



Polaris – Family Business as a Force for Good

Volume 3 – Join the Movement

polaris^{*}

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 **FBN**[®]
international
THE FAMILY BUSINESS NETWORK

A Sustainable Future

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

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

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

For our People:

We pledge to do all that we can to create and nurture workplaces and working cultures where our people flourish.

For our Communities:

We pledge to be responsible global citizens making positive contributions to the communities that we work and live in.

For the Environment:

We pledge to search for ways to have a positive ecological impact and contribute to a flourishing environment.

For Future Generations:

We pledge to share our values and long-term aspirations with future generations.

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

Please join us in our pledge.

Karl-Erivan W. Haub

Farhad Forbes

Peter Therman

Priscilla de Moustier

Serife Inci Eren

Elena Zambon

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Prelude

A Journey Necessitates Reflection

At FBN our True North is our Pledge for a Sustainable Future. Moving on from *People* (2015) and *Community* (2016), this year's focus is on the *Environment*.

We again examine what we desire for our future state. The present FBN Pledge *“to constantly search for ways to reduce the ecological impact that we create and safeguard the environment”* suggests we reduce negativity, mitigate risk and at best maintain the status quo. Yet today, technology and innovations that contribute to restoration, regeneration and positive ecological impacts have materialised. We need to not only **minimise harm but to maximise good** and put back into society and the environment more than we take out. As a community of purpose-driven enterprising families, we aim to be net-positive. Our revised environmental dimension reflects this aspiration.

“We pledge to search for ways to have a positive ecological impact and contribute to a flourishing environment.”

Originally designed as a framework to deliver on the FBN Pledge, Polaris has evolved to encompass a **movement** of members championing business as a force for good, as well as a **platform** for learning, innovation and co-creation with like-minded members and partners. Our Polaris journey in 2017 took us to

exciting Chapter destinations including Allgäu, Bogota, Budapest, Dubai, Geneva, Istanbul, London, Sofia and Singapore; institutions of learning such as Oxford and City States namely, The Vatican. *Read the document from our roundtable dialogue on Page 3.*

New frameworks for understanding the impact of business on society are making the rounds in business schools, journals and consulting firms. Bemused by the terminology? Learn more about the *Impact Ecosystem on page 10.*

Our inaugural Polaris NextGen Leadership Training saw some of the brightest in the network descend on the shores of Lake Geneva for a 2 ½ day programme with Nobel Laureate Al Gore and a cadre of experts and peers. The learning, energy and impact that emanated has resonated across the network and is fueling our planning for 2018 – The Year of the Next Generation – and beyond, as we aim to expand Polaris training to **all** FBN members; including new leaders and current gen. *Join The Movement on page 18.*

As in previous Polaris publications, our 2017 case studies narrate FBN member efforts, challenges and impacts as they engage all stakeholders.

We are all on a journey and we would love to hear and learn from you. Please do contact your FBN Chapter or any one of us and sign up to become a Polaris Champion.

The Polaris Committee

*“Follow effective action with quiet reflection.
From the quiet reflection will come even more effective action.”*

Peter Drucker

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Family Businesses as Agents of Economic and Social Inclusion

The following is an abridgement of ‘Vocation of the Business Leader – Reflections from a Family Business Perspective’; developed in concert with a round table dialogue between the Dicastery Promoting Integral Human Development, the Dicastery for the Family and members of the non-denominational FBN Thought and Religious Leaders Interest Group at the Vatican on 9th May 2017.

The Economic Relevance of Family Businesses

Business can be a force for good, creating employment and investing in development. One testament is China where economic liberalism and growth reduced extreme poverty from 60% in 1990 to 12% in 2010. Peter Bakker, WBCSD President asserts that the ‘the corporate sector offers the best opportunity for saving the world’.¹ Recognising this potential, the UN actively engaged the business community in developing the 17 Sustainable Development Goals (Figure 1).

Worldwide, family businesses account for two thirds of businesses, employ 60% of the work force and contribute over 70% to global GDP.

Chancellor Angela Merkel declared family businesses ‘the backbone of the German economy’.² With 95% of German companies family run and 60% of jobs provided by family firms, the Chancellor stated that ‘Family businesses have a quantitative and qualitative relevance’.

The influence of family firms is also significant in emerging markets. In Latin American and Asia they account for 60% of private firms with revenues of \$1 billion or more.³ By 2025, it is projected that family firms will account for nearly 40% of the world’s large enterprises, up from 15% in 2010.

Given this predominance, family firms have the potential to lead responsible capitalism by educating employees, encouraging responsible consumerism and engaging suppliers in ethical practices.

Although a microcosm of the family business universe, FBN with over 10,000 members from 65 countries, is the most expansive network of family businesses and is uniquely positioned to bring this agenda to life. As a trust-based organisation that facilitates peer learning, we can support members to create meaningful growth in their companies that enables positive change beyond our network.



Figure 1: UN Sustainable Development Goals

The Realities of Family Businesses

In recent decades, an increasing number of family firms have strived to shake off the old adage of ‘shirtsleeves to shirtsleeves in three generations’ and reverse negative practices and perceptions of nepotism and unprofessionalism that have hindered its flourishing. Enabling this learning are business schools such as IMD, INSEAD and Harvard, and organisations like FBN. This concerted focus has resulted in family business governance, entrepreneurship and philanthropy being developed as rigorous and professional educational fields with increasing numbers of universities, financial institutions and networks focused on the potential of family businesses.

Families are not perfect, and history has presented us with anecdotes of both good and bad family business practices. Indeed, despite playing a large part in the world economy, the contributions of family enterprises are often short-lived; only three in ten family businesses survive into the second generation, and a mere one in ten into the third.

While we seek to avoid the mistakes from the more transient enterprises, we can learn from family businesses that have successfully transitioned across generations. From the shared learning in FBN, where significant number of members are beyond the third generation, we discern in these business leaders the alignment of values and practices. Drawing from deep-seated values that have transcended generations, these purpose-driven business leaders manifest the practice of ‘ethical social principles’ whilst ‘conducting the normal rhythms of the business world’.⁴

Recognising these attributes, we set out to explore the potential of family businesses along the following dimensions:

- Values – The Spirit of Business Families
- Entrepreneurship – The DNA of Family Business
- Positive Legacy – The Vision of Family Businesses

Values – The Spirit of Business Families

For family businesses that have transitioned successfully across generations, values are the connective tissue – defining purpose, strengthening operations and building bonds.

One example is Forbes Marshall in India. The 91-year enterprise has a long history of serving the communities it operates in; playing the role of a catalyst to enable

successful social change. The family business takes healthcare to the communities and focuses on empowering women through a wide range of skills training programmes. Its focus on people development has also earned it the award *11th best place to work in all of Asia, 2016* by the Great Place to Work initiative.

Winner of the Queen’s Award for Enterprise Sustainable Development, Wates Group in the UK, is a 120-year enterprise that champions people development, community engagement and environmental stewardship.

Family businesses like Forbes Marshall and Wates embody characteristics of *servant leaders* and *responsible stewards*, enabling people and communities to grow, prosper and flourish.

The *FBN Pledge for A Sustainable Future* embodies this credo as it affirms a promise to promote a business model that will enable flourishing for people, the community, the environment and future generations. Far-sighted business families know that the global sustainable development agenda is strongly aligned with the values of responsible family businesses. Through quality job creation, fair contracts and ethical investments, these family businesses have earned the social license to operate and have had a profound and positive influence on society across generations.

To illustrate, when the nearby village of Auchenblae in Scotland was devastated by flooding, family business Macphie of Glenbervie stepped forward. Instead of just rebuilding what had been destroyed, Macphie chose to invest in building the necessary defences ensuring the devastated community would never be subjected to floods again. In the parlance of venture capitalists or business schools, family businesses with a long-term orientation exhibit entrepreneurship characteristics of ‘missionaries’ rather than ‘mercenaries’.⁵

Missionaries versus Mercenaries

While mercenaries are deemed as opportunistic deal-makers eager to sprint for short-term payoffs, missionaries are strategic – focusing on partnerships as they understand that business is a marathon and not a sprint. Mercenaries have “a lust for making money,” while missionaries have “a lust for making meaning.” Mercenaries obsess about the competition and fret over “financial statements,” while missionaries obsess about customers and fret over “values statements.” Mercenaries strive for success; missionaries aspire to “success and significance”.⁶ See Table 1.

‘MERCENARIES’	‘MISSIONARIES’
Paranoia	Passion
Opportunistic	Strategic
The Deal	The Partnership
Sprint	Marathon
Aristocracy of Founders	Meritocracy valuing the best ideas and talents
Obsess on Competitors	Obsess on Customers
Financial Statements	Value Statements
Loners – you’re on your own	Mentors – coaches of teams
Entitlement	Contribution
Success	Success & Significance

Table 1: Mercenaries versus Missionaries
Source: John Doerr, Stanford Business School April 2016

The values of ‘missionaries’ deeply resonate with family businesses who are purpose-driven and have a long-term focus. Yet, lessons gleaned from the past warn that family business owners need to be cognizant of the dangers of ‘mercenary’ attributes of *Entitlement* and the *Aristocracy of Founders*. To be *servant leaders* and *responsible stewards*, family businesses need to exemplify and embrace attitudes of meritocracy and contribution – welcoming and valuing the best ideas wherever they originate.

Entrepreneurship – The DNA of Family Businesses

Innovation and entrepreneurship are in the DNA of family businesses. To be agents of social and economic inclusion, family businesses align their values to harness this drive, acumen and talent to embrace the needs of the more vulnerable and marginalised.

Aligning Ethics with Entrepreneurship

Successful Family businesses understand that businesses thrive when societies flourish and view the UN Sustainable Development Goals (SDGs) as an empowering framework to create win-win situations that profit both business and society.

With a goal of providing customers with food of nutritional quality, French family business Bel Group, known for its *The Laughing Cow* cheese wedges, produces and distributes over 18 billion servings of cheese annually. UN SDG Two ‘Zero Hunger’, aims to put an end to hunger and malnutrition in all its forms by 2030 and Bel actively contributes to this aspiration.

“Therefore, growth must happen through the creation of wealth, not just for the company, but for society as a whole.”

Antoine Fiévet
Chairman & CEO, Bel Group

Recognising the significant role that street vendors and street food play in the informal sector of emerging economies like Vietnam, Bel explored the possibility of engaging a subset of the 25,000 fruit and vegetable sellers in Ho Chi Minh City as their distribution channel.

This entrepreneurial focus on inclusive business models, has resulted in the 151-year family business training and empowering over 4,800 vulnerable street vendors in Vietnam, Ivory Coast and Congo. Studies are being undertaken with a goal of reaching 80,000 street vendors on its platform by 2025.

Another example is Abdul Latif Jameel, one of the largest vehicle distributors in the Gulf States. With a goal of promoting economic independence, the 70-year family enterprise selected young men without jobs to train them as taxi drivers. Over time, these men became taxi owners. The scheme has expanded to other projects e.g. women working from home and small business start-ups. To date, over 720,000 job opportunities have been created globally.

Entrepreneurship underpinned by strong ethical values of inclusion, justice and respect have provided a roadmap for family businesses as they innovate, harness new technologies and develop enterprising models and



Left: Manila Water - Care in every drop; Right: Fairmined gold miners from the 15 de Agosto Cooperative, Bolivia

delivery mechanisms. Swiss family business Chopard is a pioneer in using Fairmined gold, ensuring that artisanal miners in at-risk communities in Bolivia and Colombia have access to welfare, education and training whilst protecting the delicate ecosystems they depend on.

Ayala Corporation, the oldest family business in the Philippines launched Manila Water bringing clean water and sanitation to more than six million people, many coming from at-risk communities. Likewise, UK-based family business COOK, through partnerships with local prison services and charities, has started to focus on hiring people who would otherwise find it impossible to get a job.

Delivering on the FBN Pledge would require family businesses to continue to infuse this heart of entrepreneurship with an ethos of higher consciousness – creating participatory structures, fostering dignified work and producing goods and services that truly serve.

Legacy – The Vision for Family Businesses

Family businesses think in generations not quarters. As family business professor Joachim Schwass⁷ (2011) advances, *‘At the heart of it, family enterprises have a completely different set of motivations and strategic approaches. These companies are focused on the preservation of the assets and philosophy passed on to them. Even more importantly, the notion of stewardship, generally ingrained in family business owners, requires that they must not only protect but also sustainably grow family assets and provide leadership to the next generation when its turn comes’.*

Responsible Stewardship

Family businesses, both private and public, have an ownership structure that gives them a long-term orientation that traditional public firms lack. A Harvard study of 149 family businesses posits that family firms lag their peers in good times but weather recessions better.⁸

Schwass posits that stewardship is deeply engrained in family business as they “emphasise incremental

over explosive growth, evolutionary over revolutionary change and have an eye to both the future and the past”. Observing that family businesses are marked by agility and trust, sustainability leaders John Elkington and Jochen Zeitz expect other CEOs and business leaders to show a growing interest in how family businesses operate.⁹

These studies lend credence to Adam Smith’s argument in *The Wealth of Nations* that hired managers will not have the same ‘anxious vigilance’ in running companies as owners.¹⁰

Family and Business – A Synergy for Long-term Success

Lansberg and Gersick observed that family businesses possess inherent polarities that potentially pose fundamental contradictions.¹¹ For example; juxtaposing characteristics of ‘forgiveness’ in the family with ‘accountability’ in business – the first necessary to keep the family intact and the second indispensable in ensuring efficiency.

Yet practice has shown that if well managed, these polarities are at the heart of successful family enterprises, as effective leaders understand the inevitability of contradictions and embrace them as strategic advantages. As Dr. Mary Ann Tsao, 4th generation business leader of Asian conglomerate Tsao Holdings, voiced, “They marry the competency of a corporation with the soul of a family.”

Successful family businesses align their values with practice as they embrace the paradoxical nature of the two ecosystems and harmonise the inherent polarities for long-term good. As Table 2 illustrates, managing these apparent contradictions empowers family businesses with purposeful traits and positions them as leading agents of economic and social inclusion.

Singapore headquartered Tolaram Group has initiated projects for vulnerable communities far beyond its shores. The third-generation family business established the Ishk Limb Centre in Nigeria which provides free prosthetic

BUSINESS	FAMILY	FAMILY BUSINESS
Money	Love	Profit with Purpose
Entrepreneurship	Emotions	Entrepreneurship with Empathy
Capitalism	Mutuality	Conscious Capitalism
Best Fit	Inclusion	Responsible Stewardship
Accountability	Forgiveness	Learning by Failing
Best to the Top	Human Dignity	Fairness & Respect
Expediency	Patience	Long-term Orientation
Occupation	Vocation	Servant Leadership

Table 2: Synergising the Family and Business for Long-term Success



“Our founders planted the seeds of our current culture in the group, embracing the following guiding values: Trust, Humility, Courage, Commitment, Respect.”

Our Guiding Values, Tolaram Group

limbs to those in need; partners with the Mother Theresa Home in Estonia to support the homeless; and recently set up Ishk Tolaram Foundation which develops programs related to education, employment, and healthcare in both Indonesia and Nigeria.

Focus on the Next Generation

This sense of purpose that successful family businesses have long championed strongly resonates with today's millennial generation. They have a high desire for meaningful work that aligns personal and corporate values. A 2016 MIT report affirms that meaningful work is self-transcendent - i.e. it has impact and relevance beyond one's self and it enables and empowers other individuals, groups or the wider environment.¹²

Simon Torres, next-generation leader in Colombia, changed the business model and successfully pioneered green buildings within the framework of sustainable

development, revitalising his family business, Grupo Contempo which was ailing due to his father's poor health. Lina and Winson Yeung, witnessing the pollution caused by their family crystal business to the rivers in their hometown Pujiang in China, transformed their enterprise, Singbee Group to focus on LED and renewable energy.

Both Grupo Contempo and Singbee are also one of the first companies in Colombia and China respectively who have achieved B Corp status – a certification that meets rigorous standards of social and environmental performance, accountability and transparency. As they make visible this growing community of purpose driven organisations, they inspire others to follow.

These next-generation leaders embody the spirit of family values, the DNA of entrepreneurship and the drive to leave a positive legacy for future generations.

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Creating Impact – The Ecosystem

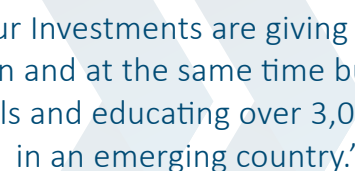
The Impact agenda is deeply aligned with the values of flourishing family businesses. We are deeply rooted in our communities and understand the important role that values and practices play in sustaining our businesses across generations. FBN is a global and diverse network and there are many ways we bring these concepts to life. Here are a few that may resonate with you:



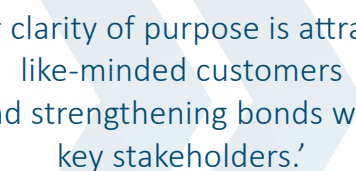
‘Your impact activities are helping recruit the best talent and foster a strong employee engagement and retention culture.’



‘You’re a next-gen proud to work in your family business as its values align with your own.’



‘Your Investments are giving a 5% return and at the same time building schools and educating over 3,000 girls in an emerging country.’



‘Your clarity of purpose is attracting like-minded customers and strengthening bonds with key stakeholders.’

Purpose-driven organisations know that businesses thrive when they contribute to building flourishing societies and focus on leaving a positive legacy. As more enterprises prosper with this approach, others inevitably seek to learn from them and find ways to follow a similar path. In turn, an array of frameworks for achieving both financial and social impact are increasingly being formalized and making the rounds in business schools, journals and consulting firms.

Aimed at businesses who want to do good and do well, new models have emerged, specialised terms have surfaced and more sophisticated metrics for reporting have materialised. While the trend is encouraging, the accompanying vocabulary can be a tad confusing. Some terms mean the same thing (think *Corporate Responsibility* and *Corporate Social Responsibility*) while others border on the pedantic (think *Impact First* and *Finance First Impact Investing*).

Porter and Kramer’s ‘Creating Shared Value’ was positioned as a revolutionary business model. Yet some critics have panned it as being ‘unoriginal’, while others have accused the authors of being ‘intellectual pirates’ that failed to publicly acknowledge the prior intense body of work that had gone into their idea of Shared Value.

From Emerson’s *Blended Value* to Elkington’s *Triple Bottom Line of People, Planet and Profit* to Prahalad and Hart’s *Fortune at the Bottom of the Pyramid*, thought leaders have long articulated that collaboration between business and communities is the way forward.

