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

Round Table Dialogue Between The Vatican & The Family Business Network

Piazza San Calisto, Vatican City

May 9th 2017
Acknowledgements and Authors

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Members of the non-denominational FBN Thought and Religious Leaders Interest Group

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<th>Company</th>
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<td>China</td>
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<td>Simon Torres</td>
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<td>Supermaxi</td>
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Contents

Introduction .......................................................................................................................... 4
Context ................................................................................................................................. 4
The Economic Relevance of Family Businesses
The Realities of Family Businesses
**Values – The Spirit of Business Families** ...................................................................... 5
Missionaries versus Mercenaries
**Entrepreneurship – The DNA of Family Businesses** .................................................. 7
Aligning Ethics with Entrepreneurship
**Legacy – The Vision for Family Businesses** .................................................................. 8
Responsible Stewardship
Family and Business – A Synergy for Long-term Success
Focus on the Next Generation
A Collective Voice

**Bibliography** .................................................................................................................. 10
**Appendix 1 – The FBN Pledge for A Sustainable Future** ........................................ 11

**Figures**
Figure 1  Wates Vision and Values .................................................................................... 7
Figure 2  UN Sustainable Development Goals .................................................................... 9

**Tables**
Table 1  Mercenaries versus Missionaries *(Source: Doerr 2016)* ....................................... 8
Table 2  Synergising the Family and Business for Long-Term Success ............................... 11
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Introduction

The document *Vocation of the business leader – a vademecum* for businessmen and women – is intended as an education aid for people from a wide range of business institutions including multinationals, family businesses and co-operatives. It calls on business leaders to embrace credos of human dignity and the common good and to be agents of economic and social inclusion (Vatican 2014).

The document outlines a set of practical principles to guide business leaders in:

- meeting the needs of the world with goods that are truly good and truly serve without forgetting, in a spirit of solidarity, the needs of the poor and the vulnerable;
- organising work within enterprises in ways that respect human dignity (the principle of subsidiarity), which fosters a spirit of initiative and increases the competence of employees; and
- creating sustainable wealth and distributing it justly among the various stakeholders.

As *Vocation of the Business Leader* posits, the manifold pressures that business leaders face may ‘seduce them into believing (falsely) that their professional lives are incompatible with their spiritual lives’. To live out their vocation as faithful stewards of this calling, business people are urged to eschew *a divided life* as this split in faith and daily business practice leads to ‘imbalances and misplaced devotion to worldly success’. Rather, business leaders are called to embark on the alternative path of ‘servant leadership’ and be formed in a culture that shows the possibilities and promise of the good that each one of us can and ought to do. *Vocation of the Business Leader (VBL)* concludes that the ‘Family, Church and school’ are critical institutions in this formation.

Family businesses are an integral part of the world economy and the family is the nexus of a family business. Within this context, this document *Reflections from a Family Business Perspective* explores the relevance, role and promise of business families in contributing to the formation of a business leader as faithful steward and family businesses as effective agents of social and economic inclusion.

Context

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 (UN 2013). Peter Bakker, WBCSD President, asserts that the ‘the corporate sector offers the best opportunity for saving the world’ (Confino 2012). 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 (FFI 2012).

Chancellor Angela Merkel declared family businesses “the backbone of the German economy” (Bundeskanzlerin 2014). 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 (Mckinsey, 2014). As brisk growth propels emerging regions and their family-owned businesses forward, it is projected that by 2025, 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, the Family Business Network (FBN 2017) with over 10,000 members from 65 countries, is the most expansive network of family businesses and uniquely positioned to bring this agenda to life. As a trust based organisation that facilitates peer learning, it can support members to create meaningful growth in their companies that enables positive change beyond its network.

Narratives and examples used in this document are drawn from interviews with FBN members and case studies developed for the FBN Polaris Publications (2015 – 2016).

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, IESE and Harvard and organisations like FBN who provide peer learning platforms with thought and practice leaders. 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 and promise of family businesses.

‘Family firms are those in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time.’ (Miller et al. 2007)
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 and experiences 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 family 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’ (VBL No 14).

Recognising this specificity, this paper attempts to explore the potential of long term oriented 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 Brazil based Algar, an 88-year family enterprise. From the business’ earliest days, the founder Alexandrine Garcia declared that ‘we work to serve the community’ and ensured that the surrounding community grew alongside the business through the provision of education and cultural development.

Starting in 1926, Forbes Marshall in India 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 delivers quality medical aid to the masses, 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 believes that business can be a powerful force for good and champions people development, community engagement and environmental stewardship (Figure 2).

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

<table>
<thead>
<tr>
<th>‘<strong>MERCENARIES</strong>’</th>
<th>‘<strong>MISSIONARIES</strong>’</th>
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<tr>
<td>Paranoia</td>
<td>Passion</td>
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<tr>
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<td>Strategic</td>
</tr>
<tr>
<td>The Deal</td>
<td>The Partnership</td>
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<tr>
<td>Sprint</td>
<td>Marathon</td>
</tr>
<tr>
<td>Aristocracy of Founders</td>
<td>Meritocracy valuing the best ideas and talents</td>
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<td>Obsess on Customers</td>
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<td>Value Statements</td>
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<td>Mentors – coaches of teams</td>
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<td>Contribution</td>
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<td>Success</td>
<td>Success &amp; Significance</td>
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*Table 1: Mercenaries versus Missionaries*

*Source: John Doerr, Stanford Business School April 2016*
Therefore, growth must happen through the creation of wealth, not just for the company, but for society as a whole. Throughout our history, audacity has fuelled innovation and performance in all of Bel’s business units. We believe in the strength of close relationships that are simple and demanding but fair. If we all do our part, Sharing Cities will foster trust and respect that provides motivation, delivers sustainable growth and enables success for all.

