Learning and Practicing Longevity

Lessons from 10 Exemplary European Business Families

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Table Of Contents

Executive Summary

Most business families—those that control economic and financial activities—dream of preserving the family legacy, perpetuating their commitment, and growing the resulting economic and social wealth for future generations. Fulfilling this dream is often feasible in the short run. However, the perspective of these business families is not measured in years, but in decades and generations. Over these extensive timespans, business families endure myriad familial and business challenges, endangering their survival. Young business families—those in their first or second generation—should learn to skillfully navigate these events to avoid seeing their prospects for longevity as dependent on good intentions and luck alone.

Longevity by design

This report describes the longevity journey of ten exemplary European business families that have remained in operation for over one hundred years or four generations. Our findings are based on one year of collection and analysis of publicly available historical data and on in-person interviews with key family and nonfamily informants. We discovered that this longevity is the outcome of patterns of decisions and actions as diverse as the intentions of their members. That said, 10 common themes emerged.

Valuing business centrality. Families' *primary* responsibility is running solid, growing, and profitable businesses in the long run, not serving family members' needs. The management of family goals and dynamics is thus relevant to the extent that it supports business value creation. Family interests are best served only when business activities create economic and social value.

Preparing for the future. No one can predict the future. However, long-lasting business families always look ahead to possible family and business transformations and disruptions, with the goal of preparing for all types of expected and unforeseen events.

Securing continuous leadership flows. Longevity is grounded in business families' ability to anticipate transitions, and to avoid "gaps" in leadership, offering all suitable members opportunities to exercise some form of leadership.

Balancing "We" and "I." Business families that accomplish longevity constantly strive to balance individual and shared goals and to identify a set of shared principles that ground their decisions, preventing behaviors detrimental to family harmony.

Raising the talent bar. Longevity is supported by a relentless effort to hire the best family and nonfamily candidates for leadership positions. Long-lasting families anticipate—rather than respond to—future competence needs, often selecting people with more skills than what would be strictly needed.

Shared exemplary behaviors. Long-lasting families realize that enduring values must be exhibited in past and current behaviors that both family and nonfamily members recognize as valuable and are willing to preserve. Perpetuating shared behaviors is key to keeping the family committed to performing joint business and financial activities in the long term.

Nurturing the tree. To accomplish longevity, families not only create a fair market for shares and provide good financial return, but also promote ownership education initiatives and implement governance mechanisms to preserve an adequate amount of family cohesion. In this view, "pruning" the family ownership tree may be a means to address extreme conflict situations, but it is not the only solution.

Speaking with one voice. Long-lasting families know that, over time, maintaining family unity on all possible fronts is an impossible task. Rather, they cultivate the ability of the family to "speak with one voice" in providing strategic guidance to their joint business and financial activities.

Encouraging a breadth of life. Long-lasting families provide a sense of autonomy and freedom to their members, offering opportunities for a more meaningful life through autonomous business initiatives, financial freedom, and leadership outside the family business.

Fair, flexible, and effective governance. Families apply fairness in governance processes not as an end in itself, but with the goal of making processes and decisions effective.

These directions suggest practical avenues younger business families may take to accomplish thoughtful longevity.

1. Introduction: The endurance journey of multi-generational business families

One of the recognized qualities of the most successful business families is their longevity—the ability to outlive their founders as economic units, thriving across centuries and generations. Accomplishing longevity is not a matter of good intentions and good luck—it requires business families to make many difficult decisions throughout their history. Through these choices, long-lived families develop a unique combination of attitudes, structures, and behaviors that unite family members in creating economic and social value, as well as increased family welfare.

To fully explain how business families accomplish longevity, a deeper and richer understanding of how family, ownership, governance, and business dynamics interact is essential. To this end, Bocconi University and Russell Reynolds Associates performed an in-depth comparative case study of 10 "champions of longevity;" long-lived European business families that stayed together in business for over one hundred years, or more than four generations, accomplishing sizable economic and social value creation. In particular, this research aims to answer:

"What can younger (1st and 2nd generation) business families aiming to boost their longevity learn from long-lived families (3rdgeneration and beyond)?"

The combination of elements that keep each business family together cannot, and should not, be exactly replicated by others. However, by learning about how our 10 champions of longevity have managed to successfully stay together in business, younger families may understand that some vital choices must be anticipated and taken before problems emerge. Our results provide a working list of fundamental issues that families should proactively address and suggestions on how to make these vital choices.

2. Exploring the roots of business families' longevity: Methods

We identified the group of business families composing our empirical context (§2.1), data collection (§2.2) allowing us to trace their evolution over more than one hundred years, and data analysis procedures (§2.3) allowing us to transparently identify the key roots of longevity across cases. Additional details on methods are reported in Annex 1.

2.1. Empirical context: Ten long-lived European business families

The research team (see Annex 2) identified ten exemplary cases of long-lived business families, described in Table 1.

Table 1. The ten investigated "Champions of Longevity"

	Family firm*	Country	Main business	Founding year	Generation (leading the group)	Ownership model	Size in Revenues (R) or Net Asset Value (NAV**) (2021)
1	Wendel	France	Certification and verification services	1704	10	Listed	8.4bn (NAV)*
2	Groupe SEB	France	Small household equipment	1857	6	Listed	8.1bn (R)
3	Van Oord	Netherlands	Dredging and marine construction	1868	4	Private	1.5bn (R)
4	Banca Sella Holding	Italy	Banking	1886	4	Private	0.7bn (R)
5	Firmenich	Switzerland	Fragrance and Taste	1895	4	Private	4.1bn (R)
6	The Cousin Companies	Finland	Automotive trade	1901	4	Private	1.7bn (R)
7	Gruppo De Agostini	Italy	Gaming and Lottery	1901	3	Private with some listed controlled companies	3.8bn (R)
8	Falck	Italy	Renewable energies	1906	4	Private with one listed controlled company	0.6bn (R)
9	Puig	Spain	Beauty	1914	3	Private	2.5bn (R)
10	Porsche	Germany	Automotive	1931	4	Private	26.6bn (NAV)

(*) By founding year

In selecting cases, we looked for the following characteristics:

- **Age:** The "legacy" business was founded over 100 years ago and/or the business family is currently at its 4th or later generation of members active in ownership and governance.
- **Transformations:** The business family and the businesses that they controlled went through relevant transformations determined by both negative and positive events related to both the business and the family. Examples of business transformations include an exit from the founder's business due to industry crisis and the acquisition of a large competitor, doubling business size. Examples of family transformations are the sudden death of the most senior family and business leader or a particularly entrepreneurial next-generation (NextGen) member joining the family business.
- **Performance:** The current performance of family business and financial activities is positive according to standard performance measures.
- **Access:** The family allowed access to both family members and to nonfamily managers, directors, or consultants for interviews and, if possible, to relevant company documents.

2.2. Data collection: Combining public sources, company documents, and interviews

- **Secondary data:** To reconstruct the long history of the ten families and their businesses, we relied mainly on public sources of secondary data such as books, articles, databases, archives, and websites. These publicly available data were collected by five research assistants over a six-month period (see Annex 3). Families also provided a large amount of non-publicly available data (see Annex 4).
- **Interviews:** To help us clarify and interpret the vast amount of collected secondary data, we conducted in-depth interviews with knowledgeable informants. On average, we conducted three interviews in each case (up to five in a few cases): two with members of the controlling family, and one with a non-family manager, member of a board of directors, or consultant. Altogether, we conducted 33 interviews. Interviews were conducted by two or three members of the research team, following an initial interview guide that was refined and adapted as preliminary insights emerged from early interviews and data analysis (Annex 5).

2.3. Data analysis: Combining inside and outside views to develop insights

Data were analyzed with rigorous techniques for grounded theory research (Corbin and Strauss, 2015). Given the substantial amount of collected data, we used a software for qualitative data analysis (NVivo) to transcribe interviews and to file, search, and compare data within and across cases.

After the completion of all interviews, we presented and discussed a preliminary report with emerging insights in a two-hour session with 10 informants (the "Expert Group") who volunteered to participate. The goals of the Expert Group were to discuss emerging results with researchers and other participants, provide feedback and insights to further advance the research, and connect and mutually learn from members of other families about their family and business practices. Feedback from the Expert Group participants—who read a draft report in advance—allowed us to refine and strengthen our results in relation to emerging key concepts such as "fairness and fair process," "pruning the tree," "family leadership orchestrators," "evolution of governance solutions," and "diversification choices."

3. The roots of business families' longevity

Our analysis of the ten "champions of longevity" revealed ten determinants, summarized below. Each one offers suggestions to younger families interested in retaining joint control of business activities, with the goal of creating family welfare and economic and social value.

