup>6</sup> The single best way to develop capable and responsible ownership groups is to invest in the owners.

The family has an important responsibility to groom and prepare owner talent in the senior and next generations. Unfortunately, most owners don't understand their legal responsibilities or their rights, either because they haven't been told or because ownership is viewed as a passive role, a birthright with financial benefits and no real accountability.

### Developing family owner talent

Family owners should understand – and meet – the basic qualifications for the role: being interested in and learning about the enterprise, showing up prepared for important meetings and discussions, supporting the family enterprise governance system, behaving in respectful ways (especially during disagreements) and maintaining confidentiality. In turn, they need regular updates on the family enterprise and deserve the respect of having their voices heard.

Each family enterprise should develop and budget for a comprehensive owner development program. Education and training programs, individual and team coaching, participation in governance forums, regular communications, time spent discussing the direction of the family enterprise and reflecting on the family's heritage, clear statements of mission, vision and values for the family and the enterprise, strong shareholder agreements, and coordinated ownership succession planning can all strengthen your current and future ownership group.

Owners can delegate some decisions to boards and management and should get outside advice as needed, but they cannot delegate their ultimate accountability for family enterprise sustainability. The roles of owners, governance groups and management should be clearly delineated to ensure that owners respect the role of their boards and don't wander into managerial operating issues.

### Understanding the different types of owners

A family ownership group usually has different levels of contributors. *Passive Owners* are mainly observers. *Supportive Owners* are the unsung heroes of family enterprises; hopefully, they represent a majority of your owners. A small group of *Active Owners* will lead the owners and drive

family enterprise transformation. They may or may not be in management, and one or two of them may also be *Wealth Creators* who, for example, grow the existing business, launch a new entrepreneurial venture within the family enterprise or guide acquisitions. Families need to develop owners in each of these categories.

Owners can delegate some decisions to boards and management and should get outside advice as needed, but they cannot delegate their ultimate accountability for family enterprise sustainability.

<sup>6</sup> "The Job of an Owner in a Family Business," John A. Davis, *Enduring Advantage: Collected Essays on Family Enterprise Success*.

1

1.1 TAKE THE JOB OF OWNERSHIP SERIOUSLY

**1.2 DEVELOP A STRONG TEAM OF ACTIVE OWNERS**

1.3 COLLABORATE MORE, CONTROL LESS

## 2. Develop a strong team of Active Owners

Active Owners are the subset of owners called upon to take a leadership role for the owners. They are charged with keeping the ownership group, the family and the family enterprise focused on value creation and multigenerational success. The goal is to build a team of Active Owners with what we call an Owner Mindset – one that supports operational excellence but can also gain altitude to see the big picture, embrace new thinking and create a transformation roadmap for the family enterprise.

Collectively, Active Owners are responsible for making pivotal, strategic, owner-level decisions. They have a deep understanding of the family enterprise, perhaps from their service on the board, in management or both. They typically have expertise in some areas of the family enterprise but are not expert in all of them, which is why a team of Active Owners is usually needed. Team building, coaching and individual skill development can all contribute to the effectiveness of the Active Owner team.

## ACTIVE OWNER-LEVEL DECISIONS

*Strategic vision* decisions set the broad direction for the family enterprise and establish where you want to be in three, five, ten years and beyond.

*Capital* decisions are about what you own, how you own it, with whom you own it and for how long you own it.

*People* decisions involve identifying and retaining the right talent (family and non-family) for key roles.

*Culture* decisions aim to build the attitudes and behaviors critical to your success.

*Governance* decisions establish the right forums and processes for agile decision making across the family enterprise.

## 1

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In some family enterprises, the Active Owner team represents the interests of all family owners and is authorized to make decisions on their behalf. In others, Active Owners make recommendations to the full group of owners, which formally makes the decisions. Institutionalizing the work of the Active Owners by creating an owners council can be a valuable step to take.

Being an Active Owner is hard work and, for executive owners, can be sufficiently time consuming that it requires letting go of operational roles. Forty-six percent of our survey respondents are delegating more operational responsibilities to non-family talent, and several say that they are working to professionalize management.

Active Owners must be engines of change, with an eye to the future. That requires adopting an outward-looking perspective; encouraging diversification and experimentation with growth opportunities; letting go of low value-adding activities, people and practices; supporting management to build future-ready organizations; and – of critical importance in today's fast-changing, hyperconnected world – collaborating more and controlling less.

### 3. Collaborate more, control less

Business families have traditionally insisted on having 100% ownership control and have been reluctant to partner with other ownership groups. That approach was more likely to be effective in a relatively stable environment than in today's turbulent world. Some measure of family control is still useful to ensure a focus on building value according to the family's values, but that must be balanced with the need for collaboration.

Flexibility around ownership control and ownership structure, with an expansive view of partnerships, helps families gain access to knowledge and capital and get exposure to new product, market and investment opportunities. They also offer a lower cost, lower risk way to test and scale new ideas. Partnering can take many forms including strategic partnerships, minority stakes in startups, and the sharing of equity, capital, facilities and know-how.

### Control of the family business

Total ownership control of family companies and family offices remains prevalent among eighty-five percent of survey respondents, but there are signs of growing flexibility in ownership. Twenty-three percent of respondents report having additional owners of their business venture; typically, they are other unrelated families.

One family owner and CEO described an evolution of their company ownership philosophy. "Several years ago, we decided to offer twenty percent of our shares to key managers," she explained. "Going forward, the plan is to bring in a strategic shareholder and keep the family at fifty-one percent."

1

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### The power of partnerships

“Know what you don’t know” is a useful adage in a world where knowledge is growing at an exponential rate. Leveraging experience from across your family enterprise is a good start but you also need to tap into outside expertise (e.g., technology experts in your industry) to understand trends, identify threats and opportunities, and build your internal expertise.

Outside partnerships can provide fertile ground for experimentation through strategic alliances, joint ventures, mergers and acquisitions, and direct investments in start-up companies. Engaging in open innovation systems – including regional innovation ecosystems and programs such as accelerators, prize competitions and hackathons – can also be a source of talent, ideas and opportunities. Sucafina, the farm-to-roaster coffee business founded by the Tamari family, offers one example.

In 2019, Sucafina became a founding partner of farmer connect, a tech start-up that aimed to “humanize consumption through technology” by using blockchain and other technologies to connect and empower farmers, consumers and everyone in between. Sucafina CEO, Nicolas Tamari, saw an opportunity to “keep ahead of the game” by reinventing the role of coffee farmers and merchants. “Today, we sell coffee,” he said at the time. “Tomorrow, we will sell coffee and data.”

