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Success Across Generations: Leading Family Business Boards With Sustainable Impact

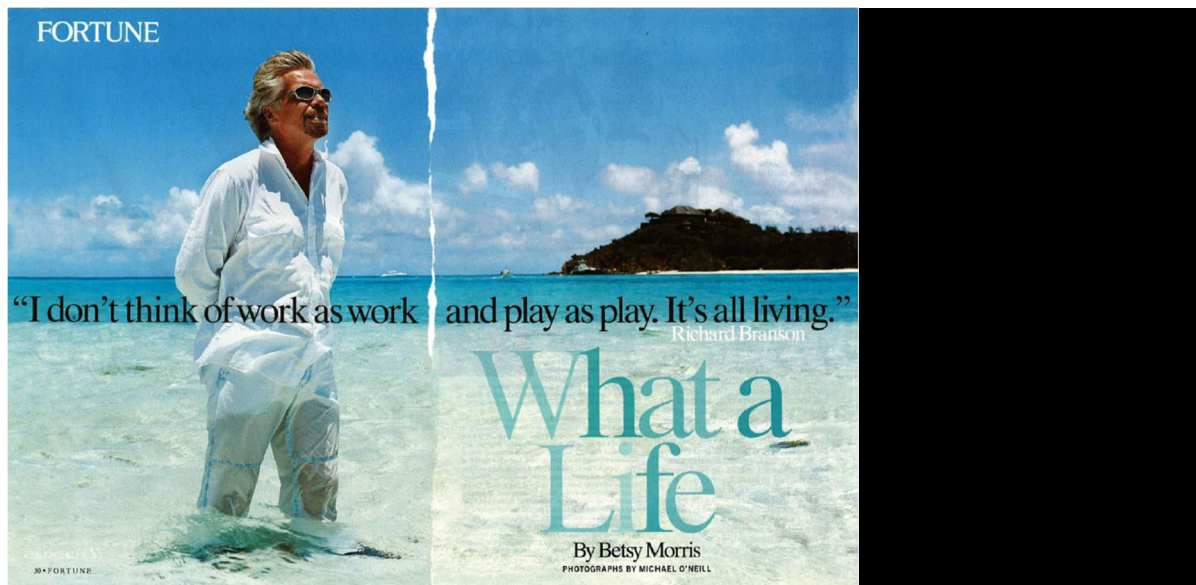
Boards Impact Forum

27 May 2021

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The blurry lines of family business

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Family-owned companies

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The power and influence of family-owned companies

- The majority of the world's companies are family-owned (75-85%)
- Family companies account for 70% of the global GDP
- 60% of global employment
- Strong entrepreneurial drive
- Next generation are emerging
- 10.000+ family offices (50% created since 2000)
- A force for good: Philanthropy and social impact

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**"Wealth shall not pass three generations:
The first generation build wealth, the second
manages it, and the third generation destroys it."**

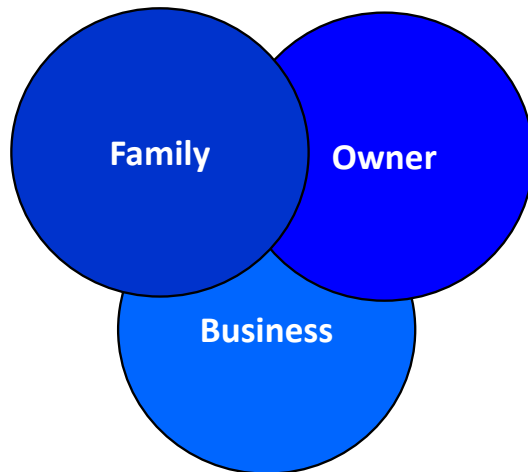
Chinese proverb

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Family business strategy dependant on three drivers

Clear roles, responsibilities and guardrails can help drive sustained success

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Family

- Shared values
- Cultural patterns & myths
- Communication clarity
- Conflict management
- Decision making
- Rules, roles and relationships
- Values & beliefs
- Past, present & future

Ownership

- Purpose of ownership
- Stakeholders value
- Stewardship
- Ownership distribution
- Governance & board
- Legal & regulatory
- Longevity & succession

Business

- Purpose & strategy
- Structure & systems
- Organization & culture
- Compensation
- Technology
- Business processes
- Risk & rewards

Source: Adapted from Tagiuri & Davis (1982)

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Strategy: Key challenges to be addressed