1 Valuing business centrality

Families' primary responsibility is running solid, growing, and profitable businesses

2 Preparing for the future

Families should always look ahead, striving to prepare for all types of expected and unexpected events

3 Securing continuous leadership flows

Providing continuous leadership in different roles and with specific characteristics is the fuel for longevity

4 Balancing "We" and "I"

Families should constantly strive to balance individual and shared goals and to agree upon a "minimum common denominator" of shared principles

5 Raising the talent bar

Longevity is supported by a relentless effort to select the best candidate for each leadership position, anticipating—rather than responding to—future competence needs

6 Sharing exemplary behaviors

A small number of shared behaviors defines the essence of the family ethos and is the glue binding the family together, above and beyond written value statements

7 Nurturing the tree

Families should "nurture the family tree" by creating a market for shares, providing positive financial return, business education, and promoting family togetherness

8 Speaking with one voice

Rather than maintaining family unity on all fronts, the ability to speak with one voice is what families need to provide strategic guidance to their business

9 Encouraging a breath of life

Families should provide a sense of autonomy and freedom to family members by offering opportunities for autonomous business initiatives, financial freedom, and leadership positions outside the family business

10 Fair, flexible, and effective governance

Families should design, and constantly adapt, corporate and family governance systems aimed at making effective decisions driven by business centrality, rather than by fairness as a goal in itself.

3.1. From "placing family first" to "valuing business centrality"

A simple yet powerful principle underlying longevity: business families' primary responsibility is the joint running of solid, growing, and profitable businesses. This attitude reflects a focus on business centrality when managing a business family. In this view, addressing family goals and dynamics is not an end in itself but a precondition for continued economic and social value creation. In turn, business centrality ensures that family interests are best served by creating economic and social value through business activities.

In 1972, Ferdinand Porsche and Louise Piëch—the two second-generation owner-managers of the German carmaker Porsche, who inherited the business from their father Ferdinand, its founder—faced a crucial decision. The two siblings resolved that all family members, including themselves and their four children active in the business, should resign from their respective management positions and leave the administration of the company to nonfamily managers. Despite several family meetings, the family could not agree on a common solution for succession to the next generation. All alternatives of dual leadership would have left someone's interests unconsidered, potentially dividing the family, with negative repercussions for the business. In making this difficult choice, the family placed the economic and social value of the business at center stage. It was a bold resolution, allowing the business to grow and flourish in the subsequent 50 years while simultaneously supporting family prosperity, harmony, and longevity.

The downside of "business-takes-it-all" and "family-takes-it-all" mindsets. Over their lifespan, business families encounter several difficult decisions. These decisions question the subtle balance between the family and the business systems. Families ask themselves: "In taking this step, shall business or family interests come first?" In the founder's generation, the business always comes first and becomes the center of the universe. Over time, this business-takes-all mentality is disruptive to both family and business dynamics. Family members feel that they will be seen as not committed to and betraying the family if they prioritize anything over the company. This mentality often results in decisions that challenge business survival in early generations, such as: "All family members shall work in the business."

To address this risk, family business experts suggest families establish a family-first environment: "As soon as possible, the family needs to understand that the family is more important than the business" (Ward, 2004: 57). Creating a family-first environment means recognizing that the family and the business are two separate entities with separate goals, and that both—not only the business—need to be acknowledged and respected if they are to work together. Unfortunately, in an effort to balance the previous excessive focus on business, many families take the family-first environment too far. Nepotism and complacency risk taking the place of commitment and hard work, and a "rich family/poor company" attitude may replace the practice of reinvesting all profits into the business. When families misunderstand the meaning of creating a family-first environment, they seriously reduce their chances for longevity, because they stop seeing the health of the business as important to the health of the family.

"Champions of longevity" properly value business centrality. In our research, we observed how long-lasting families managed to correctly interpret a "family first" mentality. We unveiled dozens of difficult, generous, and far-sighted decisions made by the 10 long-lived European business families that we analyzed. Some of these decisions were related to family and ownership. Others involved management and governance. Despite their significant diversity, the key logic and the main goal of these decisions was, invariably, preserving the business and financial activities that the business family was jointly performing. The family members involved in these decisions clearly understood that their primary responsibility was to ensure responsible, sustainable growth of all business and financial activities under family control. In this simple yet powerful principle they saw the key to longevity and prosperity. Other motivations—family harmony, conflict reduction, preservation of family values or achievement of individual goals—were often relevant, but they were always subordinated to the guiding mission of working together to run solid, growing, profitable businesses.

This crucial insight emerging from our research runs counter to common wisdom on longevity. Over the past two decades, family business researchers and practitioners shifted their attention from the business to the family in explaining business and financial activities performed across generations. The valuable intuition—supported by rigorous empirical evidence—was that it was not enough to simply follow the business over time. The founder's business, for instance, may go bankrupt or be sold by later family owners. Families may start new businesses and diversify, expanding into unrelated business and financial activities. The Falck family, for instance, sold the founder's steel business in the 1990s and, in February 2022, they sold Falck Renewables S.p.A., their core, publicly listed business. The family's entrepreneurial journey has taken many turns,and it will continue to do so. To understand cases like the Falck's, family business experts turned their attention to the dynamics of controlling families. The most prominent example of this shift is the concept of socioemotional wealth (SEW), the emotional and noneconomic benefits that family members draw from managing the business and from passing down control to their successors. According to its proponents, controlling families base their business decisions on the need to preserve their SEW stock. Decisions grounded on the preservation of SEW may harm growth and performance because family control over the business and the preservation of family identity become more relevant than making innovative entrepreneurial decisions and expanding the business or selling a business if it becomes no longer sustainable.

We were surprised to observe that family dynamics were never crucial in themselves, but only as a precondition for the wealth and prosperity of the businesses owned and controlled by the family. In the 10 cases we analyzed, the actions aimed at improving family dynamics, governance, ownership control, and managerial excellence were targeted towards the main goal of producing positive economic and financial results for the business. Our analysis showed that all 10 families focus on the business and financial activities that they jointly control, rather than on family and ownership dynamics per se. At some point in their history, these families understood that if they wanted to prosper together in the long run, sustainable business value creation was essential. Though they continued to play a role, family and socioemotional issues gradually faded into the background.

Actions showing how long-lasting families value their business. Focusing on business performance resulted in difficult, generous, and far-sighted choices in all areas of the family business system:

- **Family:** Families decided that members were not simply entitled to governance and managerial positions, going so far as to fire an under-performing family manager.
- **Ownership:** Family members were asked to sell shares to another family branch to strengthen leadership of the business.
- **Governance:** Families took steps to coordinate the expression of members' ideas and concerns, allowing the family "speak with one voice."
- **Management:** Top management teams were, in some cases, mainly composed of competent nonfamily managers.
- **Business:** Families like the Falcks made the decision to exit from the founder's (or the "core") business, following a farsighted business logic in investment decision processes.

Economic and social value creation. These choices reveal a steady transition from placing "family dynamics" at center stage to focusing on "families governing a portfolio of business opportunities." This does not mean that families shifted their attention exclusively to self-serving financial interests; business activities were not seen as instrumental to family wealth alone. Families strived to create economic and social value. The long-lasting business families that we studied are all socially responsible groups that leveraged their vast resources to make a positive difference in the world. Moreover, business centrality was usually framed in a historical and socio-economic context. For instance, many of the most recent adaptations of these ten families' businesses were driven by external trends towards sustainability (e.g., Falck family investments in renewable energy) and digitalization (e.g., Sella family investments in internet banking).

Insights for younger business families

In their search for longevity, younger families should identify the main logic of their current and past crucial decisions. They should also explain the meaning of business centrality to their members down through the decades and across generations, addressing the following issues:

- Understanding whether family or business logic is behind key decisions, and if one of them tends to prevail. Reflect on whether the balance between family and business logic changes in relation to the type of decision (e.g., decisions related to succession, management, governance, strategy, dividends, and wealth distribution), and over time.
- Considering if family needs and expectations have driven decisions in directions that hampered the business or, on the contrary, if business needs shaped decisions in directions that made some family members unhappy and frustrated. Families should impress upon all members that if decisions are not driven by the primary goal of keeping the business healthy, chances for longevity are significantly reduced.
- Understanding if, and to what extent, all family members are aware of and invested in economic and social value creation. Systematically measuring or assessing the creation of economic and social value within family-controlled businesses could be a useful activity. Families should try to help all members understand that running a successful business is in the best interest of the family, and making decisions that enhance business growth, wealth, and longevity is essential—rather than harmful—to the growth, wealth, and longevity of the family.

3.2. From “reacting to events” to “preparing for the future”

Throughout their longevity journey, families often looked ahead at possible major family and business changes, striving to determine how the family could anticipate and prepare for them and performing actions aimed at addressing expected transformations.

Chance events obviously play a role in the longevity of business families. Long-lived business families must navigate turbulent industry dynamics, technological disruptions, and family, economic, and social transformations. Some events are inherently negative, such as the unexpected death of a family leader, an expensive lawsuit, or the entry of a strong competitor in the firm’s main market. Others present positive opportunities, such as the arrival of a new technology, emergence of a highly talented NextGen member, or an attractive offer from external investors to acquire a family asset or to enter as nonfamily shareholders. Whether positive or negative, most of these events, and their effects, cannot be accurately predicted. Surviving them means embracing persistent change and transformation. Business families, unfortunately, are designed to strive for stability and to resist transformation. They struggle to offer security and continuity to their members and to the businesses they control: “We are doing pretty well; why should we change what we do and how we do it?” This conservative tendency prompts business families to react to, rather than anticipate, challenging events.

