

Deloitte.



**Purpose, place & profit
in the family business**

A framework for dialogue
and discussion



The importance of purpose, and the power of place

“A clear purpose is fundamental to family businesses, and those with the strongest sense of purpose are often the most successful – achieving profit with purpose.”



Family enterprises are uniquely complex organisations, with a wide range of interrelated stakeholders who can often pull in different directions.

Yet we see that the most successful family enterprises around the world manage to unite the constituent individuals, family and business and coalesce them around a common sense of purpose.

Clarity and unity of purpose brings great strength. Of course, this is easier said than done, and it can be incredibly hard for a multi-generational family in business together to identify a shared purpose, let alone articulate it.

Against this backdrop, my team and I have been talking about how to make engaging in dialogue about family business purpose easier and more accessible when the concept can seem so abstract.

During our conversations, we reflected on how place can inform purpose, inspired by the discussions between family business owners at our 2017 Family Business Symposium. In fact, during the symposium, I was struck by the consistency of the message that came across from the diverse group of attendees: the most successful family businesses are imbued with a sense of purpose, often deeply rooted in a sense of place.

So it is on this basis that we have developed a framework to help families articulate their shared purpose. It is a simple framework – it consists of a series of questions about place in different guises, under the headings of *individual*, *family* and *business*. Although it is simple, we find it to be very powerful; it can act as a practical prompt for family discussions and also as a self-diagnostic – have you asked yourselves (and answered) the necessary questions to ensure you have a strong platform of purpose, a critical factor for long term success?


Ultimately, we have developed this framework with the objective of encouraging discussion and providing you with a practical tool to use with your family. Our hope is that by considering your individual place in the world, your family's place in your business, and your business' place in your community, you are able to harness the power of place and purpose to ensure continued commercial success and family harmony.

A handwritten signature in black ink, appearing to read 'Alex Sharpe'.

Alexandra Sharpe

Partner & Head of Family Enterprise Consulting
Deloitte UK





“Family businesses around the world have common challenges and opportunities. Likewise they have common drivers, one of which is often the strong desire to give back to the community they are a part of.”

Peter Leach

Deloitte Global Leader – Family Enterprise Consulting



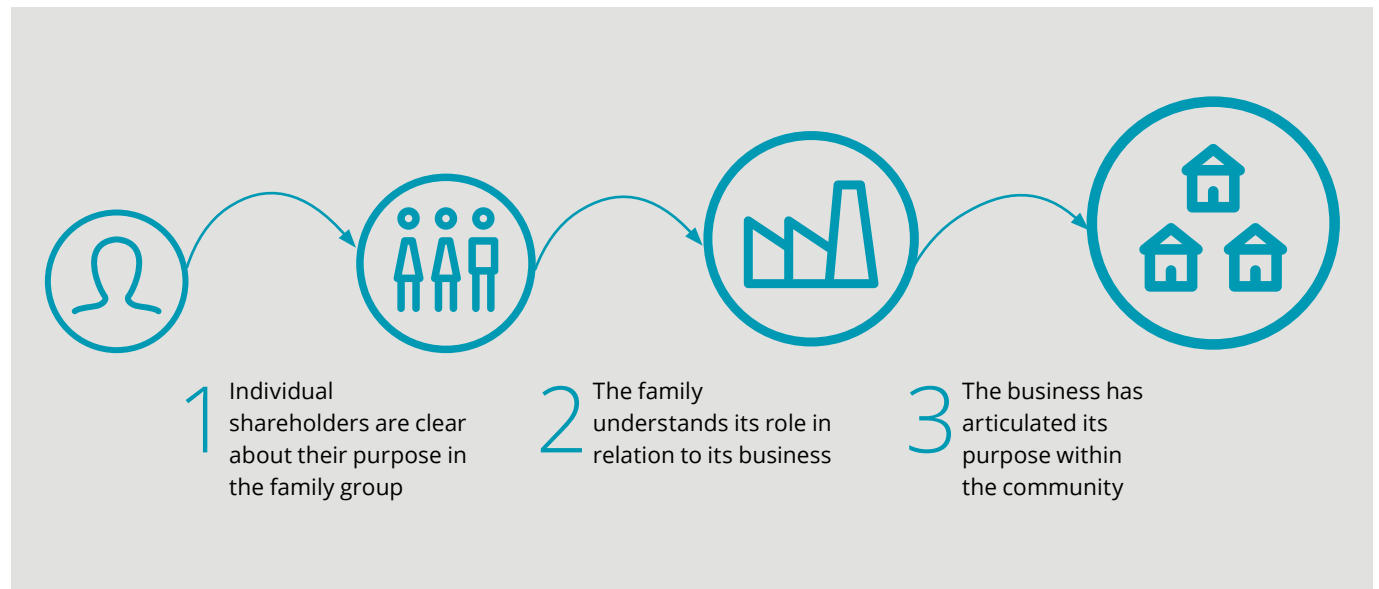
Purpose & place: the individual, the family, the business

