

A GUIDE TO

polaris

INSPIRING FAMILY BUSINESSES TO FIND TRUE NORTH

A Sustainable Future for People, Community, the Environment & Future Generations



BETA VERSION

ABOUT THE GUIDE

This beta copy of the Guide to Polaris reflects six months of dialogue with and input from Family Business Network (FBN) members, Family Business and Sustainability Specialists. The Polaris Advisory Committee acknowledges that the process has only just begun and more needs to be done in developing a framework and roadmap. This beta guide is timed for release at the 25th FBN Global Summit in Dubai. It seeks to solicit feedback, start conversations and invite FBN Members to share challenges and opportunities they have faced and are facing on their Sustainability Journey.

To participate, please contact Alexis du Roy at adr@fbn-i.org or Caroline Seow at carolineseow@fbn-i.org

ABOUT THE CASE VIGNETTES AND STUDIES

The guide includes family business vignettes and studies that focus on aspects of sustainability. These narratives are not intended to be detailed case studies and are not designed to correspond to particular stages in the roadmap. Rather they are included to highlight the different sustainability initiatives undertaken by family businesses around the globe enabling FBN members to participate in a shared learning environment.

ACKNOWLEDGEMENTS

A Guide to Polaris is authored by members of the Polaris Advisory Committee with inputs from Caroline Bailey (Gallo Family), Rachel Wooliscroft (Wates Group), Hardik Savalia (B Corp) and Flora Bernard (Thea). We are grateful to the Tsao family for their support and the following family businesses for sharing their stories in the section Sustainability in Action: Van Wijhe Verf, Hamra Enterprises, Aboitiz and Wates.

ABOUT THE POLARIS ADVISORY COMMITTEE

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

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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 constantly search for ways to reduce the ecological impact that we create and safeguard the environment that we all share.

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.

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FOREWORD

DOING WELL BY DOING GOOD - THE FBN SUSTAINABILITY JOURNEY

With values that transcend generations, Family Business Network members are aware of our role as responsible stewards of long-term successful businesses. We are conscious of our commitments not only to our families and employees but also to the community, environment and, more importantly, to future generations.

At FBN International Summits and local events, we are inspired by the stories of members who, by their philanthropic and corporate responsibility endeavours, make an impact in the world. Beyond their business footprint, the 'FBN Social Entrepreneurship Day' and 'Make a Difference Learning Journey' initiatives of the last decade have also served to educate members on the value of social businesses models.

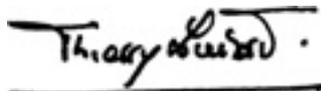
With our intrinsic intergenerational nature, family businesses are uniquely positioned to be leaders of a 'responsibility revolution', ushering in a new era of inclusive business and conscious capitalism. At our 22nd Global Summit in Singapore in 2011, for the first time in writing, we affirmed our promise to promote a business model that will sustain present and future generations; a promise encapsulated in our Pledge for '*A Sustainable Future*'.

As FBN celebrates its 25th Anniversary, we seek to make this Pledge a reality for the future. We have

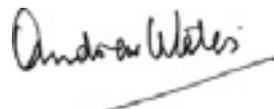
developed *Polaris* – a comprehensive framework and roadmap to guide family businesses on this pathway to sustainability. Interviews, dialogue sessions and case study explorations with over 100 members on their views regarding Sustainability in general and the Pledge in particular have provided the building blocks of *Polaris*.

We recognise that many FBN members are far along their pathway to sustainability, while others may just be starting their journey. The Guide to *Polaris*, developed through the lens of a family business, is designed to be a living document. We invite all members to contribute their thoughts, experiences and be active participants in this shared learning journey. This comprehensive initiative is meant to serve as a catalyst for family businesses to transform their aspirations into concrete actions leading to new innovations, business opportunities and leadership in their fields.

In discovering our True North we shape together the next 25 years of our network. As we leverage our community of 3.000 family businesses, we bring a unique set of knowledge, expertise, ideas, assets, values and people, who do well by doing good: on this basis, we can act now to create a better world for our children and grandchildren.



Thierry Lombard
Chair,
FBN International Committee



Andrew Wates
Chair,
Polaris Advisory



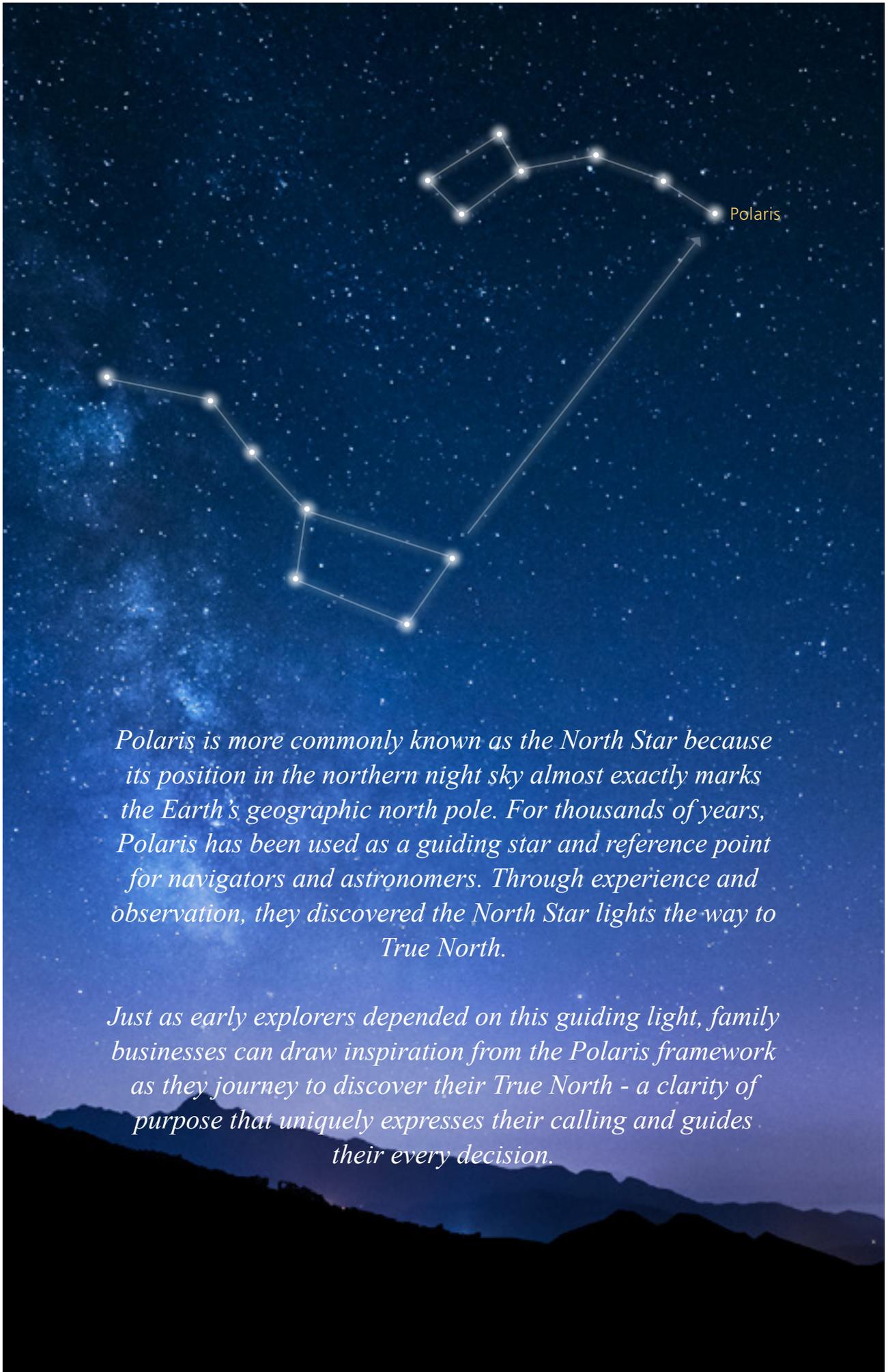
Samuel Maldonado Degwitz
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Lina Wang
Vice Chair (Next Gen),
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Polaris Advisory Committee



Polaris is more commonly known as the North Star because its position in the northern night sky almost exactly marks the Earth's geographic north pole. For thousands of years, Polaris has been used as a guiding star and reference point for navigators and astronomers. Through experience and observation, they discovered the North Star lights the way to True North.

Just as early explorers depended on this guiding light, family businesses can draw inspiration from the Polaris framework as they journey to discover their True North - a clarity of purpose that uniquely expresses their calling and guides their every decision.

SUCCESS AND SUSTAINABILITY OVER GENERATIONS

There is no business like Family Business. They stand out from other types of businesses because of a certain kind of passion that is a unique source of strength.

What really makes family businesses so distinctive is their intergenerational nature: the fact that every one of them is a reflection of their owner's values and their innate responsibility to measure success in the long-term. Their concern for the future leads them to consider the impact of their actions on family, employees, suppliers, customers, the environment and community at large.

This is exactly why it should come as no surprise that a number of well-known family business including Mars, Godrej, Roche, Walmart and SC Johnson have historically set the standard for what it means to be a 'sustainable business'.

Throughout its first 25 years, FBN dedicated itself to helping family businesses grow, succeed and prosper through the exchange of best practices, new ideas and the peer-to-peer learning within its network. In the next 25 years, we believe that every one of our members has a unique opportunity to lead the way when it comes to sustainability.

To make this vision a reality for your family business, we have developed Polaris, a comprehensive framework and guide, to help you chart your journey and enable your family business to find its own True North.

GRUPO ALGAR: 'PEOPLE SERVING PEOPLE'

Grupo Algar is a Brazilian conglomerate that was started in 1929 and has businesses in telecommunications, agribusiness, service and tourism. Transparency is an important issue for the company, and it has publically committed to reporting its sustainability results every year utilizing the standards established by the Global Reporting Initiative.

The family takes a holistic view of sustainability and their report reflects this as seen through the efforts of their employees, the work they do in local communities, their dedication to philanthropy, and their commitment to the environment.

For them, everything springs from active family governance and is embodied in their values statement, which defines their commitment to transparency, professionalism and responsible stewardship. In short, every decision they make is rooted in sustainability principles.

Polaris incorporates a holistic approach to sustainability that has economic, environmental, social and cultural dimensions. We believe that true sustainability enables positive social change, encompasses environmental stewardship, embraces fiscal responsibility, drives profits, fosters innovation, and enriches future generations.

As enshrined in our Pledge, sustainability empowers humans to work in collaboration with each other and in concert with nature and the environment, fulfilling the economic, social and other requirements of present and future generations.

A close-up photograph of a small, vibrant green plant with long, thin leaves growing out of a crack in a light-colored, textured rock. The background is blurred, showing more of the rock and some distant greenery. The lighting is bright, highlighting the texture of the rock and the color of the plant.

It is not the strongest of the
species that survives, nor
the most intelligent that survives.
It is the one that is the
most adaptable to change.

Charles Darwin

English naturalist & geologist, main proponent of Evolution theory

POLARIS - A HOLISTIC APPROACH

Every sustainability journey should begin with establishing a shared definition of what sustainability means to you and your family business. Depending on who you are or where your responsibilities lie, it may mean everything or nothing to you. For some time, sustainability has been loosely associated with companies 'going green', or perhaps used to call out the activities a business undertakes to reduce its environmental impacts – something broadly perceived as being achievable only at a cost to the bottom line.

Today, however, we are increasingly able to quantify the intangible benefits of a sustainable business strategy. Today, we are moving beyond mere cost efficiencies. Today, sustainability isn't just good for business – it is good business. What's more, family businesses are uniquely positioned to play a key role in advancing sustainability. In 1987, the United Nations' Brundtland Commission was tasked to align the world nations around a shared vision for sustainable development. It built its recommendations on this organizing principle:

Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.

Today, more and more businesses, both family and non-family, are embracing this definition and demonstrating that sustainability is no longer a challenge that must be dealt with at some future point, but rather an opportunity that should be embraced in the here and now.

LUCK COMPANIES: CREATING A VALUES-BASED COMPANY CULTURE

Luck Companies is a US-based third generation, family-owned and managed company that quarries and sells many types of stone. During a rapid period of growth in 2002, the culture of the company began to fray as employees lost sight of its shared purpose. As a result, divisions fought for resources, people felt frustrated, and company performance declined.

The company decided it was time for a change, so it began a program to rebuild its culture around their core values—integrity, commitment, leadership and creativity. In order for this program to be a success, the family leaders knew they would need to embed these values in everything that the company did. They also wanted to demonstrate their deep commitment to support and develop the human potential of their workforce, which they knew would enrich all of their company activities.