Given the importance of transformation, families “preparing for the future,” addressing or anticipating change, surviving through crises, and capturing growth opportunities emerged as a central theme in our data. This attitude is the essence of resilience, “the ability to adapt and change, in response to either success or adversity” (Jaffe, 2020: 87). We identified three ways in which business families managed to prepare for the future: (a) developing a forward-looking attitude; (b) avoiding risk concentration; (c) developing a learning competence.

(a) First, looking forward.

Throughout the history of these 10 families, we found attitudes that favored looking to the future and to understand forthcoming risks and opportunities in both the family and the business. This relentless attention toward the future did not amount to “having a crystal ball.” It simply meant that these families spent time and effort trying to envision possible forthcoming scenarios and changes along a limited number of key variables, such as the availability of future successors and the lifecycle of the core businesses. Current and past family leaders were often credited for “look[ing] ten years ahead” or “striv[ing] to look ahead,” and family members often reported discussions about “trying to prepare for unexpected events by looking ahead.” They devoted time and effort to performing “scenario and risk analysis” related to governance, businesses, and succession. One chairperson we interviewed stated that, in his family, they tend to educate family members on specific potentially risky topics. This helps prepare family members to face dilemmas or uncertainty less emotionally.

In relation to **governance**, a member of the Expert Group told us: “Governance is thinking about future family and business needs, and it is also relentlessly asking whether past family governance solutions need to be updated. Do we need to modify governance?” For instance, one of our informants reported that, due to family leaders dying at a comparatively young age in the multi-generational history of the family, recent family CEOs were appointed at a younger age than the average CEO. In one family firm with a particularly sophisticated governance structure, the chairman told us: “Our governance is sophisticated, and it fits us well, but within the next ten years we will have to change it, because family structure is going to change.” One of the families set up a complex system of holding companies and ownership rules to prevent the otherwise predictable loss of family control over the businesses. This decision came after having carefully analyzed the possible future evolution of family ownership composition. Another family scrutinized the age and performance of independent board directors, changing them before they became less effective.

In relation to **businesses**, all 10 families systematically explored ways of avoiding the possible decline of their economic activities. The board of one family who was keenly focused on a single business, for instance, performed a thorough analysis and discussion of opportunities for diversification with the help of external advisors. After a few years of discussion, the conversation is still open. In the past, the same family decided to expand the legacy business internationally, following a careful analysis of potential home-country risk, which convinced family shareholders that were skeptical about international expansion. Similarly, careful monitoring of the declining publishing business led the De Agostini family to gradually reduce investments in this business and diversify into new ones. One of the most diversified business families in our group regularly performs an analysis of its portfolio, based on four criteria that dictate whether to retain or to sell: level of risk per business; future capital requirements; presence or absence of a competitive advantage in the industry; and interest of family members in the business. All these efforts signal a constant willingness to anticipate future dynamics, to prepare the family to face decisions less emotionally, and to be ready to address changes if they must occur. When the families realized that they had to change the business, they did so without hesitation. As a result, we found no relationship between longevity and the type of business or businesses in which families have been active—mature or innovative; focused or diversified. We thus cannot state whether focus or diversification is better for longevity.

In relation to **succession**, we observed that, with few exceptions, family leaders of each generation almost always took on the responsibility of identifying and appointing future leaders. Leadership transitions were most often agreed-upon processes. However, senior generations never left NextGens alone in deciding who among them should lead the family and the business. Future leadership was always validated by the senior generation, thus anticipating and preventing disruptive conflicts among NextGen members.

(b) Second, avoiding risk concentration.

Families who addressed unexpected future events shared a propensity to avoid endangering family assets. Following their forward-looking activities, these families systematically identified family and business initiatives that would avoid putting the family and the business at risk. Aware of the constant fluctuations of their country's currency, for instance, one of the families coupled their main import activities (which suffered whenever the local currency weakened) with the acquisition of an export business (which benefited from a weaker currency). Understanding the growing maturity of traditional banking activities, Banca Sella Holding was the first company in Italy to introduce digital technologies, which later provided a sustainable competitive advantage in the market. All families gradually added financial investments to their core businesses, either as related or unrelated business diversification (such as in the case of De Agostini and Wendel) or as separate family investments (the case of all other families).

(c) Third, developing a learning competence.

To strengthen forward-looking attitude, learnings from both positive and negative transformations were bundled into governance structures and processes. After each transition, the family refined business and governance structures, either to avoid repeating mistakes or to increase the likelihood of successful events. Meetings, discussions, and planning sessions were strengthened. Capable family members became more involved in business decisions. Independent directors with specific competences were invited onto boards. All these choices allowed families to develop and retain vital knowledge about how to address future challenges and opportunities.

This learning competence often resulted in successful business choices. The recession of the early 1990s severely affected Porsche, due to its dependence on the US market and a depreciating dollar. In response to the crisis, the family employed a Japanese Group to help implement "lean" manufacturing techniques and increase productivity. The concepts learned were later bundled into a consulting company, which ultimately resulted in the creation of a new line of business that still exists today.

Insights for younger business families

Although future disruptions cannot be anticipated, younger business families should learn a few attitudes to address positive and negative transitions:

- Including an explicit check of possible future events when making important family and business decisions. For example, families can adopt a formal "decision chart" beginning with a discussion of "Expected future trends" that are relevant to the specific issue under discussion (e.g., strategic investment, dividend policy, appointment of Board members, NextGen policies etc.).
- Regular risk assessments of all the main areas of family and business longevity: portfolio of businesses, including lifecycles and diversification into different industries and countries; technologies; management; governance; succession; and financial investments. These "stress tests" may be performed with support from expert consultants, if needed.
- Taking over the responsibility of identifying who among NextGen members may have leadership potential. This includes nurturing potential leadership candidates and eventually taking on the burden of appointing—through shared and fair processes—the actual future leader or leaders.
- Preserving the "lessons learned" from past transitions by adapting management and governance bodies (e.g., adding knowledge and competences that seemed to be missing from past events), adapting management and governance tools (e.g., refining how board meetings are held, improving strategic planning and family council discussions), codifying and disseminating reports on past events, and retaining—even in informal roles—people with direct experience and learning from past events.

3.3. From “choosing strong leaders” to “securing continuous leadership flows”

Continuous leadership is the fuel for longevity. Long-lived business families offer family members multiple opportunities to exercise different forms of leadership and to develop the required leadership characteristics: an orientation towards value creation and towards actively listening and caring. They also plan to avoid gaps in leadership by connecting current and future generations of leaders, and they educate all family members to be active followers who trust and support leaders.

Leadership matters for longevity. In the families we observed, leadership—whether provided by family members or nonfamily managers—fueled continuity, becoming the glue that held the often-contrasting forces together. The role of leadership was often more relevant than that of fair governance processes. All ten families invested substantial resources in developing governance structures suited to their unique and evolving needs. However, we learned that over long spans of time, leadership flows are more relevant than governance structures. Family business systems require frequent increases in leadership, which they achieve by changing and training personnel. Over time, families managed to keep a constant stock of leadership through the instillation of different types of family and nonfamily leadership. Having leaders of different types and in different positions has been a continuous effort for these families. In all 10 cases, business families pursued four complimentary activities to build and retain a constant stock of leadership over generations: (a) organizing a family leadership system; (b) avoiding gaps in leadership; (c) ensuring all leaders shared three specific characteristics; (d) stimulating active followership.

(a) A plurality of leaders: Organizing a family leadership system

The families we studied kept asking themselves the same question: “Where can family members—those with motivation and potential—best exercise some kind of leadership role?” To answer this question, families found the role that was the best fit for each family member with leadership potential (e.g., family leaders, business leaders, family foundation leaders, family office leaders). Some families also recognized a form of thought leadership in emotional, health, legal, leisure, and religious issues. These less traditional roles created space for family members (sometimes including in-laws), who were not suitable or interested in covering key business positions, to exercise a form of leadership.

Identifying, appointing, and coordinating this wealth of leaders required the presence of an informal “Leadership Orchestrator” tasked with identifying where family members could offer meaningful contributions. The role of leadership orchestrator emerged in almost all families, usually in the second or third generation, and it was transferred in subsequent generations. In the Van Oord family, this role was apparently played by many family members. “In our family, we do not have an official orchestrator, but a few family members who carry a lot of formal and informal leadership positions, and who keep asking questions about the future of the family and the business.” In addition, family leaders of the main business—chairpersons and/or CEOs—did all they could to demonstrate that their leadership role was not the only one that mattered.