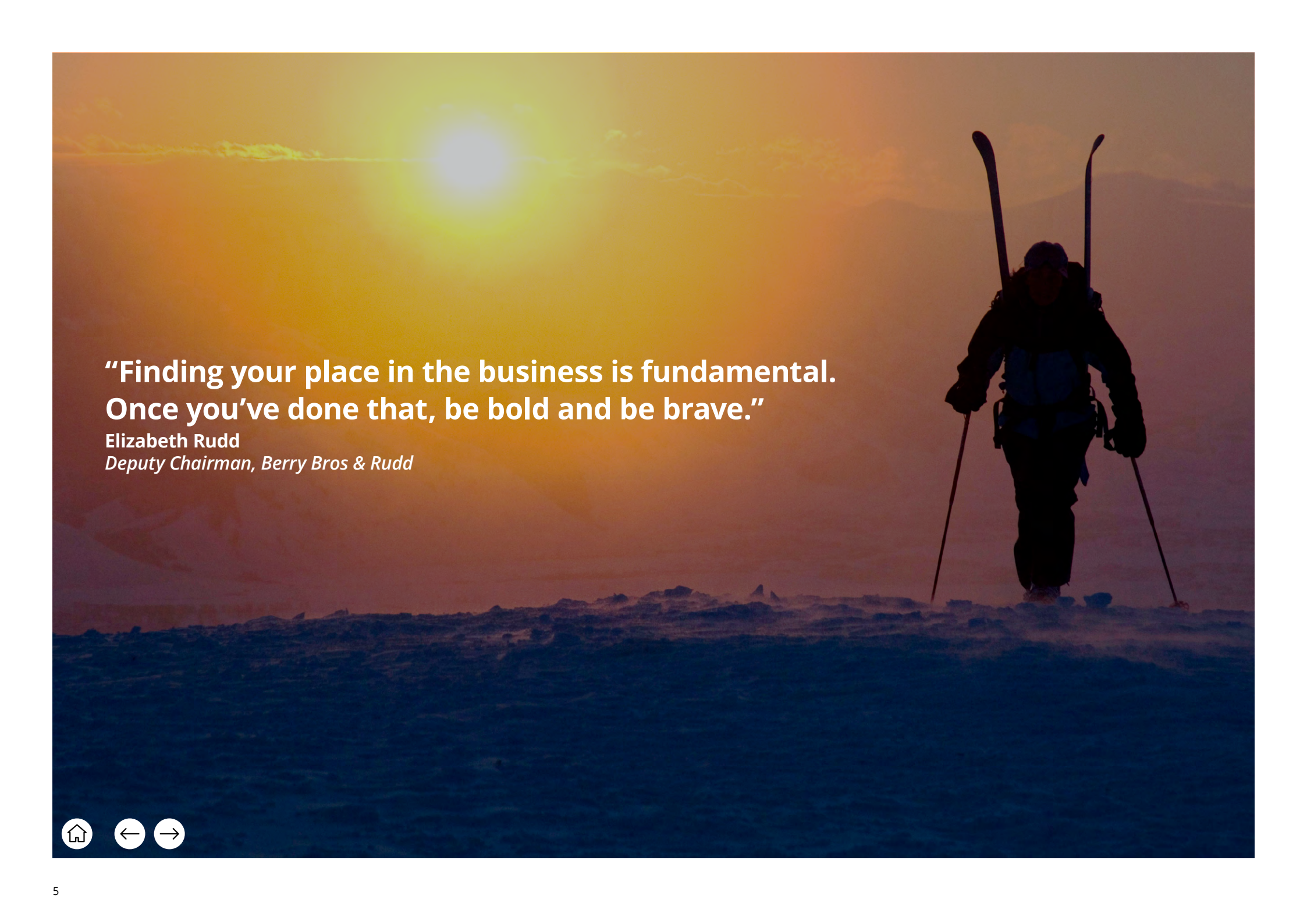


In order for a family business to take advantage of its “familiness”, it is important that the individual family members, the owning family and the business all have a sense of purpose. Without this, there is the risk of pulling in different directions and of conflict within the family or even between the family and the business. Within the most successful family businesses you find the following:

But what does this mean in practice and how can you take steps to create this level of clarity within your own business?