After rolling out this internal change initiative, the company has now incorporated the program into its orientation materials, and it continues to be reinforced in monthly classes that focus on applying the values in company decisions. This program has led to performance gains by the company in relation to its competitors, but more than that, the company has again become a great place to work – as evidenced by marked improvements in employee recruitment and retention, and in encouraging each and every employee to think, learn and innovate in all of their work.

SUSTAINABILITY, LEADERSHIP AND BUSINESS

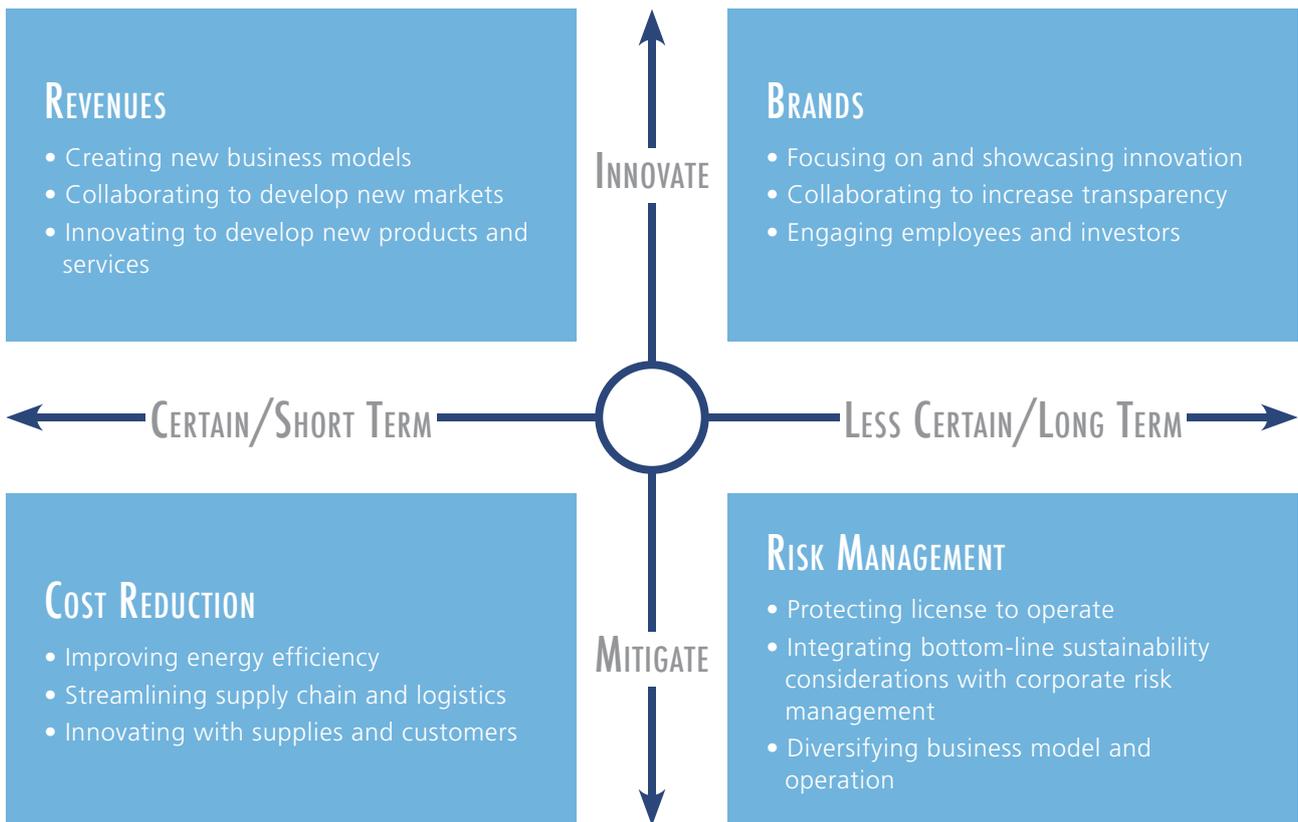
Of course, this may all sound good in theory, but is there really a clear business case for adopting a more integrated approach to sustainability? Simply put, countless businesses have shown that the answer to this question is a resounding yes. Whether a business is looking to mitigate risk in the short term or innovate in the long term, *sustainability can be a distinct differentiator in a competitive marketplace.*

This is because, at its very core, sustainability is focused on challenging the status quo and creating opportunity where none previously existed. It is also about measuring what matters and thinking beyond the narrow confines of a compliance based mindset. For many businesses, this shift results in a wide range of positive benefits for both itself and its stakeholders.

In the short term, it can save the business money through initiatives that decrease the amount of energy and water it consumes or the amount of waste it produces. It can also show huge increases in employee engagement, which has been shown to decrease turnover and even help with recruiting new talent.

In the longer term, it can transform the entire culture and get it think more holistically, which can establish new perspectives on business risks and deliver numerous new inputs to consider in the innovation process. On the slightly more intangible side, it has the potential to dramatically improve your business' reputation and build your brand in ways you perhaps never thought possible.

Fig. 1: The Sustainability Payoff



Source: Accenture Outlook, 2012

But don't just take our word on it. This guide and the accompanying toolkit features cases from fellow FBN members that show how they have activated sustainability within their family business and the returns it has delivered. We hope you find them both inspirational and educational.

THE ROLE OF 'FAMILY' IN SUSTAINABLE BUSINESS

'Polaris is focused on how family businesses earn their money and not just how they spend it. Yet there is a role for the non-executive family member...'

In a family business, the owners and other non-executive family members undoubtedly care about the business and recognize that it is a reflection of their heritage, legacy and values. In turn, they may want to have a voice and role in the business sustainability efforts and, correspondingly, the business leadership may want to engage family members in their efforts. But how do we engage family members who share these values though they may not be actively participating in the business?

For many business families, sustainability initiatives encompass not only business sustainability but also such areas as family education, philanthropy, investments and lifestyle. Shaped by its own culture and values, a family can make community service de rigueur for the next generation, practice recycling or embrace socially responsible investing. Decisions taken by the family as it unfolds on a parallel path, complement business sustainability initiatives. This shared learning journey fosters family cohesion. In time and where appropriate, the family can lend its social, human and financial capital to the business.

While the business charts and implements initiatives connected to its people, the environment and the community, the family is best positioned to bring

the final dimension of the Pledge to life – the role of future generations.

While members of the family taskforce leading the sustainability effort may not be active in the business, they have to be passionate about driving this process within their family. The taskforce will consider how the family can align on the inspirational Why, implement the Pledge, and develop and support a family action plan. This plan may include supporting and developing members of the next generation, creating platforms for dialogue and sharing values, involving the family in community and philanthropic projects, and ensuring that the assets the family has outside the business will be invested and managed responsibly.

The family and the business will operate on parallel paths when activating their sustainability plans. However, as they both progress on their journeys their paths will increasingly converge, as they are both ultimately driven by the shared values that were aligned upon at the outset of the journey. This synergy will create an opportunity for family businesses to demonstrate what it truly means to be a sustainable family business and possibly redefine the role of business today.

MARS INC: 'SUSTAINABLE IN A GENERATION'

Family-owned Mars, one of the world's largest candy and food companies, has committed to a corporate culture among employees that values sustainability. This 'Sustainable in a Generation' program educates employees and sets climate targets for each of their divisions, committing to a 100% reduction in fossil-fuel use and greenhouse-gas emissions by 2040. At its launch, the company spent 18 months engaging their employees and working with each unit to develop a mutually agreed upon set of targets. This has led to a deep and shared commitment to their sustainability efforts. For them, everything springs from active family governance and is embodied in their values statement, which defines their commitment to transparency, professionalism and responsible stewardship. In short, every decision they make is rooted in sustainability principles.

**There is no passion to be found
playing small -
in settling for a
life that is less than
the one you are
capable of living.**

Nelson Mandela

*Dismantler of apartheid, former president of
South Africa, recipient of the Nobel Peace Prize*



A SHARED WHY, A COMMON VISION

While it is very important to develop your business case for sustainability and identify your specific business drivers, these may change over time. So perhaps the best place to start is through establishing a shared vision or a **Why**.

Why should your family commit time and resources to this?

The **Why** lends both meaning and direction to your journey, while also establishing a rallying cry for everyone involved. In other words, don't just focus on what you are going to do, start with understanding why you are going to do it.

Polaris has been designed with a similar combination of inspiration and application in mind. As you will see, the five stages of the roadmap outline suggested steps and activities. However, before we get into the 'what' and 'how' of Polaris, here is our **Why**:

Sustainability should headline the agenda for every family business today. Not just because we have reached the tipping point – where pursuing a sustainability strategy has become a global imperative and is good for business – but because no other organizational entity is chartered to address the future with as long a timeframe, as intrinsic a focus, as holistic an approach.

Sustainability represents the convergence of values that family businesses bring, and the value we create for the future.

By discovering our True North – a clarity of purpose that guides our every decision – family businesses can journey together, through shared learning and the positive impacts we make within our organizations, our surrounding communities, the environment at large, and the legacy we leave to future generations.

Going forward, this **Why** will serve as our internal compass and gauge for success on our collective Polaris journey. We look forward to working with all our members to make this vision a reality and re-establish family businesses as the barometer for what sustainable success looks like both now and in the future.

ROYAL SELANGOR: A 'CONFLICT-FREE' SUPPLY CHAIN

Royal Selangor is the world's largest pewter maker, started in 1885 in Malaysia. Their main raw material, tin, is mined in regimes that are associated with human rights abuse.

The company decided that they did not want to support such abuse. Even though it was more costly for the company in the short-run, in 2013, they decided to source 100% of their tin from a single smelter, who could assure them that their tin came from a conflict-free location.

This decision came after the family owners began an internal education programme to raise management awareness of their values about social responsibility. They have not publicly marketed their decision, but the family is convinced that this is the right way to do business.

A silhouette of a person's arm and hand raised in a gesture of hope or triumph, set against a warm, golden sunset over the ocean. The sun is low on the horizon, creating a bright glow that silhouettes the person's arm and hand. The ocean waves are visible in the foreground, and the sky is a mix of orange and yellow.

**We ourselves feel that
what we are doing
is just a drop in the ocean.
But the ocean would be
less because of that
missing drop.**

Mother Teresa

*Catholic nun, devoted missionary to the poor
of India, recipient of the Nobel Peace Prize*

THE ROLE OF THE CHAMPION

For many family businesses, a champion from within the family and/or business who is excited about the possibilities of a family business focused on the 'triple bottom line' (financial, social, environmental), provides the spark that sets this journey in motion.

However in order for sustainability to take root within the business, this champion must quickly move the inspiration from I (the champion) to We (the family business) by rallying key stakeholders from within the family, business and owner subsystems. From there, sustainability will touch and involve an increasingly larger set of stakeholders as it ripples out through your family business.

That said, the role of the champion in getting the process going can be incredibly varied in both approach and length. In some businesses this may mean establishing buy-in through a couple of small projects that deliver quick yet meaningful wins; while in others it may involve building an extensive business case to present to the board. In either case, it is critical to be clear about the opportunity sustainability presents and establish both short and long-term benefits to the family business.

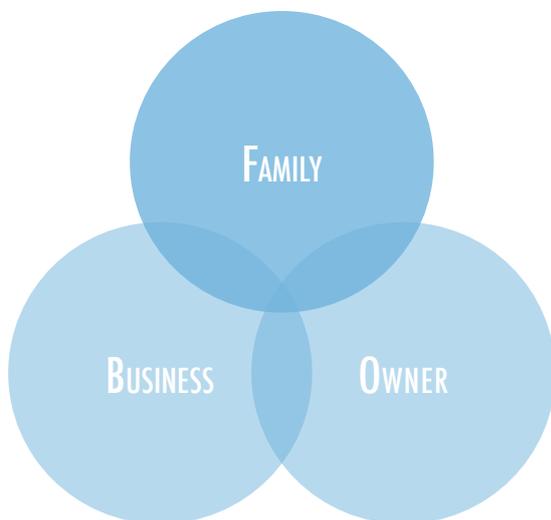


Fig. 2: The Three Circle Model
Champions can come from the family, business or owner circles. What is critical is moving the inspiration from 'I' (champion) to 'We' (the other members in the three circle model)

LINA WANG, SINGBEE LIGHTING

Zhejiang, China

My Spark: *My father was the spark who set us on our course. He witnessed our beautiful hometown of Pujiang being slowly but surely destroyed by pollution caused by the production of incandescent lighting, and determined to do something about it. In 2006 he founded Singbee Lighting which manufactures only LED lights. Now the responsibility to carry on that good work is shouldered by me.*

My Why: *I truly treasure and am thankful for what my father is passing down to me – but I want life to be about more than just the number of zeros in your bank account. I have chosen to invest my life's work in something that has great market potential but also very positive environmental impact. LED lighting offers energy savings, and contains no mercury, and creates virtually no pollution during production, use and disposal.*

My Goal: *Singbee Lighting was founded to help address China's energy crisis. Our company is committed to working with like-minded partners to produce only the highest quality LED lighting for its economic and positive environmental impacts. We are determined to foster a more sustainable future for the people of China and the rest of the world.*

**When the priorities of
business and society align,
everyone stands to gain.**

Richard Branson

Founder of the Virgin Group, visionary entrepreneur



A SUSTAINABLE FAMILY BUSINESS

After the champion has made the case, how do you get everyone in the family and the business aligned on the road ahead and, ultimately, how will you ensure you are building a sustainable family business? Unfortunately there are no easy answers to these questions; finding solutions depends on the industry your business is in or the scale at which your business operates.