The experiment was a success. In 2021, farmer connect raised €7.5 million to help it meet the growing supply chain demand for traceability, ESG and SDG tracking,<sup>7</sup> carbon-footprint tracking and task automation. Sucafina was one of the investors. “farmer connect is an important part of our vision of being the leading sustainable farm to roaster coffee company in the world,” Tamari said. “We are excited to partner with them as they build a powerful blockchain collaborative ecosystem.”

Only twenty-nine percent of our survey respondents say that they partner with other organizations, but many point to various forms of outside collaborations as significant opportunities. For example:

- “We are partnering with companies in the same industry but located in different geographies to expand beyond our core business.”
- “We are reinventing our business model by looking into merger and acquisition activities.”
- “We have successfully invested in two start-ups and played an important part in growing them.”

<sup>7</sup> ESG is the acronym for Environmental, Social and Governance, which represent three broad non-financial dimensions of corporate behavior. SDG refers to the United Nations’ 17 Sustainable Development Goals.

## 2

- 2.1 CONSTRUCT A VIEW OF THE FUTURE
- 2.2 EXPERIMENT WITH NEW IDEAS
- 2.3 BUILD IN AGILITY

## GET READY TO PIVOT

In this turbulent era, the game of business has changed. Enterprising families are keenly aware of it and cautiously optimistic. Sixty-seven percent of survey respondents are moderately to extremely concerned about the negative effects of turbulence on their family enterprise, but eighty-nine percent are equally optimistic about their ability to succeed during the 2020s.

The ability to pivot quickly to address threats and seize opportunities as they arise will separate the winners from the losers during and beyond this decade. The pivoting may range from an operational innovation to a whole new business model to investing in an entirely new business, but one thing is certain: *If your family enterprise is not capable of shifting direction quickly in response to changing conditions, it will not last.*

No one can predict the future, but you can – and must – be change-ready. How? It's a three-part answer: (1) Gain altitude, monitor signals of change and construct a view of the future; (2) experiment with new ideas, business models and value-creation methods; and (3) build agility into your family enterprise portfolio and organization.



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You can't stop the waves,  
but you can learn to surf.

—JON KABAT-ZINN

## 2

**2.1 CONSTRUCT A VIEW OF THE FUTURE**

2.2 EXPERIMENT WITH NEW IDEAS

2.3 BUILD IN AGILITY

**1. Gain altitude, monitor signals of change and construct a view of the future**

In today's world, family enterprises need to be in a state of constant exploration, with an eye to the future. Strategic foresight, which has its roots in scenario planning, is a valuable tool for that purpose. It is essentially a systematic and data-driven way to use ideas about the future and emerging trends to anticipate and better prepare for change and disruptions. With it, you develop a point of view on what will likely happen, identify strategic options and make decisions.

**Practicing strategic foresight**

Learning to read external and internal signals of change is an important starting point. It requires a big picture view and open-mindedness to what you see. Macro forces (e.g., the global forces described in Part 1) are largely uncontrollable but offer a useful framework for identifying external signals, from which patterns and trends will emerge. Internal forces are somewhat more controllable but are also important to consider.

In future-ready organizations, scanning the horizon for signals of change is an ongoing part of nearly everyone's job. "I attend industry conferences and work closely with our executive team and an outside industry expert to monitor trends and technologies," one family

CEO told us. "I also read a lot to keep up with world events and talk with customers about their needs and concerns."

Family enterprises need to formalize a process for scanning, tracking and filtering potential disruptors. Customized dashboards are a useful tool. Dashboards for Active Owners track critical external and internal indicators while those for managers are more operationally oriented. Both need to focus on what is the most relevant to your family enterprise.

You also need to learn how to strategically interpret and use the data intelligence by separating signals from "noise," identifying trends and analyzing risks, threats and opportunities. Those insights and other data (e.g., from adjacent industries) can be used for simulations, modeling and other analyses, and the construction of alternate future scenarios that reflect how the uncertainties may play out.

A deep dive into those scenarios will allow you to identify plausible options, articulate your point of view about the future for your family enterprise, and devise strategies with the capital, talent and alliances needed for your transformation journey. Planning should consider probable events and actions and be continuously refined in response to changing conditions.<sup>8</sup>

**Institutionalizing strategic foresight**

Don't do this exercise once and then put it on the shelf. It's important to integrate strategic foresight into your family enterprise's ongoing processes and culture. Board and investment committee members, senior executives and owners should be involved. Education programs, expert speakers and committees of people with diverse perspectives also are valuable resources to engage people across the organization and encourage creative thinking.

<sup>8</sup> "How to Do Strategic Planning Like a Futurist," Amy Webb, Harvard Business Review, July 2019.

## 2

- 2.1 CONSTRUCT A VIEW OF THE FUTURE
- 2.2 EXPERIMENT WITH NEW IDEAS**
- 2.3 BUILD IN AGILITY

## 2. Experiment with new ideas, business models and value-creation methods

A methodical plan-prepare-execute approach may work well when you are in familiar territory or in a stable environment, but it is ill-suited to the “unknown unknowns” of creating something new or navigating unpredictable environments. An experimental approach works better in turbulent times and contributes to family enterprise agility.

Experimentation offers family enterprises a speedy, lower risk way to explore and test new opportunities and accelerate innovation. “Think big, start small and scale up fast” is the mantra of successful entrepreneurs, with “fail smart, learn fast” as a corollary. Going into the experiment, you have to be prepared to quickly scale up a solution if it works or cut your losses early if it doesn’t. Some failures are inevitable, but they should be *intelligent* failures that generate learning.

Family enterprises can gain valuable knowledge, build important networks and reduce experimentation risk by experimenting with outside partners. Cox Enterprises, a family business that was founded in 1898 with the purchase of the *Dayton Daily News* newspaper in Ohio is a good example.

Cox built a global media and communications empire through a steady stream of acquisitions over 60+ years. In 1965, they entered the automotive field by acquiring an auto

publication. In 1997, as an experiment with private equity partners, Cox launched Autotrader.com, an online marketplace for car shopping. That venture now generates roughly US\$1 billion in annual revenue.

Experimentation can be challenging for family enterprises, but many are spurred to adopt it by disruptive times. “Experimentation has been a weakness for our company historically,” one family owner and CEO observed. “Our family is very risk averse; many members have lived off the business for a long time. We experimented more during the first three months of COVID-19 than we had the past three years.”