This array of labels could be considered a small price to pay for a dynamic ecosystem fuelled by ideas, innovation and the quest for impact. Yet for investors, enterprises and intermediaries, clarity is key. Having

a common language and shared understanding of business model types and investment vehicles would lessen confusion, ensure alignment of mission and enable people working together to maximise their intended impact.

Spectrum of Organisations

Let us first examine the spectrum of organisation types and the evolution of frameworks that blend business and social value (Figure 1).

Traditional Business

We first look at traditional mainstream businesses. Fuelled by capital markets, these organisations have typically focussed on a single bottom line, often based on a premise that business and society exist in tension and that one prospers at the expense of the other. This ‘beggar-thy-neighbour’ worldview of capitalism embodies Milton Friedman’s shareholder model of business which focuses solely on creating business value and advocates that the only social responsibility of business is to increase profits².

Charity / NGO

In consequence, if a business wants to ‘do good’, the oft-touted mantra is to go to the other end of the

spectrum and set up a separate foundation, charity or NGO focused entirely on creating societal value. These institutions are often unrelated to the business with different structures, personnel and minimal leverage. As Charities and NGOs are often dependent on grants, considerable resources must be focused on fund raising and efforts unrelated to their core mission.

Social Enterprises

Alternatively, business-savvy social entrepreneurs could initiate social enterprises, leveraging business tools to pursue societal ambitions that the markets have largely or totally failed to address. These ‘businesses’ target specific social and environmental goals, have clear management intent, and allocate resources to fulfil their societal objectives. Charities, NGOs and Social Enterprises are also collectively known as Social Purpose Organisations (SPO).

Socially Responsible Enterprises

The position of traditional ‘single bottom line’ companies is however getting tenuous. In this age of heightened transparency, distributed power and augmented voices, mainstream companies are facing tectonic shifts in social expectations. The public in general, and customers in particular, are putting pressure on businesses to shoulder their share of

Spectrum of Organisations Blending Social & Business Value

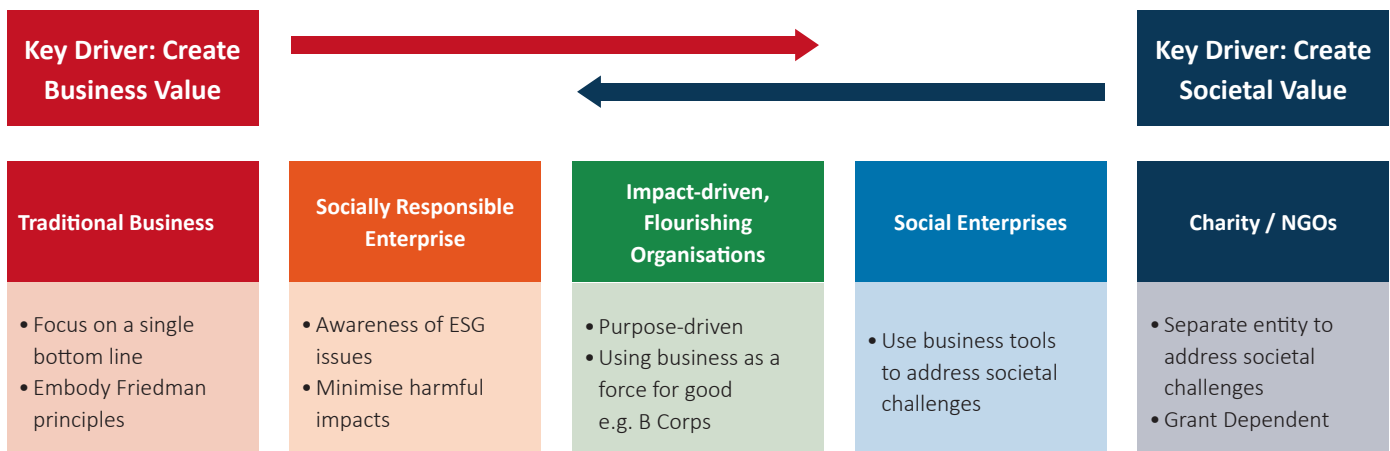


Figure 1: Spectrum of Organisations – The Evolution of Purpose-Driven Flourishing Organisations

responsibility. In response, we see the emergence of new operating models that are increasingly cognisant of environmental, social and governance (ESG) challenges. Many companies are now focusing significant efforts in improving governance, reducing waste and minimising environmental impacts; allowing them to reap the benefits of risk mitigation, operational efficiency, and improved public relations.

Impact-Driven, Flourishing Enterprises

For purpose-driven businesses, reducing negativity and maintaining the status quo is insufficient. These organisations have further shifted practices from ‘minimising harm’ to ‘maximising good’, leveraging their operational know-how and aligning their value chains for positive social and environmental impact. Recognising the potential of business to be a force for societal good, they have moved away from an emphasis on image to an emphasis on substance. Epitomised by B Corps and flourishing family businesses³, these organisations are ‘pro-business’, ‘pro-social’, ‘pro-environmental’ and ‘pro-future generations’. They understand that ‘flourishing’ – creating benefit for human, social and environmental endeavours is the way for enterprises to thrive.

Spectrum of Investing and Philanthropy

In addition to making fundamental changes to the core of their organisations to ensure that sustainability is integral and not merely a ‘bolt-on’ extra, leading companies are exploring and implementing Corporate Social Impact Strategies (CSIS). CSIS are defined as investment-oriented approaches to build sustainable value creation models while also generating strategic social return⁴. These companies typically leverage the strength of their core businesses to effect positive societal impact through partnerships with SPOs (charities, NGOs, social enterprises) by providing them with both financial and non-financial support to further their social impact.

These strategies have their roots in the late 1990s when leaders in the philanthropy world, frustrated with the limitations of traditional philanthropy practices, borrowed concepts and techniques from business and capital markets and applied them to achieving

philanthropic goals. Significantly, as new frameworks and tools for achieving financial and social returns evolved over the last few decades, we have seen the traditionally divided fields of investment and philanthropy come closer together in a new continuum (Figure 2).

Traditional Investing

Investments here are for the sole purpose of financial returns with no impact objectives. The dominant form of an estimated \$74 trillion of investments, there is limited or no regard for environmental, social or governance (ESG) practices.

Responsible and Sustainable Investing

Responsible Investing (also known as *Socially Responsible Investing* or *Values-Based investing*) focuses on systematically screening out harmful products and practices such as firearms, tobacco or gambling activities. Over time, many investors have recognised that factoring ESG considerations into portfolio decisions helps to protect investments and minimise risks.

Some investors have further stretched the envelope. Not content with merely ‘negatively screening’ for ESG risks, they have integrated social and environmental factors into their investment analysis. They are selecting companies with strong sustainability practices – be it through stakeholder engagement, governance practices or environmental management, as they believe these sustainable enterprises will outperform their peers over time. Specialist fund manager Bridges Ventures differentiates this sector as *Sustainable Investing*, as it centres on backing businesses that flourish in a changing landscape – and distinguishes it from *Responsible Investing* as it focuses not just on risk mitigation but on creating additional value, through both investment selection and portfolio management⁵.

Impact Investing

The field of *Impact Investing* goes beyond *Sustainable Investing* and strategically focuses on solutions that address pressing societal and environmental concerns. Impact investors focus on one or a cluster of issues with a deliberate intent to pursue specific tangible outcomes. Unlike *Sustainable Investing* where quantifying the impact achieved by the investor

Spectrum of Investing / Philanthropy

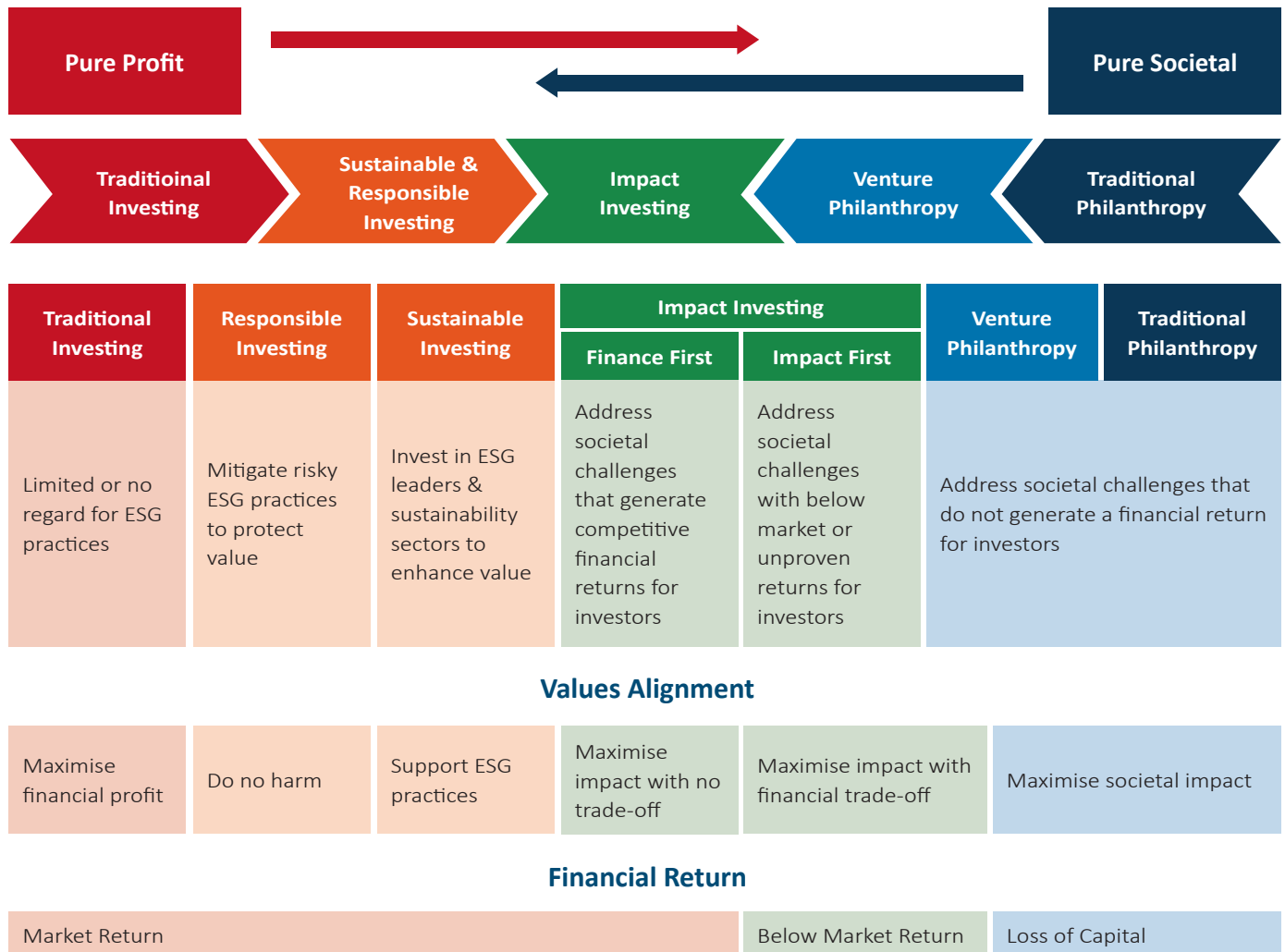


Figure 2: The Investing Philanthropy Continuum

is typically unfeasible, Impact Investors diligently deploy frameworks and metrics to measure, analyse and evaluate results. While all *Impact Investing* is focussed on making positive social or environmental impact, there are variations in approach with different expectations of financial return.

- **‘Finance first’** approaches address societal challenges that generate competitive financial returns for investors. These include publicly listed funds dedicated to renewable energy projects e.g. wind farms.
- **‘Impact first’** approaches address societal challenges where returns are as yet unproven or provide a below-market financial return for investors.

These include social impact bonds / development impact bonds or funds providing unsecured debt to SPOs.

Venture Philanthropy and Traditional Philanthropy

While these new modes of investing for social impact and financial return have generated much excitement in recent years, there are funders with an impact-only motivation who are willing to forgo principal. These philanthropists, individuals or organisations, play a critical role in addressing pressing social or environmental issues where commercially viable solutions are not yet available.

Philanthropy is predominantly grant-based funding of social purpose organisations, traditionally characterised by ‘chequebook philanthropy’, wherein

one gives to ad hoc causes with little further communication or follow up on the part of donor or the recipient. But just as in investing, the field has evolved dramatically in recent years and today the sector is making headway with more informed donors taking a proactive approach to giving and maintaining engagement with the SPOs supported.

A Closer Look at Venture Philanthropy

The term *Venture Philanthropy* is attributed to John D. Rockefeller III in 1969 who first used it ‘to describe an adventurous approach to funding unpopular social causes’. The phrase resurfaced in an influential 1997 Harvard Business Review paper⁶ by Letts, Ryan and Grossman, challenging foundations to employ tools from venture capital to invest in the organisational, rather than the programmatic, needs of non-profits. The Silicon

Valley boom and the proliferation of dotcom millionaires further fuelled the venture philanthropy movement as entrepreneurs-turned-philanthropists sought to apply their wealth, entrepreneurial talent and business acumen to the world’s most pressing humanitarian issues.

Venture philanthropy was seen as a response to traditional grant-making methodologies which had been severely criticised for their inability to help SPOs build capacity, grow and be financially sustainable. By using the tools of venture capital to promote start-up, early-stage and risk-taking social endeavours, sophisticated donors could now turn their gifts and grants into ventures more concrete and scientific. As Peter Frumkin surmised, ‘It was a marriage made in Heaven’ as ‘rather than simply being a purveyor of charitable funds for deserving organisations of all sorts,



Figure 3: Key Characteristics of Venture Philanthropy Organisations

venture philanthropy promised to turn donors into hard-nosed social investors by bringing the discipline of the investment world to a field that had for over a century relied on good faith and trust⁷. Figure 3 highlights key characteristics of venture philanthropy organisations.

As in any movement, there are supporters and detractors. Venture philanthropy is sometimes vilified as a pervasion of charity, overly faddish and increasingly directive. Others have posited that the key elements of venture philanthropy – capacity development, constant engagement and clear expectations are not new concepts but well-established features of best-in-class philanthropic organisations.

In recent times both the ardour and controversies have waned, and consensus is growing that this strategic alignment of donors and recipients combined with the giving of time, treasure and talent, may ultimately address the limitations of earlier philanthropic efforts. Thriving venture philanthropy networks in the USA, Asia and Europe including Social Venture Partners, Asian Venture Philanthropy Network and European Venture Philanthropy Association are a testament to the potential these organisation's have to be game-changers in tackling our most pressing social and environmental issues.

Blending Social and Financial Value

Innovations in philanthropy have played a key role in diversifying capital markets for social purpose organisations and reaffirming key principles and practices for good grant giving. The evolutions of these frameworks that blend business and social value show a trajectory that harmonises old wisdom, new thinking and a broader sense of purpose to bring prosperity to the many rather than just a few.

Flourishing family businesses know that doing good is not charity – it is good business. It strengthens the brand's value, increases its social license to operate and opens up a myriad of opportunities. Our previous Polaris Publications have documented over 20 FBN Member case studies demonstrating the impact of family businesses embracing new models and integrating sustainability into the core of their business operations and across their value chains. This year's case studies are no less inspiring; be it engaging micro-distributors in Kenya (Mars), empowering small cacao farmers in Ecuador (Pacari) or halting modern-day slavery in its tracks (Pentland). By harnessing the power of entrepreneurship, fostering close engagement with recipients and empowering some of the world's most vulnerable communities, family businesses undoubtedly have the potential to be a powerful Force for Good.

'Communities in your supply chain are thriving due to infrastructural investments you made to make them more resilient.'

'Through quality job creation, fair contracts and ethical investments, your family business has earned the social license to operate and has had a profound and positive influence on society across generations.'

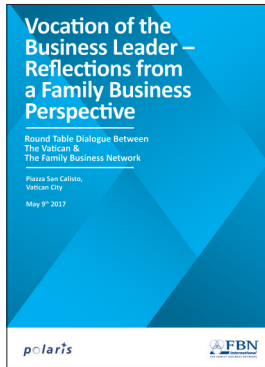
Values and practices that sustain family businesses across generations

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- ⁵ Bridge Ventures, 2015. *The Bridges Spectrum of Capital - How We Define the Sustainable and Impact Investment Market*.
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Polaris – Publications, Guides and Tools

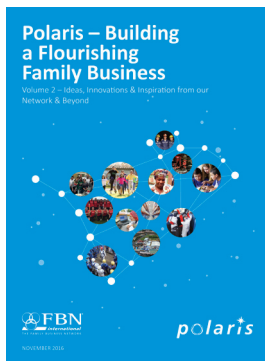
Creating positive impacts for all stakeholders is an evolving iterative process. Please logon to FBN XChange for publications, tools and case studies especially developed for FBN members.



Vocation of the Business Leader – Reflections from a Family Business Perspective

(May 2017)

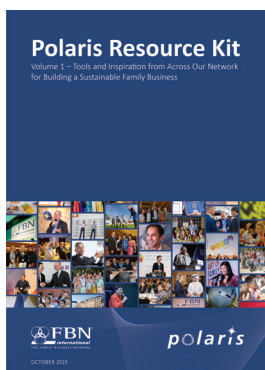
Developed in concert with Vatican leaders and the FBN Thought and Religious Leaders Group, the document acknowledges the pressures causing business leaders to believe that their professional lives are incompatible with their spiritual lives. It urges leaders to eschew a divided life and embark on the alternative path of servant leadership. The document further explores the role of family businesses in the formation of business leaders as responsible stewards and family businesses as agents of social and economic inclusion.



Polaris Volume 2 – Building a Flourishing Family Business

(November 2016)

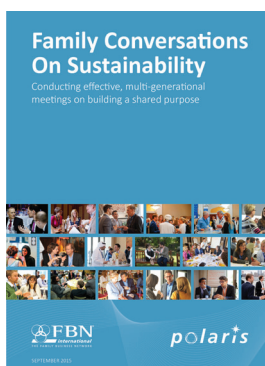
Flourishing family businesses invest in communities to engage all stakeholders and promote development. This publication highlights the importance of vibrant communities for flourishing family businesses and explores opportunities identified in the UN SDGs. It outlines the Polaris Impact Assessment (PIA) and introduces the Polaris Peer Groups – support networks that empower family members to accelerate their journey and further their positive impacts.