That said, there are some universal issues every business has to address, which is why our members have created the Sustainability Pledge. Signing the Pledge is a great first step in your family business' sustainability journey, as it establishes a shared understanding between the family and business on how you value people, communities, the environment and future generations.

The Pledge serves as a great jumping-off point as you look to define the 'why' of your family business. This 'why' will often be deeply rooted in the family's values, and contain a strong viewpoint on the legacy to be shared with the next generation. It gets beyond what your business does and makes clear what you stand for. It defines your Purpose and gives everyone within both the family and the business a clear destination by which you can define your journey.

Once the Why is clear, the business must align on what it is going to do to become more sustainable and how it is going to get there. These are big business decisions that must have buy-in from the board and senior executives if they are going to be successful. In order to ensure these leaders are making informed choices, time must be given to properly assess the opportunities, challenges and risks that likely lie on the journey ahead. It is also critical that a governance structure is established at an early stage, so everyone is clear on the time and resources will be initially allocated, who is accountable for what, and how information will be shared going forward.

Once the family owners and business leadership are aligned and a draft plan for moving ahead has been established, key stakeholders must also be consulted in order to ensure the broader viability of the plan. Employees will need to be engaged and, as the plan evolves, capacities will need to be developed. This ever-widening participation and professionalization of the plan will allow the plan to

SIMON TORRES, GRUPO CONTEMPO

Bogota, Columbia

My Spark: *My sister was the initial spark who set our family business on this path; but when she joined Colombia's Ministry of the Environment I took over the charge to champion sustainability within our company.*

My Why: *We have an incredible opportunity to do something valuable in life through the way we do business. As a family business, we actually borrow from our children. We have received something; and as responsible citizens we want to give something back. It's our turn; and it's now. Because sustainability is not just about the environment, but also about our role in our community and in society. It's our family commitment.*

My Goal: *My ambition is to transform buildings in Colombia. My father founded a traditional construction company – now we are transforming it into one that designs, builds and operates sustainable buildings, both in the environmental and social sense.*

evolve beyond the immediate set of stakeholders and start a positive feedback loop in motion.

The real benefits arise for your family business when sustainability moves beyond operational issues and becomes a real driver for innovation. It will reshape the way your family business thinks, makes and delivers products and services. It will create new meaning for your staff, customers and consumers – and force everyone, including suppliers, to rethink how they view your business and brand. It will drive competitive advantage and, ultimately, even redefine the way business is done.

If you do not change direction,
you may end up where
you're heading.

Lao Tzu

Philosopher & poet of ancient China



THE POLARIS ROADMAP

At FBN, we believe that sustainability is a journey and not a destination. Polaris has been designed as a guide for navigating your family business through the various stages of this journey. So whether your family business is just embarking on the path or you have been focused on sustainability issues for years, this Roadmap is meant to trigger conversations, help drive sustainability in every aspect of your family business, and deepen the commitments you have already made.

We encourage every family business within FBN to begin this journey by developing shared meaning around the Pledge and connecting with other members to enable peer learning and support. As many organisations begin their transformation, they often shift from 'outside-in' drivers (i.e. NGO pressure or consumer or community mobilisation) to 'inside-out' initiatives (i.e. efficiency, cost savings, resource management) to just 'doing well by doing good'. In some cases employee-driven actions (i.e. volunteering, etc) turn into more formalised initiatives (i.e. procurement from social enterprises, developing

'base of the pyramid' solutions, etc) as social intrapreneurs help champion, incubate and deliver business solutions that add value to both society and the bottom line.

No matter what the driver, we also recognize that your family business may not evolve along a prescribed linear path, and this roadmap is not meant to be a prescriptive step-by-step process. It is important to keep in mind that, due to the diverse nature of many family businesses, it is possible that different parts of your organisation may find themselves in different stages at the same time. This can actually create great possibilities for cross-learning; so it is important that everyone involved in your efforts continually communicates with each other in order to identify and take advantage of these opportunities.

This roadmap has been created with all of these factors in mind, and it is based on similar paths that many businesses have taken to become more sustainable. Most importantly, it has been designed to serve the unique needs of the family business.

LAW GIN KYE, LAW ASSOCIATE GROUP

Kuala Lumpur, Malaysia

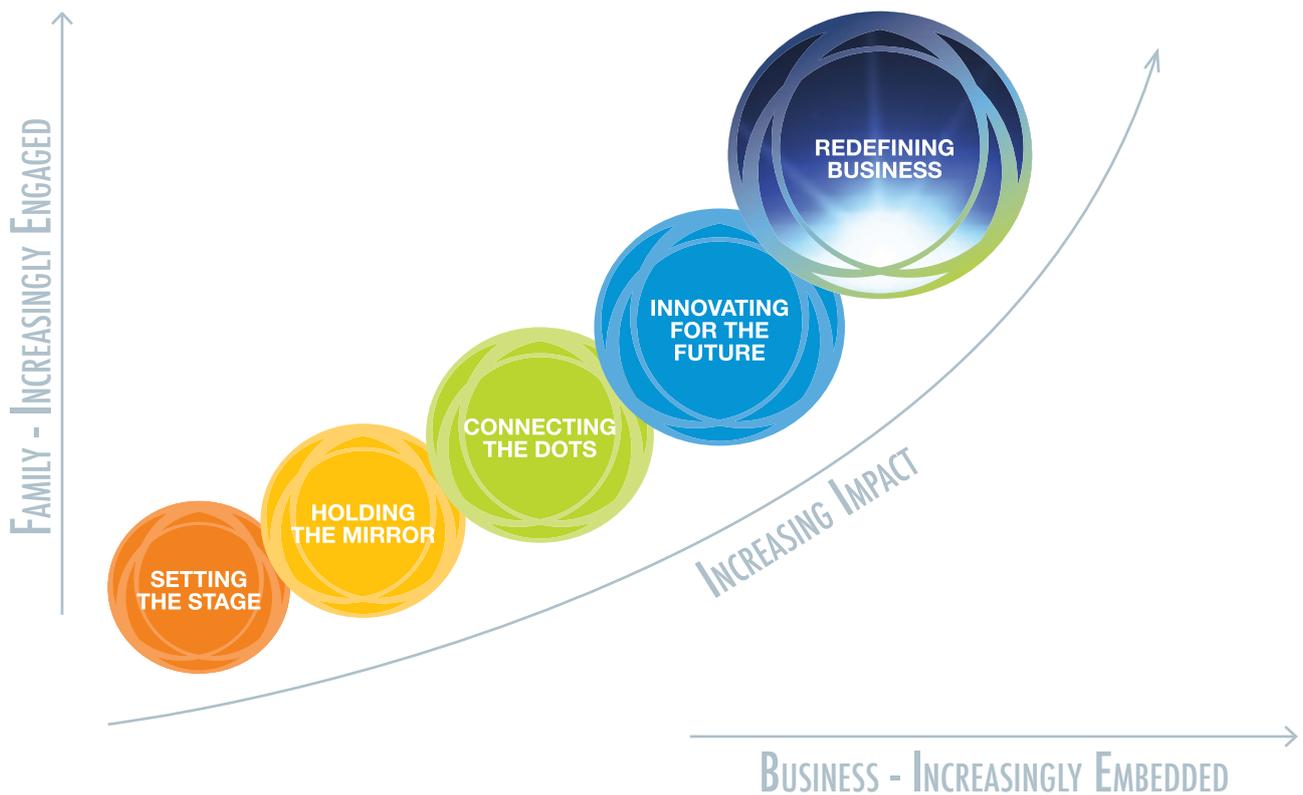
My Spark: *When I was a volunteer, I met a poor mother who had developed chronic occupational asthma due to an unhealthy work environment. Yet she continued to work rather than see to her own health, so that she could provide food for her children every day. At that moment, I realised that this mother's dilemma was not isolated, but common among the poor. The life encounter moved me. I had a choice.*

My Why: *Through my Mum's example and led by my own faith, I've always tried to serve others with what I have been given, and do good when there is a need. The poor need financial protection; there is no insurance for them. I pursued the cause of financial inclusion for the poor, and got an opportunity to address industry authorities. This eventually led to a cross-sector collaboration to develop the first micro-insurance type of financial protection plan for families caught in the bottom of the pyramid in my country.*

My Goal: *There is joy in sharing good, especially if the family can do good by sharing not just what we have been given – our treasure – but also our time and talent. Seeing what good can do when resources are channeled to purposeful mission, our family established The Good Foundation focused on addressing systemic poverty. Our vision is to build a community that celebrates good, by providing opportunities to all who are in need to help them realise their potential through sustainable enterprise models. We've started it with our own businesses, and are now sowing it in others.*

POLARIS - A PATHWAY TO SUSTAINABILITY

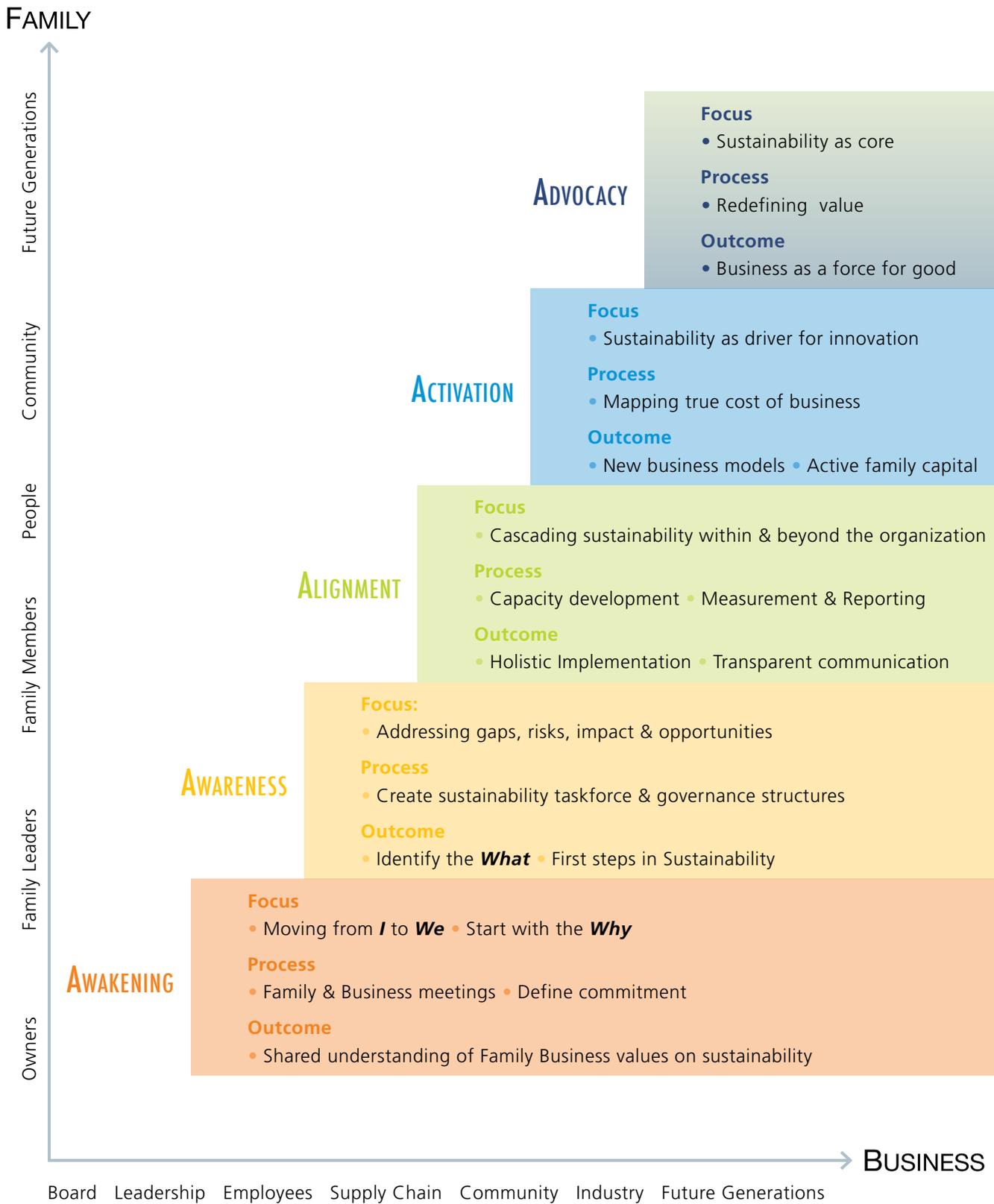
Polaris has been developed with the interests and challenges of family businesses at its core. The model is meant to help your family business assess its current state, and inspire it to find its own True North. It is grounded in systems thinking and prioritises engagement and partnerships. We recognize that a fundamental evolution like this is seldom straightforward or prescriptive and encourage you to find a path forward that suits the unique needs of both your family and business.



