# Introduction

## A changing environment

Warren Buffett’s advice, “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you’ll do things differently,” is becoming increasingly relevant with the influence of social media forces such as Twitter, YouTube, Facebook and Tumblr. Today’s players are perceived to have the power to drive business growth and push innovation. With the ability to engage directly with communities, they are also expected to take over the role of traditional brand building and strengthen the bonds between consumers and brands. However, the flip side of social media is that its speed and omnipresence represent a huge threat to companies. It has the power to destroy a reputation and even a business, which in the case of a family business may have taken generations to build. Consumers can like, dislike, complain, comment and share their voices in the public space. And the individual voice can team up with others to be heard and seen in dramatically visible ways, which can at times become uncontrollable.

The kinds of questions keeping many of today’s executives awake are: How should we position our organization in this new, disruptive environment? How much information should we share? Who should we share it with? When? Why? These questions need to be discussed at all levels of an organization since they touch on the broader image, culture and brand of the business.

Most businesses tend to focus their energy on handling image issues when they occur. Yet this is a reactive approach with the aim of limiting the damage and often raises the question, “How could the incident have been prevented in the first place?” For most organizations, damage prevention and control are unknown territory. If the company is being pointed at because of a perceived faulty product, how should it respond, if at all? The usual strategy is to just hope the issue will go away with time. Today this is riskier than ever. The internet will store this information forever – totally outside the control of the company – and will bring it up every time it is mentioned in the media. Over a period of several years, a large number of General Motors cars were installed with a faulty ignition switch, which in some cases led to fatal accidents. Daily media reports highlight the failures of the engineering department and increasingly question the ethical approach of the senior managers who covered it up. The issue at hand is that one small badly designed part of a car points to bad management practices and questioning the values behind GM’s business strategy. The consumer rightly asks the question: can I trust this company? Predictably, it will cost the company enormous sums of money and it will take years to fully regain the trust of consumers. In addition, the internal questionings and doubts about the corporate culture will lead to inefficiencies throughout the organization.

Public corporations that have a large shareholder base respond to this type of crisis by firing key and top managers. A newly appointed CEO denounces the past practices and promises a deep overhaul of company strategy and culture. Time passes and the business is given a second chance, maybe a third chance and so on.

Family owned businesses, however, might find it more difficult to get a second or third chance. The overlap between the family and the business identity seriously restricts the company’s ability to turn the page after a serious crisis and credibly announce a new culture when the same family continues to stay on as managers and owners. A family manager may be replaced by a fresh non-family manager, but if the family stays on as owners, a cultural change might be difficult to implement and be understood by the outside world.

And this is the key dilemma for family businesses. On the upside, there is a strong and credible culture that is personified and openly lived by generations of the owning family. Family values, such as trust, honesty, hard work and perfectionism bring strong meaning and competitive advantages to any business. The family identity becomes the business identity and supports the culture and the corporate brand. The benefits are both internal and external and provide a unique strength. The downside emerges when in times of crisis, the criticism leveled at the corporation almost automatically involves the owning family and highlights its possible failures. The strong family identity and culture, which has previously provided a source of credibility and trust, now becomes a burden to the business, which needs to change and adapt.

Family offices, the wealth arm of families in business, are exposed to this risk, too. The nature of their activity involves investing into a multitude of opportunities that carry diverse levels of risk.[[1]](#endnote-1) Although they need to build a reputation as attractive long-term investors and differentiate themselves from private equity players by leveraging on their entrepreneurial and family business background, when an investment decision goes sour the family name is quickly associated with it. This could be why many family offices do not operate under the family name but are set up using abstract terms or abbreviations as corporate brands. The market in which family offices operate is a “small world” when it comes to the number of players involved; it is anything but small when it comes to the financial volumes that are at stake. While a neutral business name might secure privacy vis-à-vis the public at large, the investors’ world knows perfectly well which family is behind which family office.

Why promote a family-based corporate brand identity? There are many positive attributes and benefits of being a family business: the truly long-term view into the next generation, a values-based approach and a sustainable business growth strategy. Family businesses that both communicate and leverage their family identity can have a distinct competitive advantage and may indeed enjoy a valuable corporate brand premium. Proactively managing a company’s brand and reputation drives value creation for the shareholders just as real performance improvements do and should therefore be part of the owner’s agenda.