Blueprint for alignment of family business and inter-generational interests

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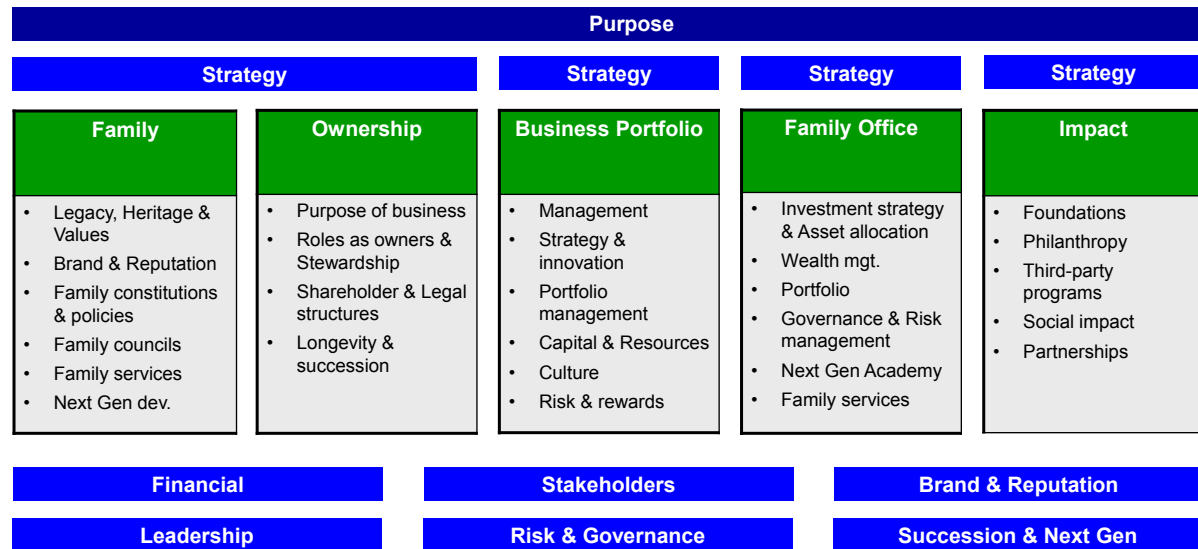
Family	<ul style="list-style-type: none"> ▪ Long-term aspirations ▪ Family grows faster than the business ▪ Family grows apart in values and interests ▪ Development of next generation leaders in business, family and society
Ownership	<ul style="list-style-type: none"> ▪ Definition of essence of the partnership ▪ Design of liquidity and decision making mechanisms ▪ Inheritance ▪ Tax and legal implications
Business portfolio	<ul style="list-style-type: none"> ▪ Corporate strategy – short, medium and long-term ▪ Alignment of family, owner and corporate strategy ▪ Portfolio renewal vs. family traditions and risk averseness ▪ Diversification and liquidity
Family office	<ul style="list-style-type: none"> ▪ Role in overall family eco-system and business portfolio ▪ Family offices policies ▪ Investment policies ▪ Effective governance and management
Impact	<ul style="list-style-type: none"> ▪ Fundamental objectives ▪ Strategy, governance and supervision ▪ Values & ethics ▪ Hybrid investments, social impact and others

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Model: Family business strategy

Aligning the complex eco-system

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Dilemmas in balancing business and family

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1. Growing the business with a long-term perspective



2. Ensuring family harmony and welfare



- **Family interests dictate business strategy** (diversification to accommodate family members?)
- **Corporate strategy overrides family interests** (can lead to family conflicts and exit of family members from business)
- **Business grows slower than family talent** (not enough positions to employ family members)
- **Business grows faster than family talent** (pressure on family members to join and outside professionals may be required)

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Sustainability and family firms

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- The sustainability implications from perspectives of **stewardship**, **family values**, **long-run orientation** and **managerial agency costs** are quite positive and have merit
- Perspectives relating to **conflict**, **private socio-emotional wealth**, and **principal–principal agency** may pull in negative directions
- **Family values** and **educational backgrounds**, **governance arrangements**, **organizational factors**, and **environmental forces** all may have important mediating roles to play
- Some family firms will be exemplary corporate citizens, others will not

No simple answers about the relationships between family firm ownership, management and organizational context and the tendency for family firms to engage in sustainability initiatives

Source: Adapted from "Family firms and practices of sustainability: A contingency view" Journal of Family Business Strategy (2016)

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"What I like is that you are a soul behind the brand. I think it is something that is common to the family brand: The passion and the special investment of the people in the family."