THE STAGES OF THE JOURNEY

For every family and its business, sustainability will ultimately not be something that has to be considered or discussed, it will simply be a way of being, the way we do business. 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 often begins with an **Awakening** of Family & Business leadership.
- This quickly translates to a level of **Awareness** where the leadership is aligned and people become aware of what's at stake.
- The momentum gained in this phase will lead to **Activation**, – inclusive acts that result in energized family members, employees and other stakeholders who will in turn champion the ongoing journey.
- In the end, your **Advocacy** with an activated group of game-changers (comprising family members, employees and other change agents) will help you redefine the way business is conducted, for this and future generations





**Change before
you have to.**

Jack Welch

American business leader, author & speaker

STAGE ONE: SETTING THE STAGE – AWAKENING



OVERVIEW

Through the efforts of the family business champion, leadership in the family and business wake up to the sustainability challenge and opportunity. They acknowledge the issues and appreciate that business as usual with its single financial bottom line is no longer the way to measure family and business success. They become aware of what is possible for both the family and the business on the sustainability journey everyone is about to embark upon. In this first phase, it is critical for the key stakeholders to develop a collective inspirational Why – a shared understanding of why sustainability is important to both the future of the family and the business, as well as what level of commitment will be necessary to achieve this vision.

It is about creating a culture within both the family and business that acknowledges the importance of sustainability and the need to take collective action to create a positive change.

CULTURE: AWAKENING

Awakening of Family & Business leadership.

FOCUS

- Create an inspirational Why for the business that embodies the family's values and gets key stakeholders excited about the journey
- Develop a shared understanding/definition of sustainability that both the family and business can align on
- Establish a commitment to transparency on the sustainability journey

OUTCOMES

- Sign the Pledge with understanding
- An inspirational, shared Why for the business and family - their True North.
- Clear alignment and commitment to the journey ahead

STAKEHOLDERS

- Family Business Champion
- Family Leaders and anyone passionate about sustainability
- Board/Owners
- Senior Executives

PROCESS

To begin the journey, awareness and commitment to sustainability must move from one person, the Champion ('I') to the family and the business ('We'). The process requires a series of steps to gain alignment and establish commitment.

KEY ACTIVITIES FOR BUSINESS AND FAMILY:

1. Develop shared meaning around the FBN Pledge

A Champion from the business and/or family will likely drive this first step, which involves connecting with key leaders from the Family and the Business to educate them about the Pledge, consider what it means for the family or business, jointly agree to sign it, and commit to bring it to life.

Consider the following approach to achieving this task:

- a. Identify key stakeholders and influencers
Determine who needs to be involved in signing the Pledge
- b. Circulate the Pledge
Distribute copies of the Pledge and align everyone around the fact that signing the Pledge will constitute the first step in committing (or recommitting) to both the family's and business' sustainability journey
- c. Sign the Pledge
Get the most senior members of the family business to sign the Pledge

2. Form Sustainability Circles

Led by the senior leadership from both the family and business who have signed the Pledge, these are key influencers who want to actively define the work that comes from signing the Pledge. There will be a group from the business, and a separate and parallel group of members from the family. While one or two people may overlap - perhaps a next-generation family leader - the groups will work mostly separately, as there are aspects of the Pledge that pertain to the business, and other aspects more relevant to the family.

Business Circle:

This circle will serve as an advisory council to the business' sustainability initiatives and commitments. It should include a cross-sectional representation from the entire family business, as it will be tasked with establishing an initial direction until a more formal governance structure can be established.

Consider the following approach to achieving this task:

- a. Define business values informed by family values
If your family business hasn't yet enshrined its

values in writing, take the time to write them out and circulate them to key stakeholders for input. If your business does have an established set of values, reconsider them in light of the Pledge and determine if any updates need to be made.

- b. Identify initial set of opportunities in each area of the Pledge
Connect with key stakeholders to start building a list of opportunities and challenges the business may face in activating the four areas of the Pledge - People, Community, Environment and Future Generations.

Family Circle:

To better encapsulate the family ethos and values, the family circle would ideally be intergenerational in nature and include family leaders, executive and non-executive family members supportive of sustainability, appreciative of family values and cognizant of the value the family business can create for the future.

The circle will:

- a. Define or review family values, and relate them to the Pledge.
- b. Decide on a message about the family commitment that they would like to communicate to the business circle at the next step 'Create an inspirational Why'
- c. Hold a conversation about what the Pledge means and how the family can be involved and contribute actively
- d. Identify initial set of opportunities in each area of the Pledge (People, Community, Environment and Future Generations)

3. Create an inspirational Why

Members from both the Family and Business Circle will co-host a session to align on a collective why that will be easily understood and communicated to everyone in both the family and business. Think of this as the vision that will drive the process forward and give everyone within the family and business a shared understanding of why you will be undertaking these efforts. If your family business already has an established vision, use this as an opportunity to revisit it and determine if it needs to be updated.

Consider the following steps in developing your shared meaning and collective Why:

- a. Establish who needs a seat at the table
Determine who should have a voice in this process. This group should include senior leaders, next-gen representatives and other key influencers, as well as functional leaders who have a perspective on the business' current policies around people (e.g. HR), the environment (e.g. Operations), and the community (e.g. Public Affairs).
- b. Invite people to join a co-creation session
Send out invitations through the appropriate channels and establish that attendees will be expected to be both participants and listeners. If potential attendees aren't willing to leave their personal agendas aside and collaborate on creating this shared meaning, they should not attend the session.
- c. Co-create a shared meaning
If possible, find a third party to facilitate and lead this session that has no stake in the process and is prepared to keep the process on track. Establish an agenda before the meeting that everyone agrees to and that will drive the results you need in the time you have allocated.
- d. Write up your shared meaning and circulate it to other key stakeholders
Once you have the output from your meeting share this for further refinement with any key stakeholders/influencers that weren't able to attend the session.

4. Define what sustainability means to your family and business

Assign members from each circle to co-create a definition of sustainability that is easily understood and explained to everyone in both the family and business.

Consider the following approach to achieving this task:

- a. Explore existing definitions and meanings of sustainability
Examine how similar business (both family and non-family) define sustainability and the actions they have taken to bring this definition to life. Agree on meanings that resonate with everyone involved in the process and then run that meaning through the filter of both the family and business values you have already established.
- b. Develop a definition and shared language of sustainability
Create a definition that is flexible enough to

stand the test of time, but that also accurately reflects the ambitions of both your business and family. At this point, you should also begin expanding that definition into a shared language that is understandable by everyone in both the business and family.

Some important areas to consider are:

- the current sustainability challenge and opportunity;
- the importance of a holistic approach;
- the business case for sustainability;
- the need to pursue a Polaris-based growth path; and
- how to strategically move toward success.

5. Establish a process for transparent communication

This is a critical step that is often overlooked once the process starts to gain momentum. A process must be established on how insights, progress and issues will be communicated to key stakeholders and circle members, so everyone can be held accountable and support can be provided as needed.

Consider the following approaches:

- a. Schedule established check-ins
Whether they are on the phone, over the Web or in-person it is important to have regular status updates. Their timing of these can vary from monthly to yearly depending on the complexity of the challenges and the size of the business.
- b. Communicate progress and failures more broadly
Immediately let everyone from within both the family and the business into any big developments, be they positive or negative. Regularly communicate updates via the most appropriate channels and/or platforms.

6. Incorporate fun and experiential learning along this journey

Visits to other family businesses, field trips to stakeholder communities and offsite meetings where suits and ties can be traded for T-shirts and sweat pants all help to foster camaraderie and facilitate dialogue to develop shared meaning and purpose.

STAGE TWO: HOLDING A MIRROR - AWARENESS



OVERVIEW

The second phase of Polaris focuses on assessing the opportunities, challenges and risks that both the family and business are likely to encounter on their sustainability journey. A key step will be to establish a comprehensive understanding of where your business currently is, as well as assessing all of the impacts your business creates, both positive and negative.

Both the family and business will need to establish a system of governance and align on their plans for activating sustainability. A major focus of this phase will be on creating awareness amongst a larger group of stakeholders and establishing a culture that is open to the process ahead.

At the same time, it is important to get the journey moving forward through the implementation of a few small projects that will both support the case for action and deliver insights on what to expect on the journey ahead.

CULTURE: AWARENESS

Leadership is aligned. People are aware.

FOCUS

- Convene separate Sustainability Task Forces (this could be an extension of the Sustainability Circles in Stage One) in the business and the family
- Educate business and family about possibilities for sustainable actions
- Create a governance structure that is flexible and can evolve along with the business and family
- Identify and map all of the key stakeholders that will be impacted by or involved in the sustainability plan
- Establish some quick, meaningful wins that help further the business case and create momentum

OUTCOMES

- Completion of 2-3 projects that demonstrate progress
- Identify the What by assessing the challenges, opportunities, risks, and all material issues that must be considered and addressed

STAKEHOLDERS

- Senior Leadership
- Sustainability Task Force
- Departments Heads
- Board / Owners
- Interested Family Members

PROCESS

While the first phase was all about the family and business working in unison, this second phase involves separate, parallel activities for each that are related, but not interdependent.

KEY BUSINESS ACTIVITIES:

1. Create Sustainability Task Force

This group will consider the recommendations of the Business Circle and determine how best to begin activating sustainability within the business. This will be a hands-on group that will likely evolve into the core working team going forward; time will need to be formally allocated within their roles to work on the initiative going forward.

Consider the following approach to achieving this task:

- a. Identify potential group members
This group can overlap with the Business Circle and will need to include representatives from Senior Leadership, Operations, Marketing, Finance, HR and other key departments. However, group members will be expected to work directly on initiatives, where the circle will be more focused on making recommendations
- b. Assign Task Force Members and allocate roles
Determine the specific roles needed for your business that align with your potential focus areas/opportunities, as well as your collective Why and the four areas of the Pledge. For example if you are a manufacturing firm with a large environmental footprint you should assign task force members to look into the opportunities that exist connected to energy, water, and waste. Determine how much time each member should allocate to this part of their role and align on clear objectives they will be measured against.

2. Establish governance system and criteria for making decisions

Now that you have determined who will be designing and implementing your first series of initiatives, establish who they will be reporting to and how projects will be prioritized.

Consider the following approach to achieving this task:

- a. Put someone in charge
Elect a member of the C-Suite to be the executive sponsor for all sustainability initiatives going forward. This person should take a close look at the members of the task force and decide if other roles are needed. Establish KPIs that will ensure accountability and action.

- b. Design a process for working together
Establish a reporting structure and determine how decisions will be made in terms of initiatives and between task force members. Align on a reporting system for communicating with the board and family, as well as with the rest of the organization.
- c. Establish decision making criteria
Align on how initiatives will be prioritized based on key drivers that may include available budget, return on investment, building community good will, employee engagement, etc.

3. Identify and map all of your stakeholders

This critical step should involve all members of the task force, as well as other interested parties. The goal of this task is to take the time to understand who is currently impacted by your business operations and explore who might also be impacted in the future

Consider the following steps to achieving this task:

- a. Host a stakeholder mapping session
Conduct a one-day session in which participants explore who your business touches and how your family business decisions and operations impact them currently and in the future. If stakeholders exist that your business doesn't currently consult with, determine how they might be involved in the future
- b. Create a stakeholder map
Write out all of your stakeholders and how they intersect with your business. This document should be seen as a living one, as new stakeholders will undoubtedly surface as your business get deeper into this process. (See the toolkit for more information on this step).

4. Broadly identify the What

Now that the people and process are in place, it is time to more formally assess the opportunities, challenges, and risks that likely lie ahead.

Consider the following steps to achieving this task:

- a. Conduct a baseline analysis
Your organization is undoubtedly doing a number of things to make itself, its people and the surrounding community more sustainable. It is important to identify all that the organization is doing and bring those activities into the fold of this larger and more unified initiative.

- b. Identity additional areas of impact
Starting with the information already gathered by the circle and task force, as well as the stakeholder mapping process, establish the additional areas of impact where you business or brand should be doing more about sustainability.
- c. Perform a competitive analysis
One of the best ways to quickly establish where your challenges and opportunities may lie is to take a closer look at what the competition is doing.

