

The Value of Family Values

Values and value creation are two of the central pillars of family businesses. While signs of the family's values are apparent at every level of the company's structure and activities, value creation is its *raison d'être*. The central aim of a family business is to create value for its stakeholders and society. This was one of the issues explored at the "4th International Family-Owned Business Conference" held at IESE's Barcelona campus in June.

Modern family firms fiercely guard their freedom and are no haven for nepotism, leaders of some of Europe's major family companies told the "4th International Family-Owned Business Conference", held at IESE's Barcelona campus in June.

Over 300 representatives of family businesses as well as leading scholars and business experts discussed topics under the theme of "Family Values and Value Creation: The Fostering of Enduring Values Within Family-Owned Businesses." The school's Family-Owned Business Chair hosted the conference.

For Hans-Jacob Bonnier, executive vice president of the Swedish family-controlled media conglomerate, the **Bonnier Group**, freedom of speech, responsibility and quality were the main values of his family and its group.

Bonnier, who is a member of IESE's Advisory Board, was speaking during the event's opening panel. He also said that while all family members were welcome to work in the group, they had to compete for a

place based on competence. "So at market value, you might say," he said.

His comments were echoed by fellow panel member Franz Borgers, chairman of the **Borgers Group**, a supplier to the automotive and white goods industries. Borgers said that family members could not apply to work in the family company, they had to be invited to by the board.

The **Borgers** group has a turnover of €620 million and employs 4,800 staff. Mr. Borgers said that despite its size, the group put an emphasis on caring for its employees. "Whether it's family problems, divorce, drugs, etc., people find it normal to discuss these things with their bosses as they would with their friends," he said.

Rosario Martin de Cabiedes (MBA '80), chair of the board of **Europa Press**, said that similarly to the **Bonnier Group**, freedom, responsibility and the constant quest for excellence were key values for the media company, which employs 425 journalists. She said that family members could only join the company if first they

gained experience elsewhere and even only then if they had something valuable to contribute.

Opening the conference, Dean Jordi Canals welcomed the growing recognition of the "economic, social and human importance of family businesses." IESE launched the first Family Business Chair in Europe in 1987. Prof. Josep Tàpies has held the chair since October 2003.

Innovation is also a key factor in the success of family businesses. Marian Puig, president of the **Puig Foundation**, said that the **Puig Beauty & Fashion Group's** success had been built upon "its ability to create new products." As Puig pointed out, "a third of its current sales are from products that did not even exist four years ago."

Handing down to the next generation

Inevitably, succession was a key topic at the family business conference. Succession represents "an opportunity for the



Marian Puig, Rosario Martin de Cabiedes, Prof. Nueno, Franz Borgers and Hans-Jacob Bonnier

To avoid some of the common pitfalls of succession, family business owners are advised to set clear boundaries between property, business and family, and to promote a merit-based culture, which helps avoid nepotism.

FAMILY VALUES AND VALUE CREATION

"The study and research of the role of family values and their impact on the creation of values is relevant not only in terms of family-owned business, but the corporate world as a whole," states IESE Dean Jordi Canals in the prologue to the book *Family Values and Value Creation: The Fostering of Enduring Values Within Family-Owned Businesses*, which was launched at the conference.

The long-term vision of the family-owned company is in stark contrast with the short-term pressures that rule other kinds of businesses. Family-owned businesses are also characterized by a sound value system, whether implicit or explicit, which impacts all of its activities, its strategy and way of doing things, as Kellogg Prof. John L. Ward explains in the book's introduction. Prof. Josep Tàpies co-edited the book with Prof. Ward.

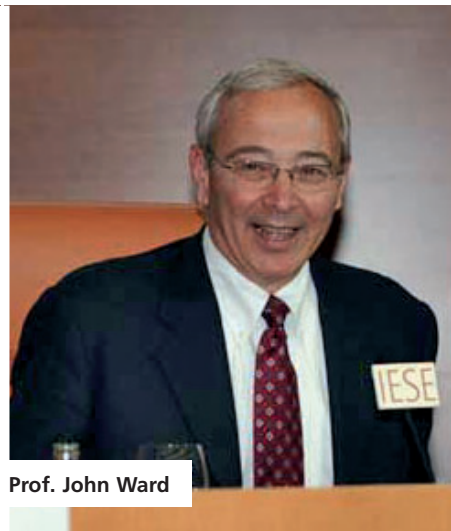
This is why, at a time when executives, investors and even public opinion bemoan the lack of values in the corporate world, family-owned businesses are shaping up to be the role models to watch. The book's 11 chapters review existing research in the field and then correlate it with real-life issues that family-business executives face every day.

For example, generational transition continues to be a major area of growing concern. Succession must be seen as an opportunity and part of an ongoing process, rather than a one-off event that must be done. To avoid some of the common pitfalls of succession, family business owners are advised to set clear boundaries between property, business and family, and to promote a merit-based culture, which helps avoid nepotism.

Yet the best tool in the family business kit is, without a doubt, its values, which "shape the culture of the family-owned business," states Ward.



Prof. Josep Tàpies



Prof. John Ward

future," according to Guido Corbetta, of **Bocconi University**. However, Corbetta told participants that there are no infallible formulas for success as a whole host of factors determine the efficacy of any succession strategy.

Emotional aspects, for instance, play a key role in the management of a family business, according to Ludo Van der Heyden, of **INSEAD**. The professor said the "fairness process" is crucial in preventing despotic practices. This process consists of treating everyone with respect and taking their needs into account.

Meanwhile, Sabine Klein of the **European Business School** stressed the importance of establishing links within a family business, pointing out that the degree of family involvement is instrumental in "shaping the structure of a family enterprise."

Another key issue for family businesses, according to Prof. Nigel Nicholson of **London Business School**, is intellectual

property, which is a completely separate concept to physical assets – and should be dealt with as such.

Among the business leaders that participated in the event's sessions were Roger Pedder, former chairman of the family-owned **Clark Shoes**, Josep Ros, a partner in **Roland Berger Consultants**; and **Antonio Gallardo**, vice-president of the advisory board of **Laboratorios Almirall**.

Numerous distinguished academics participated in the event, including John A. Davis and Belén Vilallonga of **Harvard Business School**; Raffi Amit of **Wharton School**; and Fernando Casado, director of the **Family Enterprise Institute**.

Julie Butler
Cristina Aced