## 3. Build agility into your family enterprise portfolio and organization

Agility is the ability to move nimbly, pivot and stretch in different directions, with speed and purpose. It is an essential skill – and state of mind – in turbulent times. Your family enterprise portfolio and organization must both have the agility needed to address threats and seize opportunities as they arise, with an eye firmly fixed on your family’s mission, values and vision.

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In today’s VUCA world, the focus must be on change, speed and agility.

–SURVEY RESPONDENT



## 2

2.1 CONSTRUCT A VIEW OF THE FUTURE  
2.2 EXPERIMENT WITH NEW IDEAS  
**2.3 BUILD IN AGILITY**

### What is portfolio agility?

Portfolio agility means being able to move in and out of family assets and activities with relative ease and speed, adjusting the composition of your family enterprise to adapt to changing market requirements and align with the capabilities, interests and needs of your family. Agility, by definition, involves change, and change can be challenging for enterprising families.

Divesting or acquiring businesses or even just changing family rituals can be met with resistance. Active Owners and family leaders need to be prepared to make the case for change, allowing family members and others to express their doubts and concerns and addressing them but, ultimately, ensuring that necessary changes are made so that the family enterprise can continue to grow and prosper.

Enterprising families' financial stability, which is a traditional strength, supports portfolio agility by allowing owners to move into new activities without risking dividends or incurring significant debt or other financial risks. Several survey respondents describe how they are taking advantage of their good liquidity and low leverage to pursue business or investment opportunities.

Family offices are especially busy these days exploring a proliferation of investment opportunities. "Everyone is interested in family offices these days," observed the managing

director of one family office. "We have less capital than large institutions but it's patient capital with a lot less red tape."

Governance processes that facilitate speedy analysis and decision making are essential for portfolio agility. Owners councils, investment committees, portfolio boards and other forums can all serve as focal points for making pivotal decisions.

### What is organizational agility?

Organizational agility means being able to support current family enterprise needs and flexibly adapt to external and internal forces of change. It requires that the entire organization and the ownership group be aligned in their thinking about the change of direction. It also requires a willingness to embrace continuous change and be comfortable detaching from old ways of doing things or investments that are not creating value. Agility needs to become an integral part of the organization's culture and daily life.

Family enterprise organizations also need to be entrepreneurial which, for many owners and managers, will require shifting from an autocratic to a transformational style of leadership.<sup>9</sup> Agile organizations are flat, team-based and digitally connected. They have porous boundaries that invite in outside ideas and talents. They foster diverse perspectives and welcome diverse people. They foster experimentation by providing the necessary resources, support and freedom.

### How agile are enterprising families?

In short, there is room for improvement. Fewer than half of survey respondents regularly take a holistic view of their family enterprise and its environment (forty-two percent) or do scenario planning (forty-nine percent). Forty-five percent are experimenting with new products and services, but only twenty-eight percent are working to build an experimental, entrepreneurial culture.

However, many respondents appear to be regularly monitoring important change drivers and pivoting to address new opportunities. Here's one example: "We are transforming one of our businesses from distribution to manufacturing, to meet emerging customer needs driven by changes in vehicle technology."

45%

28%

45% of survey respondents are experimenting with new products and services. However, only 28% are working to build an experimental, entrepreneurial culture.

<sup>9</sup> "Leadership Styles for Turbulent Times," Helena McDonnell, Cambridge Institute for Family Enterprise, 2021.

## CASE STUDY

# The Itsueli Family:

## Reinvention for future generations



Uduimo J. (or U.J.) Itsueli founded Nigeria's first indigenously owned oil company, Dubri Oil, in 1987 and today serves as chairman and managing director. Dubri has diversified over the years to include gas, real estate and oil facility management, as well as oil exploration and production. Today, the Itsueli family faces something of an existential crisis: how to sustain the family enterprise in a post-carbon world.

As a member of several industry and business groups, U.J. is involved in policy discussions on sustainability in Nigeria and sees technology as a big driver. "We need to use this as an opportunity to move the region into a different space, one that will alleviate poverty and other problems and provide opportunities for our young people," he asserted. "But resistance to change is a barrier."

"From a company perspective, we need to move away from fossil fuels to other areas that aren't too far from the family business," U.J. added. "The immediate opportunity is gas, which is a cleaner solution. And the world will continue to need hydrocarbon byproducts, so we are also looking for opportunities in high-growth sectors like health care."

In 2020, U.J. invited his thirty-one-year-old son, Udu, to become the executive director of Dubri's gas subsidiary. "Philips Petroleum trusted me to run one of their businesses when I was in my thirties, so why not trust him?" U.J. said. Udu was born and raised in England and worked in Canada after graduating from university with a mechanical engineering degree. "A lot of my friends were educated outside of Nigeria and ended up coming

back because we want to make the country a better place," he explained.

Dubri is also exploring technology-driven niches (e.g., the use of artificial intelligence for oil-spill cleanup) and investigating solar- and wind-energy investments. On the real estate front, U.J. sees smart buildings and cities as a big future opportunity and is encouraging his daughter, who is a U.S.-based architect, to think about buying 200-300 hectares in Nigeria and building a smart complex.

At 72, U.J. feels that it's time for him to begin stepping back from the business. "The next generation will have more ideas about areas of investment for the company. I want to allow them to think out of the box, give them the authority they need and just be there to guide and help when needed." U.J. does, however, plan to remain heavily engaged in the family foundation, which he, his wife and two of his children run through their family office.

The foundation's primary focus is on helping the socially disadvantaged in Nigeria, primarily through educational grants and scholarships, medical assistance and support for the elderly. His youngest daughter became interested in social impact investing after taking a course on it at university. "Tell me more about it," was U.J.'s response. "If it seems like a good idea, we should try it."

## What's the secret to reinventing for future generations?

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For my father and me, it's about sustainability, whatever we go into as a family business. Our vision for the family enterprise is for multiple generations.

-UDU ITSUELI

## 3

- 3.1 ELEVATE DIGITALIZATION TO THE OWNER LEVEL
- 3.2 DEVELOP YOUR DIGITAL-TRANSFORMATION ROADMAP
- 3.3 UNDERSTAND AND MANAGE CYBERSECURITY RISKS

## ACCELERATE YOUR DIGITAL TRANSFORMATION

COVID-19 has been described as a Digital Age tipping point, moving digital transformation to the top of business leaders' agendas and speeding the adoption of digital technologies by several years.<sup>10</sup> Many family businesses accelerated their digital plans during the pandemic to support the innovations needed to weather the crisis and prepare for the "next normal."

Digital technologies encompass a wide range of hardware, software applications and network structures that generate, process or store information. Increasingly, digital technologies are embedded in all aspects of our work and lives. Digital transformation is the process of using those technologies and data itself to effect change in organizations, industries and society.