Consider the following steps for achieving this task:

- a. Determine the short list
A competitive analysis can be an endless task, so it is important to identify 4 to 5 companies you feel you can really learn from. While it is important to focus on your immediate competition, explore stretching this definition a bit and see if it is worth including a wider set. If your direct competitors do not have enough publically available information, look at similar businesses in your industry.
- b. Decide what to include
Look at publicly available sources like GRI and Ceres to determine what topics to include in your analysis, which may include everything from environmental issues like water and energy to human rights and labor concerns. Also look at best-in-class examples of sustainability reporting from both family and non-family businesses. Several examples have been included in the toolkit to get you started
- c. Rate your business against the competition
Look closely at how you stack up and identify any new opportunities or challenges that were not previously included in your sustainability set

Consult the toolkit for examples on approaching this task.

6. Conduct a materiality assessment

This step is potentially the most time consuming stage of this process, but if done correctly it will save you a considerable amount of time and money in the long run.

Consider the following steps for achieving this task:
Define the issues

- a. Using the information gathered in steps 3 and 4, rate their relative importance to the future of your business

- b. Select the issues and correlate their impact
Determine the priority, status, and importance of the issues
- c. Create a materiality matrix
Map the issues on an axis based on the importance to the business and the importance to your stakeholders. Issues that appear in the upper right quadrant should be prioritized whenever possible

Please consult the toolkit for materiality assessment examples, as well as experiences of other businesses for this process.

7. Identify the 'low-hanging fruits'

A key step in establishing the credibility of your sustainability initiatives within the organisation is securing some quick wins. In other words, what projects can you immediately get going that require nominal budget or resources, but that send a strong message throughout the organization

Consider the following steps to achieving this task:

- a. Make a list of potential projects
Based on information gathered in the previous steps have the task force make a list of potential projects
- b. Align on which projects to fund/resource
Prioritize the projects based on your pre-established criteria, as well as considering the "visibility factor." In other words, don't focus all of your energy on projects your people will never see and/or that won't give you a good story to tell. The projects can range from reducing costs through investing in energy efficiency to having your people put their skills to work on behalf of the community in which you operate.
- c. Get some "quick, meaningful wins"
Implement 2-3 projects that will be seen as quick wins for key stakeholders and that will establish some initial learnings

8. Organise a Staff Challenge

Launch a 'Polaris' challenge and encourage employees to work in groups of 3-5 to design a new product or service with sustainable impact. The winning group could receive a distinction/incentive and the prototype itself could be brought to a second stage of development by the company.

KEY FAMILY ACTIVITIES:

1. Create Sustainability Task Force

This group should include a diverse set of family members (not more than 10) that represent different family groups and generations in the family. It will take the place of the family circle and continue the work of defining the family response to sustainability.

Responsibilities and Tasks

- a. The group will begin by reviewing the family 'why' and the ideas surfaced at the previous circle meetings.

2. Gap Analysis – Our Values and our Practice

Looking at the family values, the task force will define clearly what areas the family does well, and the areas that fall short. They will also use a sustainability yardstick to define areas where the family might do more.

Responsibilities and Tasks

- a. Create a survey and reach out to the other family members in all generation to define their perception of sustainability, the areas where they see challenges and the opportunities.
- b. Define clearly the areas where the family can improve its sustainability as a family.

3. Discuss the Possibilities

Convene a family meeting to consider how family will approach sustainability and define a few immediate actions toward family sustainability.

Responsibilities and Tasks

- a. At the family meeting, the task force presents their work and the survey results to the family.
- b. The family will respond by building a vision of what family sustainability looks like, and then select some key areas where the family can work together to produce an immediate impact.



We don't think it's acceptable to force a choice between investing according to our values or according to the ways most likely to get us the best return on investment.

Al Gore

Former US Vice-President, and co-founder of Generation Investment

STAGE THREE: CONNECTING THE DOTS - ALIGNMENT



OVERVIEW

The third phase of Polaris focuses on creating a plan and turning it into action. During this phase the family and business operate on parallel paths with their sustainability plans, and may not interact much with the exception of the family members that are active in the business.

This phase is all about cascading sustainability throughout the organization and creating a culture aligned behind achieving the business' sustainability goals. This means that every employee (including family members) is up to speed on what you are doing and their role in activating the plan.

This is also the phase when sustainability goes beyond the family and business and starts impacting the entire supply chain, customers and even the community you operate in. It is about working with all of your stakeholders to co-create solutions and establishing new ways to reduce your footprint and expand your positive impacts.

CULTURE: ALIGNMENT

People are aligned. Stakeholders are engaged.

FOCUS

- Reach out and align stakeholders beyond the task forces
- Develop a tangible plan that can be implemented over the next 3-5 years that includes public facing goals
- Create sustainability platform to transparently communicate successes and failures
- Build capacity within organization to support plan and goals
- Engage with and set sustainability targets for all of the companies in the supply chain
- Report on results publicly

OUTCOMES

- 3–5 yr Sustainability Action Plan that plots the journey ahead
- System for transparent communication of successes and failures
- Organizational-wide implementation of key activities on both the operational and social side of the business

STAKEHOLDERS

- All Employees
- Supply Chain
- Family Members
- Community

PROCESS

This phase is where much of the heavy lifting happens and where the plans start to shape both the business and the family.

KEY BUSINESS ACTIVITIES:

1. Create a 3-5 year sustainability plan

Use the information gained through the materiality assessment and initial projects to build a strategy and prioritize the areas that need action.

Consider the following steps to achieving this task:

- a. Assess learnings and the process to date
Review all projects that have been undertaken and determine any lessons learned in their implementation. Reexamine the governance structure and any changes that may need to be undertaken in order to facilitate future success. Determine if the task force will continue in its current form, if new roles need to be created, and if a more formal structure should be established.
- b. Establish 3 to 4 areas of focus
Determine the 3 or 4 areas where your business can create the most impact and has the most material issues. For example if you are in the financial services industry, you will might want to look at how you are investing the money entrusted to you, how you are attracting and retaining great talent, and how you are helping build financial capability in the communities in which you operate. At this stage it is also important to consider how these areas will be viewed through the lens of your brand both internally and externally
- c. Write up the plan
Take the time to put the plan in writing. It should include your Why, a governance structure/key roles, the materiality assessment, an overview of projects and activities to date, the business case, an overview of your focus areas, the activities you plan to conduct and a budget. (See the toolkit for more information)
- d. Review Plan with Stakeholders
Host a meeting with key stakeholders, including both the family and business sustainability circles, to share and get input from key stakeholders to gain buy in
- e. Get the Board and family to sign off on the Plan
Make sure everyone who will be important to the success of these initiatives is on board and committed to seeing the process through

2. Create public facing goals

Align on goals for each of your focus areas that will establish credibility and a commitment to transparency. Be prepared to report publically on progress towards these goals at least annually whether the news is good or bad.

Consider which of these following approaches might make the most sense for your business or brand:

- a. Be bold
Create goals that will set a new industry standard or force your business to rethink how it operates at a fundamental level. For example, if you are in manufacturing commit all your facilities to producing zero waste within 5 years. If your supply chain extends to vulnerable communities, commit to 100% conflict free and ethical sources.
- b. Establish credibility
Commit to goals that will show clear progress and get any skeptics on board
- c. Build your brand
Design goals that can build your reputation and increase public perception of your efforts
- d. Drive engagement
Implement goals you know your business cannot achieve without involving your people or your supply chain

3. Create sustainability communications and/or launch a sustainability platform

Create a platform by which your business can communicate both the successes and failures of your sustainability journey.

Consider the following steps to achieving this task:

- a. Decide if your sustainability efforts need their own identity
Align on whether you want to create an entirely new platform to communicate your efforts or if you can utilize existing platforms/channels
- b. Co-create your solution
Involve key stakeholders in the creation process, as it could ultimately serve multiple purposes including talent attraction and customer engagement
- c. Talk to your people first
Make sure your people are prioritized in

communications and learn about your efforts before the public does

d. Widen your reach

Eventually your communications should be expanded to be external facing and allow for the dissemination of as much real time information as possible

4. Train and develop your people

While your task force will likely drive your initial projects, your business will eventually need to involve everyone in achieving its goals.

Consider the following approaches to achieving this task:

- a. Create a comprehensive and engaging sustainability curriculum
Make sure everyone in your business has an understanding of sustainability ranging from the general (e.g. sustainability 101) to the specific (e.g. energy treasure hunts) depending on their roles and responsibilities. (See the toolkit for examples)
- b. Engage your people
Create opportunities for employees to dialogue and innovate around your sustainability goals
- c. Ensure accountability and drive performance
Create sustainability KPIs for everyone within the company that link back to your larger sustainability goals and measure performance against them

5. Engage your supply chain

Make sure your supply chain is aware of your efforts and what role they can play in achieving your goals.

Consider the following approaches to achieving this task:

- a. Create sourcing guidelines
Establish procurement guidelines and communicate them to your current suppliers. Determine what to do if they are not in line with your guidelines or find new suppliers that are
- b. Involve them in your process
Transparently communicate with your supply chain about your sustainability goals and what they can do to help you achieve them
- c. Help them build their own capabilities
Share the details of your journey with them and

with work directly with them to establish and set their own targets

6. Establish Partnerships

One of the best ways to make quick progress on sustainability and widen the scope of your reach is through establishing partnerships. Partners can give you access to a wide array of resources or knowledge that may be too complex or expensive to build within your organization. However, it should be noted that while building partnerships are critical, managing relationships can often be a time consuming affair, so proper resources need to be allocated to ensure a successful partnership.

- a. Identify potential partners
Based on goals you have established or perhaps in areas you are struggling to gain traction in, look for partners that can help accelerate your journey. Depending on the issue, these partners can range from NGOs that are focused on similar topics to industry groups that can bring the right stakeholders to the table. They may also include academic institutions to help with training or even consultants that bring specialized expertise to the conversation.
- b. Establish parameters or formal agreements
As with all partnerships, it is critical to establish roles and responsibilities in order to ensure accountability.

7. Communicate publicly on your progress

This could take the form of a report or could just involve making your data and results public in some other form.

Consider which of these following approaches might make the most sense for your business or brand:

- a. Sustainability Report
Create a report or website that gives annual details on all your activities and progress
- b. Integrated Report
Publish an integrated report that intertwines all of your sustainability reporting with your business result reporting
- c. Publish Quarterly Statements
Release all relevant data/updates on your efforts via any of your established communications channels

KEY FAMILY ACTIVITIES:

1. Set up a family council or dedicated family task force focused on sustainability

Responsibilities and Tasks

- a. The family sustainability task will coordinate the family approach to sustainability. They will meet and review the effects of the initial initiatives the family has adopted
- b. The task force will also coordinate the family engagement and participation in the business sustainability activities, and develop pathways for family engagement.

2. Define family sustainability plan.

The family sustainability plan will look at the ways that individual family members, and the family as a whole (including family members who are not working in the business) can participate and contribute.

Responsibilities and Tasks

(The family can also review the steps outlined in 'Key Business Activities' to determine what the family can do that is separate and in addition to what the business is doing)

- a. Initially drafted by the task force this plan should focus on areas such as:
 - Family's approach or plans for philanthropy
 - Responsible and wise use of family wealth and resources for current and future generations
 - Community involvement, how family members are involved in community service
 - Training initiatives for current and next generation family members
 - How next generation family members can pursue service activities, social entrepreneurship and community service, with support and encouragement from the family.
- b. This activity will take several meetings, and include a few key areas for immediate action.

3. Align philanthropy and community service with broader sustainability goals

Apart from the business, the family will want to make a commitment to sustainability in its personal and family philanthropy, and also in the ways that family members, individually and together, relate to their community.

Responsibilities and Tasks

- a. The family should name a philanthropy and community service task force to look at these requests and opportunities, and see how they can be better aligned with their values about sustainability.
- b. They might create a values statement and plan for aligning their efforts better, and define clearly how they will respond to opportunities, measure their effects and continually improve their impact on their community and the environment.

4. Agree on sustainability objectives and training for next generation

The family is dedicated to sustainability as part of its legacy to future generations. Every family has several future generations who are coming of age. The sustainability task force should name a second task force or family committee to define how they will pass their values on to the next and future generations.

Responsibilities and Tasks

- a. They will meet and define specific goals for each new generation, and how they can work together as an extended family to reach these goals.
- b. They will define how individual families will approach this task, and what activities the family would like to do together. This task force will then define some specific activities for next generation education and development, and how they will be funded, designed and put in place.

5. Host a meeting

Family meeting to review, approve and design strategic objectives for family sustainability.

Responsibilities and Tasks

- a. As the family meets and review the sustainability plan, they will share ideas and discover how individuals can be involved in various aspects.
- b. The family can select new individuals to become involved in various initiatives, and also learn about what the business is doing in their sustainability activities

STAGE FOUR: INNOVATING FOR THE FUTURE – ACTIVATION



OVERVIEW

By the fourth phase of Polaris all the time, energy and money invested begins to really pay off. In this phase, sustainability becomes a source for innovation and starts creating a competitive advantage for your business. Employees are energized and are championing the way rather than being asked to be involved.