Polaris Volume 1 – Tools & Inspiration from Across the Network for Building a Sustainable Family Business

(October 2015)

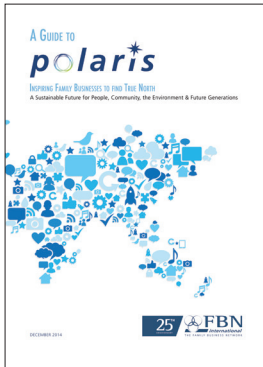
2015 was a watershed year for sustainability with the introduction of the UN Sustainable Development Goals and the opportunity for business to be a global force for good. Learn how FBN members are contributing to these goals, engage with tools to chart your True North and discover why sustainability is the key driver of innovation.



Family Conversations on Sustainability

(September 2015)

A family has many voices – and often emotional ones, making it hard to bring all these voices into harmony. To encourage smooth and constructive family meetings on creating positive impacts, we have created Family Conversations on Sustainability – a guide that sets out useful principles and practical suggestions for conducting effective, multi-generational meetings.



Guide to Polaris

(October 2014)

Sustainability is a journey, not a destination. As the family business progresses on this journey, cultures of both the family and business evolve, engagement increases and spheres of influence expand. The publication highlights at each stage the key focus, outcomes, process and stakeholders that need to be engaged. It maps out critical activities including Forming Sustainability Circles (Setting the Stage), Stakeholder Mapping (Holding the Mirror) and Measuring the True Cost of Business (Innovating for the Future).



Families for a Sustainable Future

(October 2014)

An overview of Polaris underlining why family businesses are the front-runners for sustainability. *Families for a Sustainable Future* highlights the role of the family and the champion within it, and features the five-stage sustainability roadmap for family business.



Truth to Power – Al Gore at the Polaris Training for NextGen Leaders

(July 2017)

Nobel laureate Al Gore combines cutting-edge research from top scientists around the world with photos, personal anecdotes, and observations to document the fast pace and wide scope of global warming. He shares his slides and talking points with NextGen Polaris Champions as he challenges us with three questions – Must we Change? Can we Change? Will we Change?

Log on to *FBN XChange* -> *Polaris* for Al Gore's slides and other PTAG presentations and resources.

Measuring What Matters – The Polaris Impact Assessment

The **Polaris Impact Assessment (PIA)** is a customized version of B Lab's B Impact Assessment (BIA) – a confidential, self-assessment tool that has been used by over 50,000 companies in 50 countries to help benchmark and improve performance in the areas of Governance, Workers, Community, Environment, and Long-Term Impact. The PIA is the only sustainability assessment tool tailored for family businesses, and designed to address their unique opportunities and challenges no matter their size or industry.

Begin accelerating your journey today

Please join your fellow FBN members in accelerating your sustainability journey by taking these four simple steps:

Step 1: Get A Baseline

Assess how your family business performs when measured against best practices in the areas of governance, employees, community, environmental and long-term impact.

Step 2: Compare Your Impact

See how your family business stacks up against thousands of other businesses through the Polaris Quick Impact Snapshot.

Step 3: Improve Your Performance

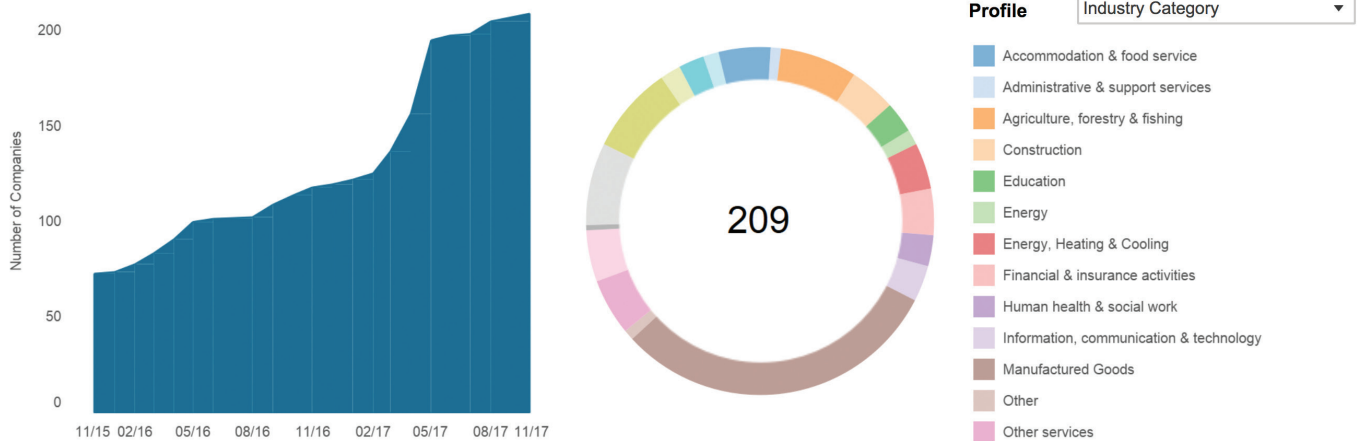
Create a plan to improve your family business' practices, and help all members of your family business implement them easily using FBN's Polaris tools and resources found on the FBN Xchange.

Step 4: Join a Polaris Peer Group

Accelerate your family business' sustainability journey by learning from and sharing insights with fellow FBN members in an interactive, engaging and supportive small group format.

Get started today at www.fbnpia.org

Join the Movement: Learn, Share and Inspire



The rising number of FBN numbers who are taking the PIA and Measuring What Matters

One of the most important outcomes of the growing Polaris movement is that we are learning more about the positive impacts FBN members are making around the globe. Inspiring lessons have come from member case studies, constructive insights have emerged at Polaris forums, and the Polaris Impact Assessment (PIA) has become an invaluable tool for members to measure what matters.

Since the launch of the PIA in 2015, more than 200 member companies, from over 37 countries and multiple industries, have registered for, taken the assessment and made progress on their journey.

In 2017, it was exciting to see how many new members opted to take the PIA. As with all successful projects at FBN, regional and local Chapters played a key role in propelling this growth, including FBN Netherlands, FBN Hungary, IFB UK and FBN Turkey. These Chapters hosted Polaris webinars and in-person events, allowing members to experience the PIA and learn about the benefits of Polaris. Another key factor spurring participation in the PIA is the starting of new Polaris Peer Groups – an invaluable tool in identifying and targeting improvements for one's family business.

Building On Our Momentum

In 2016, we shared initial insights from our pilot Polaris Peer Group (PPG), co-developed by a group of 8 FBN members focused on creating a shared learning

platform to improve their impacts. The sessions were designed to ensure a fluid exchange of ideas and create opportunities for the participants to share challenges, insights and improvements.

At the outset, each family business was asked to review their completed PIA, which established a baseline and allowed for tracking of both individual and group progress. The participants then identified 3 to 5 areas of improvement they would like their company to address in the coming months or even years. Everyone filled out an improvement tracker for each area, linking that improvement to a question in the PIA and establishing a plan for creating change.

Ultimately, the pilot PPG resulted in six incredibly engaging sessions, culminating with a final meeting in January 2017. During the session finale, everyone shared key learnings and organisational changes they had already experienced as a direct result of their participation.

Key Learnings:

'It is ok to take things step by step. Starting with a baby step is better than fighting everyone to take the leap forward.'

'The motivation of the other members of the Peer Group helps drive action.'

Organisational Changes:

‘Our participation brought unified and measurable goals that united different stakeholders and even diminished the “us vs. them” thinking inside our business.’

‘We are taking action steps within HR to address areas of concern for our women members, as well as recruit members from underprivileged sections of our society.’

‘It was a wake-up call to our Board of Directors. It has helped get certain aspects of sustainability on our board’s agenda, like quality and safety!’

‘Everybody in our company now knows about Polaris. We have even connected certain business leaders’ variable annual compensation to the points we earn on the BIA.’

These powerful learnings and positive results were a great start, motivating participants to do even more. Plans were made to engage the larger FBN community and establish more PPGs. In parallel, the first NextGen Leadership Programme – Polaris Training with Al Gore (PTAG) materialised. It was envisaged that this process would be a great learning opportunity for socially conscious, entrepreneurial NextGens, who want to be change agents in their family business.

Polaris Training with Al Gore (PTAG) – Be the Change

As seats were limited, entry was competitive. Selected for their passion for positive impact, 50 NextGen leaders from 23 countries were chosen from close to 100 applicants. In preparation, participants took the PIA and everyone was then grouped into 8 PPGs led by dedicated facilitators.

The groups ‘met’ twice before coming to Geneva, prepared their Improvement Trackers, and studied the assigned pre-readings on business, society and rethinking the economic system.

The face-to-face training in Geneva focused on how family businesses can be a force for the common good and the unique role NextGens play in driving change. Topics ranged from ‘New Business Models’, the ‘Role of Business in Climate Change’, ‘Sustainable investing’, ‘Why doing Good is Good for Business’, and tips on giving a ‘TED’ talk. Key takeaways from PTAG include:

1. Business thrives when society flourishes and we need a capitalism that is more purpose-driven, inclusive and understands the mutual dependence between business and society.
2. Impact is the new measure of success: When a family business delivers measurable impacts on key issues of governance, community, workers and the environment, it will ultimately lead to an increase in the business, brand, and/or book value of the company.



FBN NextGen learning with a cadre of experts and peers - including Nobel Laureate Al Gore, Bruno Giussani (TED), David Blood (Generations) and Marcello Palazzi (B Lab). PTAG was hosted and supported by Thierry and Alexis Lombard and family.

3. When it comes to climate, timing is everything and it is imperative for business to act now.
4. The Sustainable Development Goals offer a compelling growth strategy for business and the global economy. In fact, doing good is a US\$12 trillion opportunity!

Power of the Polaris Peer Group

The participants were energized by the knowledge gained, as it enables them to galvanise their communities and make tangible improvements in their own family businesses. It comes as no surprise that the sessions were very highly rated with the PPGs receiving a 'thumbs up' as a highly useful part of the experience.

How useful are the Polaris Peer Groups?

25 out of 25 people answered this question



4.56
Average rating

Everyone agrees that the participation in PPGs is an empowering experience, as it allows one to learn from, share insights with, and brainstorm innovations with one's peers. From the onset, all of the participants had committed to PTAG not just being an 'event' but a 'learning journey'. The PPGs met twice before the training, thrice during PTAG, and have continued to meet in the months since the training. Collectively, the participants have self-identified close to 200 areas for improvement, with many expressing interest in starting more PPGs – continuing the virtuous circle of family businesses as a force for good!



Peter, Julia and Rafael championing Polaris - Family Business as a Force for Good. FBN Deutschland, Sept 2017

Our Collective Learning and Impact

Improvements launched by PPG participants are inspired by questions from the PIA. Data from individual family businesses are kept confidential. However, many members (e.g. COOK, Grupo Contempo and Wates) conscious of the value of transparency and peer learning, have put up their hands to share their impact and improvement efforts. While individual responses are kept private, the underlying B Analytics platform is able to aggregate data across all questions. Hence as more FBN members take the PIA, we continue to expand the knowledge base, view progress from our network as a whole and also get snapshots at a country, industry, and even question level.

To give you a sense of the power of this tool, here are examples of the insights that can be gleaned by an individual family business, a Chapter and our community as a whole.



PTAG Facilitators and Committee - Front row (L-R) - Rebecca, Desiree, Caroline, Christine. Back Row - Jonny, Robin, Risto, Albert Jan, Winson, Simon, Arjun. Not in photo - Elizabeth Bagger and Alexis Lombard.

Impact Attained



Insights for an Individual Family Business e.g. COOK, U.K.

B Analytics powerful tools for businesses, include benchmarking against industry peers and snapshots of your progress. Here is an example of COOK's Impact Cloud, which graphically depicts both a company's *improvement potential* and *impact attained*. The Impact Cloud is color-coded by focus area and features impact bubbles that dynamically scale according to the size of the improvement potential or impact they are creating. COOK's Impact Cloud shows where COOK has delivered impressive impacts, including the orange Governance circle labelled Mission Lock (i.e. ensuring their mission is maintained over time) and the purple Community circle labelled Benefits for Underemployed (i.e.% of their workforce that comes from chronically-underemployed communities).

Benefits for a Chapter e.g. IFB, FBN UK

B Analytics gives Chapters access to a wide range of data on their members, including how they stack up against other businesses in their country and where they are both leading and lagging. This example shows how IFB members that have taken the assessment stack up against other companies in the UK in the area of ***governance***. IFB members are performing solidly above average on most of the benchmarks, but have room for improvement in areas like financial transparency with employees. This knowledge provides Chapters powerful insights into issues material to members and suggests topics for further discussion.

Question Level Benchmarking

Companies in Benchmark		Companies in Network		Legend								
254		16		Above Average	Average	Below Average	Benchmark					
Summary	% of Points Earned	Benchmark	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%
Board Review of Social/Environmental P...	88%	27%										
Breached Code of Ethics Breachment P...	100%	79%										
Code of Ethics	89%	83%										
Conflict of Interest Questionnaire	100%	32%										
Financial Controls	100%	83%										
Governance Structures	100%	57%										
Governing Body Characteristics	88%	38%										
Governing Body Composition	56%	31%										
Impact Reporting	37%	9%										
Managers with Responsibilities to Mission	25%	10%										
Mission Lock	17%	11%										
Mission Statement Characteristics	47%	32%										
Mission Training	43%	12%										
Ownership Transparency with Employees	100%	76%										
Social/ Environmental Management Revl...	75%	19%										
Social/Environmental Key Performance I...	38%	13%										
Stakeholder Engagement	25%	20%										
Financial Transparency with Employees	41%	39%										

FBN International – Impact on Society at Large

Beyond individual members and member associations, B Analytics also provides powerful insights into how we are doing as a network and where we are making impacts. Here are examples of how FBN as a global community is doing to date.

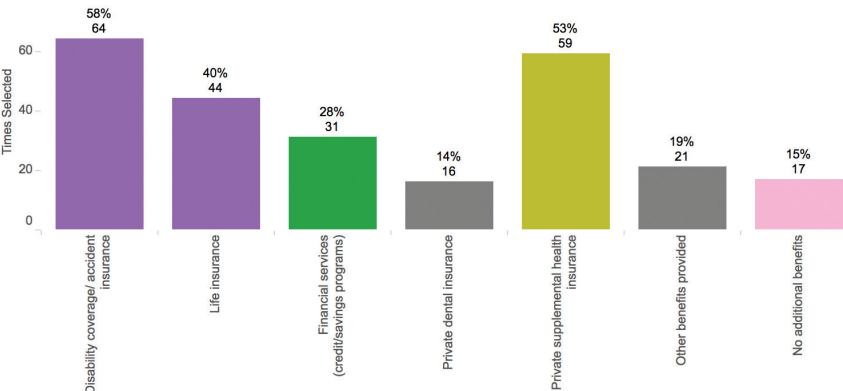
Additional Supplementary Benefits

Number of Respondents:

111

Chart Type: Bar Chart

Are any of the following benefits provided to employees to supplement government programs?



Workers: Supplementary Benefits

When it comes to delivering additional benefits to workers, FBN members are performing very strongly with 85% of our membership providing supplementary benefits to our people.

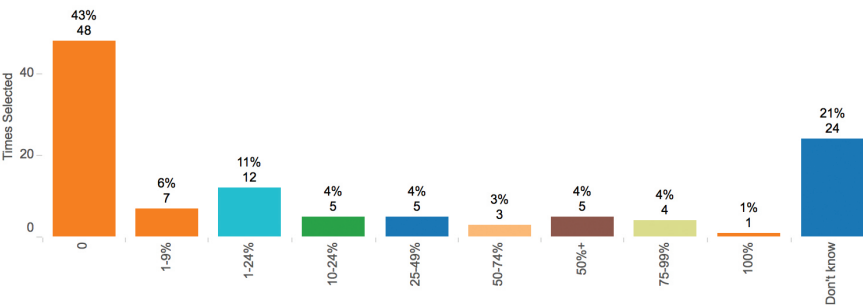
Low Impact Renewable Energy Use

Number of Respondents:

112

Chart Type: Bar Chart

During the last fiscal year, what % of energy used by your company came from low-impact renewable sources?



Environment: Use of Renewable Energy

As a network, we have some way to go in shifting to renewable energy sources, but it is promising how many have started to move beyond a sole dependence on fossil fuels. FBN member families can learn from these pioneers in the network and help spearhead the movement to a low-carbon economy.

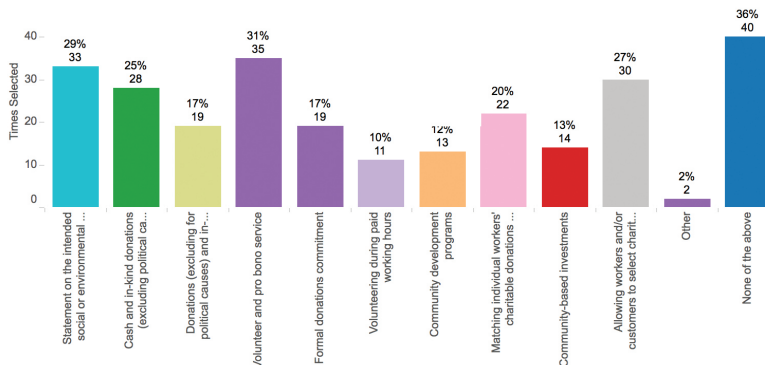
Corporate Citizenship Program

Number of Respondents:

112

Chart Type: Bar Chart

Does your company have a corporate citizenship program with allocated resources and oversight that covers the following:



Community: Corporate Citizenship Programme

Reflecting our diversity, FBN has a multi-faceted approach to Corporate Citizenship. 64% of members have in place a formal programme with several family businesses having multiple initiatives, indicating strong engagement with the community.

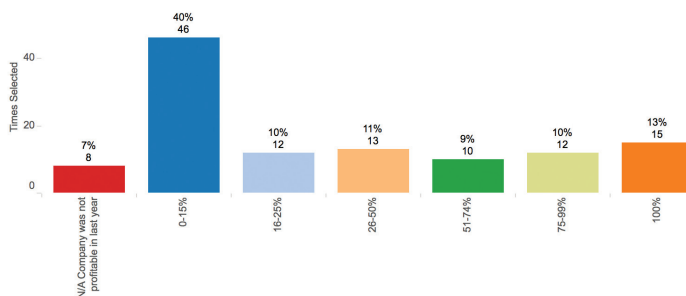
% of Profits Reinvested in Company for R&D/Long Term Projects

Number of Respondents:

116

Chart Type: Bar Chart

What % of the company's profits in the last fiscal year were reinvested in the company for research and development or long term projects?