### Digitalization and the family enterprise

Increasingly, family companies need to adopt digital technologies to foster innovation and remain competitive. Digitalization of processes and products or services can increase organizational agility, innovation and productivity, enhance customer and employee experiences, turn data into business intelligence, and provide the basis for creating new value-creation models.

Family offices are also adopting more advanced digital technologies, especially as the family enterprise grows larger and more complex. On the family side, digitalization can enhance communications among geographically dispersed family members and streamline administrative work. On the asset management side, wealth management platforms and administrative software can improve investment decision making and portfolio management.

Recent research shows that strong digital capabilities translate to strong financial performance for family businesses, but they are behind the curve on their digital journeys.<sup>11</sup> Seventy-four percent of our survey respondents expect digital-related factors to have a moderate to transformative effect on their family enterprises, but only fifty-six percent say that they are adopting new technologies or digitalizing. Many respondents, however, are pursuing digitalization opportunities such as:

- "We are a business-to-business company. We are digitalizing the entire business, which will allow us to offer more and better services to our customers and increase our revenues and profits."
- "We are entering new fields of investment, such as blockchain, at the early stages."

- "Our biggest opportunity is building teams using video conferences and communication tools to leverage the different ideas that are in different parts of the world. We are building a Global R&D team that pursues three goals: further our current business reach, find new investment opportunities and maintain a steady flow of new ideas."

### A digital transformation agenda

Family enterprises need to move quickly and take a strategic, systematic approach to digital transformation. Digitalization should be elevated to the owner level for leadership and strategic decision making. Digital-transformation roadmaps need to be developed and successfully implemented, with attention to reaping the benefits of digitalization while also ensuring that cybersecurity risks are fully understood and addressed.

<sup>10</sup> "How COVID-19 Has Pushed Companies over the Technology Tipping Point—and Transformed Business Forever," McKinsey Global Survey Results, McKinsey.com, October 2020.

<sup>11</sup> "10th Global Family Business Survey," PwC, 2021.

## 3

- 3.1 ELEVATE DIGITALIZATION TO THE OWNER LEVEL
- 3.2 DEVELOP YOUR DIGITAL-TRANSFORMATION ROADMAP
- 3.3 UNDERSTAND AND MANAGE CYBERSECURITY RISKS

## 1. Elevate digitalization to the owner level

Digitalization is challenging because of both the “transformation” and the “digital” parts of the equation. It isn’t just about implementing a new technology; it impacts people, processes, products or services and entire organizations. Owners need to be strong champions for digital transformation in order to build commitment among family enterprise leadership, and to pre-empt or overcome the employee resistance often encountered during implementation.

“Digital openness” (receptiveness to the idea of digitalization) and “digital readiness” (understanding digitalization and how it relates to the family enterprise) are critical success factors and typically vary by generation. In some enterprising families, senior members may not be familiar or comfortable with new technology but are eager to tap into the next generation’s “digital-native” perspectives and skills. In other families, they underappreciate the need to digitalize, frustrating younger family members and sometimes causing next-generation disengagement and intergenerational conflict.<sup>12</sup>

### Owner-level decisions

Ultimately, digitalization success rests on Active Owners’ ability to unite behind it and work with boards, management and other leadership groups to develop and implement a digital transformation strategy and roadmap. They need to be willing and able to make sound owner-level decisions, beginning with a *strategic vision* for digital transformation.

Owners need to clearly articulate their purpose for pursuing digitalization and its expected benefits for the family enterprise. Why is this important and what do you expect to accomplish? That purpose and the owners’ commitment to it should be communicated to all stakeholders, but especially to relevant boards, in a clear and compelling way. Digital transformation is not cheap and can be bumpy, however, so owners also need to provide the resources to see it through.

Owners need to define the overall level of capital investment that they will make in digitalization. As a digital transformation roadmap takes shape, a variety of other capital decisions may be required (e.g., digital acquisitions to strengthen core capabilities

or the launch of new digital business ventures). Management and boards lead here, but these decisions at least require owners’ approval.

*Good people decisions* are critical to digital transformation success, the chief one being who will lead the charge. A digitalization project manager or, for larger scale efforts, a chief digitalization officer with change management as well as technical skills is needed. While these people choices are generally made by top executives, owners need to ensure that strong leadership is in place and be on the alert for opportunities to engage next-generation talent.

Owners also need to build a *culture* that reinforces digital openness and readiness and cultivates entrepreneurial mindsets and behaviors. Finally, owners are accountable for ensuring that the *governance* system and organization focus adequate attention on digitalization needs and monitor digital transformation progress and impact. Some family enterprises also create advisory boards or committees that include outside experts to provide focus and increase their digital competence.

<sup>12</sup> “Digitalisation Strategies in Family Businesses: On Specific Digitalisation Approaches for Business Families and Family Businesses,” Witten Institute for Family Business, January 2020.

## 3

3.1 ELEVATE DIGITALIZATION TO THE OWNER LEVEL

**3.2 DEVELOP YOUR DIGITAL-TRANSFORMATION ROADMAP**

3.3 UNDERSTAND AND MANAGE CYBERSECURITY RISKS

## 2. Develop your digital-transformation roadmap

Accomplishing your strategic vision for digitalization will require a roadmap for what could be a multiyear effort with multiple projects across the family enterprise. Ideally, key stakeholders will be involved in its development to build their understanding and commitment. The basic steps are to identify opportunities and threats related to digitalization, assess the family enterprise's readiness to transform and develop an integrated implementation plan with well-defined metrics.

"We need to understand and interpret the new trends for artificial intelligence, robotics, big data, social media, the internet of things and the digitalization revolution applied to any business," says one of our survey respondents. "Continuous learning about new practices and awareness of new technologies is critical for family members and operational executives."

Family enterprise owners, boards and management need to have processes in place for monitoring signals of change and identifying opportunities and threats in general, including digital. They also need to conduct assessments of their operating companies' and family offices' digital readiness: Are we behind? Beginning to be digitally capable? Mastering and leveraging digital technology? Digitally transforming?

These opportunity, threat and readiness assessments can guide strategic decisions about your digital transformation. Most plans will be a mix of *incremental innovations* such as product, process and service improvements and *radical innovations* leading to new products, services and business models. Specific initiatives will then need to be identified, evaluated, prioritized and sequenced.

Implementing your digital transformation plan will require attention to organizational needs, including the development of new capabilities, the reskilling of employees and cultural changes. Effective digital leadership beginning at the owner level, strong project management, and ongoing attention to communication and change management will be key success factors.