*Vitalie Taittinger, Marketing & Comms Director
(4th generation family member)*

Champagne Taittinger (France)

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"When next generation encounters resistance to impact investing from older relatives it is often resistance to change.

When young, relatively inexperienced members of the family try to dictate the investment strategy, usually the older generation feel they don't have the credibility."

*Liesel Pritzker Simmons
Blue Haven Initiative (family office)*

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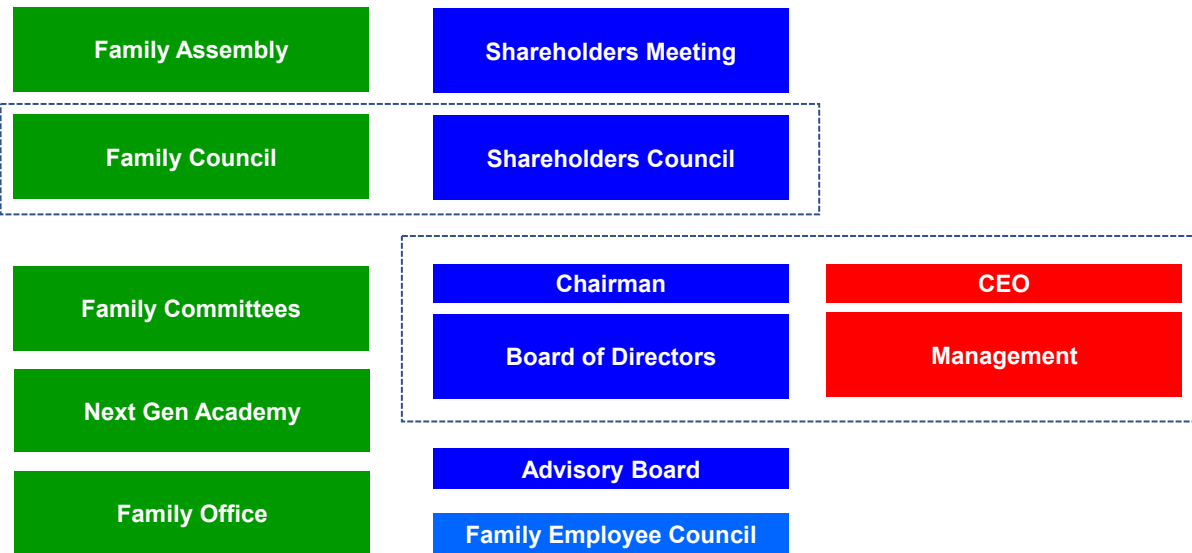
"Only while sleeping one makes no mistakes."

*Ingvar Kamprad
Founder, IKEA*

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Family business system: Governance structure

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Get board roles and dynamics right

Diversity of thoughts, competencies and experiences key to sustainable impact

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Traits of effective family business board members

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- Understanding and care for family and its legacy
- Interest in the company and enthusiasm for its purpose
- High ethical standards, integrity and reputation
- Willingness to say “no” to the CEO
- Open-mindedness
- Objectivity, independence and an “outside-in” point of view
- Strategic thinking, analytical, problem solving
- High sensitivity and integrity to conflicts of interest
- Support and advice on planning for CEO succession
- Smoothing the transition to the next generation
- Mediating in ownership stake/ reallocation discussions
- Planning and advising on exit strategies

Balance past, present and future

Proximity to family owner(s) but keep integrity

Succession and ownership are constant concerns

Beware of cultural differences

Catalyst for sustainability & impact

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“That’s what separates us from non family-owned businesses. It’s the concept of sustainability, which (I’m glad to say) is much in favour at the moment. And this sustainability is lived by the family.”