Long-term Impact: % of Company's profits reinvested in R&D

Investing in R&D is definitely one area where our network is creating long-term impact. 93% of our members reinvested in their family business last year, with 13% reinvesting 100% of their profits.

The PIA is a valuable tool for all family business as it holds a mirror to one's impacts, identifies areas of improvement and outlines where both the low-hanging fruit and areas of greatest impact exists. These data points also provide indispensable insights to Chapters when it comes to programming events or hosting workshops that are valuable to our members. For our global community, it demonstrates the impacts we are making on society at large and provides us a North Star to further our efforts. This tool will become more robust as more members take the PIA. Do sign up and start measuring what matters!

Take the PIA
Start Measuring What Matters

Join a Polaris Peer Group
Share, Learn & Inspire

Lead a Polaris Peer Group
Be The Change

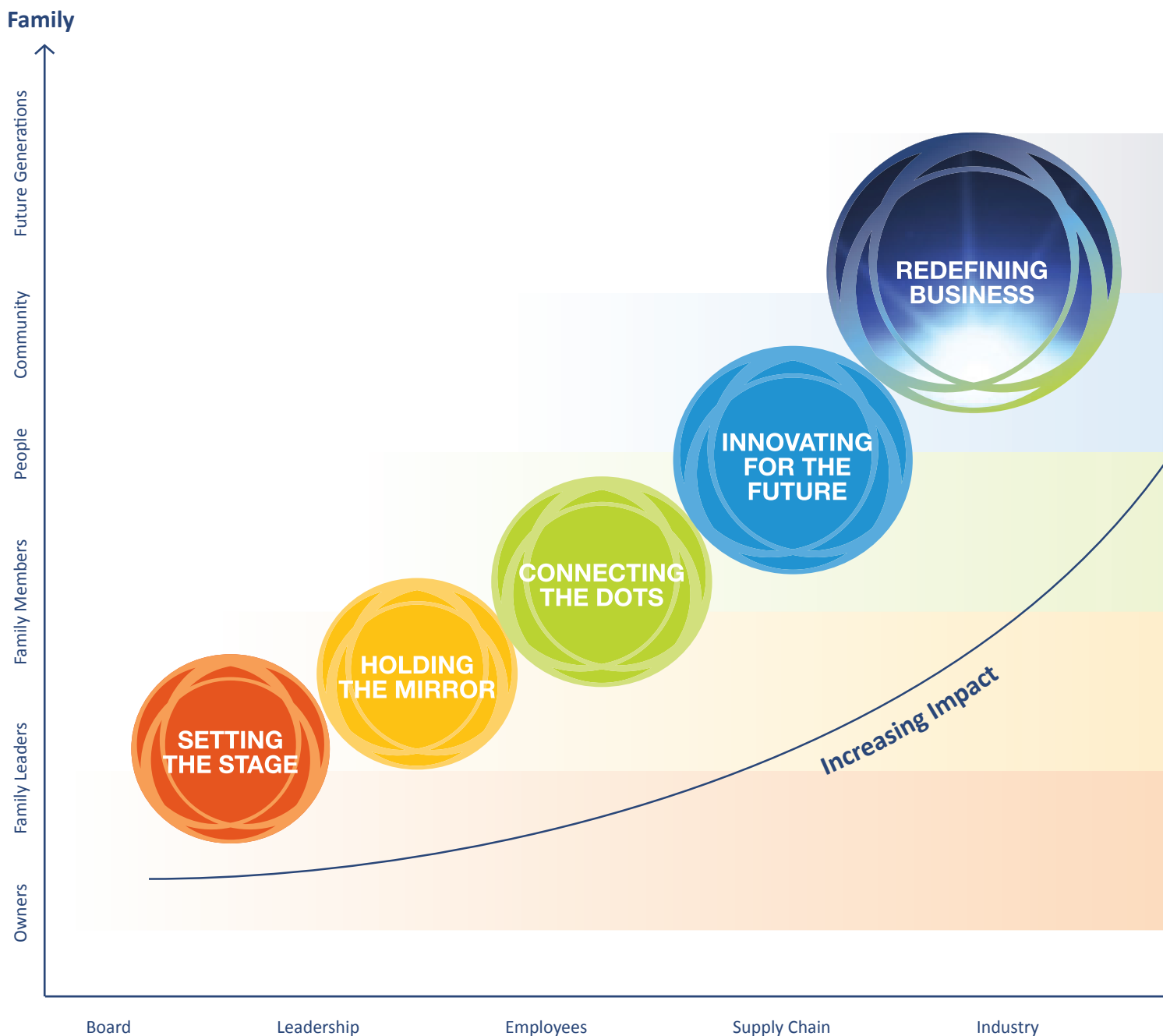
Join the Movement!

The *polaris* Roadmap

Polaris is named for the North Star, a guiding light that has been used for thousands of years by explorers, as its position on the northern night sky marks the Earth's geographic north pole. Just as our forefathers depended on this guiding star, family businesses can draw inspiration from the Polaris Framework as we journey to find our True North – a clarity of purpose that uniquely expresses our calling and guides our every decision.

Polaris has been developed with the interests and challenges of family businesses at its core.

The framework is meant to help your family business assess its current state, and inspire it to find its own True North. It is grounded in systems thinking and prioritises engagement with all stakeholders and partnerships that create *win-win* situations. We encourage you to *learn* with fellow FBN members, *share* your experiences and *inspire* others as you forge a path forward that suits the unique needs of your family, business, communities and future generations.



The Stages of the Journey

As both the family and the business progress on this journey, engagement will increase and spheres of influence will expand. Most significantly, the culture of both will evolve:

The process begins with an **Awakening** of the family and business leadership.

This translates to heightened **Awareness** of what's truly at stake.

An **Alignment** of people follows, which opens up their capacity to engage in efforts to increase their positive impacts.

Momentum gained will lead to **Activation** – inclusive acts that energize family members, employees and others who in turn champion the ongoing journey.

Ultimately, your **Advocacy** with an activated group of family members, employees and other change agents will help redefine the way business is conducted, for this and future generations.



The Economics of Mutuality

Shaping Business for Good

Mars has long believed that successful business is about creating the ‘win-win’ – we call it Mutuality. In 1947 Forrest Mars Sr. described the objective of the company as creating mutual benefits for all our stakeholders through the manufacturing and distribution of our products. Three decades later this approach was codified by his three children Forrest Jr, John and Jacquie into The Five Principles of Mars – Quality, Responsibility, Mutuality, Efficiency and Freedom. More relevant than ever today, these Principles govern everything Mars believes and does.

In early 2007, a Mars family shareholder asked whether there is a ‘right’ level of profit for Mars, guided by the driver of Mutuality. This question launched the Economics of Mutuality (EoM) program led by the Mars corporate think tank Catalyst. EoM is based on the simple, powerful idea that many of the world’s most pressing societal and environmental challenges can be solved through business by using integrated business model approaches to drive positive social and environmental impact, while delivering strong financial performance. Like the analogy of Lean Thinking’s technological innovation transforming the auto industry

by demonstrating Quality, Time, and Cost need not involve trade-offs, EoM’s management innovation is proving People, Planet, and Profit can be simultaneously optimized at scale. Mars believes EoM will be applicable across industries and is creating an open collaborative platform in 2018 that will bring together partner firms from multiple sectors to advance EoM.

A Unique Business Management Model Designed to Shape Business for Good

EoM today is a stable, robust management methodology undergoing further testing / refinement through a joint research partnership between Catalyst and Oxford University. Research pilots show EoM offers a unique model enabling business to integrate economic and financial performance with social and environmental goals by fusing measurement and management of multiple forms of capital (See Table 1). EoM’s simple, stable, accurate, field tested, and twice peer-reviewed metrics and practices enable managers to intentionally mobilize and drive non-financial forms of capital with the same rigor as traditional financial indicators.

Name and brief definition of each capital and how they are measured

Human Capital	Traditionally meaning skills, experience, knowledge of individuals, but expanded to include satisfaction, health, well-being. Measured via survey tools using a ranking approach to self-report on satisfaction & well-being.
Social Capital	Term used to describe links between people & communities; social structures, relations, norms. Measured via survey tools focused on understanding 3 drivers: trust, social cohesion, capacity for collective action.
Natural Capital	Total input flow of natural resources used across entire product value chain. Measured via analysis of 5 inputs: abiotic / biotic materials, water, air, top-soil erosion.
Shared Financial Capital	How economic benefits are shared among participants to ensure sustainable margins & wages. Measured in economic value created locally & its distribution to the wider community.

Table 1: Measuring and managing financial and non-financial capital



Maau Enterprise members gather for a meeting

The Broader Context

In September 2017 Mars launched its *Sustainable in a Generation Plan*. The plan features three interconnected ambitions – informed by science – healthy planet, thriving people and nourishing wellbeing. These will allow the company to address significant environmental and social challenges facing the world. Mars will measure progress against the *Sustainable in a Generation Plan*, but if business is going to change how it thinks and acts – embracing responsibility to people and planet – new management practices and measurement tools are needed to mobilize, generate, manage and monitor non-financial value. Business can and must build/regain consumer trust by recognizing how enhancing the wellbeing of society and nature can be profitable.

EoM's starting point is that businesses are parts of larger ecosystems, and as such, have responsibilities to individuals, communities and resources that all contribute to business performance. Under the EoM program Mars has been involved in pilots in Kenya, Philippines, Colombia and Ivory Coast. The approach is set out in *Completing Capitalism – Heal Business to Heal the World* (Roche & Jakub, Berrett-Kohler 2017). Further EoM pilots are underway in different parts of the Mars value chain in China, India, Indonesia,

Tanzania, Europe, and the US. This will result in a second book on EoM and become a core business syllabus at Oxford University and other business schools.



Maau Enterprise participant

In addition to the proliferating business pilots, EoM is also influencing Mars' broader approach. It is reflected in their *Sustainable in a Generation Plan* and contributes, in particular, to the Thriving People Pillar where Mars is committed to improving the lives of one million people in the value chain. EoM plays a fundamental role in helping Mars achieve its targets.



Mars Incorporated

Where Mutuality Drives Business Performance and Social Good – Maua Enterprise

Nature of Business: Petcare, Confectionary, Food, and Drinks

Industry Sector: Food and Beverage

Family Business History: 4th Generation

Provenance: United States

Setting the Stage

Mars Incorporated is a 4th generation family-owned business with segments covering Petcare, Confectionary, Food, and Drinks, and employing nearly 100,000 associates across 78 countries. Over the last decade, Mars has committed to assess not only how the business is performing financially, but also how the business is performing when it comes to creating benefits across people, planet, and profit.

Mars operates according to five core principles of Quality, Responsibility, Mutuality, Efficiency, and Freedom. In 2009, building on the Mutuality principle, Mars' internal think-tank, Catalyst, launched its ground-breaking Economics of Mutuality initiative, dedicated to developing a new business model whereby Mutuality drives a superior level of holistic business performance.

This program was a result of a question one of the Mars family shareholders put to management – 'What should be the right level of profit for the company?' – which had both moral and financial implications. EoM explores whether Mutuality could be understood in simple and actionable business terms and whether a business based on mutuality leads to superior value creation for all stakeholders. Key to this interest is the proposition that Mutuality provides a 'win-win' strategy, bridging the firm's interests in productivity and performance together with its vision of benefiting those with whom it works throughout the value chains in which it operates.

The Maua pilot business, launched in 2013 in collaboration with Wrigley East Africa, was born out of this Economics of Mutuality research space, and was the first real-life test of the insights and hypothesis emerging from the EoM program. Most importantly, the case explores the business proposition that when

Mutuality drives business performance, greater value for society and the environment (but including financial value) can be created than is possible through profit maximization alone.

Holding the Mirror

Mars acquired Wrigley in 2008. At the time of the sale, Wrigley recorded \$5.4 billion in annual sales and employed 16,000 people globally. Of note, Wrigley's executive chairman, Bill Wrigley Jr., cited Mars' family history and family ownership as an important touchstone and point of commonality between the two companies.

Maua is an Economics of Mutuality route-to-market (RTM) for Mars Wrigley East Africa launched by Mars Catalyst in 2013. Maua combines a clear business goal - which is establishing a new route to market - and an integrated social goal of delivering individual and community wellbeing. As a business, Maua seeks to expand the distribution of Wrigley products into informal settlements and rural areas – locations difficult if not impossible for Mars to reach through conventional distribution methods – by engaging micro-distributors and non-traditional (for business) citizen sector partners. This route-to-market program has thus helped to solve a key 'last mile' challenge for Wrigley and opened access to Base of the Pyramid (BOP) markets, all while delivering good.

The broader aim at the core of Maua is to evidence that the true drivers of business performance are non-financial, and that business must manage and measure performance holistically. Therefore, Maua purposefully focuses on harnessing the non-financial resources that exist in poor communities, using the power of business to grow both their financial and non-financial capitals. As a result, what Maua presents as a case study is not

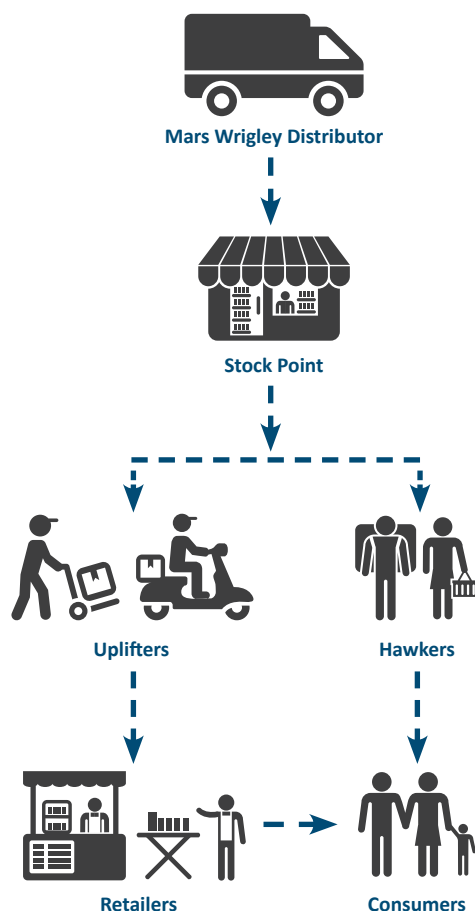
only a better way to do business at the periphery, but a potentially transformative way to run business at the core of the corporation.

Regarding its social purpose, Maua connects untapped entrepreneurial ability to an opportunity provided by a successful, established family business. Through the program, the entrepreneurs gain an economic opportunity otherwise unavailable to them in their ecosystem, specifically, access to a fast moving and desirable product. The program also serves as a platform for broader social benefits, including opportunities for participant-led coordination and group formation, trainings, and information sessions.

Connecting the Dots

The RTM project solves the last mile challenge for Wrigley by creating a novel distribution ecosystem comprising:

- **Stock Points**, small wholesalers;
- **Uplifters**, a network of micro-distributors to bring products from Stock Points to the Retailers (kiosks, small shops and street vendors); and
- **Hawkers**, who sell directly to the consumer



Pamela Mars in conversation with Maua Entrepreneurs

In a typical day, Uplifters and Hawkers gather the Wrigley product from participating Stock Points, paying on credit or with cash. The Uplifters then distribute the product to Retailers (kiosk owners and other small-scale vendors), generally on credit. At the end of the day, the Uplifters return to the Retailers to gather their payments. By contrast, Hawkers collect the products from Stock Points and sell directly to the consumer. Crucially, although distributing direct rival products is discouraged, sellers are not constrained in the basket of goods that they carry – providing flexibility to the sellers, and hence ensuring the attractiveness of the scheme.

It is vital that Maua benefit the lives of the entrepreneurs not merely to attract them to join the scheme, but equally to ensure the program delivers mutuality across human and social capital metrics. The economic opportunity granted to the entrepreneurs itself is clear, but equally, the wider social benefits such as the impact on social cohesion between the entrepreneurs, and confidence in transferable skills gained from training are also central.

Aside from the training and share-out sessions, Maua entrepreneurs receive optional uniforms such as Wrigley-branded T-shirts, as well as tools for performing work such as backpacks. Aside from the obvious advantages of backpacks in terms of ability to transport and display their goods better, Maua participants generally experienced and benefited from an association with a respected company. As one Uplifter explained: “They [customers] respect me

Sustainable Income	Business Support	Quality of Life	Social Support
Earn additional income from distributing popular Wrigley products	Receive direct support from Mars & Wrigley	Opportunity to improve the quality of life for themselves & their community	Make new friends + receive social support from the Maua community
Direct delivery of stock from Wrigley distributors at lower prices	Branded sales & merchandising tools e.g. T-shirts, name tags, cooler bags etc.	A livelihood program that supports & empowers a network of micro-entrepreneurs	Learn best practices among peers
Competitive prices & exclusive products to drive demand from retailers	Regular training on business management, sales, marketing & leadership competencies	Provide accesses to NGOs, microfinance institutions	Mentorship from Maua field officers

because you are in a group. People will respect you more if you are in a group than when you are a regular hawker who is not in a group.” Even though they worked independently, the uniform gave them an important sense of group identity – “Let me say [T-shirts are] not support but a form of motivation. When I see them I feel comfortable with work. I feel like I am in a team and not like I am alone.” This collective identity aided and motivated his work, allowing him to earn a higher income and the company to generate more sales revenue.

Creating Impacts

While sales are important for both the entrepreneurs and the business, the Maua field officers have non-financial KPIs (human, social and shared financial capital) that are tracked and uploaded to a digital dashboard. This is a crucial and distinctive feature of the management process in Maua. Where traditional business RTMs would give managers sales targets, Maua sets targets for managers linked to the development of social and human capital in the entrepreneurs. This is a core EoM principle that shows when you manage for the well-being of people and communities first, both the business and the people can prosper.

In summary, three types of measurements were used to access Maua’s performance:

1. **Traditional business metrics that accounted for the financial performance of the business;**
2. **Surveys conducted by Mars Catalyst that measured the shared financial capital, the social, and human capitals; and**
3. **Qualitative interviews conducted by the Saïd Business School to gather in-depth insight to complement quantitative data.**

Another way in which the Maua design distinguishes itself from other programmes focused on new RTMs is through the integration of social programming. This is comprised of the initial training and introduction into the programme, and, secondly, monthly share-out meetings, which may feature motivational speakers or guests offering information on beneficial opportunities, such as health insurance or microfinance. Whilst national health insurance exists in Kenya, many of those living in the slums are unaware of this, so the breakout sessions have proved valuable in bringing basic, yet vital social issues to their attention.