While families often identified several leaders in different family roles, business leadership was usually far more restricted. Throughout their history, the main businesses controlled by these 10 families were usually led by a single family or nonfamily leader even in later generations, when some families preferred to appoint multiple CEOs. Only in a few instances were two family members with different but complementary leadership attitudes placed at the helm of the group, or of a single business, as co-CEOs.

(b) No "gaps" in leadership: The relentless "leadership relay race"

One of the key insights of our research is that business family longevity is sustained by a consistent stock of leadership. Borrowing a vivid analogy offered by one of our informants: "A legacy family navigating through generations is like an airliner: there can be no 'air gaps' in leadership."

Two complementary attitudes shared by both outgoing and incoming leaders help maintain a consistently high level of leadership.

Outgoing leaders empowering future family leaders of the business. Leaders in all family firms will eventually realize the need to start involving next-generation members. The leaders of the families we investigated were no exception and worked to inform NextGens about leadership opportunities and to foster their interest, gradually bringing them closer to the family's businesses.

Besides merely informing NextGens, however, outgoing leaders sought to empower incoming ones, making sure they took on significant roles when they were still relatively young. Current leaders did not view NextGens simply as a group of family members requiring some minimal level of engagement, but as a team of "leaders in waiting" that deserved to be gradually empowered. Despite their often long tenures, outgoing leaders prioritized the development of the next generation. Although we observed some hesitations and delays, this was their overarching attitude.

Incoming family leaders proactively claiming leadership roles. An interesting outcome of our analysis is that across generations, some NextGen members have been proactive in claiming leadership roles by advancing suggestions, ideas, and initiatives that could benefit the family and the business. These "leaders in waiting" were not passively expecting to be anointed by the senior generation. They facilitated leadership transitions by respectfully yet resolutely signaling their commitment and passion to the senior generation. When the third generation of Puig was still at the NextGen stage, its members autonomously set up a "Cadbury committee" to advance proposals for improving corporate governance. Van Oord's NextGens boldly confronted senior family leaders in a meeting, asking for the opportunity to play a more active role in key decisions. Two members of one business family developed a proposal—that was later approved by the family—for organizing family ownership under a company holding. A NextGen member of the Sella family advanced ideas on business-model innovation that later gave the company a competitive advantage, allowing him to distinguish himself and progress in a career that eventually led to a leadership position. At Groupe SEB, a group of NextGen cousins proposed the constitution of a financial vehicle that was later used by the family to buy shares of the family's public company, thus strengthening family control that had been weakened by some family members selling their shares over time.

(c) Ensuring three leadership characteristics

The family and nonfamily leaders selected by the 10 families displayed three main characteristics: they were guided by a business-first logic in making tough decisions, they were capable of listening to identify real and hidden problems, and they were capable to combining care and generosity with resoluteness.

Using a "business-first" compass to guide tough decisions. Over the decades-long history of these families, challenging decisions were inescapable. The leaders we observed had to make some very tough and difficult decisions, and one of them told us, "Making a choice is always painful."

To make these difficult decisions, leaders followed business-first principles that provided a compass to orient their behavior. This compass had two main poles. First, supporting the future survival and prosperity of family businesses. Second, ensuring clear and merit-based leadership, avoiding fragmented decision-making that might lead to a power struggle.

Listening to identify real and hidden problems. We were surprised that not all families developed a family council. A member of one of the oldest families in our group told us: "We are currently designing a family council to foster a more structured approach to listening." Regardless of the presence of structured governance bodies, current leaders were systematically open to listening to dissonant voices coming from the family and to understanding the reasons for dissatisfaction. Our informants often referred to current and past family leaders as "great listeners." Listening and managing dissatisfaction required substantial amounts of time and energy. A member of the Sella family summarized this ability: "A family leader must have the art of pulling out problems, in particular those that are unspoken and not made fully explicit."

Family documents and interviews reported many ways, both formal and informal, that leaders made time to listen to issues and concerns, "taking the pulse of the family." One of the family CEOs that we interviewed told us: "In our family, we've always had this attitude of writing a lot to each other. Luckily, discontent is manifest to those in leadership positions. We give voice to each and every one and we address all problems, trying to minimize the emotional burden. We are accustomed to even tough discussions, but without breaking up." Listening required a substantial time investment by family leaders, who often reported the amount of time they spent in "managing the family." One of them accurately reported: "My father, my grandfather, and I have devoted 25% of our time to relationships with family shareholders." Another family put in place a committee to which questions and issues could be addressed. The committee decides whether an issue should be directed to family or business leaders.

Leaders also considered which dissonant voices could generate trouble for the family and the business, and which could not. They understood that not all dissatisfied family members or family branches could catalyze discontent and opposition from other elements of the family, and they actively attended only to discontent generated by those "catalyzing forces." This allowed them to prevent the emergence of disruptive dissent, without dissipating time and energy to attend to all concerns.

Combining care and generosity with resoluteness. Family leaders' ability to listen was coupled with caring, generosity, and altruism in interpersonal relationships. Leaders in the families that we studied were most often caring and capable of overcoming relationship conflict to focus on the issues at hand. Even the toughest leaders showed systematic forms of affective caring for members of the extended family. One of the toughest and longest-lasting family leaders of our 10 families once forcefully said: "Tensions and conflicts can be overcome if you care and love the members of your family." The leaders of these business families were not emotionally "cold;" they showed caring and emotional intelligence.

A related quality of family leaders was their discretion. As one of our informants explained, "A family leader is someone who must know everything, but who acts as if he or she knew nothing." Similarly, family leaders are often reported to avoid criticizing other family members in public: "I've never seen him criticizing a family member in front of the others. When criticism is advanced, it is always one-to-one." This attitude of leaders often involved the entire family. As a nonfamily member told us: "The family is extremely generous. It's a pleasure to see them discussing: they are always open to listening to each other."

These leaders could simultaneously be tough and resolute when facing irrational requests from family members or branches guided more by self-interest than by knowledge and competence. The other family members accepted this so long as it was clear that the leaders in question were guided by a "business-first compass," supporting common business activities and acting in the best long-term interest of the family, rather than by the leader's ego or personal motivations. Accepting resoluteness in leadership behavior sometimes meant that the family accepted—in specific and limited instances—that leaders could partially and temporarily relax process fairness by, for example, speeding up urgent decisions. In all 10 families, governance consistently followed "fair process" rules (Kim and Mauborgne, 2003). However, what we observed were "fair and effective processes," in which fairness was never a goal itself, and the family was at times willing to pay a cost in terms of pure fairness to ensure the efficacy of processes and outcomes.

Not all family leaders had these three characteristics at the time of their appointment; they acquired them over time. Our informants often reported that leaders in their families gradually learned to make tough decisions, to listen, and to combine generosity and resoluteness.

(d) Stimulating active roles of family followers

Effective leadership requires active followership. Across generations, we observed specific behaviors among family members that allowed leaders to effectively exercise their role. Specifically, active followers provided a healthy challenge to the leaders and entrepreneurial energy. They demanded high levels of accountability and performance and carefully monitored results over time. A complementary attitude was "forgiveness" towards possible mistakes made by current leaders. While challenging leaders, family followers were also aware that mistakes and bad luck are possible amidst a long stream of positive results.

Family and nonfamily followers also provided continuity of the vital entrepreneurial role (or entrepreneurial leadership). Retaining "entrepreneurial leadership" was essential for the business family's continued success and transformation. In the first and second generations, entrepreneurial leadership was usually embodied by family leaders. In subsequent generations, it existed in different configurations, both concentrated and dispersed, involving both family members and nonfamily managers. Over time, we observed that the entrepreneurial leadership function was increasingly performed by nonfamily managers and by a team of family members (rather than a single all-powerful entrepreneur). This resulted in an "entrepreneurial attitude" of the overall family and of nonfamily top managers.

Insights for younger business families

In their search for longevity, younger families should carefully reflect on the leadership development choices of the 10 families in our study. These choices suggest the following attitudes and actions:

- Appointing, in each generation or stage of family life, a family member in charge of managing the "stocks and flows" of leadership. An informal "Leadership Orchestrator" or "Family HR" who is mindful of the available leadership skills within the family, and of the best possible ways to benefit from them.
- Being mindful of "leaders in waiting" in the NextGen and empowering them as soon as possible, rather than simply keeping them informed and engaged.
- Always striving to ground tough decisions in talent and the best interests of the family's business activities.
- Learning to listen to the disparate voices, needs, and concerns of all family members. Learning also that only some dissonant voices have the power to catalyze consensus in the family and pose a threat to family unity. In response, acting to counter these "catalyzing" voices only, while simply listening and trying to understand the others.
- Learning to forgive leaders' mistakes, provided leaders continue to achieve positive business results overall and maintain spotless integrity in their behavior.

3.4. From “favoring ‘I’ vs. ‘We’” to “balancing ‘We’ and ‘I’”

The 10 families that we examined performed several activities aimed at actively balancing individual and family needs. Through these activities, family members agreed upon a small number of principles revolving around the preservation of business value. These principles represented the “minimum common denominator” of family longevity, a strong-enough bond to keep the family together in business over time.