Sustainability is becoming part of the DNA of the business and the family, and is leading your business in whole new directions that weren't thought possible before the journey began. The family has developed its own set of sustainability goals, vision and initiatives that go beyond the business and it is increasingly leveraging all of its human, social and financial capital to create positive change.

CULTURE: ACTIVATION

People are energized. Stakeholders are integrated.

FOCUS

- Embed sustainability in your business' R&D
- Truly understand all of the costs associated with business, not just those listed on the P&L
- Join and lead industry groups that help drive the conversation forward
- Establish one or two vocal advocates that help redefine the business and brand amongst key audiences
- Create new products or services that help further evolve or transform the business

OUTCOMES

- Sustainability is a key driver of innovation within the business
- New business models are explored and created, driving new forms of value within the business

STAKEHOLDERS

- Next Generation
- Industry Groups
- Consumers, Customers and Community
- Thought Leaders and Influencers

PROCESS

This phase is about broadening the conversation and starting to challenge the status quo. It is when the buzz starts to build around your business and brand and when your customers or consumers get involved in your activities

KEY BUSINESS ACTIVITIES:

1. Embed sustainability targets and thinking in your R&D process

Set criteria and benchmarks for every new product, service or business line that is launched. For example, when creating a new product look at every impact it may have and where there may be room to innovate a lower impact way to produce it.

Consider which of these following approaches might make the most sense for your business or brand:

- a. Conduct Life Cycle Assessments
Look at every step of design, production, delivery, sale, usage and disposal and determine where improvements can be made
- b. Leverage the concept of backcasting
Start with the ideal version of the product or service you'd like to create and redesign everything necessary to achieve that result

2. Measure the true cost of your business

Go beyond traditional reporting mechanisms and go public on all of the impacts your business has on the people, communities, environment and future generations it may touch.

Consider which of these following approaches might make the most sense for your business or brand:

- a. Conduct an EP&L
Measure and apply a cost to every aspect of your business in terms of the externalities it creates. (See toolkit for more information)
- b. Recalibrate your goals to become a game changer
Review 3-5 year plan and set larger set of goals based on the new information and insights that have been gained

3. Become an enabler for creating change

Once your journey is underway and some real insights have been gained it is important to bring what you've learned to others in your industry and beyond. At the same time, it is important to acknowledge that some challenges can't be solved in-house and that your business is willing to seek help to find the solutions you need.

Consider the following approaches to achieving this task:

- a. Join industry groups and drive action within them-
Set industry goals, form alliances to solve industry issues, and challenge your competitors to match your progress
- b. Open the conversation
Create forums and opportunities for the external sources to solve sustainability issues your teams haven't been able to crack. Engage your consumers/customers in every aspect of your journey and invite them to co-create solutions to some of your more intractable issues.
- c. Get out there and tell your story
Attend and speak at key events and conferences to establish thought leadership and drive the conversation forward

4. Experiment with new business models

Sustainability is a real opportunity to push your business in new directions and experiment with entirely new ways of doing business. Some of the most interesting new business model innovations happening today are connected to sustainability in some way and were initially undertaken without a clear business case.

Consider which of these following approaches might make the most sense for your business or brand:

- a. Leverage the power of social enterprise
One of the more interesting trends in business is to create a product or service that has both a social and financial bottom line
- b. Service an underserved market
Customers at the bottom of the pyramid may not have a lot to spend as individuals, but as a group they are one of the largest markets on the planet
- c. Drive behavior change
Create a product or service that changes consumption patterns or increases positive benefits

KEY FAMILY ACTIVITIES:

1. Implement plan to leverage the family's social, human, and financial capital

Develop initiatives to leverage the family's commitment to the people, community, and the environment beyond the business

Responsibilities and Tasks

- a. Define specific strategic actions, goals and measures of success for family efforts.

2. Task force (or family council) meets with the whole family to review the plan, and to select the key strategic objectives for family action.

Responsibilities and Tasks

- a. Consider ways for family members to participate in the company sustainability efforts.
- b. Define specific activities and who will participate and take responsibility for each one.

3. Create educational program for next generation family members

The family holds a conversation that crosses generations, with people from older and younger generations, on how to share the values of sustainability and what it means to different generations.

Responsibilities and Tasks

- a. The family might talk about different approaches, roles and areas of interest and how the different generations may have different approaches.

Life is no brief candle to me.
It is a sort of splendid torch
which I have got a hold of
for the moment,
and I want to make it burn
as brightly as possible
before handing it on to
future generations.

George Bernard Shaw

*Irish playwright & political activist,
Nobel Laureate in Literature*



If we stop thinking of the poor as victims or as a burden, and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up.

C.K. Prahalad

Harvard professor, business author & management guru



STAGE FIVE: REDEFINING BUSINESS - ADVOCACY



OVERVIEW

Redefining Business may be an aspiration, but it is one that family businesses may be uniquely positioned to achieve. This happens when you embrace new mental models, leave behind business as usual and your organisation becomes a force for good. Your family and employees are game changers, your stakeholders are change agents and both your business and family are net positive, consistently giving back more than we take.

CULTURE: ADVOCACY

People are energized. Stakeholders are integrated.

FOCUS

- Shift from Linear to Systems Thinking by seeing the economic, social and ecological systems that the family business is a part of
- Disrupt or Be Disrupted - Recognise that there is a need for fundamentally different approaches to value creation
- Maximise Stakeholder Value with insight that stakeholder value is both a moral obligation and a source of competitive advantage

OUTCOMES

- Everyone a game changer
- Business as a force for good

STAKEHOLDERS

- People
- Environment
- Community Future Generations

PROCESS

There is no prescribed process for this phase, as every business will need to find the best way to bring its True North to life. That being said, there are many interesting trends and new business models being experimented with around the globe that we hope will inspire your business to push itself just a bit farther.

NEW BUSINESS MODELS:

1. The Circular Economy

The circular economy is about moving from today's "take-make-waste" economy to one that is restorative in intention. In other words, waste ceases to exist in this type of economy, as what was once considered waste is now an input in creating something else. This approach often requires a complete redesign of the production process, as un reusable outputs need to be substituted for something that will have value to someone else in the supply chain. In addition, every product needs to be designed with its ultimate reuse in mind, so when its life is done in one form, its pieces can be reconstituted or recycled.

Increasingly the concept goes beyond the simple mechanics of production and consumption of goods and services, as it now also applies redefining how we think of capital (to include social and natural) and the shift from thinking of ourselves as consumers to users. Ultimately, the concept of the circular economy is grounded in the study of non-linear and living systems approaches like biomimicry.

One example of a family business putting this practice in action is Maersk's cradle to cradle® passport, which will identify each and every nut and bolt of their new Triple-E cargo ships. This will make recycling possible for most materials as well as providing clear instructions on how to safely dispose of anything that cannot be reused. The materials of the ships will all be marked and numbered, allowing for easy sorting of high and low grade steel, copper wiring, hazardous materials and waste. All of this is service of their ultimate goal, which is to one day construct a new ship entirely out of 100% recycled materials.

There are several great sources for additional information on this topic including the Ellen MacArthur Foundation and Bill McDonough's Cradle-to-Cradle initiative.

2. Creating Shared Value

This concept was first defined by Professor Michael E. Porter and Mark R. Kramer in their Harvard Business Review article Creating Shared Value (January/February 2011) and has subsequently spurred numerous debates in the business community and beyond. At its core, it is a management strategy that aims to get companies to leave beyond the outdated

concept of corporate social responsibility (CSR) and instead focus on identifying and addressing societal issues that intersect with their business.

In the original piece the authors identified three ways in which businesses could get started on this journey:

- Reconceiving products and markets – Defining markets in terms of unmet needs or social ills and developing profitable products or services that remedy these conditions.
- Redefining productivity in the value chain – Increasing the productivity of the company or its suppliers by addressing the social and environmental constraints in its value chain.
- Local cluster development – Strengthening the competitive context in key regions where the company operates in ways that contribute to the company's growth and productivity.

The idea has since grown to include any number of holistic approaches to sustainability and is now shaping the strategies of several prominent family businesses including Walmart and MARS.

For more information, visit the Shared Value Initiative.

3. The Sharing Economy

Sometimes also referred to as collaborative consumption or the peer economy, the sharing economy is a socio-economic system focused on expanding the sharing of human and physical resources. Much of the activity in this space currently revolves around the creation of new platforms that allow people to easily share items that were previously underused. At the same time, the sharing economy has also led to the development of several disruptive technologies, like Uber and AirBnB, which are respectively reshaping both the taxi and hotel industry.

While there are many great examples of new companies being created to serve this new market, its application for existing businesses are still evolving. One example of a family business that is experimenting in this space is Patagonia. It has both created a storefront on eBay in which it provides a marketplace for its patrons to resell their used clothes and it has even recently hosted sharing events in its stores where it encourages people to come and swap their used gear.

A NOTE ON SYSTEMS THINKING

What did monsoon floods in Thailand have to do with Dell's Christmas season in 2011? How do Somali warlords affect fish lovers in Europe? What's the connection between bee populations and food production?

In today's interconnected world, every action business takes affects the world's social, economic and ecological systems, either now or in the future. Leaders that realise this natural law of interdependency appreciate the business risks and opportunities that are at stake.

From 'do no harm' to 'maximising good' for all stakeholders, family businesses who make the shift from linear to systems thinking are on the road to be game changers, redefining business for the 21st century.



SUSTAINABILITY IN ACTION

VAN WIJHE VERF, THE NETHERLANDS Sustainability and Product Innovation

OVERVIEW

Founded in 1916, Van Wijhe Verf has evolved from its humble roots as wholesale traders to become the 3rd largest Dutch producer of decorative architectural paints, protective coating, and do-it-yourself (DIY) paints. Currently, its most well known brands are Wijzonol in the Dutch paint market and Ralston in the international paint market.

At Van Wijhe Verf, sustainability and innovation are synonymous with progress. For them, progress starts with its people, as success can only be achieved when everyone is working together. As a Dutch family business it has focused itself on developing innovations that genuinely contribute to a better balance between people, planet and profit.

In particular, it strives for sustainable innovations in the area of raw materials, extended life cycles for paint products, reducing waste, water usage and CO2 emissions and packaging recycling. It was one of the first companies to develop water-based paints without the use of solvents and it is now one of the first to develop a starch-based paint.

CHALLENGE

Oil-based resins have long been a key component of paint. The challenge has always been to find a replacement with similar properties that performs as well. With the increasing volatility of oil prices, the need for good substitutes in the paints industry has only increased in importance. In particular, Van Wijhe Verf felt the need to explore other raw materials that would provide the paint with similar qualities, but do it in more environmentally sustainable fashion.

As 4th generation successor and CEO Marlies van Wijhe noted, "If we as a business want to be here tomorrow, we need to think about the sustainability and availability of our raw materials in the long term." At the same time, the company also understands that consumers are increasingly educated about the products they use in their homes and are now demanding 'green' alternatives.

The combination of these factors gave the company all the ammunition it needed to develop a starch-based paint. Of course, the company's drive for innovation and commitment from the top of the organization meant they had the right fundamentals in place to make this idea a reality. As importantly, the company's (and especially the CEO's) dedication to sustainability and, in particular, the sourcing of sustainable and non-toxic raw materials make it a top priority.

PROCESS

Starch is naturally present in most green plants as an energy store. When processed, it is used in the food industry as a thickening, stiffening or gluing agent. Starch is also used in the manufacture of adhesives or glues for bookbinding or envelope adhesives. In 2011, Marlies met a company developing starch-based products. As Van Wijhe was looking for alternatives to oil-derived resins, together they decided to develop a starch-based paint. Two years of R&D later, the product was ready to be marketed and sold.

As far as how they got there, Marlies truly believes that "Innovation often happens in small teams. That's why at the beginning, the development of



this innovative product was led by the Technology Director and myself. At the beginning, we had to convince other Board members to go ahead with this product but now they are all enthusiastic, as are the marketing and sales teams. Now we need to work on strengthening the marketing aspects in order to make the product attractive to consumers.”

Of course, innovation is never easy, but as Marlies puts it: “I’ve learnt from my father, an enthusiastic engineer, that the key to long-term success was to invest in Research and Development, to constantly search for new products and new ways of doing things, taking into account our impact on the environment, but also the fact that our environment provides the resources that we need to make our products. Not all raw materials that we use are sustainable in the long run (e.g. crude oil), and for the business to be sustainable, we need to think about new, sustainable raw materials that can enter into the composition of our products. Innovation is in the company’s DNA.”