Creating a Hybrid Value System composed of private sector and citizen sector organisations is a further important distinctive feature in Maua that has enabled its success. Maua relies on the core assets of Wrigley (e.g., brand, operational capacity, infrastructure and

logistics), Mars Catalyst (e.g., innovative mutuality performance metrics), and the non-profit partners (e.g., mobilization, social support, behavioural change, and access to finance). These citizen sector organisations, ranging from NGOs to academic institutions, offer a deep understanding of community needs and dynamics and social networks, such as Opportunity International (access to finance) and The Youth Banner (mobilization and behavioural change).

Identifying Next Steps

Maua was quick to deliver success, demonstrating that a program designed with a social mission could be financially profitable and grow quickly. In 2014, the program reported double-digit growth. Starting with seven micro-entrepreneurs operating in one slum area (Dandora), Maua has since grown to work with approximately 700 micro-entrepreneurs throughout Kenya including over 140 stock points. The program has generated total retail sales exceeding USD \$7 million – a level of earnings significantly exceeding that of the conventional parallel route to market model.

The success of Maua promoted the launch of Project Bloom in the Philippines in 2015, where Mars confectionary is distributed alongside Mars Wrigley products. Bloom currently has more than 350 micro-entrepreneurs and has generated substantial revenue and profit. To date, a significant positive effect on wage, savings, and overall well-being among Maua and Bloom entrepreneurs (part and full time) has been observed, along with substantial revenue and profit. The training courses offered through Bloom are more formalised than those in Kenya, with certificates offered after certain modules, which will hopefully be replicated in Maua. In September 2017, Maua expanded from Kenya into neighboring Tanzania, with an initial cadre of 25 micro-entrepreneurs and high expectations for replicable business success.

While challenges and learning curves persist, what remains clear is that this innovative route to market model has proven to be a promising leap forward in Mars' journey to extend success to everyone in its value chain. Moreover, Maua will continue to inspire and shape the design and implementation of Mars-led inclusive business projects across the developing world. Plans are already underway in Mars Catalyst for similar mutuality-driven 'Entrepreneur Accelerator' programs to be launched in China and India, incorporating the key learnings of Maua into their development. And in a new EoM pilot currently being



Stocking up on Wrigley products - The T-shirts make them feel part of a team

scoped for the fast-growing, ultra-premium Mars Royal Canin Petcare business in Europe and the US, Catalyst will seek to demonstrate how Mutuality can travel from the less-developed periphery to the most mature markets at the core of the Mars business. Additional EoM lessons will soon be applied to demand side EoM pilots in West Africa among impoverished cacao farmers to help secure the cacao supply chain while delivering greater livelihoods.

Ultimately, Maua has been successful in creating jobs, delivering profitable outcomes for the business and entrepreneurs alike, challenging the common perception that making business more mutual would require trade-offs and cut into the bottom line. The success of Maua and Bloom shows that there need not be a trade-off between people, planet, and profit, but that holistic business performance can be achieved through the robust and intentional measurement and management of multiple forms of capital.

Abdul Latif Jameel

Empowering Communities to Accelerate Change

Nature of Business: Transportation, Engineering and Manufacturing, Financial Services, Consumer Products, Land and Real Estate, Advertising and Media, and Energy and Environmental Services

Industry Sector: Multi-sector Diversified International Business

Family Business History: 3rd Generation

Provenance: Saudi Arabia

Setting the Stage

Abdul Latif Jameel is an international diversified business with operations in seven major industries—transportation, engineering and manufacturing, financial services, consumer products, land and real estate, advertising and media, and energy and environmental services. It has achieved this scale and market success in just over 70 years since its founding in 1945 as a small trading business and later a Toyota distributorship in Jeddah, Saudi Arabia.

The organisation's entrepreneurial founder, the late Abdul Latif Jameel, saw that better personal transportation could empower businesses and individuals, in turn advancing the economic development of his nation. He established an extensive operations infrastructure, and built the largest vehicle distribution network in Saudi Arabia. Along the way, the company accumulated comprehensive expertise throughout the Middle East, North Africa, and Turkey (or 'MENAT') region in which it operates, fashioning a reputation for building the '*infrastructure of life*'. Abdul Latif Jameel has a presence in over 30 countries today, and employs 17,000 people from over 40 nationalities.

Mr. Jameel was a visionary entrepreneur and dynamic pathfinder who dedicated his family and company to meeting the needs of his fellow citizens. In 2003, Mohammed Abdul Latif Jameel, who had become Chairman and CEO a decade earlier, created Abdul Latif Jameel Community Services, or 'Community Jameel' as it is known today. Community Jameel has evolved into a sustainable social enterprise organisation which focuses on six priority areas: job creation, global poverty alleviation, food and water security, arts and culture, education and training, and health and social. From its headquarters in Jeddah, Saudi Arabia, Community

Jameel coordinates programmes focusing on the social, cultural, educational, and economic development of individuals and communities in MENAT and beyond.



Mr. Mohammed Abdul Latif Jameel, pictured with an image of his late father

Holding the Mirror

Community Jameel's mission is to give people the power to improve their lives and the lives of those around them—in essence to '*help communities help themselves*'. This vision is distinct from many charitable organisations as it seeks to address the world's societal and economic problems at the source rather than merely alleviating their effects. Three generations of the Jameel family are engaged with Community Jameel, honouring the late founder's dedication to conscientious growth and the pursuit of positive change.

Some of the initiatives under Community Jameel's umbrella include:

- **Bab Rizq Jameel**, a jobs programme which has helped to create over 720,000 job opportunities globally since 2003, including over 490,000 in Saudi Arabia;

- **Abdul Latif Jameel Poverty Action Lab**, a global network of affiliated professors based at the Massachusetts Institute of Technology (MIT), and **Grameen-Jameel**, a pioneering microfinance programme supporting the MENAT region;
- **Abdul Latif Jameel World Water and Food Security Lab** at MIT, which conducts research to help combat worldwide water scarcity and food supply shortages;
- **Jameel Gallery for Islamic Art** at London's Victoria and Albert Museum, the **Jeddah Sculpture Gallery**, and the **Jameel House of Traditional Arts** based in Jeddah, Cairo, and Scotland;
- **MIT Enterprise Forum Arab Start-up Competition**, which promotes entrepreneurship and innovation across the Arab world; and
- **Road Traffic Safety Initiative, Abdul Latif Jameel Hospital, King Salman Disability Research Centre, Al Nada Centre for Social Care**, and **Tanweer** programmes for orphans.

Connecting the Dots

The seeds for the successful Bab Rizq Jameel (BRJ) job creation programme were planted in 2002 when Abdul Latif Jameel took some of their vehicles and selected young men without jobs to train them to become taxi drivers. With a philosophy of sustainability and economic independence in mind, those who received automobiles were asked to pay them off, interest-free, as the money from driving came in. Over time, these men ended up becoming taxi owners as well as taxi drivers.

BRJ grew quickly, funding more entrepreneurial activities using the same principle of repayable loans to target new populations such as women working from home and other small business start-ups, enabling individuals to find economic independence and value in the workforce. Additional directions for BRJ included establishing employment service centres around the country to put those looking for work in touch with potential employers and setting up training programmes to help Saudis obtain or sharpen their skills to find employment.

Over the years BRJ has created programmes to develop links between job seekers and employers, offer support and interest-free loans to entrepreneurs, and provide

remote work and home-based job opportunities. The team developing these job creation efforts recognized the need to inform and educate potential participants about their programmes. Television campaigns became one way to spread the message as well as consultation opportunities at employment services centres. BRJ employment consultants themselves had to undergo continuous training to provide customer service excellence while also gauging whether a potential candidate was serious enough about furthering themselves to be able to stick with the challenge of a new employment position or start-up business.

Another important lesson learned relates to potential employers for its Direct Recruitment programme. BRJ had to ensure that they would provide high-quality training and ongoing career development that potential candidates desired, not simply short-term job opportunities. Suitable companies and other reputable organisations had to be found and cultivated for inclusion in its employer database, since many were unaware of benefits that an employment centre could bring to them.

“The Direct Recruitment programme is an example of the down-to-earth, realistic thinking that we encourage at Community Jameel,” says Hassan Jameel, Deputy President and Vice Chairman of Abdul Latif Jameel Domestic Operations. “We understand that there are employers in the region in search of willing and capable people, and, conversely, there are people who are eager to work. Yet, at times, the two parties struggle to find each other so we put ourselves in the middle to connect them and to develop skill sets to match employer needs.”



A taxi driver beneficiary of the BRJ's Job Creation Programme

Government support has also been a success factor—through the fostering of relationships with key officials, aligning efforts with government employment goals,

and taking time to explain experimental approaches and answer questions as models were developed. In addition, BRJ found that creating mutually beneficial partnership with existing organisations helped widen opportunities to generate employment. This mindset of partnership—of bringing the right resources together at the right time to solve the right problem, not just short-term but over a sustainable long-term—has led to its simple tagline today: *‘Community Jameel—Together for Good’*.

Creating Impacts

One ambition of Abdul Latif Jameel’s corporate brand strategy is *‘helping people who strive for better to have better: better means, better lives, better prospects’*. As Mohammed Abdul Latif Jameel explains, *‘We can do this because we are determined in our quest for new potential. We succeed because, through our business and through Community Jameel, we never lose sight of why this matters’*.

This orientation is reflected in the evolution of Abdul Latif Jameel from a small distributorship to a diversified international business, of Community Jameel from a small experiment to a multi-faceted sustainable social enterprise organisation, and of Bab Rizq Jameel from a small project to a 700-employee company.

Community Jameel projects typically blend a Jameel family member’s passion and desire to make a difference with experimentation, leverage of Abdul Latif Jameel’s expertise, people, and networks, and an examination of lessons learned. The initiatives under Community

Jameel are either owned and operated by Community Jameel or organized and managed by external partners with relevant expertise. Examples of the latter include global poverty alleviation, food and water security, and education initiatives with MIT; microfinancing with Grameen Foundation; and promotion of arts and culture with the Victoria and Albert Museum, The Metropolitan Museum of Art, and The Prince’s School of Traditional Arts. All of these efforts have grown organically over the years based on strong relationships, mutual respect, shared goals, and an entrepreneurial approach.

New BRJ initiatives often begin with research to understand needs in the community, an audit of available resources, and a small pilot to test the programme in Jeddah. After proven success, BRJ programmes have expanded to Egypt, Turkey, and Morocco. The door is open for new collaborations to increase the number of branches in countries already serviced, and for new partnerships to enter countries not yet in its portfolio.

BRJ also seeks opportunities to integrate with other Abdul Latif Jameel business units and activities. One example is with corporate sponsorship. Abdul Latif Jameel is the title sponsor of the Saudi Professional League, a football league with 14 teams now known simply in Arabic as Dawry Jameel (or Jameel League). Abdul Latif Jameel sees Dawry Jameel as an opportunity to bring people together, to entertain, to engage, and to contribute to the ongoing development of Saudi society. In just three years, BRJ created over 10,000 stadium jobs to help young Saudis find work as snack sellers at matches and field crew employees during other on-field events.



One of the 10,000 snack vendors who have found a sustainable livelihood through BRJ’s Dawry Jameel programme

These achievements led to BRJ receiving the *Arab Social Media Influencers Award* in the Corporate Social Responsibility category in 2015 in recognition of the organisation's success in generating job opportunities through its social media platforms. In 2012, BRJ received an award from the *Sheikh Mohammed bin Rashid Al Maktoum Foundation for Entrepreneurs* for 'Best Initiative to Support Entrepreneurship in Arab Countries'. In 2008, Mohammed Abdul Latif Jameel was presented with the *King Abdul Aziz Medal of the First Order* by His Majesty King Abdullah of Saudi Arabia, the country's highest civilian order, in recognition of his personal contribution to job creation initiatives for young men and women in Saudi Arabia.

Identifying Next Steps

In October 2016, BRJ signed a memorandum of understanding with Uber, the multinational online transportation network company, to support job creation, education, and resources for Saudi nationals seeking opportunities in taxi ownership and operation. A month later, BRJ signed a second agreement with Careem, the MENA region's leading app-based car booking service, to provide income and training opportunities for Saudi citizens who wish to join the transportation services sector.

These collaborations reflect the shared interest of all parties in supporting Saudi citizens and creating more transportation jobs. BRJ's partnerships with Uber and Careem are closely in line with Saudi Arabia's 'Vision 2030' which aims for a prosperous economy by making the most of the Saudi people's potential and adopting the culture of freelance work.

Abdul Latif Jameel is constantly seeking out new markets, opening up job opportunities, developing new partnerships, and finding new ways to create value. All of this is done with a clear purpose: *to help people advance their quality of life by unlocking new potential.*

Through Community Jameel, Abdul Latif Jameel is an active pioneer in driving positive social change in the local communities they serve and beyond. The work on BRJ and the broader social enterprise has enabled the Jameel family to recognize the needs of young people in the region in parallel to their commercial operations.

The story of Abdul Latif Jameel, Community Jameel, and the Jameel family's journey in philanthropy contains a number of helpful insights:

- **Passion:** To engage family members over multiple generations, allow individuals to explore their passion for social causes. The Jameel family's particular passion is visual art—both traditional and contemporary. They have leveraged this deep interest into programmes showcasing world-class art, expanding arts education for students, and supporting the careers of artists.
- **Experimentation:** Don't be afraid to test out new ideas. Experiment and learn. Then experiment again. Not everything will work, but the greater hindrance is a lack of trying or a 'planning paralysis' which limits action. BRJ started from a humble experiment with 10 young men. It has grown through smart pilot projects, iterative learning, and strategic expansion.
- **Community:** Be sure to connect with the community you're hoping to serve, whether it's a home country or an extended region where a family conducts business. Too many philanthropists skip this step and launch programmes that are not aligned with local circumstances.
- **Expertise:** For those programmes a family chooses to run itself, hire top-notch advisors or staff with issue-based expertise and practical knowledge on implementation in order to move swiftly from ideas to execution to scale. For others, it may make more sense to partner with an international NGO with the expertise and experience to take the lead.
- **Evolution:** Just as family businesses must anticipate and adapt to changes in the marketplace, family philanthropy must also evolve to stay relevant and effective. Finding a balance between sustaining financial support for older efforts that are working while also advancing new opportunities can be challenging, but the return is worth the effort.

"Let your family's core values for business success also serve as a guideposts for giving. Ours are respect, improve, pioneer, and empower. We respect and consult with the people we are serving. We have feedback loops to help us improve our results. We pioneer through pilot projects that are of deep interest to family members. And we seek to empower communities with our efforts. It is important to pick a starting point and to allow your family the opportunity to experiment, learn, revise, and repeat."
— Hassan Jameel



Bavaria

Collaboration for the Common Good

Nature of Business: Brewery

Industry Sector: Brewery and Beverages

Family Business History: 7th Generation

Provenance: The Netherlands

Setting the Stage

In the face of statistics which report the demise of many a family business by the time it is run by 3rd generation family members, it is refreshing and encouraging to come across a family-run beer brewery that has existed for almost 300 years and is into its 7th generation of leadership.

Bavaria N.V. is the second largest brewery and one of the top ten oldest family businesses in the Netherlands. Headquartered in Lieshout, North Brabant, the company is fully owned by the Swinkels family, with 25 family members active in various parts of the business, from the warehouse, the brewing laboratory to the management board. All five members of the management board are family members; and there are more than 140 family members who jointly own the company, stay well-informed, and are very proud of 'their business'.

Bavaria produces about six million hectoliters of beer annually, has a revenue of over 600 million €, approximately 1,000 employees, and is active in 120 countries. Bavaria's ambition is to make a positive contribution to society. This is based on the idea of making the brewery better and more sustainable before handing over to the next generation – a succession principle that is robustly held within the company and reinforced by a mandatory retirement age of 62.

The secret to Bavaria's enduring success lies in its family values and its ambidextrous capability to focus on the current business while simultaneously maintaining a long-term focus.

Holding the Mirror

Based on its holistic approach, Bavaria is undertaking all sorts of initiatives to become a continually more responsible and more sustainable business. One good example of this is the 'Farmer Beer Water' ('Boer Bier Water') project. This involves collaboration with local businesses and the government to ensure that the soil and water it uses stays healthy. After all, a healthy ground means healthy water. This ensures that pure water can be enjoyed not only by the current generation, but their children and grandchildren too.

Water is Bavaria's most crucial raw material since it makes up more than 90% of beer. Current CEO and 7th generation Swinkels, Jan-Renier, explains: '*Where there is water, there is beer.*' Consequently, the business is very cautious in its water use. Its policy is focused on the most efficient use of water possible and consists of two important aspects, water quality and water quantity— in other words, the use of water.

The 'Farmer Beer Water' project is focused on sustainability, enjoyment both now and in the future. Bavaria is not solely focused on its own profit, but also on developing initiatives related to people, communities, the surroundings and future generations. Its management understands that great companies invest themselves in developing bi-focal vision: meaning, that the company remains focused on overcoming its present challenges while simultaneously revitalizing itself to be open to evolution and growth.

Jan-Renier Swinkels is aware of the long-term focus required to achieve sustainability goals and to generate the necessary level of inspiration.

“Every generation has the brewery on loan from its children and their children. That means that continuity comes first.”

Connecting the Dots

Within the ‘Farmer Beer Water’ project, different sub-projects have been set up to maintain the vitality of the ground, and thus of the water, over the long term. These projects have to be easy to implement and economically attractive. They can be divided into four domains:

Water: Bavaria and the farmers use a lot of water. So the Water project group looks at how water is used, and the most effective manner to do this. For example, residual water from the brewing process is sent back to farmers. What’s more, weirs have been constructed and extra ditches dug to prevent the soil from drying up—as, after all, a wetted soil needs less water.

Crop protection: The Crop Protection project group looks at technical innovations in crop-growing techniques to see how the use of pesticides can be reduced.

Healthy soil: Soil vitality means a healthier crop and therefore a healthier living environment. Furthermore, soil vitality ensures that ground water stays healthy.

Barley: Farmers usually do not grow barley, because on one hand it is laborious, and on the other it is very difficult to make it profitable. Therefore, Bavaria pays local farmers extra to grow barley.

Through collaboration, the ‘Farmer Beer Water’ project allows objectives to be reached that could not be achieved alone. It’s the combination of the various components of the production chain that makes the project so special. Bavaria works with, among others, the municipality, the water management authority, and local farmers. Ultimately, this collaboration, together with close communication and the mutual sharing of knowledge, is a vibrant way to increase sustainability.