## 3

3.1 ELEVATE DIGITALIZATION TO THE OWNER LEVEL

3.2 DEVELOP YOUR DIGITAL-TRANSFORMATION ROADMAP

**3.3 UNDERSTAND AND MANAGE CYBERSECURITY RISKS****3. Understand and manage cybersecurity risks**

Digitalization offers many benefits, but it also opens the door wider to cyberattacks, an unfortunate hallmark of our hyperconnected, digital-enabled world. The problem grew during COVID-19, as remote work and online shopping increased and new software solutions were rushed into play. This threat is expected to worsen. Family enterprises and their owning families are at risk but historically have lagged behind on cybersecurity practices.

There are four kinds of cyber risks, all of which should be high on enterprising families' agendas. *Financial risk* includes identity theft and personal extortion as well as the theft of money. *Operational risk* includes serious disruptions caused by cybercrime and temporary halts to online activity due to more minor incidents. *Reputational risk* involves a business's public image or a family's reputation. Cyber criminals also prey on information on social media with malicious intent, creating a *privacy risk* (or even a safety risk) for business executives and wealthy families.<sup>13</sup>

The good news is that it is possible to manage cyber risks while taking full advantage of digital technologies. Cybersecurity must be elevated to the owner level for oversight of comprehensive cybersecurity plans and policies for operating companies, family offices and family members, with the goal of creating a more cyber-aware organization, robust cyber-protection practices and effective crisis-management capabilities.

Digitalization offers many benefits, but it also opens the door wider to cyberattacks, an unfortunate hallmark of our hyper connected, digital-enabled world.

**DIGITAL TRANSFORMATION OPPORTUNITIES: SURVEY RESPONDENT EXAMPLES**

"Our biggest opportunity is e-commerce as our consumers digitize. We are building digital channels to sell our products."

"We are entering new fields of investment, such as blockchain, at the early stages."

"We are a B2B company. We are digitalizing the entire business, which will allow us to offer more and better services to our customers and increase our revenues and profits."

"Our biggest opportunities are e-commerce and data science. We are developing new tech and business models for the company."

"Our biggest opportunity is building teams using video conferences and communication tools to leverage the different ideas that are in different parts of the world. We are building a 'Global R&D' team that pursues three goals: further our current business reach, find new investment opportunities and maintain a steady flow of new ideas."

<sup>13</sup> "Cyber Crime Emerging as the Greatest Threat to Family Businesses," Francois Botha, Simple, October 4, 2020.

## AN EXAMPLE

# Lego:

## Innovation in the digital age



Founded in 1932 in Denmark by Ole Kirk Kristiansen, LEGO's building-block business has become a global brand and toy industry leader with the mission of inspiring and developing the builders of tomorrow. Fueled by waves of innovation, the company grew steadily until the digital revolution but almost went bankrupt in 2003, after a string of failed, digital-only product attempts.

A new CEO concluded that LEGO had “over innovated” and lost its sense of identity; customers wanted offerings that complemented, rather than replaced, traditional toy blocks. As part of his turnaround strategy, he launched The Future Lab to invent technologically enhanced play experiences for children. The Lab – essentially an incubated startup – developed successful “fluid play” products blending physical and digital elements.

LEGO's marketing strategy, which embraces digitalization and keeping close to its customers, is considered a key success factor. LEGO uses its strong social media presence and digital platform to provide customized experiences for each customer segment. It also offers a “Digitally Smart Guide” for parents, with online safety and security tips for children.

LEGO's growth slowed again in 2016. In 2017, the company introduced its new CEO, the former head of a global industrial technology company: “Niels Christiansen's experience in digitalisation and globalisation, implementing a transformative strategy, and creating an agile, high performing international team will benefit the LEGO Group. LEGO enjoyed strong growth during COVID-19.

Christiansen acknowledges that the pandemic has spurred the rush to e-commerce and digital experiences but views LEGO's digital transformation as a ten year journey that is less about creating an online store and more about creating an “entire digital ecosystem.

## 4

- 4.1 TAKE A HOLISTIC APPROACH TO SOCIAL IMPACT
- 4.2 PROMOTE AND SUPPORT ESG IN YOUR OPERATING COMPANIES
- 4.3 JOIN THE SOCIALLY RESPONSIBLE INVESTING MOVEMENT

## MAKE SOCIAL IMPACT A PRIORITY

“Family enterprise is the driver of engaged, socially responsible participation in our societal fabric and economic endeavors,” one of our survey respondents asserts. We agree. Most enterprising families have a proud legacy of giving time, leadership and resources to support their employees, their communities and society broadly.

COVID-19 has accelerated a global sense of urgency about pressing societal and environmental problems, especially among younger generations. As public confidence in government solutions plummets, businesses and enterprising families are being encouraged to take a leadership role. At the same time, a wide array of new tools for social impact are available to organizations and families.

### The opportunity for enterprising families

Sixty-two percent of our survey respondents say the desire to have a social impact will have a moderate to transformative impact on their family enterprises during the 2020s. However, far fewer report being actively engaged in social impact activities. One explanation for that gap, we suspect, is that families’ social impact activities often are not very public and survey respondents may not be aware of all that their families do in this regard.



Today, purpose-driven families recognize that social impact is best understood and implemented holistically across all of the family’s assets and activities. Whether through philanthropy, building socially conscious businesses, sustainable investing (also called socially responsible investing), ESG (environmental, societal, governance) strategies, having great workplaces, investing in green technologies or in myriad other ways, these types of activities collectively reflect the family’s impact on people and the planet. They are an important part of the family’s legacy.

Your enterprising family can make a positive difference in the world and enhance your legacy by making social impact a priority and taking a strategic and holistic approach to it, across the entire family enterprise. ESG practices should be high on the agendas of operating companies. The integration of sustainable investing into families’ financial portfolios is an extension of this ethos. Family offices and individuals can contribute by joining the growing movement toward impact investing.

## 4

**4.1 TAKE A HOLISTIC APPROACH TO SOCIAL IMPACT**

4.2 PROMOTE AND SUPPORT ESG IN YOUR OPERATING COMPANIES

4.3 JOIN THE SOCIALLY RESPONSIBLE INVESTING MOVEMENT

**1. Take a strategic and holistic approach to social impact across the family enterprise**

Your businesses, your philanthropic efforts and even your lifestyle all contribute to your family's net social impact. Enterprising families' net impact is enhanced when it is coordinated among all family enterprise activities and strategically focused on making the best use of your resources for social good, in ways that are anchored in your family's mission and values.