Business families surviving across generations face the common threat of losing the strong identity inherited from earlier generations, which plays a central role in keeping the family together. The values, goals, and behaviors that constitute this shared identity emerge during the founder’s generation and are later transferred to members of the second generation through strong, close family relationships and active participation in business activities. As families grow larger in subsequent generations, new values, goals, and behaviors emerge. Family branches gradually develop separate views of the family and the business, and the needs of individual family members diverge from joint family objectives. In earlier generations, they converged towards legacy values and a shared strategy. Family members in later generations may try to strongly affirm their individual needs against those of the family. At this stage, some families risk losing their shared direction by supporting individual goals that harm joint interests (favoring “I”) or by preferring joint goals that neglect the legitimate needs of individual family members (favoring “We”).

To address this threat, family business experts suggest that business families work to develop a new “synthesis of values” (Ward, 2004: 135). This means developing a broader and more inclusive shared identity and family mission statement, a single collective culture capable of encompassing the increasing diversity of family members.

The 10 families that we examined performed several activities aimed at actively balancing “We” and “I” perspectives, acknowledging the inevitable emergence of diverse views and needs of individual family members. Surprisingly, however, these activities were not aimed at building a single collective culture. Strong unity across all members and all branches of the family was not the rule across the 10 families and over the generations. More pragmatically, the goal of these balancing activities was nurturing a “basic level of togetherness,” which implied sharing a minimum set of working values and behaviors to keep the family together in managing joint business and financial activities.

Activities aimed at actively balancing “We” and “I.” Regardless of the presence or absence of a widely shared identity, all these families had to balance personal and family needs. As families grew larger and increasingly diverse, individual family members displayed different views and needs regarding share ownership, share value, dividends, and participation in management and governance activities. The growing separation of family branches across generations meant that individual needs risked prevailing over shared ones. To face this threat, the 10 families systematically performed activities that re-balanced the family business system towards the collective. With these activities, families relentlessly balanced individual viewpoints and desiderata and shared ones. According to one member of the Sella’s family: “Family members must understand that they cannot win on each front; the different needs of family members must be balanced.”

Activities aimed at actively balancing individual and shared needs revolved around significant family assets. These assets defined the "boundaries" of the family and the quality of its involvement in the business, reminding individual members that they were part of a broader collective. Members of one family, for instance, proudly mentioned the tradition of living in houses located on the same hill, while two brothers in another family recalled the value of jointly owning a small island where they spent holidays together. Others mentioned the importance of the family business museum, the family foundation, or the family history book in generating "common ground" around "what it means to be a member of this family." Yet others mentioned the value of family reunions in their grandparents' old house and family hiking trips that had been taking place since the early 1900s. Other activities revolved around the goal of developing a shared document, such as the Family Constitution or a Shareholders' Agreement.

These activities were usually started by family leaders who, as we have seen, were able to "bring the family together." These leaders understood that, in order to accomplish longevity, this ability needed to become a family trait, learned by every member.

Sharing a minimum set of working values. We were surprised to notice that these activities were simply aimed at "balancing 'We' and 'I'," rather than at building a broad and shared family identity. By reading books and articles, family documents, and through our interviews, we realized that these families were acutely aware that it was simply not possible to share a single identity: "We are more than a hundred shareholders from three different generations: How could we meaningfully share a single view on everything?" These families did not demand that all members agree on everything.

More pragmatically and realistically, they were happy to be on the same page in relation to a limited number of core issues related to the business, ownership, and leadership, crucial to keeping, and even strengthening, the family's ability to create financial and social value. These core issues represented the "minimum common denominator" of family longevity, a strong-enough bond to keep the family together in business over time. This consensus was enough to generate "psychological ownership;" the feeling of "being part of an exclusive club," as one of our informants reported. This allowed each individual and family branch or group to retain its individual identity and goals, while simultaneously experiencing a shared sense of belonging common to the whole extended family—a bedrock of shared goals and behaviors. This logic of balancing "We" and "I" was essential in keeping the family together over generations.

Insights for younger business families.

In order to balance the disrupting conflict between individual and shared needs that inevitably emerges over time, younger families may learn the following lessons from long-lived family firms:

- Striving to instill joint values and behaviors in the family system and to prevent individualistic positions from prevailing over family cohesion and welfare.
- Performing joint activities revolving around symbolic artifacts that reinforce a core idea of "the family" and its principles—e.g., a book, a museum, a family summer house, or a foundation.
- Directing shared decision-making (e.g., in family councils or shareholders meetings) towards identifying and supporting "the common good" of the family as a collective.
- At the same time, acknowledging and trying to fulfill individual needs, to the extent that they do not disrupt family welfare.
- Being pragmatic about developing a shared culture and identity; long-lived family firms are conscious of the difficulties in reaching broad agreements among family members with radically different backgrounds and viewpoints. They are content with agreements around a limited number of core principles.
- Performing social activities to develop a minimum level of cohesion among family shareholders, enough to allow them to sit around a table, discuss business issues, and make shared decisions through a fair process.

3.5. From “picking from family and friends” to “raising the talent bar”

Nurturing talent in the business and the family has been a constant preoccupation of all 10 families. This resulted in the relentless search for the best possible people to fill leadership roles—CEOs, chairpersons or members of the board, managers, and consultants. This quest also led to the development of guidelines and rules for the inclusion of NextGen family members in leadership roles.

One of the most difficult questions faced by business families—in particular those in the early stages of their life—is how to attract to the business the best NextGen members who will become its future leaders. This question is difficult for three main reasons. First, the most talented and educated NextGen members often have successful career opportunities elsewhere. Second, they know that senior leaders—especially in the first, but often also in the second generation—will be reluctant to let go, and that they will have to wait before they can take over. Third, the number of NextGen siblings or cousins is usually still small in the second and third generation. For these reasons, most families tend to welcome all NextGens who want jobs and to have “a place for everyone.”

The families that we studied were systematically concerned with the need to give at least a few entrepreneurially oriented members of the family knowledge of the business. Despite this concern, these families did not display a dynastic approach to involving family members, nor were they willing to fill managerial spaces with members of the family regardless of their talent and skills. We did not find traces of the stubborn inclination of families—described in some of the literature—to cover managerial positions at any cost.

In contrast to a dynastic approach, the families that we studied were in a continuous search for talent—both within and outside the family. They were always on the lookout for the best possible managers and members of the board of directors, often beyond what was strictly required by current needs. One of our informants summarized this point: “It is in the best interest of the family that all activities are carried out by the most capable people.” In some cases, we traced this attitude as far back as families’ first or second generation, where entrepreneurs are often described as refraining from involving others in leadership positions.

Hiring the best possible collaborators resulted in the continuous growth of the talent pool within the family’s businesses. The presence of top-notch talent stimulated all family members to raise their competence and skill set and prompted less talented and less motivated family members to refrain from claiming leadership positions in the business.

The attitude towards continuously raising the talent bar was evident in the contested decision to withdraw underperforming family members from managerial positions, finding more competent family or nonfamily managers as substitutes. Almost all the families that we studied had a nonfamily CEO starting from the third generation. Over the past 20 to 30 years, and usually starting from the third generation, eight of the ten family companies had a nonfamily CEO. Besides ownership dynamics, this choice was determined by a constant willingness to only engage the best players. In one of the two exceptions that we observed, a family member clearly had the sophisticated technological skills and innovative attitudes required by the job. In the other exception, the family had tried to work with a nonfamily CEO, but for a combination of reasons, this choice had not successful.