*André Hoffmann (4th generation)
Vice Chairman, Roche*

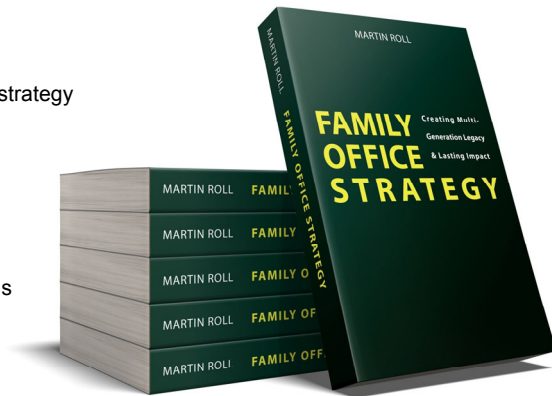
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Family Office Strategy

New management book in 2021

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- What is a family office?
- Strategic importance of family offices in the global economy
- Global family office trends and perspectives
- Family office strategy: A global management framework
- Creating, detailing and deciding on a long-term family office strategy
- Defining the roles of the family and family members
- Family office leadership
- Professional management versus family
- Talent management
- Family office board structures
- Structures, implementation frameworks and operation models
- The family office investment portfolio
- Philanthropy, social and impact investing
- Balancing risks, rewards and governance
- Driving long-term impact in a family office
- Creating and maintaining a multi-generation legacy
- The future of family offices



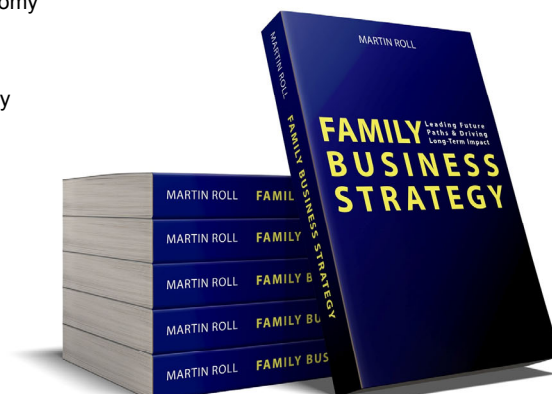
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Family Business Strategy

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- What characterizes a family business?
- Strategic importance of family businesses in the global economy
- Family business strategy: A global framework
- The long-term view as a distinct driver of strategy
- Creating, detailing and deciding on a family business strategy
- Different roles of the family and family members
- Family business leadership
- Professional management versus family
- Talent management
- Managing succession as a constant challenge
- Driving long-term impact in a family business
- Balancing risks, rewards and governance
- Branding as a long-term value creation strategy



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Martin Roll

Business & Brand Strategist

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- Martin Roll delivers the combined value of an experienced global business strategist, senior advisor and facilitator to Fortune 500 companies, Asian firms, family-owned businesses and family offices. He is a global expert on strategy, transformation and leadership
- Mentor for next generation leaders in business families, start-ups and high-growth companies
- Martin Roll is very experienced in engaging and advising clients at all management levels from business owners and C-suite leaders to functional staff across multiple industries and cultures
- Martin Roll has been a Senior Advisor to McKinsey & Company
- Martin Roll is a keynote speaker at global conferences, an experienced conference moderator and executive workshop facilitator
- He teaches MBA, EMBA and Executive Education programs at CEIBS and Nanyang Business School, and is a frequent guest lecturer at Harvard, Wharton, IE Business School, ESSEC and other leading global business schools
- He is a Distinguished Fellow (family business) and an Entrepreneur in Residence at INSEAD
- Martin Roll is a member of the global Advisory Council of Welspun Group (Mumbai), a Senior Advisor to Cocoon Capital (Singapore) and a Senior Advisor to Superson (Finland)

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Business & Brand Strategist

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- Martin Roll is faculty and keynote speaker at The Harvard Project for Asian and International Relations (HPAIR) - a student-run organization of Harvard University. He is a member of the HPAIR Board of Advisors
- Martin Roll is lecturer and keynote speaker at The Academies by Harvard Student Agencies
- Martin Roll is the author of global bestseller "Asian Brand Strategy" (Updated edition 2015) and co-author of "The Future of Branding" (2016) with new books in pipeline: Family Businesses Strategy (2021) and Family Office Strategy (2021)
- He is a business columnist with INSEAD Knowledge, a prolific management writer, and a regular commentator in global media
- Martin Roll has lived in Asia for two decades and serve clients on all continents
- MBA from INSEAD
- **Specialties:** Branding, Marketing, Strategy, Leadership, Digital Transformation, Change & Transformation, Family Business, Family Office, C-suite Mentoring, Business Coaching, Asia & Emerging Markets, China, Retail, Luxury, Private Equity, Innovation & Start-Ups

Contact details

Engage Martin Roll to drive impact

MartinRoll

Martin Roll Company

Mobile: +65 91 26 35 04

Mobile: +45 20 72 18 15

roll@martinroll.com

www.martinroll.com