Your social impact legacy will be the cumulative result of many choices about which cause(s) to support, when, where, how and with whom. It can inspire rich family discussions around questions like: What do we care about? Where and how can we have the most impact? What level of impact can or should we aspire to (i.e., from meeting an urgent need to effecting systemwide change)?

Creating a positive social impact legacy is best thought of as a multigenerational journey for the entire family and family enterprise. It will evolve over time as the external context and your family's goals, capabilities and resources change. And, almost inevitably, it will require trade-offs among competing needs and priorities.

**A social impact roadmap**

*Mobilizing* for your social impact journey begins by activating family members. Owners should organize family discussions about the importance of social impact, how you can express your family's values and mission through social impact activities, and the family's social impact goals. Enthusiastic family members can be invited to form a committee to drive the initiative forward.

An *inventory* of current and potential impact opportunities across the family enterprise – such as investing with a social purpose, developing a product or service that solves a social problem, reducing the family enterprise's carbon footprint, leading a purpose-driven organization and developing family members to be good citizens – can be a useful starting point.

Developing and successfully implementing your *social impact strategy* will require that family members be aligned around a definition of success. You will then need to establish measurable goals; define a manageable scope of activities; identify funding sources; and develop an action plan with clear accountabilities, impact metrics, and mechanisms for periodic assessments and adjustments.

Ongoing *communications* about your social impact are vital. Progress reports, tangible evidence (e.g., family trips to see social impact projects) and sharing of individuals' social impact activities will help build family pride and commitment. Other stakeholders – including employees, customers, partners and the general public – should also be regularly informed of your social impact goals and results.

## 4

4.1 TAKE A HOLISTIC APPROACH TO SOCIAL IMPACT

**4.2 PROMOTE AND SUPPORT ESG IN YOUR OPERATING COMPANIES**

4.3 JOIN THE SOCIALLY RESPONSIBLE INVESTING MOVEMENT



## 2. Promote and support ESG in your operating companies

There has been a marked shift in the corporate world from a focus on *shareholder* value to *stakeholder* value in recent years. One trusted family enterprise advisor observed: “Family companies increasingly need to worry about *all* stakeholders. There is a lot on this agenda. Most are still growing into the full scope of ESG activities and are not there yet, but they will need to step up to remain competitive.”

ESG is a broad label used by businesses to self-regulate their behavior. The pressure on companies to demonstrate accountability is mounting from customers, employees, social and environmental watchdogs, regulatory agencies and, increasingly, owners who see business as a force for social good. Fortunately, much can be achieved through better business practices. For example:

- *Leadership* at the board and owner levels is required. Board committees should be charged with watching hot button issues for their industries, setting corporate ESG goals and empowering management to achieve them. A culture of continuous improvement should also be promoted.

- A *financing mechanism* to deploy capital intelligently in the enterprise, using appropriate risk-adjusted hurdle rates, is also essential. Many ESG practices will produce savings but will also require upfront capital investment (e.g., in energy efficient buildings) as well as some patience.
- *Clear accountabilities* need to be established for achieving ESG goals, supported by accounting and measurement systems for tracking performance on key metrics (e.g., carbon emissions, zero waste, living wage and DEI at different levels of the organization).

If that sounds daunting, you may want to explore the Family Business for Sustainable Development Initiative, which is a partnership between the United Nations (UN) and the Family Business Network. Its aim is to mobilize family businesses worldwide to integrate ESG considerations into their business models and commit to concrete, measurable contributions toward the UN Sustainable Development Goals. The desired outcomes are global sustainable development, inclusive growth and family business prosperity.

## 4

4.1 TAKE A HOLISTIC APPROACH TO SOCIAL IMPACT

4.2 PROMOTE AND SUPPORT ESG IN YOUR OPERATING COMPANIES

**4.3 JOIN THE SOCIALLY RESPONSIBLE INVESTING MOVEMENT****3. Join the socially responsible investing movement**

The pace of socially responsible investing has risen over the past decade to record levels. In part, it reflects the increasing recognition that every investment you make has an impact on wider society, whether positive or negative. Investors' motivations vary from seeking to generate positive, measurable social and environmental impact to greater financial returns. The Global Impact Investing Network (GIIN), which has been working globally since 2019 to build industry infrastructure and today offers a range of resources for investors, estimates the current size of the market at US\$715 billion.

There are many types of socially responsible investing. One type that has been growing in popularity is impact investing, which is defined as investments made with the intention to generate positive economic and social returns. One common misconception about impact investing is the presumption of much lower returns as a trade-off for a positive social impact. GIIN's survey research shows that impact investors typically pursue competitive, market-rate returns, and their portfolio performance overwhelmingly meets or exceeds their expectations for both social and environmental impact and financial return.<sup>14</sup>

Family offices and private investors were early pioneers and remain at the forefront of the impact investing movement.<sup>15</sup> Private capital's flexibility and enterprising families' long-term perspective are part of the explanation, but a family's purpose-driven mission and passion about a particular impact area are often key drivers.

There is an increasingly wide array of options available for impact investing including purpose-based index funds or social impact bonds. A growing number of family offices and private investors are forming collaboratives to find and pursue opportunities. CREO, which describes itself as a community of investors dedicated to solving the climate crisis, is one example.

According to GIIN, a vast majority of family offices and private investors have made or are considering a shift to sustainable investing. Impact investing provides a critical form of capital for finding innovative solutions to problems that are important to you and your family, as well as a great opportunity to engage younger generations.

<sup>14</sup> GIIN, 2020 Annual Impact Investor Survey (see GIIN website).

<sup>15</sup> "Why Family Offices and Private Investors Are the Cornerstones of Impact Investing's Most Promising Innovations," Forbes, June 9, 2021.



## CASE STUDY

# The Wang Family:

Making a difference in the world

Roger Wang, the founder and chairman of Golden Eagle International Group, describes himself as a self-made entrepreneur who has used his Chinese background and his American education and work experience to build a successful business empire in Asia. “I think that there are many others with a similar story,” he observed.

Roger was raised in Taiwan and earned a bachelor’s degree in economics from Chinese Cultural University. In 1970, he emigrated to the U.S. to pursue an MBA degree at Southeastern Louisiana University and then traveled to Los Angeles, California. “The only job I could get was as an assistant manager at a drug store,” he recalled.

Over time, Roger became an American citizen, married and had two daughters, and founded a company to develop condominiums and commercial buildings in California. In 1989, he went to Nanjing to explore business opportunities in newly opened China. He landed a project—the construction of a sixty-story office building—that launched Golden Eagle, which today includes one of China’s largest mall chains.