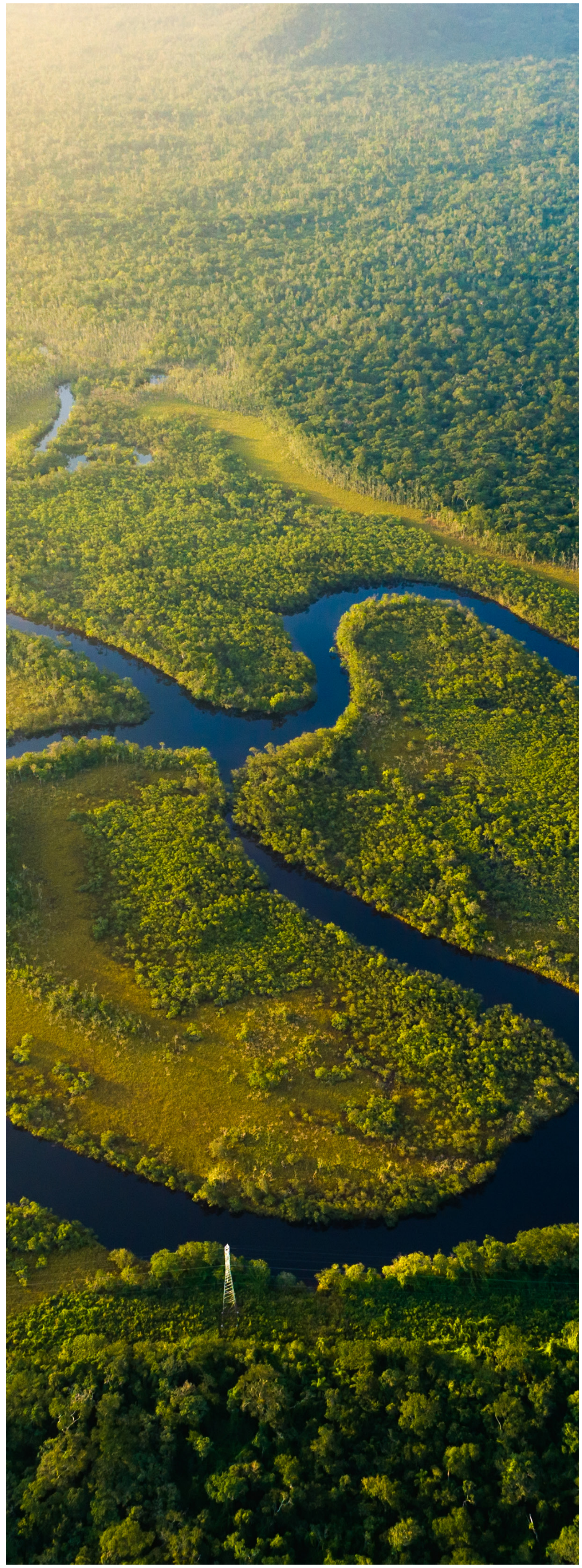
Nonfamily CEOs were often coupled with family chairpersons with a very high degree of competence and credibility, as we could assess by inspecting their profiles and resumes.

Embracing a broad understanding of talent. These families did not embrace a narrow interpretation of talent. Managers, directors, and consultants were obviously evaluated on their business performance, but also on the depth of their understanding and appreciation of family dynamics. A clear example of this attitude is the systematic tendency of these families to wait before firing underperforming family and nonfamily managers. From what we could infer from available data, this attitude did not result from a "clan" or "community" approach to employees, as in many stories of family firms that did not last. Rather, long-lived business families realized that an advantage of having relatively long-tenured managers is their gradual accumulation of valuable knowledge of the family context, which is seen as more relevant than a relative lack of talent or performance. The first approach of our families when addressing underperforming managers has therefore been to nurture them and help them perform, rather than quickly finding a replacement.

Insights for younger business families

The experiences of the 10 champions of longevity suggest that an essential prerequisite for longevity is the availability of increasingly high levels of talent in both family and business positions. Keeping a stable level of talent is not enough, given the growing needs of both the family and the business over time. Younger business families can start raising the talent bar by taking the following practices into account:

- Hiring the best possible candidates—from within and, often, outside the family—to cover managerial, governance, and advisor positions.
- Keeping the talent level higher than what is strictly required by current business needs in preparation for more sophisticated challenges ahead.
- Adopting a broad understanding of talent, coupling professional excellence with a deep understanding and appreciation of family history and dynamics.
- Accepting that keeping the talent bar high may involve extremely difficult decisions, such as firing a close relative who does not perform as expected. These decisions do not risk disrupting the family system if family members agree upon a small set of business-related principles to balance individual and shared needs.



3.6. From “formalizing values” to “sharing behaviors”

Our 10 champions of longevity displayed strong family values. Yet, widely shared and explicit value statements were not perceived as essential in keeping these large families together. Family members recognized a small number of behaviors as defining the essence of the family in areas such as commitment to the next generation, work ethic, dividends distribution, and personal lifestyle. These behaviors represented a strong glue binding the family together, above and beyond the written value statements that some of the families developed.

The risk of losing shared values across generations. Across generations, all business families face the threat of losing the core values that ground their ability to stay together and their continued business performance. With the death of members from earlier generations, the strong values embodied in specific family members risk fading away. Members of new generations are carriers of new values that are often in conflict with those inherited from previous generations. Cousins are raised in different family branches with different values. In-laws bring their own values from their families of origin. To avoid losing core values, family business experts usually suggest that families articulate their value system and consciously and continuously work to keep it updated by discussing it at family meetings and formalizing it in a “Family Statement of Values” or “Family Creed” (Ward, 2004).

All 10 families that we studied had strong, often-formalized values. Evidence of the previous generations passing these values down was clear from available documents, websites, books, and statements. These statements, however, were not at the core of family longevity.

Champions of longevity describe shared values through behaviors. When asked about the determinants of family and business longevity, informants very seldom mentioned formalizing values. When formalized values were mentioned in available documents, we prompted our informants to illustrate these values and their role as a foundation for longevity. The answers to these probing questions were invariably descriptions of behaviors observed in other members of the family or reported in verbal or written stories.

Most of these behaviors may obviously be traced to strong shared values made explicit and formalized by the family. Yet, what family members retained of these values was their embodiment in systematic everyday behaviors. As a member of the Sella family told us: “There has never been much codification [of values], at least until now, but several family events, such as harvesting or cooking a traditional dish.” In line with this surprising observation, we observed greater care in encouraging and replicating shared behaviors than in describing and transferring formal statements of shared values. Apparently, reference to shared behaviors provided clearer and more effective guidance to family members. Actual behaviors were perceived as more engaging in instructing family members about what was expected of them as members of the business family.

Values were seldom illustrated without reference to behaviors. When families made their shared values explicit, they were careful in displaying how values drive behaviors. Puig, for example, developed a Family Handbook that illustrates how values flow from the family into specific business behaviors: "For employees throughout the group, the Family Handbook sets forth the family's expectations in terms of ethics and professional principles. In one instance, managers turned down a proposal for a purported weight-reducing product because selling products that make false claims would be a violation of Puig's ethics" (Ward, 2004: 136). These attempts at codifying shared values and behaviors allow family members to see values put into practice and to more easily identify the specific behaviors that bind them together.

Discipline as a recurring shared behavior. Discipline in business choices, discipline in financial decisions, and frugality in lifestyle (how family members spend their money and how they appear to the outside world). In history books, family chairpersons and CEOs were often reported driving to their office in old city cars or even by bicycle. We often read or heard that "rent-seeking behaviors are not appreciated in our family." A senior family member of one of the most active families in financial activities went as far as to say: "Family offices risk making the family excessively 'soft' and complacent."

Insights for younger business families

To boost their longevity, younger business families should place more emphasis on actual shared behaviors that people recognize as valuable across the family history, rather than on abstract values. Following the example of the champions of longevity, younger families should consider enacting the following attitudes:

- Striving to place greater emphasis on tangible and observable behaviors, rather than on abstract value statements (which often tend to be bland and generic) when discussing "who we are as a family" and "why are we together in business."
- When discussing their value system and developing a "family value statement" or "family creed," younger families should consider staring from observable behaviors that family members appreciate and inferring the related values from such behaviors. Alternatively, families may consider providing one or more instances of tangible behaviors that exemplify the identified values.
- To avoid a self-serving bias in identifying shared behaviors (and related values), families may first ask nonfamily stakeholders who know the family well to provide a preliminary list, which can later be integrated and revised by family members.
- What makes a behavior broadly acceptable is learnt from experience. Families may codify the lessons learned from the past in documents—such as a "family handbook"—displaying how values are transferred into actual family and business behaviors, and vice versa.

3.7. From “pruning the tree” to “nurturing the tree”

On their route towards longevity, the 10 families did not display an explicit intention to actively buy out family members or branches who did not match family standards of commitment and behavior. Rather than “pruning the family ownership tree,” these families put their best efforts towards “nurturing” it. Activities aimed at “nurturing the family tree” included creating an internal market for shares, offering positive financial return, educating family members, and developing an adequate amount of family cohesion. In extreme conflict situations, “pruning” the tree was a means to a solution, but it has never been a goal for the 10 families.

As families grow larger and more diverse across generations, they face the challenge of sustaining the commitment of family shareholders. Over time, an increasing number of family owners may become uncomfortable in the role of shareholder due to time and energy commitment needed for governance, discontent with financial return vis-à-vis personal financial needs, retaining a trivial percentage of owned shares and voting rights, and lack of interest and pleasure in family interactions. Family business experts suggest addressing this challenge by “pruning” the family ownership tree. Pruning entails facilitating the exit of uninterested, uncommitted, or dissenting family shareholders by setting up exit rules and redemption policies, and sometimes by limiting the financial rewards of being an owner (Ward, 2004). The outcome is a small number of likeminded shareholders constituting a family of affinity—a family where each member voluntarily decided to remain in the collective (Hughes, Massenzio, and Whitaker, 2018). Our data reveal a few instances of active “pruning” the family ownership tree by gently pushing dissenting members out of ownership. A senior independent director, who served on the board of directors of one of the families for several years, summarized this practice as follows: “There are moments in which you have to prune a tree, to make it stronger.” The current CEO of one of the families told us: “In at least two cases over the past 60 years, pruning was essential in allowing the family to be governed.” However, in the 10 families “pruning the tree” has never been an end in itself; only a means, cautiously deployed.