At the beginning of his novel Anna Karenina, Leo Tolstoy wrote, “Happy families are all alike.” This also applies to good family businesses.[[2]](#endnote-2) Although they come in all different sizes, from small concerns to global giants like Cargill, Maersk and Samsung, the best family businesses are similar in various ways. Many are run with a good deal of common sense, in a world in which common sense seems to be increasingly rare. Obviously family firms are not perfect – a badly handled succession can be a threat to a company’s survival and there will always be disagreement between parents, siblings, cousins and in-laws. As Philippe Sereys de Rothschild pointed out when becoming president of the supervisory board of Baron Philippe de Rothschild SA – the family’s French wine estate, which produces the famous Château Mouton-Rothschild – the difference between a public and a family business “is that where a normal business leverages a brand, a family protects it.”[[3]](#endnote-3) Indeed, the good ones get a lot right and there is much to learn from them.

In conducting the research on family business branding, our objective was to understand why some family firms leverage their identity as a “family business brand” and others do not. The research aimed to shed some light onto the discussion by highlighting some of the best practices that leading international family businesses employ to leverage their brand, thus helping families assess the potential benefits and risks of strategically positioning themselves as family businesses. We therefore met and discussed the argument with a number of multi-generational family businesses around the world. These included family-owned as well as family-controlled companies, single brand as well as multi-brand perspectives, B2B and B2C businesses, in which family members were either involved in the operative business or in steering the corporation at board level. Their stories demonstrate the many different strategies and approaches families can apply. Since there is no single success criterion for a family-owned business to sustainably grow over generations, there is no simple rule as to what the family business brand can or should be.

Taking the owning family’s values seriously in order to build public trust and attract talented people is an objective all well-managed family businesses share. The founders’ philosophy and principles are handed down through the generations, shaping the unique company culture and identity and building trust externally and internally.[[4]](#endnote-4) This approach goes beyond what many public companies use “values” for – as a way of checking the right boxes in terms of ethics and CSR practices in their annual reports.[[5]](#endnote-5) It is here that the successful and sustainable family business has a fundamental advantage over the anonymously owned public corporation: the proclaimed values become real – yesterday, today and tomorrow – through the identity of the owners. Leveraging the past to build the future instead of turning the page is another characteristic of family businesses that successfully grow sustainably over generations.Good family businesses invest a lot of time in bringing the next generation into the firm, but they never forget what went before. Successfully balancing tradition and innovation is not easy, particularly if there is a clear need for a family business to change direction. These shifts are fine and sometimes necessary. One should not forget history completely, not least because the past can be a wonderful source of emotion for a corporate brand.”[[6]](#endnote-6) The family identity can indeed bring unique strengths, value and credibility to the corporate brand. The insights from our research clearly demonstrate the long-term advantages for the business to wisely use the family history and identity. But it also highlights that this does not happen by itself. It requires a careful and broadly based approach – starting with the family – to maximize the benefits, both externally and internally. A surprising insight gained from the research is that maybe the strongest benefit of using the family identity is for the family itself since it forces the family members to jointly reflect on who they are and what that means in terms of bringing value – and values – to the business over the generations!

## Endnotes

1. J. Schwass (2011), ‘Wise Wealth: Creating It, Managing It, Preserving It,’ Basingstoke: Palgrave Macmillan. [↑](#endnote-ref-1)
2. D. Turpin (2014), ‘3 Things your C-suite can learn from family businesses’, Tomorrow’s Challenges, IMD, February 2014. [↑](#endnote-ref-2)
3. Philippe Sereys de Rothschild quoted in: J. Anson (2015), ‘Philippe Sereys de Rothschild takes over the family business,’ Financial Times, 10 July 2015. [↑](#endnote-ref-3)
4. D. Turpin (2014), ‘3 Things your C-suite can learn from family businesses’, Tomorrow’s Challenges, IMD, February 2014. [↑](#endnote-ref-4)
5. D. Turpin (2014), ‘3 Things your C-suite can learn from family businesses’, Tomorrow’s Challenges, IMD, February 2014. [↑](#endnote-ref-5)
6. D. Turpin (2014), ‘3 Things your C-suite can learn from family businesses’, Tomorrow’s Challenges, IMD, February 2014. [↑](#endnote-ref-6)