**Entrepreneurship – The DNA of Family Businesses**

Innovation and entrepreneurship are in the DNA of family businesses. In their quest to be servant leaders and responsible stewards, how can family businesses align their values to harness this drive, acumen and talent to serve, in a spirit of solidarity, 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.

Therefore, growth must happen through the creation of wealth, not just for the company, but for society as a whole. Throughout our history, audacity has fuelled innovation and performance in all of Bel’s business units. We believe in the strength of close relationships that are simple and demanding but fair. If we all do our part, Sharing Cities will foster trust and respect that provides motivation, delivers sustainable growth and enables success for all.

**Antoine Fiévet**

Chairman & CEO, Bel Group
With a goal of providing customers with food of nutritional quality, French family Business Bel Group, well 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 is actively contributing to this aspiration. Recognising the significant role that street vendors and street food play in the informal sector of emerging economies, Bel assessed this commercial opportunity. Using Vietnam as a test-bed, 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, termed ‘Sharing Cities’ has resulted in the 151-year family business engaging, training and empowering over 4,800 vulnerable street vendors in Vietnam, Ivory Coast and Congo. Feasibility studies are being undertaken in other developing markets and BEL has set an ambitious target of reaching and recruiting 80,000 street vendors on its platform by 2025.

Another example is 70-year family enterprise Abdul Latif Jameel (ALJ), one of the largest vehicle distributors in the Gulf States. With a goal of promoting economic independence, ALJ took some of their vehicles and selected young men without jobs to train them as taxi drivers. As income from driving came in, those who received automobiles paid them off without interest. Over time, these men ended up becoming taxi owners as well as taxi drivers. The scheme has expanded to other populations and projects e.g. women working from home and small business start-ups. To date, over 720,000 job opportunities have been created globally including 490,000 in Saudi Arabia.

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 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 marginalised and at-risk communities which had no previous access to reliable water sources. Likewise, UK based family business COOK through unique 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 Schwass (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’.

With this inherent focus on long term success and care for the next generation, family businesses are natural advocates for a more conscious capitalism as they seek to leave a positive legacy for generations to come.

**Responsible Stewardship**

According to Kachaner, et. al (2012), family businesses, both private and public, have an ownership structure that gives them a long-term orientation that
traditional public firms lack. In a study of 149 family businesses the authors note that family firms lag their peers in good times but weather recessions better.

Schwass (2011) 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 Elkington and Zeitz (2014) expect other CEOs and business leaders to show a growing interest in how family businesses operate.

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 (Economist 2014).

**Family and Business – A Synergy for Long-term Success**

Lansberg and Gersick (2012) observed that family businesses possess inherent polarities that potentially pose fundamental contradictions. 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.

Like Abdul Lateef Jameel, Bel and Chopard, 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 limbs to those in need; partners with the Mother Theresa’s Missionaries of Charities in Estonia to support the homeless with shelter and meals; and engages in education, welfare, health and social programmes for children whose parents are afflicted with leprosy in Delhi, India.

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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: Innovation, Dedication, Courage, Selflessness, Humility

Our Guiding Values, The Tolaram Group
Focus on the Next Generation
This sense of purpose that successful family businesses have long championed strongly resonates with today’s millennial generation. Studies indicate that working with purpose-driven organisations is key for next generation leaders and top-notch college graduates. They have a high desire for meaningful work that aligns personal and corporate values. An MIT report (2016) 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.

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 Wang and her husband 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. The young couple have successfully expanded the business and now have assembling plants in Europe and the U.S.A.

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.

A Collective Voice
The Dicastery Promoting Integral Human Development has a special concern for the poor, the vulnerable and all left behind by a short-term capitalist system that focuses only on financial profits, perpetuates income inequality and marginalises the powerless.

FBN understands the need for a capitalism that embraces a higher ethos and enables flourishing for all people, communities, the environment and future generations.

Prosperity for all transcends material concerns for a few. Family businesses with our intrinsic intergenerational nature and passion for the next generation, can be an unprecedented force for flourishing and the common good.

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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                         Eliane Garcia Melgaço                           Fred R. Sasser                          Sajen Aswani
Joachin Uriach                        Maya Faerch                         Arjun Chowgule                        Andrew Wates                        Alexis du Roy de Blicquy
About The Family Business Network

The Family Business Network (FBN) is a global network by family businesses, for family businesses, across generations. Founded in 1989, it brings together over 3,400 families and 11,000 individual members – including 4,500 next-generation members – across 31 chapters covering 65 countries worldwide. FBN helps enterprising families grow, succeed and prosper through the exchange of best practices and new ideas.

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

To learn more, please contact:
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