In contrast with the view of purposeful pruning as always necessary, in none of the 10 families could we trace explicit attempts at simplifying the shareholder tree or at forcing out dissenting family owners. Rather than an explicit intention to "prune the tree," we observed a willingness to keep the group of family shareholders united around the shared vision of doing business and creating economic and social value together. We label these activities "nurturing and cultivating" the family tree. Families nurtured the ownership tree through several different practices and tools. These were related to (a) creating a fair and balanced internal market for shares; (b) providing constant financial remuneration; and (c) offering varied business and financial education.

(a) Creating a fair and balanced internal market for shares

Managing ownership was an essential determinant of longevity in the business families we studied. Understanding that shares and ownership rules matter, all 10 families devoted substantial attention, time, and effort to shaping ownership structures and processes. These efforts resulted in the creation of internal markets for shares that facilitated keeping the family together, rather than prompting family members and branches to leave. This surprising outcome—exit mechanisms that produce permanence—resulted from the families' deep understanding and appreciation of the different points of view and needs that family members and branches developed over time. As a result, the internal markets for shares of the 10 families were fair and balanced. Fairness and balance proved to be two essential factors in keeping the family united around the shared family mission of being together in business.

First, families created **fair** internal share markets by setting up transparent rules for selling shares at a fair price. Within the Sella family, for instance, members have been able to sell their shares at a fair price since the 18th century. In the Wendel case, family members know in advance the discount on share price—the business is listed on the stock exchange—at which they can sell shares to other family members according to the shareholders agreement. Other families, such as Puig and De Agostini, annually communicate the fair value of the group evaluated by independent advisors. Buy-sell agreements regulate the transactions with a clear market logic, rather than the intention to "prune" the ownership tree. Fair and transparent mechanisms prevent conflicts by allowing family members the freedom to make personal business or life choices.

Second, share transfer processes were characterized by **balance**. Changes in the ownership of voting shares were often balanced by actions that prevented selling members from feeling weakened or diminished. Mechanisms related to ownership transfer and to power and influence helped achieve this balance.

In terms of *ownership transfer*, family members purchasing voting shares from other members realized that it was vitally important for those members to still retain a certain stake in the company holding. Moreover, voting shares of the family holding company were sometimes paid for with shares in one of the operating companies controlled by the holding, acknowledging the different interests of different family members and branches.

In terms of *power and influence*, all families knew the relevance of share ownership and voting-rights distribution. They were also aware that these were what kept family owners together over time. With a few exceptions, avoiding systematic "pruning of the tree" resulted in relatively dispersed ownership structures. This relative ownership dispersion prompted family leaders to develop an ability to exercise power and influence regardless of the percentage of voting rights that they controlled. Over time, some family members or branches accumulated shares and voting power to strengthen their leadership position. However, we also observed an effort to develop power and influence regardless of voting rights. In Puig, for example, three family members could pull their voting power together to create a majority. However, as one of these three members said: "This has never been necessary, because we always try to reach agreements that make voting unnecessary."

(b) Providing constant and good financial return

To keep family shareholders united, all families adopted explicit dividend policies. Providing a constant flow of dividends resulted from the understanding that all family shareholders have an interest in financial remuneration, regardless of their role in the controlled businesses and their percentage of owned shares. The 10 families leveraged dividend policies as a positive incentive offered to family shareholders to encourage commitment, in contrast with "pruning" approaches that tend to reduce dividends to force out uncommitted owners.

These dividend policies varied across families and time in terms of their generosity. In Puig, operating companies currently distribute 40% of their profits to the family holding, which in turn distributes 50% as dividends to family owners. Sella distributed an average of about 10% of its profits, although in recent years this percentage has been increasing. Other families identified the overall amount to be distributed, rather than a percentage.

The precondition of the effectiveness of these dividend policies in keeping the family together was not the percentage of distributed dividends. What mattered most was 1) making these policies explicit and clear, 2) keeping the absolute amount of dividends constant (or slightly growing, yet never decreasing) over time, and 3) educating the family to ensure members understood the impact of dividend policies on future business growth and profitability. These choices allowed family leaders to shape family owners' expectations on dividends. Financial remuneration was often not substantial—only a few family members could live off their dividends—but it was positive and clear, thus allowing owners to perform family financial planning.

(c) Offering varied financial and business education

In the 10 families that we analyzed, as in many other long-lasting families, family shareholders display different levels of talent, knowledge, and commitment over time. To prevent the negative outcomes of this unbalanced ability to perform the shareholder role, families gradually introduced educational activities targeting family shareholders. The benefits of keeping family shareholders informed and knowledgeable have been praised by most family business experts. A surprising outcome of our analysis was that families usually offered different levels of education to shareholders, who could make choices about which ones to pursue depending on their interest and background.

A basic level of knowledge and understanding of the businesses owned by the family was offered to all shareholders. With these and similar initiatives, all family shareholders usually received training and education aimed at developing a shared ability to make basic business decisions together.

Besides this basic level of education and training, more advanced levels of knowledge-sharing were offered to shareholders, who could choose to take advantage of these opportunities depending on their interests, attitude, and potential in future leadership roles. The "Strategic Lab" at De Agostini, for instance, is both a strategic think-tank and an assessment tool for the NextGen talent in the family (Widz, 2019).

This variety of "multilevel training and involvement" of family shareholders had two main goals. First, it provided all family shareholders the fundamental requisite knowledge to exercise their role, while avoiding an overflow of information and knowledge to those shareholders who were not interested in or capable of assimilating it.

Second, it allowed families to educate a subset of the most talented and promising family members. These members learned to understand the business—not only ownership and governance—preparing them to be directly involved in crucial strategic decisions in the future. This choice allowed families to always have a group of family shareholders that were knowledgeable about the business and had the strategic and business credibility to interact with nonfamily managers and external stakeholders "with one voice."

Insights for younger business families

"Pruning the tree" is sometimes unavoidable in order to keep at least part of the family committed to a shared project. However, younger families should thoughtfully consider intentional actions aimed at pushing out dissenting or uncommitted owners. These activities risk dissolving the family and wasting potentially valuable personal, managerial, entrepreneurial, and financial resources. Rather, younger family firms might consider the art of "nurturing the family tree," which involves the following actions:

- Creating a fair and balanced internal market for shares as early as possible in the family history, with transparent rules and decisions to keep family members who decide to sell all or part of their shares at least partially involved in the ownership of the family holding or of the operating companies.
- Combining rules for selling shares with clear confirmation that it is truly acceptable to sell them. Family members who do so will not be stigmatized and will still be considered part of the family. What we learned from this research is that, somewhat counterintuitively, when family owners know that it is relatively easy to sell their shares whenever they want, they will be less likely to do so.
- Always balancing "voting rights" with the ability to exercise soft "power and influence."
- Providing positive financial remuneration to shareholders through dividends and share repurchase programs, striving to balance the financial strength of the business with the need of family members to receive annual dividends.
- Providing a common financial and business education to all family shareholders, coupled with additional information and training programs offered to those members who are interested and capable of understanding.

3.8. From "being one family" to "speaking with one voice"

As the 10 families grew larger and more complex, they realized that the goal of living as "one family"—sharing identity, spaces, and joint informal activities—gradually became too difficult to accomplish. Rather, the ability to speak with one voice to all nonfamily stakeholders (managers, independent directors, employees) was all that families needed to provide strategic guidance to their jointly controlled businesses. This ability was accomplished through a combination of instruments, among which governance structures played a pivotal role.

The challenge of keeping a "one family concept." One of the main challenges that business families face as they grow larger and older is preserving unity of intent. Experts in family governance praise the value of business family unity, suggesting that families should strive to maintain or to recreate a shared point of view on values and core business issues, a shared vision, and agreement on crucial strategic decisions. The goal should be "remaining a close, connected, and consistent family" (Jaffee, 2020: 113), arriving at a "one-family concept," when family branches come together and "operate as one" (Ward, 2004: 132).

To accomplish unity and the "one-family concept," specialists suggest the adoption of increasingly sophisticated family governance bodies and tools as controlling families grow larger and more complex. The most common bodies for accomplishing unity in family guidance of the business are family councils (with committees and task forces), family meetings, family associations, family holdings, and owners' councils (Gersick et al., 1997; Hausner and Freeman, 2009). The most common tools are family vision and mission statements, family handbooks, and value statements (Ward, 2004).

From "one family" to "one voice." All the 10 families that we analyzed developed family governance bodies and tools, such as Wendel's regular family meetings attended by all generations as a key governance institution and Puig's Family Handbook of family and business values and behaviors (Ward, 2004: 136). In contrast with common wisdom, the main goal of these family governance mechanisms was not shaping "one family." These large and complex families realized that reaching consensus on decisions was simply not possible. What guided the design and functioning of these governance mechanisms was the family goal to speak with "one voice" to nonfamily managers, independent directors, and professional advisors. In most of the 10 families we analyzed, "speaking with one voice" involved four complementary types of activities.