The other way in which the Swinkels family has truly connected the dots has been the orderly evidence of transitions taking place across seven generations to date. Eschewing the word “succession” and its notion of a one-time event taking place at a specific moment, the Swinkels have presided over several dynamic transitions that evoke the notion of a longer timespan and promote continuity. Direct descendants have always been welcome to work in the company. But they have had to be genuinely interested in the business, and have had to prove their skills and ambitions. To keep the family spirit alive, family members were encouraged to work in the brewery during their student years to become acquainted with



Farmer Beer Water is a multi-stakeholder collaboration with local businesses and the government to ensure that the soil and water stays healthy for generations

various aspects of the business. As Jan-Reiner Swinkels puts it: *“We have enough talent in the family. I am certain that the right people are here; we just need to spot them and provide them with the right jobs.”*

The development of the Swinkels family manifesto was also an inspired way to strengthen the family identity and bonds for the future. In 2014, the Management Board initiated the process and the family reviewed its vision, mission and values in order to make them more explicit, tangible, and easy to connect with. The first proposal was discussed at board level, then reviewed with 7th generation family members working in the business, before being introduced to all stakeholders. It turned out to be a refreshing and engaging exercise that served both family members and employees as a strategic navigator for the future.



Receiving the IMD LO Award at the FBN Summit in Montreux, 2015. From left: Albert Jan Thomassen, Stijn Swinkels, Jan-Reiner Swinkels, Fabienne Swinkels, Frank Swinkels, and Peer Swinkels.

Creating Impacts

The beer brewing landscape has changed considerably over the past decade, mostly through heavy consolidation. While the global market has continued to grow, the mature European market that had historically been the stronghold of Bavaria has become stagnant. The company has responded through bold initiatives like launching a premium brand bearing the family name at the high end; adopting guerilla marketing tactics driven by a Challenger mindset; and boldly expanding into untapped emerging markets like Ethiopia as a beachhead for doing business eventually in Africa. Each of these initiatives, on its own, would have caused many a sleepless night in the C-suite of many an organisation. Taken together, they demonstrate a company with a surprising willingness (for a 300-year old organisation) to reinvent itself for the times. No doubt it has been a posture made easier by the obvious alignment of the management board behind transparent, motivational goals.

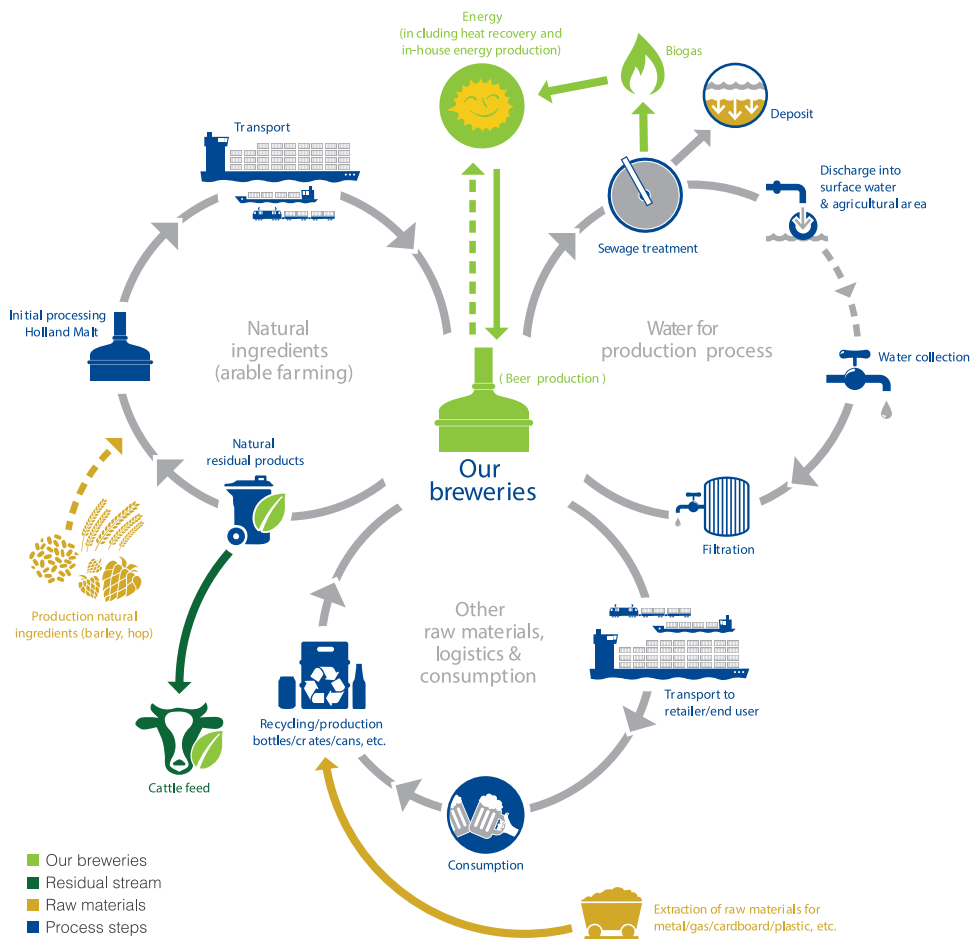
The company has also achieved a number of tangible impacts in the last few years in the areas of responsible packaging, code of conduct, and sustainable employability. In terms of responsible packaging, the company has designed a beer bottle that weighs 30 grams less than the previous one, which means it uses less glass in the production process and reduces CO₂ emissions during transport. On the code of conduct front, it has instituted one that has now been signed by 99% of their packaging suppliers and by 95% of their raw materials suppliers for their facilities in Lieshout - which represents approximately 70% of their purchasing volume. When it comes to sustainable employability, they recognized that the average age of their staff began to rise in recent years and that some were finding it more and more difficult to keep pace with job demands in a healthy manner. Since the company has limited opportunities for staff members to switch to different duties, they started a ‘generation’ scheme in 2016. This offers members of staff an opportunity to gradually reduce their work ahead of their retirement whilst keeping most of their income.

While it can be challenging to gauge the overall effect all of these efforts can have on a business, Bavaria has noticed that the government has become far quicker in its decision-making on issues of relevance to its operations, as it values the way Bavaria conducts itself in a conscious and respectful manner. The brewery doesn’t want an economy that is wasteful and polluting, but one that’s sustainable. This means not maximizing material wealth, but welfare—both of current and future generations, as well as of people elsewhere.

Identifying Next Steps

No one can refute that sustainability is the most important challenge – and opportunity – facing business today. Bavaria’s experience has shown that you can achieve more by working together than alone; that a sustainable economy and socially responsible business are no longer secondary issues; and that there is a way to consciously alter the business of our lives to permanently improve the fabric of our lives.

Jan-Reiner Swinkels describes sustainable business as *“the core of doing business, not only necessary because of climate change and depletion of the Earth’s natural resources, but because it offers great economic opportunities.”*



Bavaria's Chain. Source: Bavaria Annual Report 2016

Bavaria has demonstrated itself to be a responsible business in all areas, looking at its employees, clients, consumers, suppliers and society in a holistic manner. For this, the 7th generation family business was recognized as the 'best family business in the world' at the FBN Global Family Business Summit in 2015, receiving the IMD-Lombard Odier Global Family Business Award.

Looking ahead, Bavaria wants to realise their dreams and ambitions responsibly. Together with their stakeholders, they designed a model in 2015 that will help them to achieve that. They call this the CSR Crown Cap. The CSR Crown Cap unites all of their activities and programmes in terms of sustainable business practices. The foundations for the CSR Crown Cap were formed by their 2014 manifesto and its ensuing pillars: quality, continuity, enjoyment and cohesion. They have also identified a number of specific areas to push even further, including:

- Achieving 10% savings on energy, water, wastewater, waste and packaging per year from 2016 up to 2020
- Generating at least 50% of their energy by means of sustainable sources by 2020

- Reorganizing the company in such a way that they waste as few raw materials and consumables as possible, producing as little waste as possible in the process. They call this circular entrepreneurship.
- Optimising all of their logistical processes in order to contribute to a more efficient and greener transport of their products.

In 2016, the company began publishing an integrated report, which details both their financials and sustainability efforts. Beyond the CSR Crown Cap details already listed, it wants more visibility abroad for its family values, intensified dialogue with stakeholders, more attention for personnel, ambitious and measurable KPIs, reduced pollutant emissions, and promotion of responsible alcohol consumption, in part through greater focus on its alcohol-free beers. It relentlessly strives to move beyond mere cost efficiencies, because it realizes that sustainability isn't just good for business – it **is** good business.

For more information: <http://duurzaamheid.bavaria.com> and <http://www.boerbierwater.nl> (dutch)



EKKI Group

Pumping Forward through Global Joint Ventures and Strategic Alliances

Nature of Business: Producer of Pumps & Systems

Industry Sector: Fluid transportation

Family Business History: 2nd Generation

Provenance: India

Setting the Stage

The EKKI Group was established in 1981, when Mr. P. Arumugam, his uncle K.K. Veluchamy, and their friend M.S. Sundaram decided to manufacture water pumps in the city of Coimbatore. Originating from an agricultural background themselves, they understood that proposing innovative water pumps which are both highly efficient and reliable would play a key-role in rural Indian farmers' life and hence be a fruitful business.

“Pumps will always be needed as long as water is needed by humanity. Our job is to transport it efficiently where it is not available or remove water where it is in excess.”

Starting from a small rented workshop at the outskirts of the city, each founder invested 500 USD\$. Step by step, the business grew organically to become what is nowadays - one of India's leading producers of pumps & systems for the agriculture, public utilities and building services markets.

Today EKKI's core purpose is to help draw, transport and control fluids - which primarily include water - with its leading-edge pumps, systems & applications knowledge. The group is comprised of 2 brands - EKKI & DECCAN, 4 world-class production centers, 10 sales companies, 500+ exclusive distributors and more than 2000 retailers across India.

Since it was first founded, the group has received 10 National Awards from the Government of India for

outstanding contributions to the Indian Pump Industry. They invented and are also the world's largest producer of Vertical-Openwell Submersibles, which are mostly used in tanks or openwells where there is a wide fluctuation in water levels.

As a family business, EKKI's evolution has been grounded in strong values and a long-term vision guided by the family's focus on integrity, trust, transparency and value creation for its partners, employees, suppliers, community and customers. Beyond their core business, the group also runs two Foundations called the Kanapathy Charitable Trust & Dharbahari Charitable Trust, which focus on Youth Education & Elderly care, respectively.

Faced with the passing of his two partners in 1995 and 2007, Mr.P. Arumugam remained the only founder at the head of the group and assumed full ownership of Deccan Pumps Private Limited. He also successfully launched the EKKI line in the year 2013. Kanishka Arumugam, his only child and son, joined EKKI as director in 2015 after his education and work experiences abroad.

Kanishka brought an international perspective to the business, having travelled to more than 36 countries, studied in UK and the US, and worked in 3 different countries. As a next-gen member of the family business, he works closely in areas of Internationalization, Technology Management, Strategy and Marketing.

Holding the Mirror

In the coming years, EKKI knows that the demand for pumps will be driven by a myriad of factors, including globalization, population growth, rapid urbanization, increased usage of water by agriculture and industry,



Mr. P. Arumugam and his son Kanishka

climate change, water shortages, technological changes, and energy shortages.

To face this global challenge, leading companies in the fluid transportation industry will have to come up with more efficient products and become even more innovative. Competition will inevitably increase for both eastern and western pump makers in the world. Because of this Kanishka knows, *“only the focused and fittest will survive.”*

EKKI decided it needed to adapt its strategy in order to remain globally competitive. As Kanishka notes, *“we have been growing in double digit over the last 36 years and we will continue to do so.”*

However, the group remains committed to achieving that goal while balancing it with the long-term view that has always been at the center of their family business:

“We may not to be the largest pump producer but we would like to be one of the most respected pumping systems providers in the world. For us, technology, quality and profitability are far more important than just market share and topline.”

Another challenge in determining its future strategy lies in the fact that the group will not incur any debt or risk, desiring to keep up with its tradition of organic, debt-free healthy growth.

The EKKI group faced these challenges by redefining its strategy to focus on a few products segments that will yield global market demand in the long-term, and to strengthen its position in selected product-ranges. They also decided that new projects would only be launched if they could yield a potential impact on the society at large.

Since water scarcity is an increasingly important matter in India, the reuse of water and the transport of wastewater will only become more important to the country's development. In turn, Kanishka quickly saw that wastewater pumps are well situated to be both a great business opportunity and critical to the future of India's sustainable development.



EKKI values its employees, insisting on high safety standards and providing free meals and accommodation. The EKKI HOMA JVC aspires to have 50% of women as workers.

Connecting the Dots

Starting to manufacture a complete range of wastewater pumps wasn't going to be easy, but Kanishka was impatient to get this new venture off the ground. To make his vision a reality, he and his team decided to pursue growth through strategic alliances, joint ventures and competitive collaborations. As he puts it:

“The present-day customer wants a German engineered product with Japanese quality and Italian finish at Chinese price. We therefore need to remain globally competitive in terms of quality, research and development, supply chain and productivity if we are going to ensure that a ‘Made in India’ pump is respected globally.”

The idea of joint-ventures and competitive partnerships was hatched when Kanishka participated in an FBN internship at Forbes Marshall, a fellow FBN India member which had successfully relied on long-term joint-ventures. Kanishka then wrote his thesis at Warwick (United Kingdom) on the topic *“Growth through Strategic Alliances for EKKI”*, where he laid out how the best practices for successful joint-ventures could be applied to the EKKI group.

In search for a partner to build wastewater pumps, Kanishka began talks with several companies in Europe while he was still studying for his Master's degree. He first met their future German Partner Dr.Klaus Hoffmann and Frank Schröder of *HOMA Pumpenfabrik GmbH* in May 2014.



EKKI Facility producing pumps and systems in Coimbatore, India

HOMA is a family-run wastewater pump business that has more than 70 years of experience in the sector and is positioned among the top 5 companies in the world in its segment. They have a complete range of products in the wastewater segment that are produced in facilities in Germany, France, Poland, Netherlands, Ireland and the USA. The company had been looking for alliances with Chinese and Indian businesses in the past, but could not find the right partner nor a comfortable working equation.

Wanting to build a relationship of trust that would last in the long run, Kanishka invited Dr.Hoffmann to visit EKKI in India in 2015. After the visit he was convinced by the values in which the group was built, Kanishka's entrepreneurial spirit and EKKI's attitude towards manufacturing world class quality products. The two companies then began working together in a spirit of cooperation and continued to do so for two years. While HOMA brings German quality, cutting-edge technology from a developed company and access to 100+ countries, EKKI offers access to a huge market, high quality engineers, a strong supply chain, low costs and above all, an in-depth experience of the Indian market, its regulations, corporate laws and consumers.

Creating Impacts

EKKI and HOMA decided to formalize their cooperation earlier this year by entering into a joint-venture. Backed by a strong educational background and international exposure, the 27-year-old Kanishka has been appointed as the CEO of the joint venture company, EKKI HOMA Private Limited. Following his work on his thesis, he put in place some of the best practices from academia and industry to proactively formulate processes and smooth the functioning of the alliance.

Contrary to the management philosophy that most JVs don't continue beyond a certain time, Kanishka is convinced that this alliance will be a long-term one, as it is a transparent and equal one. Both partners bring complementary capabilities and deliver mutual added value & profits, making it a sustainable win-win situation.

Together, EKKI and HOMA will be able to develop, manufacture and market industrial wastewater pumps that are “German quality, made in India” and that are expected to play a crucial role in India's



Directors of EKKI HOMA Pvt Ltd looking at the first production samples - Klaus Hoffman, Vassilios Petrdis, P. Arumugam and Kanishka

sustainable development. Indeed, as the country is predicted to be water-stressed by 2025, water waste transportation to sewage treatment plants in building and public utilities will be in high demand. Soon, 1.3 billion Indians will be focused on uncovering new ways to reuse water as much as possible. With an aspiration to deliver on the UN Sustainable Development Goals, EKKI aims for its wastewater pumps to help India address water shortages, meet industrial and agricultural irrigation needs, foster a sustainable urbanization and mitigate climate impacts.

Moreover, EKKI believes that this joint-venture will create 200 new jobs and yield a revenue of 15 million Euro in the time-span of 5 to 6 years. It will open the way to global market access, economies of scale, better access to finance and new relationships (e.g. suppliers), attract more talent and new joint R&D activities, just to mention a few. Eventually, it is likely this partnership will even spur the creation of more innovative, efficient and environment-friendly wastewater pumps.

Identifying Next steps

The successful launch of this joint venture is only the first step in Kanishka's quest to conquer uncharted territory.

"The Global Pump Market is estimated to be 45 Billion USD. Capturing 1% of this should be EKKI's vision, by focusing on certain product segments and global markets."

While EKKI's priority will be growing within India, it also has an aspiration to be an emerging market champion. Having the ambition to become a "globally developed pump company from a developing country", the group plans to grow through more strategic alliances such as its' wastewater pump joint venture. The India-based firm is in talks for more collaborations and partnerships across the globe for producing more complimentary products.

"We are mastering the art of growing through successful strategic alliances and joint ventures. We understand this will be a key piece in our ability to keep pace with our larger competitors. [...] We might not be the largest, but we would like to be the most respected and be the premium brand in our customers' mind. Our goal is partner with the best and beat the rest. 1+1 = 11."



Grupo Contempo

Rebuilding a Sustainable Family Business

Nature of Business: Real Estate Development

Industry Sector: Construction

Family Business History: 2nd Generation

Provenance: Bogota, Colombia

Setting the Stage

Founded by Luis Eduardo Torres in 1969, Grupo Contempo is a real estate development firm based in Bogota, Colombia. Luis Eduardo came from an entrepreneurial family that got its start in the hardware business in the late 19th century. By the mid 20th century they had built a business that spanned Colombia, with stores in almost every mid-size town. Unfortunately, the business eventually overextended itself and, despite its reputation as an industry leader, was forced to declare bankruptcy after almost 60 years in business. The remaining assets of the business were liquidated and the proceeds were distributed among the family members. Luis Eduardo turned this potentially negative situation into a positive, using his share to start Contempo.

In its early years, Contempo focused on designing and building residential units and institutional buildings that, once completed, were sold to third parties. Although the company became quite successful at development, Luis Eduardo felt that Contempo's potential for long-term stability and success would be greater if they retained ownership of the properties and managed the buildings themselves. Despite this being a major shift in business strategy, Luis Eduardo took the leap and expanded into property management. It proved to be a prescient decision, as a majority of the country's construction contractors and developers were driven into bankruptcy when a severe economic recession struck Colombia in 1996.