Social responsibility is a key part of Golden Eagle’s management philosophy. It is committed to low-carbon, green and sustainable development and has donated more than \$10 million to Chinese and U.S. causes, including COVID-related assistance. The family supports local communities through its personal as well as corporate philanthropy and has established a charitable foundation. “Philanthropy is the best way to involve children in family activities,” Roger observed.

“Philanthropic activity is our way of saying thank you and giving back to the city that has given us so much,” said Roger’s daughter, Janice, who joined him in Nanjing after completing university in California and today serves as vice chairman of Golden Eagle International. The family’s educational initiatives include vocational training for handicapped and disabled children and rural schools.

Janice also serves as chair of the Nanjing Art Museum established by Golden Eagle, while Roger pursues his special interest in Sino-American relations. “I benefited from thirty years of good relations between the two countries so I want to pay it forward,” he explained. “My father believes that mutual understanding benefits everyone, Janice added.

Roger is a long time member and chair emeritus of the Committee of 100, a non-profit, non-partisan U.S. organization whose mission is to promote the full participation of Chinese Americans in American society, and advance constructive dialogue and relationships between China and the U.S. Its members include prominent Chinese Americans in business, government, academia, healthcare and the arts. Its activities focus on public policy engagement, civic engagement and philanthropy.

In 2021, the Committee of 100 commissioned a study on the historic contributions of Chinese Americans to American society that also revealed systemic discrimination and other barriers.<sup>16</sup>

“We believe that the U.S. is stronger because of its immigrant heritage and diverse culture,” Roger said. “This study illustrates the complexity of our lived experiences as proud Chinese Americans.

## What’s the secret to making a difference in the world?

”

Be grateful for your success and ask yourself: What can I do to pay it forward?

—ROGER WANG

<sup>16</sup> From Foundations to Frontiers: Chinese American Contributions to the Fabric of America, The Economist Intelligence Unit, 2021.

## 5

## 5.1 EMBRACE AND HARNESS THE NEW FAMILY DIVERSITY

## 5.2 ENGAGE AND EXCITE RISING GENERATIONS

## 5.3 STEP UP YOUR FAMILY GOVERNANCE GAME

## ENGAGE AND REVITALIZE YOUR ENTERPRISING FAMILY

Families are the bedrock of family enterprises. If family members are not engaged, enthusiastic, contributing, united and willing to continue as a business family, the enterprise will collapse. But families, like any group or organization, will change over time and especially over generations. They need to be revitalized to maintain their strengths and build new ones.

As we noted in Part 1, business families are becoming more diverse in many ways and significant generational shifts are underway. Most survey respondents recognize the need for their families to adapt and do things differently to remain successful in this decade, but many feel less than ready to make the necessary changes.

*How can enterprising families become more change-ready and ensure that they remain successful through and beyond the 2020s? Here are three guideposts for your family's transformation journey.*

### 1. Embrace and harness the new family diversity

Enterprising families are increasingly diverse on many fronts; education, skills and experience; values and priorities; career, family and life goals; geographic dispersion; lifestyle choices; racial and gender identity; and perspectives on politics, religion and any number of other topics. That diversity brings many benefits, from more interesting dinner table conversations to important contributions to the family enterprise and its future.

Family leaders need to embrace this diversity both to preserve family unity and to tap into a rich pool of talent for the family enterprise. They also need to ensure that individual family members share the core values of the family and its commitment to the success of their family and family enterprise while being open to different ideas. In some cases, that may require reassessing some important family tenets, such as the traditional role of women as owners and leaders.

Family leaders who successfully harness the diversity of their families do several things well. They prioritize inclusion and develop principles and policies that explicitly embrace human diversity. They cultivate personal relationships that express their welcoming of others and convey to family members that they belong. They ensure that the family enterprise offers a variety of roles, help

identify where individual family members can contribute and invest in family talent development. They keep their finger on the pulse of how their family is changing and remain open to ideas about new activities.

### 2. Engage and excite rising generations

Many of today's enterprising families are in danger of losing the engagement and contributions of their rising generations, which could profoundly affect the future of their family enterprises. Why? Next-generation members have different interests and more options today. And in most enterprising families, the next generation is introduced and incorporated into the family enterprise in a very guarded, slow manner.

#### What to do

Enterprising families need to take a more proactive and flexible approach to engaging and exciting next-generation members. Key success factors include starting earlier, building a family talent development program, revitalizing your family mission and developing a team culture in your family. And remember, it is best to invite and encourage – not obligate – family members' involvement.

*Earlier Engagement* – Education about your family enterprise should begin by adolescence, through informal family discussions, storytelling and company visits. In their late teens and twenties, family

## 5

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members can be offered company internships and engaged in deeper conversations about the responsibilities of being a family member. In their twenties, they can also be invited to participate on the family council or a committee, or observe board and investment committee meetings, where they can learn about important issues and decisions.

*Talent Development* – Family members should be recruited for family enterprise roles and provided with customized development programs. Don't limit this preparation to business roles; also develop family members for investment, family office, social impact or governance roles, depending on their interests and capabilities. Be open to new ideas of particular interest to younger generations, such as entrepreneurship and impact investing, and offer training in areas that excite them.

*Mission Revitalization* – Family members today need more than an economic reason for staying connected to their family and contributing to the family enterprise; younger generations are particularly purpose-driven. A family mission must evolve with changing times and changing family priorities, and reflect where the family wants to go next. The engagement of rising generations in that discussion can inspire and spark interest, pride, commitment and creative new ideas.

*Team Culture* – Partnering across generations on projects or committees is a powerful way to mentor younger generations, expose senior

generations to new ideas, create something together and build mutual understanding and respect. Relationships among next-generation members also build teamwork, so actively provide opportunities for shared experiences and the strengthening of personal relationships.

”

We have lots of young children. The next decade will be pivotal to get them as excited about our culture as our parents did for us more than twenty years ago.

–SURVEY RESPONDENT





## AN EXAMPLE

# The Mulliez Family:

A multigenerational success story<sup>17</sup>

Founded in 1904 as a textile business in France, the Association Familiale Mulliez (AFM) has become a worldwide retail empire. Its culture and business model are grounded in a family motto created in 1955: “Tous pour Tout,” which translates to “all (of the family) for all (of the business).” Here are a few examples of how the Mulliez family has sustained its solidarity and entrepreneurial spirit across six generations.

- In 1995, AFM launched the Affectio Societatis (affection and business) initiative to strengthen family commitment. It actively supports communications, talent development, career planning and learning (including store internships for teenagers and family learning expeditions).