To support you with this journey, we have developed a framework for dialogue to open the conversation about purpose.





**“Finding your place in the business is fundamental.
Once you’ve done that, be bold and be brave.”**

Elizabeth Rudd

Deputy Chairman, Berry Bros & Rudd



Purpose & place: the individual



Finding fulfilment and your place in the world

Recognising the individual

Alignment within a group of family owners is the “holy grail” of a family business. The ability to speak with one voice, provide patient capital for a common set of objectives and provide clear direction to the business is the ideal.

A lack of alignment between the family members involved can very quickly lead to poor decision making processes and even conflict. We find a frequent contributing factor here is a lack of agreement on the role of the family in relation to its business. This question of how the family fits in with their business (otherwise known as “family governance”) is an important one. However, time and time again we see families struggling to answer it in practice because they are seeking to do so within a vacuum, without the input of the individual family members involved.

If the family members themselves are not the starting point when it comes to a conversation about role and purpose, there is a danger that it is not grounded in reality. A family may aspire to manage their business for generations to come but what if the next generation are more interested in pursuing other careers and vocations?

It is essential therefore that when it comes to any family conversation about vision and purpose that individual family members share their personal aspirations as a starting point. This can debunk myths (“Actually, I don’t want to be CEO someday”), build bridges (“I didn’t know you felt the same way”) and inspire action (“Now we can come up with a plan”).

Living in the shadow

Another reason for sharing personal aspirations and discussing your place in the world as a family, is obvious when you consider another perennial family business challenge: very often the next generation grow up in the shadow of success; they may struggle to find their place in the world, to make their mark. Family members who do not have a clear sense of their own path and direction tend to find it more difficult to contribute positively to the family business, whether in the capacity of owners or managers and in extreme cases can derail the stability of the shareholder or beneficiary base.

Supporting each member of your family to ask themselves tough questions about where they want to be, who they want to be can therefore be exceptionally constructive. It can be tough though – whilst a family may be exceptionally close, they may not regularly engage in collective conversations about each other’s hopes, fears and ambitions. Whilst you might recognise that engaging in these conversations would be constructive, the question of where to start is a big one...





**"I am and always will be a Baker
from Bolton."**

Jonathan Warburton
Chairman, Warburtons



Purpose and place: the family



Defining what it means to be a family in business

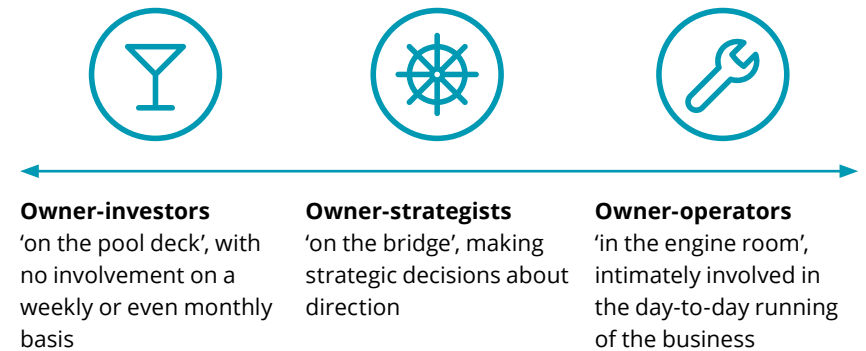
The family position

Purpose for a family business is not just about the purpose of the business, it is also about the purpose of the family, about defining how it fits in with the enterprise and establishing why the family members are in business together in the first place. Without this clarity, misalignment between the constituent stakeholders is a real risk.

Consider a cruise ship – where on the vessel does the family want to be located? Do the family want to be owner-operators, operating in the engine room of the ship, intimately involved in the day-to-day running of the business and ensuring that the engines keep turning? Or would they be better placed as owner-strategists on the bridge, making strategic decisions about direction? Or perhaps they are best suited to being owner-investors, relaxing by the pool deck and with no involvement on a weekly or even monthly basis?

There is no right or wrong answer to these questions. Where a family 'should' sit on the sliding scale from owner-operator to owner-investor is entirely dependent on the circumstances of the situation and the individuals, family and business involved. However, once the position of the family in relation to the business is understood, decisions can be made about what this means in practice.