At age 57 Luis Eduardo started losing his physical and mental abilities due to a neurodegenerative disease. This directly impacted his ability to successfully manage Contempo. At that time, none of his four children (Alejandra, Laura, Simon and Andrea) were involved

in the business and, had very little visibility into its declining fortunes. After several years of stagnancy, his children began to realize what was happening and in 2003 stepped in to take over the company. They discovered the company was in complete disarray and that several long-time employees had been systematically stealing from the company. They knew that getting the family business back on track would be no easy fix, so they were left with two choices: either liquidate all the assets or come together and rebuild the company as a team.

Holding the Mirror

After some discussion, the four siblings decided to rebuild the business, but since none of them had any experience in real estate, they knew they were facing a steep learning curve. The one thing they knew for sure was that running a family business came with its own unique challenges, so they immediately started educating themselves about best practices. They quickly realized that it would be impossible to manage the entire process on their own, so they hired a family business consultant. After a year of hard work, they established both a family council and a family constitution, allowing them to confidently move forward. During this time, they also aligned on the three core principles the business would be built on going forward: professionalization of the family business, good governance practices, and separation of the family from the business.

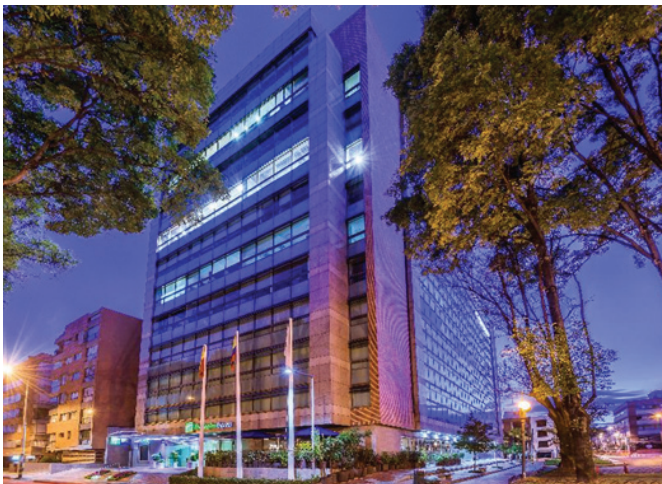
The first step they took in activating the three pillars was to hire an external CEO in 2004. They gave the new CEO complete control in managing the company, which included assembling an entirely new management team. The family also decided to hire an external board of directors in 2005, which was tasked with establishing

an effective, objective and transparent mechanism for decision-making, with a particular focus on keeping the family and management clear of any conflicts of interest. The final step came in 2007, when they established a family office to be both custodians of the family's philosophy of responsible ownership and activate this philosophy beyond the business.

Collectively these changes led to a successful rebirth of Contempo, driven by the new energy, attitude, passion and values brought by the next generation. During this time, they also rebooted the company's business model by expanding into commercial real estate and hotels. Perhaps most importantly, Contempo fundamentally changed how it would measure success going forward, shifting its focus from generating short-term profits to delivering long-term sustainable yields.

Connecting the Dots

Since Contempo's relaunch, it has become one of the leading sustainable real estate developers in Colombia. While many developers in Colombia continue to build cheap and sell high in order to maximize profits, Contempo now focuses on doing the exact opposite – it only designs and builds to the highest standards. That means they invest significantly in innovations like energy efficiency. Since they are the building's owners, they know these investments will more than pay for themselves in the long term. Everything Contempo has developed since 2009 is LEED (Leadership in Energy and Environmental Design) certified, which is a comprehensive system of environmental standards that can be used to both measure and certify the sustainability of a building. In Contempo's case this includes five hotels, two high-rise office buildings and their corporate headquarters.



One of Contempo's recent LEED-certified projects

However, Contempo's commitment to sustainability goes far beyond how they construct their buildings. It shines through in how they treat their people, the way they conduct their operations, and even how the family approaches educating its next generation. In the short term, the company is focused on ensuring that sustainability becomes embedded in every aspect of its business, from its facility management to its corporate policies. In order to demonstrate a clear and transparent commitment to this process, Contempo recently became a certified B Corporation, meaning they now publicly verify their social and environmental performance.

This is not a step the family took lightly, but it is one they felt was important to ensure that the business continues to evolve. As Simon Torres, current Chairman of Contempo's Board of Directors, states,

"We believe the values promoted by B Corp are aligned with ours. We seek a change in our industry by promoting a change in the way we do business. We don't only look for profitable projects but also for long-term impact of our products on the environment, the community and our stakeholders. Moreover, being part of a network of companies that share our values has a great potential because we can boost our beliefs and practices by creating and expanding a 'B' value chain for the real estate industry, increasing shared profits."

Creating Impacts

Since Contempo began its process of rebuilding, it has shown that running a responsible business is not at odds with delivering great financial returns. Beyond the benefits to their bottom line, they have also delivered some impressive results as a company, like decreasing energy use by 25%, lowering carbon

emissions by 35%, and reducing the amount of solid waste it generates by 70%. Contempo also works hard to make sure all of its people are involved in creating impacts and delivering solutions. In 2015, the entire company spent a day in the Colombian highlands planting 1000 trees. They chose this project because it helped preserve a threatened river watershed, offset the company's carbon footprint for the previous two years, and created a unique opportunity for its employees to feel included, motivated and purposeful.

The company's leadership has also become strong advocates for sustainability in Colombia's construction industry. While Alejandra Torres was chair of Contempo's board in 2007, she also founded the Colombian Green Building Council and chaired it for two years. When it began it had a dozen companies as members, but today it has more than 250. The Council has become a politically influential force, helping shape several nationwide policies to standardized green construction standards while spurring the economic growth of the industry as a whole. Alejandra was also a board member of the World Green Building Council from 2010-2011. All of this advocacy has delivered huge benefit to Contempo, as it was difficult and expensive to build green when they first started but now it represents an almost marginal cost.

Identifying Next Steps

Grupo Contempo will continue to strive to be leaders both as a business and in their industry. To avoid complacency on their journey, they have established a clear goal for measuring their progress – every year they will try and improve upon their B Corp score. This sets a high bar for continuous improvement, but also one that will undoubtedly generate countless opportunities for engagement throughout their business. According to the B Assessment they have a lot of room for improvement in the areas of workers and community, so that is where they are now focusing their efforts. They have identified all their potential areas of improvement in a spreadsheet, so they know exactly how many points they're lacking in every area and have even figured out how much it will cost the company to meet their goals.

In general, they know they will need to continually raise the bar in every area or risk losing the competitive advantage they have gained by being a leader. They are already working on two key projects they believe can help them remain at the forefront of their industry.

The first one is focused on developing 'living buildings,' which is a building that produces its own energy, captures rainwater, and treats its own waste. These buildings have the potential to be taken completely off the grid and can even give back more than they take,



The Grupo Contempo team at a tree planting site



The Tenets of Living Buildings

which is why they are called ‘living.’ So far, the economics behind them are proving to be tough to crack, but the company is determined to find a way to make them work.

The second project has the company expanding into an entirely new but complementary business, which focuses on improving senior care in Colombia. The country has a scarcity of senior housing, and ones that do exist generally deliver a low level of both quality and service. The family experienced this issue firsthand because of Luis Eduardo’s illness, so they already know that a business opportunity exists in finding a solution to this societal challenge. They’ve spent the past 2 years investigating how senior care facilities are designed and operated and are now building the business case to start their first project next year.

In order to succeed in these new projects and stay on top of its existing goals, the company knows it will have to open itself up to new ways of doing things, constantly learn from others, be willing to experiment, and probably even fail at a few things along the way. As part of this process, Contempo led the way in organizing several other FBN members in piloting the first Polaris Peer Group (PPG). Through the conversations it had as a member of this group, they identified several new opportunities for improvement connected to job creation, transparency, and compensation.

These are all potentially challenging tasks to take on, but ones Contempo believes will help keep them a step ahead of the competition. Having reaped the benefits firsthand, Simon is also now actively leading and facilitating Polaris Peer Groups for the global FBN Network, as he passionately believes that family businesses can be a force for good.



From left: Andrea Torres, Simon Torres, Alejandra Torres and Laura Torres



Grupo Contempo is a certified B Corp, a global movement using business as a force for good. B Corps attract talent, foster community engagement and meet the highest standards of verified social and environmental performance. Learn how your family business can drive sustainability performance by taking the FBN Polaris Impact Assessment at www.fbnpia.org



Pacari

Making Sustainable Chocolate from Tree to Bar

Nature of Business: Chocolate Production

Industry Sector: Food

Family Business History: 2nd Generation

Provenance: Quito, Ecuador

Setting the Stage

Founded in 2002 by Santiago Peralta and Carla Barbotó, Pacari is a second generation family business focused on making high quality organic chocolate in and from Ecuador. Santiago started his career at his parent's furniture and construction finishes business, but eventually decided to try something different. After he met Carla they were inspired to build a business together, one that would be focused on delivering positive impacts and creating a legacy that they could be proud of but also grounded in the values he learned while working with his parents. As Santiago states,

“We wanted to have something to stand on, a business where we could have something organic and economically sustainable.”

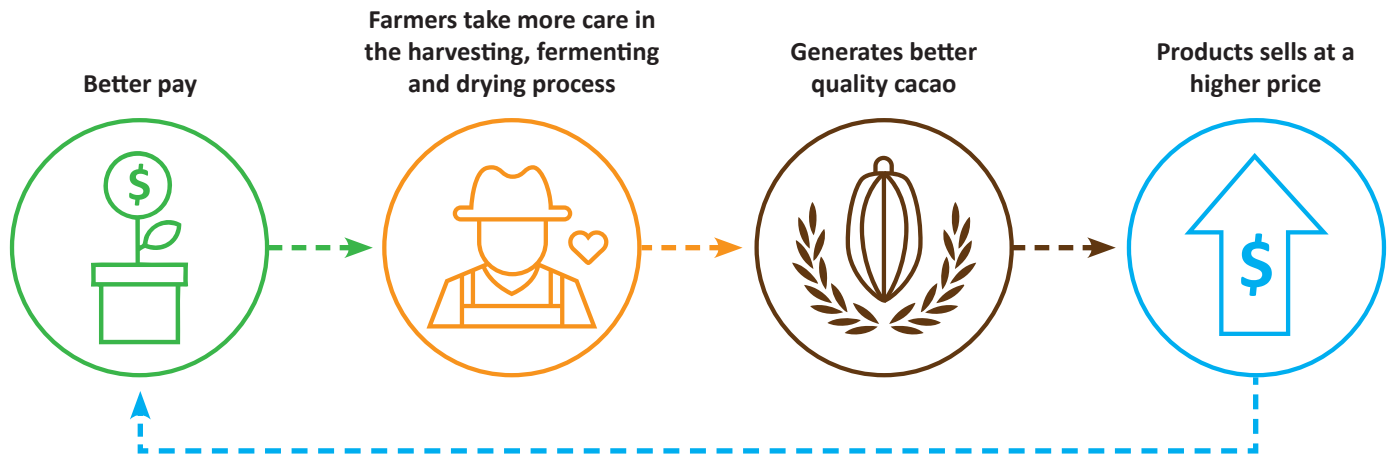
After initially focusing on organic flowers, they decided to enter the cacao industry after identifying that there was a real opportunity to both expand sustainable farming and play a role in revitalizing their local economy.

They decided to name their company Pacari, which means “nature” or “dawn” in Quechua, an indigenous language of the Andean region. The name is meant to evoke all that their chocolate is about: the best products from the earth, all natural and 100% South American. The company currently employs 81 people in its offices and factory, while also working directly with over 3,500 local family farmers across several regions of Ecuador. Their total sales in 2016 were 5.3 million USD and last year they experienced 50% growth, which will allow them to continue to expand their operations and reach in the coming years.

Holding the Mirror

Santiago and Carla spent their first five years in business learning about cacao, which resembles a pointy acorn squash. As the couple quickly learned, growing cacao is hard manual work and very labour intensive, as caring for and harvesting the beans requires close and continuous attention. Each cacao tree produces large cacao pods, which need to be cut from the trees by machetes or sticks. Each cacao pod contains around 20 to 30 seeds sitting in a sweet white pulp, and it often takes a whole year's crop from one tree to make half a kilo of cacao. Cacao is also a very delicate crop, easily affected by changes in weather and susceptible to diseases and pests. Once harvested, the cacao beans then need to be fermented, dried, cleaned, roasted, and ground into cacao—the key ingredient in any chocolate bar.

Once Santiago and Carla had educated themselves about the product, their next step was making personal connections with cacao farmers to make certain that they were producing a quality product. Connecting directly with farmers not only guaranteed quality cacao in terms of farming, but also ingrained in Santiago and Carla a responsibility to improve the lives and education of those working with them. Santiago still works with each farming family to teach them the process of making chocolate: growing the cacao, monitoring the optimum fermenting time, harvesting the fruit at the best season, and pruning it properly. The couple also help provide machinery and drying facilities for farmers who can't afford it. Since Santiago and Carla wanted to ensure they always got the highest quality cacao, they decided to pay the farmers three times the market rate. It was definitely a risky choice for a new business to take, but they believed it would generate a virtuous circle:



Pacari's virtuous cycle of growth

"We are intimately connected to cacao farmers and their needs, and we work with them in many important ways: to help them improve cacao yields, in implementing programmes of organic and biodynamic certification, even creating a school of organic agriculture (COLEGIO CEFA)," Peralta explains. "Sometimes our help might seem intangible, like buying donkeys for a disabled farmer to ease his workload, or reducing the weight of cacao bags so that women can carry these bags more easily to local markets. But these small things matter

and are proof of our commitment to a direct model of interaction that puts the farmer first."

Beyond educating themselves and the farmers, Santiago and Carla also quickly realized they were also going to have to educate their clients about quality fine flavour cacao, which was little known in the industry at the time. After lots of meetings and tastings, the market gradually caught up and word of the value of these unique flavours began to spread. Pacari was on its way.



Santiago Peralta and Carla Barbotó at a cacao production facility



**3,500 small-scale farmers
30,000 people**

**Mega-biodiverse
environment**

**Unique ingredients,
building identity**

Three areas where Pacari creates an impact with their products

Connecting the Dots

Santiago and Carla believe in crafting chocolate with imagination. Pacari is now a leader in the raw chocolate movement and the only chocolate company in the world working with biodynamic cacao. They are also using exotic South American ingredients in their flavoured bars, including forgotten Andean fruits such as goldenberries and wild mortiños, as well as traditional flavourings from neighboring countries such as Chilean merkén (a spice mix from the Mapuche Indians of southern Chile Patagonia) and Maras pink salt from ancient salt works near Cuzco.

It is important to note that Pacari has also made a conscious choice to only produce dark chocolate. This is because the impacts connected with milk production make it difficult to find a supplier that is local, environmentally responsible, and consistent with their values. Making this business decision wasn't easy because they would have expanded their market even more if they produced milk chocolate. However, Pacari is determined to ensure that any extra ingredients in their chocolate have a cultural value and positive social influence.

Pacari's fresh, socially aware, and sustainable method of chocolate production has caught the attention of Whole Foods, an upscale U.S. grocer. "We look for suppliers who share commitments and values that have a higher purpose and reshape the way people think about food," said Errol Schweizer, executive global grocer coordinator for Whole Foods. "The first thing we look for is quality.

Companies need to have high quality products starting with the beans to the growing system, and ending with a product that's got a good taste and is appealing." In 2013, some regional Whole Foods stores began carrying Pacari chocolate. Now Schweizer is working with Peralta to carry the brand throughout the U.S.

Santiago and Carla hope that Pacari's example will attract young people as a shortage of next-generation farmers is a critical issue for the industry.

"If we don't get young people involved and help get them excited about cacao, we won't have a future. So we are working on programmes that will get new generations into cacao production. The key is showing young people that the countryside can provide a good living; they don't have to give up farming and move to the city to work with computers."

They have many allies in this struggle, including conservation groups and the Ecuadorian Ministry of Agriculture and Livestock. The combined efforts of these organisations are already paying off, as cacao

production in Ecuador is now booming. Premium cacao production has doubled in the last two years. While fine aroma cacao makes up only 2.5% of global production, Ecuador is now the world's largest exporter, supplying 63% of the fine flavour cacao market.

Creating Impacts

Beyond the great business results they are driving, Pacari is seeing multiple non-financial benefits of their integrated Tree to Bar Process. Family farmers who had previously thought about switching to other crops have stuck to growing cacao and, 12 years later, are still getting paid three times the price on the cacao stock exchange. Now that they have a steady income, these farmers are capable of planning, investing and saving for the future of their families. They have also been investing some of their profits in improvements at their farms, which has resulted in higher production and better quality. This means that the next generation now sees that there can be a good future for them on the farm, so more and more are staying in the countryside and not migrating to big cities.

Pacari has also helped improve the lives of their farming partners in other ways. They provide farmers with solar-powered flashlights, which avoids battery pollution and saves each family US\$10 per month per person. They have also distributed water filters to the families, which makes for healthier communities, saves each family US\$30 per month, and eliminates the pollution plastic containers create. Pacari is also working with farmers to diversify their crop base, so they are not entirely dependent on cacao, making them less susceptible to market variations. By teaching the farmers how to grow organically, Pacari has also helped reduce the pollution caused by the harmful chemicals found in many fertilizers and pesticides. Perhaps most importantly to Pacari, keeping these family farmers growing cacao has meant they have rescued around 2% of the world genetic bank of cacao species. In November of 2016, Pacari received formal recognition of the substantial impacts they have been creating when they became a certified B Corporation.

All of this hard work has certainly driven business results for Pacari, as they have been experiencing 20% year-on-year growth for the last three years. They have also received numerous awards from their fellow chocolate producers and at chocolate competitions in the United States and around the

world. In fact, Pacari has won gold at the prestigious World Chocolate Awards every year since it first entered in 2012. As of 2017, Pacari has now won 205 awards, which means it is fast becoming the most awarded chocolate brand in history.

Identifying Next Steps

Santiago and Carla are on a mission: to change the history of chocolate in Ecuador. Since they began in 2002, they have already revolutionized the cacao industry both at home and across Latin America by creating a transparent model of tree-to-bar manufacturing based on innovation, ecological and social responsibility, and direct trade with certified organic farms throughout the country. But for them, this is only the first step in their journey.