Along the way Marlies also became more engaged with the issue of sustainability: “Before I decided to study business, I wanted to be a biologist, that is when I developed an awareness of and interest in environmental questions, and the issue of resource depletion. When I joined the family business, I made the link between my interest in ecology and my family’s business in chemistry: bio-based chemistry is at the cross-roads of these two worlds.”

IMPACT

Developing this starch-based paint has come at a considerable cost to Van Wijhe Verf, but the company has made a very conscious decision not to change the price for consumers. The company has decided to take the long view and sees a number of economic advantages to developing ecologically friendly products.

First and foremost, it has and will continue to give the company a competitive advantage. Competition in the paint market is strong, and developing innovative and sustainable products has proven to be a major differentiator. The key is getting the marketing right and communicating a strong brand story that resonates with consumers. Van Wijhe Verf’s competitors are also developing ‘green’ products, but to date, Van Wijhe Verf has an advantage with its clear and transparent communication.

Secondly, it is helping the company secure stronger and more sustainable sources of raw materials. Finding ways to replace non-sustainable inputs (like oil) while maintaining the characteristics of their products (easily applicable, washable, dries quickly, etc.) is now fully enshrined as a part of the company’s strategy.

Since the product is new to the market, comprehensive sales figures are not yet available, but initial returns have been encouraging.



SUSTAINABILITY IN ACTION

HAMRA ENTERPRISES, UNITED STATES OF AMERICA

Creating a working culture where people flourish

OVERVIEW

Hamra Enterprises is a dynamic organization owned and founded in 1975 by the Hamra family. The company's headquarters is in Springfield, Missouri and includes six companies with over 3,500 employees in four states; Missouri, Illinois, Massachusetts and Texas.

In particular, the company owns and manages over 77 restaurants including Panera Bread, Wendy's, and Noodles & Company. This puts a large number of employees in direct contact with their customers on a daily basis, which ultimately means that Hamra Enterprises is more in the people business, than it is the food business.

CHALLENGE

As Mike Hamra took over the position of CEO from his father Sam in 2011, his challenge was to foster a culture that would be shared by the 3,500 employees and that would support the growth of the business. He assumed his position with three burning questions:

1. How can I help the company grow?
2. How can I, as a CEO, help people find a life they love?
3. How can business be a place where people find a life they love?

According to Mike, the business case for creating a culture of empowerment is twofold. First of all, when people find purpose and meaning in what they do, they feel happier in their jobs as a result. If they feel happier, they're more committed to their jobs and to the company and they help create opportunities for the business. Secondly, companies with strong cultures have been shown to have lower turnover.

As Mike notes, "Both these points enable us to steer the company towards growth. Growth is definitely linked to a strong culture – you can't grow without it. You can't grow unless people are committed and this is what will enable us to grow from 77 restaurants at the beginning of 2014 to 100 by year-end. For me, it is important that I am able to make a difference in people's lives and it matters to me that my business helps people define a life they love. A culture that people own is a culture where people have a say, people feel they own the company, they have their own shares in the culture."

After looking for inspiration with management models that linked happiness to performance (e.g. Zappos), Mike found out that the answers to all his questions were the same: when people find a life they love, are feeling happy, or flourish at work; they feel engaged in what they are doing. And when they are engaged, they feel ownership the future of the business and want to help it grow.

To do this didn't just require working on well-being in the workplace, but working on the deeper issues of why people were in this business in the first place. To find this out, people had to be listened to, and this required changing the culture from the 'command-and-control' system which had prevailed to a system of what Mike calls 'organisational listening', where people can participate in creating the company's future. Mike found out that people were more concerned about owning the future ('shares in the future') than owning shares of the company itself.



**Business cannot
succeed in
societies
that fail.**

Björn Stlgson

*President of the World Business Council for
Sustainable Development (WBCSD)*



PROCESS

Creating a new culture is no easy task. It requires people to think about what they share, what they don't share, what common future they want to create, and what kind of values will support this. Mike started this process by bringing together 50 key managers from the company to think about culture, about Hamra, about their work relationships, about the kind of future they saw for the company and for themselves. They spent six days together exploring these questions, the answers to which resulted in a Charter. This Charter not only formalised Hamra's reason for being in business and also who they wanted to be in the future.

This was not an easy process. Mike, for one, had to reconsider his own role and work on being a participant like the others rather than be the CEO who has all the answers. After the first year, 8 of the 50 people left the company because they weren't in line with the new culture and didn't fit its vision for the future. This process has now been replicated with the 300 managers of the company and will eventually be rolled out throughout the group with a University that Hamra is establishing.

IMPACT

This cultural change is empowering people. And it is this change, according to Mike, that will enable the business to grow from 77 restaurants to 100 by the end of 2014. This is growth unlike any that the company has known in its history. On top of this, working on how people can be happier at work has been shown to have direct impacts on day-to-day performance: less sick leave, less burnout, and more innovation.

Most importantly it has reduced his turnover to 64%, in an industry that has an average above 100%. This means his managers have to spend less time training new people and they get to spend more time delivering the high level of service that every people business demands.

SUSTAINABILITY IN ACTION

WATES GROUP, UNITED KINGDOM

The Power of Partnerships

OVERVIEW

Wates Group is a family-owned construction services and development business committed to making a lasting difference in the communities it serves. The Group has been in operation since 1897, with a turnover in excess of £1bn. With over 2,000 employees, Wates is primarily focused on the UK markets of education, justice, affordable housing, retail, interiors and residential development.

Its commitment to sustainability stems right back to 1974 when Wates funded the construction of the first zero-carbon house at the Centre for Alternative Technology in Wales. Since then it has continued to invest in ensuring its operations have a positive impact on all current and future stakeholders.

Wates also formalized its approach to sustainability in its 'Reshaping Tomorrow' framework. Its aim is to help Wates' customers create better buildings while leaving a positive legacy. 'Reshaping Tomorrow' focuses on the key environmental and social issues where Wates can collaborate with its peers to make a real difference to the built environment. These include energy efficiency and carbon reduction; waste management; sourcing products and services in a responsible and ethical way; water efficiency and being good neighbours.

CHALLENGE

The construction industry constantly faces new challenges and opportunities. In 2013, the U.K. government launched the industrial strategy for construction, which aims to position Britain at the forefront of global construction. The 2025 plan outlined a number of ambitions: to be a sector of choice for young people; to lead in research and innovation; and to be sustainable through its approach to delivering low-carbon assets at lower cost through stronger and integrated supply chains.

Since this plan aligns closely with both the values and aspirations of the Wates Group, it presented huge opportunities for the Group to play a key role in actualizing the plan. However, what was equally clear is that Wates could not go it alone on such an ambitious initiative and that only through activating the power of partnerships could the industry collectively achieve their goals. This realization inspired the Wates Group to seek out new collaborations with industry partners, its customers and supply chain.

At the same time, Wates' commitment to local communities, providing employment and apprenticeship opportunities, and working with social enterprises also meant that it was well placed to take advantage of new changes under the 2013 Social Value Act. This Act requires public bodies to consider

how they might improve the social, economic and environmental well-being of their local areas as part of their procurement processes.

There are currently more than 2.5 million unemployed adults in the UK, of whom over a third have been unemployed for over a year. The cost to individuals without a job, and to society in general, is huge. As part of Reshaping Tomorrow, Wates has committed itself to working with young people to ensure they are inspired to work, and to help and support those facing significant barriers to employment to secure training and job opportunities. One project to help employability and training was their work with social enterprises. Through working in partnership with Social Enterprise UK and increasing their trade with social enterprises, Wates is able to support more people and leave a legacy in the communities in which they operate.

PROCESS

In response to these challenges and opportunities, Wates Group set out to establish partnerships that will allow it and the construction industry to move forward faster. This has resulted in the launching of two major initiatives in the last few years, the Supply Chain Sustainability School and a partnership with Social Enterprise UK Brokerage Scheme.

Supply Chain Sustainability School

The Supply Chain Sustainability School was launched in 2012 and is an industry school that provides a virtual learning centre and a host of free training workshops, covering ten sustainability topics. The School was established to help small and medium sized businesses in the construction sector to develop their sustainability knowledge and competence. Wates provides a number of supplier workshops in partnership with Action Sustainability who run the school throughout the year to engage their supply chain. The events are funded by Wates Giving. In addition, they work in partnership with other industry contractors such as Skanska, Kier, and Balfour Beatty to promote the school and share best practice.

Further information on the school can be found at www.supplychainschool.co.uk

Social Enterprise UK Brokerage

Wates have entered a 3-year partnership with membership body Social Enterprise UK (SEUK) to develop a bespoke Social Enterprise national brokerage service. SEUK will manage the national database of Social Enterprises providing a telephone brokerage to Wates' champions and site teams with a central aim of making the process of sourcing Social Enterprises simpler and less time-consuming. Wates' ambition is to have one social enterprise providing services to every construction project over £1m in value. Wates' goal over time is to build a model of good practice for working with Social Enterprises that it can share with others both within and beyond the Construction sector.

IMPACT

Supply Chain Sustainability School

The Supply Chain Sustainability School offers clear benefits to both Wates' supply chain partners and to its business. The School provides an opportunity for its supply chain to build on their environmental knowledge, through access to free online resources and assessments which will help develop their business, save costs and improve efficiency. The performance of its suppliers across the impact areas exceeds the industry average in a number of areas. Wates has now begun to set improvement targets for its suppliers to ensure they continually develop their performance.

For Wates, highlighting best practice and helping its supply chain to improve will in turn enable its sites run more efficiently. Through the School, Wates will have greater ownership of the environmental issues in its supply chain.



“Family run businesses such as Wates have the opportunity to consider the long term impacts of their business operations in ways that others may struggle to do. With issues such as environmental and social sustainability this is essential and the leadership that Wates has shown in the Supply Chain Sustainability School has been integral to the success and to reaching out to smaller family owned businesses in the construction supply chain”

Ian Heptonstall - Director

Action Sustainability

Social Enterprise UK Brokerage

While this partnership is relatively new, Wates can measure the long-term impact on the local communities in which it operates through the creation of employment opportunities. 81% of social enterprises actively recruit local people, and Wates estimates that a spend of £20,000 creates a new part-time position within the sector. To date Wates have traded in excess of £4m, which equates to 200 new jobs.

“The partnership between Social Enterprise UK and Wates Group is a multi-faceted one which goes way beyond the traditional boundaries of CSR. It encompasses thought leadership and research, opening up supply chains to social enterprises, raising awareness and understanding amongst employees, and informing strategic work. In these ways, Wates are not only demonstrating their commitment to this work through their core business, but also playing a leadership role for not only other construction companies, but for other industries.”

Nick Temple, Director, Business & Enterprise

Social Enterprise UK

SUSTAINABILITY IN ACTION

ABOITIZ FAMILY, THE PHILIPPINES

Nurturing Talent and Values for Commitment to Society

OVERVIEW

When a family reaches the fifth generation with a portfolio of thriving enterprises, strong and inspired leadership, and many family members preparing to take up positions in the business, something very special is happening. The Aboitiz family, headquartered in the Philippines, has been able to transmit a strong set of business and family values and a sustainability mindset to its 800 family shareholders, who live across the world. The family's holding and public companies employ 46,000 workers in the power, transportation, food, banking and real estate industries.

The Aboitiz family came to the Philippines from northern Spain. Don Ramon, helped by his three brothers, helped develop his father's small trading business. His leadership set the foundation for family values of trust and integrity that are still at its centre generations later. When the business came close to bankruptcy, he returned from retirement in Spain to rebuild it and pay off all his debts, leaving a legacy of trust and integrity to inspire his heirs.

The next generation graduated from college in the 1950s, and continued to develop the business by adding professional management. His son Eduardo took over as CEO and was a consolidator and corporate builder – he created training and accounting systems, organization structure and a set of values based on ethics, meritocracy, fair play and good business, which translated Don Ramon's legacy and example into modern business practices. While family members are encouraged to enter and work in the business – and many do – everyone understands that decisions are made for the business first, not the family.

Following his own policy, Eduardo retired at the age of 60 and passed leadership to his cousin Luis Jr, who was then in his 40s. At age 60, Luis passed the baton to his cousin Jon Ramon, Eduardo's son, who has himself just retired. With each succession, the family continued to grow each of their diversified business through the values of quality, cost effectiveness and responsible business practices. Governance, oversight and family participation take place through active, highly professional boards of directors for each business.

The family remains unified because of their strong sense of stewardship, "the belief that together we can achieve far more than we can individually". The company has a deep respect for talent, and holds sacrosanct the principle of making the best decision for the business, not for the individual or the family. Each value -- transparency, openness, respect, customer-focus, and social responsibility – is deeply held by each family member in the business.