For example, is a structured induction programme needed for the next generation? Should spouses be eligible to inherit shares and/or attend family meetings? What decisions should be made at the level of the board vs those that should reside with the family? Where do the authority limits begin and end?



Your family identity

Seeking clarity around how the family fits in with the business is just one piece of the puzzle however. There is also the question of the wider vision for the family. As a family that owns a business together, the boundary between family and business is often blurred and it is often the family side of the coin that gets neglected. In practice however, you can make strategic choices about what sort of family you want to be. Do you want to be a close family? What are your values? What commitments can you give each other?

In the best cases, we find that families have a clear sense of their place in the business and find alignment between each of the moving parts, they create a relationship in which both individuals and the business flourish, as well as having a clear sense of who they are as a family.



**“We want our family business
to be a great place to work, a
place where people want to
be, where they belong.”**

Andy Rubin
Chairman, Pentland Brands



Purpose and place: the business



Making an impact on your communities of choice

Defining your communities

The third lens in our framework is that of the business itself. The question here is how and where the enterprise fits into the community. By defining a family business's purpose in this way, it is possible to congregate the various stakeholders involved around a shared vision.

The purpose need not be something lofty, it could just be around making the best widget or loaf of bread, or providing a customer experience that touches people. It just needs to be clear and it needs to be celebrated.

Community means different things to different family businesses, and they may define the community they are a part of in different ways. It could be their community of customers, their particular industry or very often it could be about a certain geography.

Considering which communities you touch and want to touch is a great starting point for a conversation about family business purpose. You can then establish how to reach these and what impact it is that you want to make.

Location, location, location

Many family businesses we know are committed to operating in the place the business was founded – there may be compelling financial arguments for example to move the headquarters elsewhere but actually the economic impact on the local area is too important to them. On the other hand, some family businesses see their purpose as connected to national not just regional matters. Some of the largest families we have worked with in the emerging markets would even consider themselves to be “nation builders” and find purpose in contributing to the economy and infrastructure of their home state.

For almost all family businesses however, the concept of their family business is intimately tied up with making an impact that matters. To quote one of our Symposium attendees, “Doing well, by doing good”.



“Although we now live across multiple time zones, our town unites us, we all identify with it – it’s our shared heritage.”

Garvin Brown

Chairman, Brown-Forman Corporation



Talking about profit, place and purpose

Taking an intentional approach to defining your purpose

Holding a meaningful discussion on family business purpose can be challenging, especially when there are multiple generations involved who have different life experiences, priorities and perspectives. Family dynamics may be sensitive. The purpose of the business may also change over time and given the rapid pace of transformation when it comes to business models, technology and consumer patterns, regularly engaging in discussion to ensure it remains relevant to your family, your customers and the communities is critical. To assist, we have developed a framework, designed to act as the outline for a series of family conversations between family members. By putting aside the time and space to explore these issues, our intent is that you strengthen the foundations of both your family and business.

Individual

1. Where do you want to be in 5/10/15 years?
2. How would you describe your place in the family?
3. How do you see your role in the business progressing?
4. What mark do you want to make on the world?

Family

1. Where should the family sit on the owner manager – owner investor spectrum?
2. Where can we add the most value?
3. Where would the business be without us?
4. Where would we be without the business?

Business

1. Who are our communities?
2. What impact do we want to make on the people around us?
3. What does our location mean to us?
4. Where do you want the business to be in a generation's time?



Deloitte's family enterprise consulting team helps family businesses flourish across generations



Family businesses face a unique set of challenges and opportunities as a result of the complex interplay between business and investment decisions, ownership issues, and family relationships.

That's why our teams in Deloitte member firms across the world offer tailored advice to families, helping them to navigate these challenges and make important decisions at the moments that matter to them.

Combining facilitation with advice centred on succession planning, family governance and next generation development, we help families foster harmony and commercial success across generations.

Want more family business insights?

Subscribe to the Deloitte Family Enterprise blog to hear family enterprise consulting experts in the Deloitte global network of member firms share their collective wisdom and provide insight on the issues unique to family businesses.

Here you will find weekly discussion on topics such as succession planning, family governance, family remuneration, managing differences, and much more.

Visit our blog at <http://blogs.deloitte.co.uk/family-enterprise> and read more about some of the ways we're supporting family businesses on our website at deloitte.co.uk/familyenterprise

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