To begin with, Pacari is aiming to make cacao production in Ecuador an international draw. In partnership with Metropolitan Touring, Santiago created the Pacari Agro Tourism Project to promote chocolate tourism.

“We want to be the Land of Chocolate,” Santiago says. “Everything we do is to show what beauty we have here.”

The next big goal they have set for themselves is to save 10% of the world cacao genetic bank. This will require growing their production by five times and that the 3,500 farming families they are currently working with will have to expand to about 10,000 families. This is a big challenge, but the appeal of the fine chocolate they are making is definitely growing at an encouraging pace. At the same time, they are also working hard to educate everyone about the importance of conscious consumption, as that will not only get more people excited about their products but all the benefits they deliver.



Pacari is a certified B Corp, a global movement using business as a force for good. B Corps attract talent, foster community engagement and meet the highest standards of verified social and environmental performance. Learn how your family business can drive sustainability performance by taking the FBN Polaris Impact Assessment at www.fbnpia.org



Pentland Group

Building a Family of Brands for the World to Love, Generation after Generation

Nature of Business: Sports, Outdoor and Fashion Clothing and Footwear

Industry Sector: Global Brand Management and Retail

Family Business History: 3rd Generation

Provenance: United Kingdom

Setting the Stage

Pentland Group plc is a family-owned global company operating in the areas of sports, fashion and outdoors clothing and footwear via its three divisions. Its brand management business, Pentland Brands plc, manages a portfolio of owned brands such as Speedo, Berghaus, Canterbury, Mitre and KangaROOS; Lacoste and Ted Baker as licensed brands for global footwear, and Kickers as a licensed brand for the UK. The retail division comprises JD Sports Fashion plc, a chain of over 1,300 retail shops, in which Pentland Group is a majority (57% stake) shareholder. The Investment Division supports group diversification by investing in new ventures or partnering with start-ups with a mandate to learn from these entrepreneurs and constantly innovate.

Pentland Group is headquartered in London and had sales of £2.9 billion in 2016, but for its brands 80% of the sales come from almost 200 countries worldwide with the remaining 20% from the UK. Pentland Group employs over 20,500 people.

Holding the Mirror

Pentland Group's roots can be traced back to 1932, when Berko and Minnie Rubin - immigrants from Eastern Europe - set up the Liverpool Shoe Company, a small fashion footwear business, with a £500 capital base raised from family and friends. The two generations that followed expanded the business into a number of directions. Significant amongst these was an expansion into the manufacture of women's footwear from the 1940s through 1960s, followed by pioneering the outsourcing of footwear

manufacture to Asia in the early 1970s. In 1981, it invested US\$77,500 for a majority stake in a struggling American sports brand, which it divested ten years later for a ten thousand-fold return on investment: that brand was Reebok! With the proceeds, the company started to build a portfolio of owned brands. In 2005, the company moved up the value chain by investing in a retail channel, JD Sports Fashion.

Despite floating the company on the London Stock Exchange in 1964 to raise capital for expansion, the Rubin family stayed committed to the business; in 1999, the family decided to buy back all outstanding shares at a generous 60% premium to the prevailing stock price. It was back in full control of its destiny, free to invest in its people and long-term projects. Most importantly, the privatization also enabled the Rubin family to begin to implement their beliefs and principles about conducting business as a force for good:

"It was only when we went private in 1999 that we could create a headquarters that was worthy of the brand company that we had become. We built a workplace of the future with a swimming pool, a gym, restaurant and cafeteria, football pitch, a playroom with a snooker table and table tennis, many creative open spaces and a crèche - an investment the financial market would evaluate as totally wasteful and redundant. In 2003, when we opened this building, we won an award for the best corporate workplace in the UK. It has always been my father's dream to have the best workplace in the UK," says Andy Rubin.



Stephen Rubin (2nd generation) with Andy Rubin (3rd generation) standing in front of the history wall in Pentland Brands headquarters, and specifically a painting and picture of the firm's founders, Berko and Minnie Rubin

Connecting the Dots

Honesty, fairness, respect and hard work run through everything Rubin family does and is reflected in Pentland's corporate responsibility strategy. Soon after Stephen Rubin took over the business on the death of his father in 1969, he bought a sourcing company in Hong Kong. As a pioneer in the industry, Pentland had to deal with the spectre of poor labor practices at manufacturers in emerging economies, such as China and India. Guided by strong values, it produced a set of policies covering business conduct, employment standards such as wage level, environmental policy as well as ethical sourcing and started to perform audits down its supply chain. Pentland took and still takes a very proactive approach to upholding human rights by interacting with local organisations and institutions to establish and ensure ethical standards.

Stephen Rubin's association with such a noble cause began when he co-founded the Reebok Human Rights Award and the Ethical Trading Initiative. Then, as president of the World Federation of the Sporting Goods Industry (1995 to 1998 and 1999 to 2001) and World Chairman of the Textile Institute 1994 to 2006), Pentland endeavoured to set the industry standards for human rights.

Significantly, he called a conference on human rights in Switzerland in 1995, which resulted in the elimination of child labour in the soccer ball industry in Sialkot, Pakistan.

"We made a phenomenal difference to eliminating child labour in India and Pakistan. I do not mean "we" as a company, I mean "we" as a trade. In 1990s, when the Nikes and Adidases of the world were not even sure it was necessary, I formed a new committee called "Ethics and Fair Trade" at the World Federation of the Sporting Goods Industry in order to look after reputation. With time, we got almost every brand working with us on it," says Stephen Rubin.

Pentland's leadership and actions in the textile and sporting goods arena resonated purposefully in the industry. Taking on issues of social justice has never been easy for corporations and Pentland shook up and redefined how business could create positive impacts for communities in their far-flung supply chains.

Stephen devotes a large portion of his time to various non-profit works. He is also critical of other larger corporations who have failed to make the difference their clout provides and is reproving of Chairmen "who have just a few years to go until they pick up their pensions and don't want to get involved in causes that at best won't really reflect on them and at worst could cost them their job."¹

In 2002 Stephen Rubin was appointed as an Officer in the Order of the British Empire (OBE) for services to business and to human rights and in 2010 received an honorary Doctor of Art (DArt) degree from Nottingham Trent University in recognition of his outstanding contribution to the footwear and sportswear industries and for raising ethical standards in manufacturing.

Creating Impact

Numerous other initiatives ensued as a part of a comprehensive corporate social responsibility approach:

- Pentland created a **central corporate responsibility function** which brings the specialists in the business units together to set the standards, monitor compliance and drive the CSR approach.

Pentland Brands corporate responsibility strategy



- Pentland brands measure their CSR performance using a **Corporate Responsibility Scorecard** to ensure their activities are in line with best practices.
- Pentland holds to the high standards of ethics and corporate responsibility outlined in the United *Nations Global Compact* and its *Ten Principles in human rights, labour, environment, and anti-corruption*.
- The group is actively engaged in other sustainability initiatives. It is a UN Global Compact member and a Caring for Climate signatory, the main sponsor of the UN Environment Programme's Global Forum for Sport and the Environment and a member of the Clinton Global Initiative. It is an active member of industry collaborations including Ethical Trading Initiative (founder members), ACT Living Wages, Better Work, Sustainable Apparel Coalition, and the Apparel & Footwear International RSL Management Group.

sets their corporate strategy responsibility goals along three criteria - (i) building brands with social purpose, (ii) future-proofing the supply chain, (iii) respecting human rights and tackling inequality. It measures the progress on these achievements, reporting it in a comprehensive annual Corporate Responsibility Review.

The goal of **"Building brands with social purpose"** is reflected in the many charities it supports and its community contributions:

- Charities include In Kind Direct, Special Olympics Great Britain (GB), Peace and Sport, Clinton Global Initiative, and The Prince's Trust. Global charity partnerships established with WWF, British Red Cross and International Inspiration.
- Each year Pentland Brands employees select three charity projects to support.
- Give Back Days: a day's volunteering annually for every Pentland Brands team.

Corporate responsibility is an inherent part of Pentland's business culture and model. Pentland Brands

The second goal – **“Future-proofing our supply chain”** – is reflected in efforts to ensure the sustainability of its products and raw materials as well as the environmentally friendly operations across the value chain. Achievements within this goal include:

- Continuous reduction of CO₂ emissions from 42,234 tonnes in 2013/2014 to 35,002 tonnes in 2015/2016
- 40% of Berghaus’s range carries Made Kind swing tag testifying that it contains 50% or more recycled fabric and is made using more than 90% Bluesign approved fabrics which reduces harmful substances and chemicals across the supply chain.

The third goal – **“Respecting human rights and tackling inequality”** – is reflected in the adoption of ethical trade standards monitored via regular audits by Pentland and respected third parties.

Employees are treated as key stakeholders: regular staff social events are organized; the Rubin family personally recognizes outstanding achievements with Chairman’s Awards, Values Awards, and Long-Service Awards. These are presented at a 3-course lunch hosted by the members of the Rubin family. Pentland has earned many prizes for people management and employer engagement: it was a 2014 Overall Winner at the Chartered Institute for Personnel and Development (CIPD) Awards as well as the winner in the category “Best Employee Engagement”. In the most recent survey performed by The Great Place to Work Institute in 2016, Pentland was ranked 11th best Workplace in the UK and 16th Best Workplace in Europe.

Identifying Next Steps

In 2015, the Rubin family sponsored a new Chair in Sustainability at the Lancaster University Management School and launched the Pentland Centre for Sustainability in Business. The vision of the Pentland Centre is to create a world-class hub for transdisciplinary research on sustainability, exploring macro trends particularly in environmental sustainability, ethical trade and human rights as well as to engage directly with leading organisations, including the World Business Council for Sustainable Development. One of the outcomes of this collaboration is a toolkit to prevent modern slavery and assess its risk at every one of its first-tier suppliers. In 2017 Pentland Brands and

JD Sports Fashion plc will produce their first modern slavery statements, detailing what they’re doing to prevent modern slavery and human trafficking in their supply chains.



Stephen Rubin at the launch of the Pentland Centre for Sustainability in Business at Lancaster University

When it comes to corporate responsibility the Rubin family gets involved personally early on: *“My grandfather brought me to Lancaster University when the research centre named after our company was opened. This was his way of showing me how much we should care about fairness, honesty and ethics in business. He also thought it would be interesting to me as I was studying land economy.” said Katie Rubin, granddaughter of Stephen and daughter of Andy Rubin.*

Going forward, the Pentland Group’s corporate commitment will continue to be **reinforced through Pentland Brands –2020 Ambition**, which is part of “2020 Strategy Framework” The ambition is visualized as a scale balancing financial and non-financial goals. The financial goals include an ambitious \$2 billion in sales by 2020. Non-financial metrics include the goal of becoming a “Great Place to Work” and adopting a “Corporate Responsibility Scorecard”. The Ambition is built on the brand’s values of “Courage”, “Passion”, “Creativity” and “Always Learning”.

The Pentland Group is the deserving winner of the **2017 IMD Global Family Business Award**. Its extraordinary corporate responsibility strategy is inspiring its people, fueling its profit, and catalyzing the purpose of its core business: Pentland Brands: “building a family of brands for the world to love, generation after generation”. Audacious? Perhaps. But certainly achievable.

Contributed by Marta Widz, IMD

Redefining Business

Inspirations & Ideas for 21st Century Businesses

This last section explores some of the new and dynamic innovations that corporations, social enterprises and civil society groups are embarking on to take sustainability aspiration into practice around the world.



UltraBoost shoes making Adidas hip again
(www.adidas.com)

Turning Ocean Plastic to Hip Running Shoes

Adidas continues to turn plastic pollution into high-performance products. In May 2017 it trotted out three new editions of the popular UltraBoost shoe, all made from plastic debris found in the ocean. On average, the shoes reuse 11 plastic bottles per pair and feature laces, heel lining and sock liner covers that are made from recycled materials. High-performance shoes made from marine plastic are part of a larger sustainability push by the company. Last year, Adidas switched from plastic bags to paper in its retail stores and, as a result, eliminated about 70 million plastic shopping bags. Going by its latest sales figures, the public is supporting this initiative with plastic (credit cards) of its own.



SproutsIO: Your personal microgarden (www.sprouts.io)

Giving New Meaning to “Personal Produce”

Because the world is consuming produce at 1.6 times the rate at which we are cultivating it, organisations have been working tirelessly to improve the way that we produce and eat, by ensuring better working conditions for farmers and workers, and reducing the amount of food waste in production and in our homes. The enterprising companies toiling in this space are now being joined by urban farming initiatives that seek to promote an affinity for Nature’s bounties and the self-sufficient work of our hands.

SproutsIO is a B2C start-up offering a smart, app-controlled microgarden that lets consumers optimize, customize, and monitor the growth of fruits, vegetables, and herbs year-round. The soil-free system uses only 2% of the water and 40% of the nutrients typically used for soil-grown plants. Currently, the system supports basil, kale, wheatgrass, arugula, eggplant, peppers, tomatoes, tea, and a variety of plants from root vegetables to fruiting plants. Founder Jennifer Broutin Farah’s epiphany was the realization that the more involved people are with growing food, the more they’ll care about what happens to it. With SproutsIO, you might not end up becoming a farmer, but you’ll certainly gain a more nuanced appreciation of those who work the land and the delicate balance of nature in this place we call Home.



Expandable clothing from Petit Pli (www.petitpli.com)

Designer Clothing that Grows with Your Child

Few things can match the frustration of watching your child grow out of the clothing you bought for him in a matter of weeks. All that could change, though, with the new **Petit Pli** range of clothing created by Ryan Mario Yasin. A graduate from the Royal College of Art and Imperial College London, Yasin designed versatile waterproof shells pleated in such a way that they can grow bi-directionally to custom-fit a large range of sizes. Petit Pli clothing is designed to fit children from four to 36 months; the thickness and quality of the material isn't compromised when stretched. Yasin entered, and won, the UK James Dyson Award for technological invention. Now he's a finalist for the International award, which will be picked by the renowned inventor himself.



Energizing research from Vanderbilt University

Devices that Turn Humans into Charging Machines

Researchers from Vanderbilt University in the USA have managed to design a nano-device that uses motion to generate energy. Observing that certain piezo-electric materials are atomically thin and small enough to be impregnated into textiles without affecting the fabric's look or feel, they have developed energy harvesters of miniscule scale but with huge commercial potential, considering the growth of wearable devices such as exoskeletons and smart clothing. The bonus? The ability to extract energy from the low-frequency window of movements corresponding to human motion. One of the more futuristic applications of this technology might be electrified clothing. It could power clothes impregnated with liquid crystal displays that allow wearers to change colours and patterns with a swipe on their smartphone. But for now, they can simply charge their phone itself by plugging it into their clothes.



Savour the possibilities at Impossible Foods (www.impossiblefoods.com)

The Impossible Burger

Fancy an insanely good burger made from sanely good ingredients? The people of **Impossible Foods** have come up with a no-meat burger made from all-natural ingredients such as wheat, coconut oil, potatoes, and the 'secret' ingredient called *heme*, a basic building block of foods that is uniquely abundant in meat: it's what makes meat smell, sizzle, bleed and taste gloriously meaty. When you consider that animal agriculture uses 30% of all land and over 25% of all freshwater on earth, your food cravings are suddenly cast in a different light. Impossible's mission is to transform the global food system without compromise on taste and quality. Thanks to the exclusion of beef meat, the Impossible Burger uses 95% less land, 74% less water and creates 87% less greenhouse gas emissions than conventional burgers. Which makes it not just good for people, but good for our planet.



The Ecorobotix smart weeder (www.ecorobotix.com)

Farmers can Look Forward to Smart Weeding

Swiss start-up **Ecorobotix** has seen the future of farming – and it's unhuman. Meaning to say, there are no farmers toiling away in their fields of the future. Ecorobotix is the company behind a new breed of robot weeders – 130kg autonomous machines can work up to 12 hours a day without a human operator. Solar powered with no rechargeable batteries, their lightweight design minimizes soil compaction and requires minimal maintenance. The robot weeders are precise enough to detect and discriminate the weeds that should be sprayed with herbicide, thereby using 20 times less herbicide. Ecorobotix is the standard-bearer of an emerging form of agriculture that respects the environment, conserves soil and hydrological resources, while using a minimal amount of energy.



Self-healing materials developed by tech giants of the world

The Phone that Fixes Itself

Announcing a panacea for the phone klutz in all of us: Self-healing mobile phone screens. **Motorola** has filed a patent for a “shape memory polymer” which is the main ingredient in its new-generation phone display screens. When exposed to heat released by pressing a button, the polymer can spontaneously reverse damage to smashed phone screens, giving grieving users a lifeline while they kick themselves or retrieve critical data. Other tech giants like Samsung are at it too, researching self-healing materials that could have a range of possible applications that will save people money while helping to curb our throwaway habits. Might this nudge companies away from business models that encourage premature obsolescence and waste creation? Well, interest is not the same as investment just yet. But it is a move in the right direction. In the meantime, don't drop your phone, buddy.



Climeworks' industrial greenhouse (www.climeworks.com)

Using Greenhouse Gas to Boost Crops

With concentrations of CO₂ at their highest levels ever, the world needs to remove greenhouse gas from the atmosphere if we are to avoid catastrophic climate change. Now Zurich-based start-up **Climeworks** has figured out a way. In an industrial greenhouse about 30km from the city, plump aubergines and juicy cherry tomatoes are ripening to perfection, thanks to the company's direct air capture technology that pumps CO₂ into greenhouses to boost the plants' photosynthesis and increase their yield, it is hoped, by up to 20%. Opened in June 2017, the plant is the linchpin of Climeworks' ambition to extract about 900 tonnes of CO₂ a year from the air. Other forward-thinking companies are catching their breath and following suit.

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About the Polaris Committee

Comprising FBN members, executives and sustainability professionals, the Polaris Committee spans cultures, geographies, industry sectors and generations.

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About The Family Business Network

The Family Business Network is the world's leading family business organisation. '*By family businesses*' and '*for family businesses*', FBN is a safe, shared-learning space for enterprising families to flourish across generations, through the exchange of excellent, innovative and impactful practices.

Founded in 1989, it is headquartered in Lausanne, Switzerland. A vibrant community, it brings together over 3,400 business owning families – 11,000 individual members including 4,500 Next-Generation members – in 31 chapters covering 65 countries. FBN organizes annually 750 activities in its chapters, internationally, regionally and locally.

Polaris is the framework enabling members to deliver on the FBN Pledge, a movement of members championing business as a force for good and a platform for learning, innovation and co-creation.

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