CHALLENGE

How does this family develop talent in the family, and instill a sense of social values that support not just the long-term sustainability of their many family enterprises, but of their community as well? This is an ongoing challenge as the family now has several hundred family shareholders, several of whom from each generation will elect to work in the business.

will have to be outsourced. There is a clear path for a family member to enter the family business – a path that is attractive, but also demanding. Young family members from age 14 are invited to enter a summer programme, where they can volunteer to move around the company for a few weeks, to see how other parts of the business operate. They are willing to create special programmes so any family member, many of whom live abroad, can come home and learn.

PROCESS

The family understands that its members don't have all the required talent, and the needs for expertise

Family leaders speak to each one, asking about



their plans, and reminding them of the demands of working for the family. “After university, we don’t hire the family member straightaway, but we try to help them find jobs abroad,” the current CEO Roberto notes. “They learn that there is a real world out there, and we find there is real value in building up their self-esteem and self-worth, outside of the family umbrella.”

“Some family members return and announce they are ready to work for the family and anticipate an invitation to join in the company. We submit them to personality and aptitude tests to see what is the best place for them, given what we need. After they are placed, we evaluate them regularly, while they begin working for a non-family manager. It is not easy, but it builds up determination to really want to perform. We have lost some along the way, and some have been asked to leave. But the family members have to be best, and show signs of leadership. This is as it should be. The family really values and encourages those who are able to shine under the microscope.”

At the age of 35 or 40, if they want to enter the executive leadership ranks, a family member faces another challenge. In order to become senior executives within the company – now that they have proved themselves in operational management – they must develop their people skills, and take a visible, accountable leadership role in the company and community. “They are at the stage of leadership where we want to embed corporate social responsibility, which is a major part of our business model, and our values as a company,” Roberto explains.

Each young family leader is encouraged to get involved in the community and society. The family funds several foundations and is part of nationwide NGO Philippines Business for Social Progress, which comprises businesses that contribute 1% of their earnings to a fund that initiates social ventures in the Philippines. The family feels that a mature family leader should take on a role and initiate projects outside the company, doing something for societal good.

In addition to the unique career development process that is available to each family member, the family also has several activities that help the hundreds of family members, spread around the globe, to remain unified, connected and in touch with each other. Roberto chairs the family council, which is open to family shareholders who want to be involved. The council holds family reunions, which are held every three years. At the last reunion, over 400 family members came all over the world for two days of learning and fun.

The Family Council has members who serve a 2-year term. They try to pick future family leaders who are good communicators and who represent various family constituencies. “The council informs family shareowners about how we work, what we are doing and how we are paid. The idea is to avoid festering problems, to deal with them as they arise,” notes Roberto. The Council has created a family constitution, and acts as the focal point for family activities and maintaining the legacy of four generations of family enterprise. They stand for clear personal and business values that inspire family members to be proud of their heritage and be willing to put in the work to excel, and they have clear and explicit governance policies and practices to nurture, develop and integrate new family leaders in each generation.

IMPACT

The fact that the Aboitiz family has grown and survived over five generations, unlike the vast majority of business families, attests to the impact of this talent and values development process. By paying special attention to values the family insures that each generation is aware that working in the business is a responsibility, not a right. Their focus on social responsibility and service to the community also helps to develop the family’s brand, and bring all family members respect in the community for their service.

GLOSSARY

Backcasting

The concept of “backcasting” is central to a strategic approach to planning for sustainable development and innovation. A successful outcome is imagined in the future, then the question is asked: “what do we need to do today to reach that vision of success?” Backcasting is often more effective than forecasting, which tends to produce a more limited range of options, hence stifling creativity. More importantly, forecasting relies on what is known today--but that knowledge is always imperfect and things change over time.

Blended Value Proposition (BVP)

The BVP states that all organisations (both for profits and non-profits) create value that consists of economic, social and environmental components and that investors simultaneously generate all three forms of value through providing capital to organisations. The outcome of all this activity is value creation and that value is itself non-divisible and, therefore, a blend of these three elements (Jeff Emerson, 2003).

Bottom of the Pyramid (BoP)

In economics, the bottom of the pyramid is the largest, but poorest socio-economic group. In global terms, this refers to the four billion people, typically in developing countries, which live on less than \$2 per day. The phrase “bottom of the pyramid” is used in particular by people developing new models of doing business that deliberately target that demographic, often using new technology. This field is also often referred to as the ‘Base of the Pyramid’ or the ‘BoP’.

Carbon Disclosure Project (CDP)

The CDP hold the largest collection globally of self-reported climate change, water and forest-risk data. Through its global system companies, investors and cities are better able to mitigate risk, capitalize on opportunities and make investment decisions that drive action towards a more sustainable world.

Capacity Building

Capacity building refers to the development of core skills, management practices, strategies and systems to enhance an organisation’s effectiveness, sustainability and ability to fulfill its mission.

Corporate Social Innovation – Corporate social innovations take place when commercial companies leverage their core competencies and integrate innovative solutions to a problem or a need on a society level as part of their core business (Svendsen and Olsen, 2006).

Corporate Social Responsibility (CSR)

Also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business, CSR is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and other members of the public sphere.

Community-driven Regulation (CDR)

A model of environmental regulation where communities directly pressure firms to reduce pollution, monitor industrial facilities, prioritise environmental issues for state action. It also pressures state agencies to improve enforcement capabilities and raise public awareness of issues and tradeoffs between development and organisation. The term was first proposed by Berkeley Professor O’Rourke who cited cases in Vietnam where CDR played a key role in pressuring state environmental agencies to improve monitoring and enforcement capabilities.

Community Interest Companies (CIC)

CICs are limited liability companies that use their profits and assets to achieve social missions. A legal form in the United Kingdom since 2006, CICs are used by individuals or groups who want to conduct a business or other activity for community benefit, and not purely for private advantage.

Family Constitution / Family Charter

A statement of general principles outlining the core values and vision of the family business, and the family's commitment to them. It organizes the legal policies and practices of the business, with the informal rules and practices of the family. It is also a practical guide for running the business and a framework to use to deal with family business issues that have the potential to cause disputes. It begins with a statement of the family's values and mission, and then details the concrete policies and practices that guide the family's decisions and operations as they move between family and business. It could also include policies for family members working in the business, policies about the education of family members and even fun family events.

Family Council

A body composed of family members which assists in developing structures, policies and procedures needed by the family. The Council begins when the family starts having regular meetings to sort how the family connects to their business, and to define and resolve differences and family concerns. It manages the operations and activities of the family, on its own, and in relation to the business.

Family Plan or "Roadmap"

An integrated document which charts the family's past, present and desired future. It can include a family history, family tree or genogram, a vision of the future, a family mission statement and an action plan.

Founder

The entrepreneur who first creates an enterprise that may or may not become a family enterprise depending on the extent to which other family members are brought in as employees, managers, or owners.

Foundation – An institution financed by a donation or legacy to aid research, education, the arts, etc, e.g. the Ford Foundation. These are often begun by families that have made money from the family enterprise, e.g. The Rockefeller Brothers Fund.

Fourth Sector

The Fourth Sector refers to an emerging trend of hybrid organisations that combine charitable missions, corporate methods and social and environmental consciousness in ways that transcend traditional business and politics.

Genogram

A pictorial diagram of a family, containing a person's family relationships and history that goes beyond a traditional family tree. It is used to help families understand certain patterns and issues that have recurred through several generations.

Global Reporting Initiative (GRI)

The Global Reporting Initiative focuses on making sustainability reporting standard practice for all companies and organizations. Its Framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance.

Governance system

The method or system of sharing the rights and responsibilities of a family enterprise with its various participants, including owners, managers, and family, and a guide for how the family makes decisions and the values that guide them.

Ownership Group

Typically a subset (or subsets) of the family group, including individuals or entities (such as other businesses or trusts) who own the enterprise in the context of property ownership. It can include family and non-family and is also referred to as "owner group."

Programme-related Investments (PRIs)

PRIs are investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs include financing methods commonly associated with banks or other private investors, such as loans, loan guarantees, linked deposits, and even equity investments in charitable organisations or in commercial ventures for charitable purposes. For recipients, the primary benefit of PRIs is access to capital at lower rates. For the funder, the principal benefit is that the repayment or return of equity can be recycled for another charitable purpose. PRIs are valued as a means of leveraging philanthropic dollars.

Servant Leadership – A philosophy and practice of leadership, coined and defined by Robert K. Greenleaf and supported by many leadership and management writers. Servant-leaders achieve results for their organisations by giving priority attention to the needs of their colleagues and those they serve. Servant-leaders are often seen as humble stewards of their organisation's resources: human, financial and physical.

Social Entrepreneurs

Social entrepreneurs are leaders who play the role of change agents by adopting a mission to create and sustain social value; recognising and relentlessly pursuing new opportunities to serve that mission. They engage in a process of continuous innovation and learning and act boldly without being limited by resources currently in hand. They exhibit a heightened sense of accountability to the constituencies served and for the outcomes created. Social entrepreneurship may be demonstrated by non-profit organisations as well as for-profit businesses with an underlying social purpose (Greg Dees, 1998 "The Meaning of Social Entrepreneurship").

Social Enterprise

A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Social Innovation

A novel solution to a social problem that is more effective, efficient, just or sustainable than existing solutions; and for which the value created accrues primarily to society as a whole rather than private individuals (Stanford Social Innovation Review SIR Fall 2008).

Social Intrapreneur

An individual who works inside major corporations or organisations to develop and promote practical solutions to social or environmental challenges where progress is currently stalled by market failures. A social intrapreneur applies the principles of social entrepreneurship inside a major organisation to create positive change that serves the needs of society.

Social Marketing

The planning and implementation of programmes designed to bring about social change using concepts from commercial marketing.

Socially Responsible Investing

Investments which take into consideration the social, environmental and financial consequences of investment.

Social Return on Investment (SROI)

SROI originates from the term Return on Investment (ROI) used by traditional investors. It describes the social impact of a business or non-profit's operations in dollar terms, relative to the investment required to create that impact and exclusive of its financial return to investors. SROI analysis was first proposed by the Roberts Enterprise Development Fund (REDF) and is used by investors, foundations and policy makers to determine their capital allocation decisions and by social organisations for planning and performance assessment.

Stakeholders

Individuals or groups holding a direct or indirect interest in an enterprise. They can be internal to the enterprise, e.g. board members, management, employees; or external, e.g. shareholders, customers, government, vendors, unions.

Stewardship

An ethic that embodies responsible planning and management of resources, with the value of looking long term to preserve something for the future or next generations. The concept of stewardship has been applied in diverse realms, including with respect to environment, economics, health, property, information, and religion, and is linked to the concept of sustainability.

Sustainable Development

Development is defined as sustainable where it meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Commission 1987).

Three Circle Model

Family enterprise consists of family members who act as family members, owners and managers in the family business. These interacting and interdependent roles, often have boundaries that are unclear as one individual may be part of two or three overlapping "circles" wearing different hats at different times and for different purposes. (Taguiri and Davis, 1982)

Transition

Any major shift in leadership that occurs naturally upon retirement or unexpectedly with death or disability. It can be from one sibling to another, but most often refers to the change from one generation to the next in the evolution of a family enterprise.

Triple Bottom Line

The triple bottom line (TBL) refers to the financial, social and economic effects of a firm's policies and actions on its stakeholders and the community. The TBL approach advocates that corporations focus not just on the economic value they add but also on the environmental and social value of their activities. At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance on social and environmental parameters in addition to traditional economic parameters. At its broadest, the term captures the set of values, issues and processes that companies should address in order to create economic, social and environmental value while minimising the undesirable consequences of their activities (John Elkington, 1977).

United Nations Global Compact (UNGC)

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Venture Philanthropy

A long-term relationship between a grantee and a funder who provides expertise as well as capital. The focus is on capacity and operational infrastructure and agreed upon measurable outcomes.

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**A society grows great when
old men plant trees whose shade
they know they shall never sit in.**

Ancient Greek proverb



ABOUT FBN INTERNATIONAL

Family Business Network International (FBN) is a global network run by *family businesses, for family businesses*, with the aim of strengthening success for family enterprises across generations. Founded in 1989, it brings together more than 2,850 families and 8,300 individual members – including 2,800 Next-Generation members – across 60 countries worldwide. FBN helps family businesses grow, succeed and prosper through the exchange of best practices and new ideas. Being by families, for families, FBN creates a unique environment in which family business learn from each other and share the passion they have for their family and their enterprises, and how to reconcile these two passions.

FBN is a not-for-profit organization, offering unique value and insights to family business members including:

- a strong international network of business owners, both global and local
- an inclusive, non-solicitation environment for intimate peer to peer learning for all members of the family
- a platform which fosters communication and dialogue across generations, where each family member is invited to share and exchange on their values, long term aspirations and roles within the family
- a forum where every stakeholder, CEO, board member, shareholder or spouse can engage with their peers on the problems they are confronted with on a day-to-day basis, and find support in learning through shared experiences

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