;

- In 2008, the Club des Entrepreneurs was launched, formalizing AFM’s tradition of encouraging intrapreneurship among younger family members. Aspiring entrepreneurs must spend a year developing a business plan, with assistance from experienced senior family members.

;

- Every six years, the AFM does a thirty-year forecast to confirm that family members want to continue as a united business family and develop a plan for the future. Its 2035 vision “Creating for People” is intended to inspire meaning for family members.

<sup>17</sup> Source: Multiple secondary sources

## 5

- 5.1 EMBRACE AND HARNESS THE NEW FAMILY DIVERSITY
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### 3. Step up your family governance game

The survival and success of the family enterprise depends on the family itself doing its part. Industrious, united and contributing families don't occur by chance but because family leaders work at shaping them largely through family governance. In today's turbulent world, strong family governance is essential to unite, develop and prepare families for the bold moves that will be required to keep families and their enterprises adaptive and successful.

A variety of policies, agreements, plans and forums are used to lead and govern the family.

*Family constitutions* define the family's vision, mission and values and set out policies and rules for family behavior. *Family strategic plans* describe how the family will achieve its mission and support the family enterprise. *Family assemblies* bring family members together to learn about their enterprise, vote on family policies, and celebrate milestones and heritage. *Family councils*, which are small working groups elected by family members, set family direction and maintain clear and mutually supportive relationships between the family and its enterprise.

#### The importance of family councils

Family councils do the lion's share of family governance work, advancing initiatives related to family leadership (e.g., direction setting, policy development, issues resolution and crisis management), family talent development (e.g., family engagement and education) and family relationship building (e.g., strengthening of family unity and pride, family-wide communication, family meetings and gatherings). Family councils also coordinate with boards, investment committees and owners councils to achieve an aligned and integrated governance system for the entire family enterprise system.

*In these turbulent times, family councils need to be elevated to a strategic level and empowered to take a proactive role in preparing families and their enterprises for the future.*

A *strategic* family council leads the family in pursuing an inspiring mission, an aspirational vision and realistic goals guided by a family strategic plan. Today, that involves exploring how the world and the family enterprise are changing and what that means for the family. Are our goals still realistic? How can the family best contribute to the family enterprise? How do we need to pivot as a family to navigate turbulent times? How will we maintain family unity, commitment and talent?

Family councils must proactively engage family members and work with other family enterprise governance groups to answer those and other critical questions. Their challenge is to ensure that the family is decisive and able to pivot quickly as needed, and continues to support family enterprise success through and beyond this decade.

*In these turbulent times, family councils need to be elevated to a strategic level and empowered to take a proactive role in preparing families and their enterprises for the future.*

# Conclusion: your transformation journey

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Surviving, let alone succeeding, in the new turbulent era requires nearly constant adaptation as well as some significant transformation by family enterprises. Many of the biggest adjustments that family enterprise systems need to make are attitudinal. Owners and their boards need to adopt an Owner Mindset to gain altitude and perspective, look to the future and try to get ahead of changes roiling the world. Active Owners need to take the reins and lead the transformation journey. There is no time to waste.

We can take some comfort in knowing that family enterprises have weathered storms of great magnitude for centuries. But there generally were some aspects of the family's situation that weren't in motion during those storms; that is less true today. Still, enterprising families can choose to be ready for turbulence, and we have a growing understanding of what to do to get ready. The strategies explored in this white paper, hopefully, will guide families to adapt, transform and succeed in today's world.

Each family needs to look outward and understand the challenges and opportunities

that they face. They also need to look inward and deeply understand the strengths and vulnerabilities of their family enterprise system. Then, they have a collective responsibility to write their transformation story together. Facing challenges together and building value according to your values can be an exciting journey.

As you prepare for this journey, we leave you with three guiding principles:

- 1. Learn all you can.** Assume that you don't know enough and constantly seek to learn more. Deeply embed this characteristic into your family and become a "learning family." Be open to recruiting outside talent or partnering with others to catapult you forward.
- 2. Move fast and purposefully.** Recognize that complacency today is a huge risk; don't get too comfortable. Embrace change with a sense of urgency about seizing opportunities, preparing for downsides and resolving issues. When you do move, move quickly and with purpose.
- 3. Over-communicate.** Build consensus about where you are going as a family and ownership group, how you are getting there, and when and why things need to change. Family members must engage in open discussion together about their desired future as an owning family.

*We encourage you to use the discussion guide in the following section to start your family conversation about the future of your family enterprise.*



# Future of family enterprise discussion guide

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*We invite you to use this white paper to spark meaningful family dialogue about your future.*

Building consensus around what is coming next and developing a game plan for addressing it can only be done with meaningful family dialogue about the new era and your family's approach to it. Families need to take the time to understand the new environment, consider different scenarios and their implications for the family and its enterprise, and build alignment on strategic direction.

This is not a "one and done" conversation but rather the start of an ongoing dialogue about crucial issues affecting the future of your family enterprise and family. As you convene family members for these discussions, consider these tips for effective family conversations:

1. **Be inclusive** with respect to who you invite to join the discussions. Family members who are less active in the family enterprise also have good insights, questions and something to contribute.

2. **Make it a two-way conversation.** Invite family members to put their ideas, feelings and impressions on the table and brainstorm solutions. Probe their ideas and questions.
3. **Help your family feel smarter** by the end of the discussions. Discuss topics in ways that they will be able to absorb and can contribute to.
4. **Set an objective and an agenda** for discussions. Circulate it in advance so family members know what will be discussed, what is expected of them and how to prepare.
5. **Set ground rules** for discussions to help them be productive and respectful.
6. **Have a discussion leader** to guide the conversation, keep the discussion on topic, enforce ground rules, help all participants to be heard and stick to the agenda.
7. **Write down action items** to record what your family has agreed to do, by when and by whom. This helps individuals follow up on important matters and builds accountability into the process.

## SUGGESTED QUESTIONS TO START YOUR FAMILY CONVERSATION

1. How will turbulence in the 2020s affect our family and family enterprise? What are the main changes that we can expect?
2. What opportunities and threats will these changes present for our family and family enterprise?
3. How can our family and our family enterprise best prepare for or respond to these changes?
4. What capabilities do we need to build to perform well during the 2020s and into the next generation?
5. How can and should we engage all family members to support the changes that we need to make?

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## About

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### **Cambridge Institute for Family Enterprise**

is a leading research and education organization dedicated to the issues facing family enterprises. It is a division of the Cambridge Family Enterprise Group (CFEG), a global thought leadership, advisory, education and research organization, founded in 1989, which helps owning families achieve multigenerational success and navigate changing times.

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