First, family owners systematically provided consistent interpretations of the controlled businesses and their evolution and coherent strategic guidance. When family owners developed new interpretations and strategies—following industry dynamics and changing family goals, for example—these were clearly and consistently explained to company managers and to the board of directors. Particular attention was devoted to communicating with nonfamily managers, who did not have access to the arenas in which the family discussed business issues.

Second, nonfamily managers were usually given a single and clear "family contact point," a single family member or governance body to which they could refer for information and guidance on family goals and desiderata. Several nonfamily managers referred to this quality of family governance as an essential dimension that allowed them to effectively work with these large and complex families.

Third, modern governance tools were often introduced to allow participation of only those family members who had the attitude or skills to be effectively involved in certain discussions and decisions. In these cases, corporate and family governance played the role of a "buffer," or flexible barrier, that allowed business families to balance family participation in business decisions.

Finally, the ability to "speak with one voice" also resulted from the ability of some family leaders to avoid dissent from within the family. These leaders expended significant attention and energy to prevent the emergence of antagonistic groups of family members whose goals and decisions may lead businesses in contradictory directions. This result was usually the outcome of both an astute use of governance tools to balance participation, and an effective use of personal power and influence. To accomplish this goal, throughout the history of these families, leaders were often selected based on their ability to influence. As one of the family members reported: "Leadership ... results from the recognition of an ability to influence."

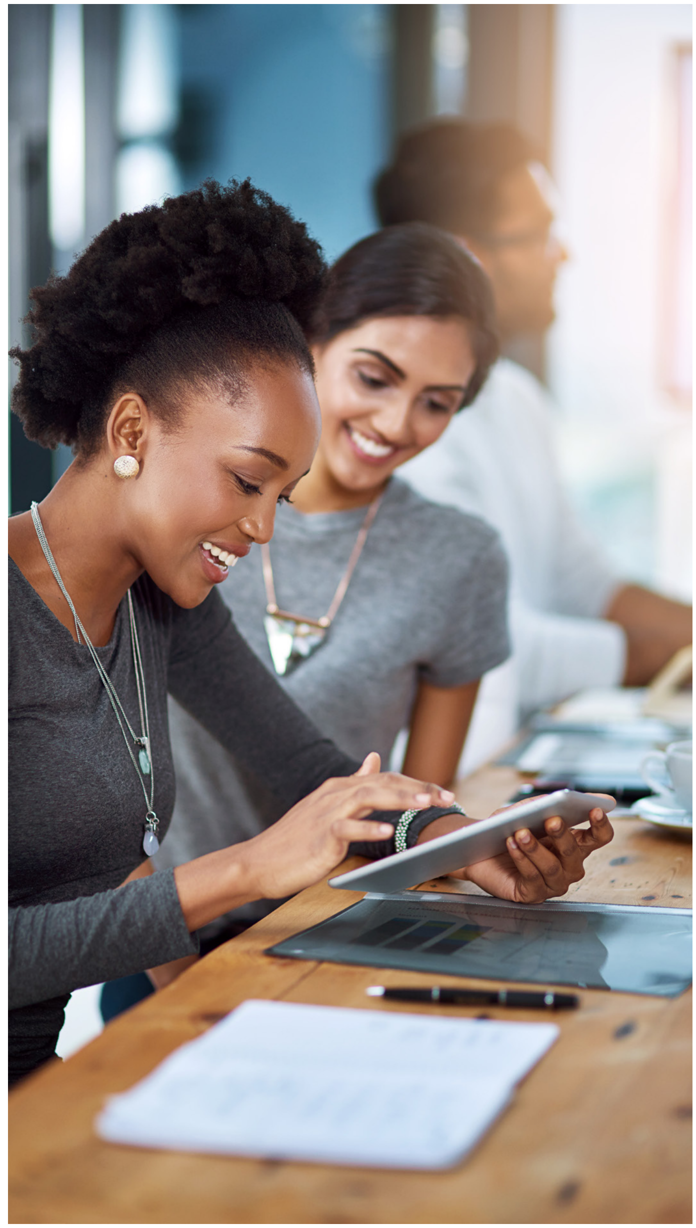
Three lessons to learn to "speak with one voice." To be able to "speak with one voice," family members needed to learn a number of important lessons. First, they needed to understand that there are clear boundaries between the roles of family members, shareholders, board members, and managers. These boundaries determine limits to family members' direct involvement in strategic discussions and decisions.

Second, family members also needed to grasp that limits to their direct involvement may be perceived as imposing, but they contribute to reaching the superior goal of long-term family longevity and welfare. Third, over time and generations, the 10 families learned to gradually move across three different attitudes: the attitude of the owner-manager in the first generation; the desire to influence all decisions in the second and, often, third generation; and finally, the balance between driving fundamental decisions while delegating decision-making power on operating issues, trusting and assessing the leaders in charge.

Insights for younger business families

Younger business families, which are usually relatively small and highly cohesive, need to understand as early as possible that over time such family unity will become difficult if not impossible to maintain. What they can learn from the champions of longevity is that what really matters is not "being one family" sharing everything but "speaking with one voice" to all nonfamily business stakeholders. Speaking with one voice requires performing several activities:

- Providing shared and consistent interpretations of the businesses controlled by the family, and of the evolution of their competitive environments. These shared interpretations can be developed by family members in shareholder and council meetings.
- Providing nonfamily stakeholders—managers, in particular—with a single and clear "family contact point"—a family member, or committee of family members, to whom they can refer for questions, information, and suggestions.
- Developing family governance and corporate governance structures and mechanisms allowing family members to express their individual voices through a fair process, without crossing the boundaries of their specific roles.
- Trying to avoid dissonant voices gathering into coalitions of antagonistic groups of family members through fair governance processes and through an effective use of personal power and influence by family leaders.



3.9. From "forcing into an iron cage" to "encouraging a breath of life"

Long-lived families prevent disruptions resulting from excessive pressure on family members by devising "pressure relief valves" that provide a sense of autonomy and freedom to family members. These initiatives revolve around offering opportunities for autonomous business initiatives, financial freedom, and leadership positions outside the family business.

The mounting pressure experienced by long-lasting families. At some point in their multi-generational development, business families—or some of their members—face the threat of mounting pressure coming from the same mechanisms that should enable longevity. Business centrality may require withdrawing the short-term distribution of liquidity to support long-term investments. In addition, an increasing "We-focus," a growing pressure to conform to shared behaviors, and the need to "speak with one voice", may constrain legitimate individual needs. The relentless search for the best leadership and talent may create anxiety, particularly in NextGen family members. The combined effect of this pressure may lead some family members to feeling as if they are "trapped in an iron cage" into which they have been forced for the superior benefit of family longevity and of future family owners.

Actions aimed at relieving the pressure. To release this pressure, the 10 families that we investigated devised a set of actions aimed at offering family members the freedom to pursue their personal goals and interests—"relief valves" that breathed "a breath of life" into the family. These actions were related to (a) businesses controlled by the family, (b) financial freedom, and (c) opportunities to exercise leadership and entrepreneurship outside the family business. These initiatives substantially contributed to keeping the family together for long periods of time.

(a) Businesses

First, families provided their members and branches with multiple opportunities to avoid the anxiety of being committed to a single portfolio of businesses, and the rigidity of sharing one single identity. Most of the families were adamant that neither the founder's business nor any other business they controlled should be kept "at any cost." Their focus was on managing a portfolio of businesses jointly owned and controlled by the family.

Besides jointly controlling a portfolio of businesses, the 10 families tended to allow, if not facilitate, the investments of individual family branches or members in separate businesses in different forms. A few branches of these families (e.g., Sella), and one branch of the Falck family, for instance, own businesses in unrelated industries. Members of some of the families (e.g., Van Oord) autonomously started their own companies. The De Agostini family sold a mature business—which had become less strategic in relation to the expansion of the group—to members of two-family branches rather than to external investors. Puig facilitated a family member's investment in an unrelated business that is still controlled by his family branch. Finally, shareholders of one of the ten companies are accustomed to exchange shares of their diversified businesses across family branches to allow family members pursue their personal business interests.

(b) Financial rewards

Second, the financial freedom of family members was enhanced by the possibility of selling shares—which was seldom explored by members of these 10 families—and by a clear dividend policy. We already discussed these actions as ways to "nurture the family tree." Besides strengthening the family tree, however, the possibility of selling shares and the opportunity of receiving substantial dividends also prevented family members from developing an obsessive focus on the business. The possibilities of selling shares and receiving dividends were often seen as ways to "decompress" the family system, providing opportunities to cash-in family commitment to the business. Despite these opportunities, we noticed the absence of a purely rent-seeking attitude among family members.

(c) Entrepreneurship

Third, some of the families actively supported new entrepreneurs among NextGen members. They offered family members several opportunities to exercise their entrepreneurial orientation and energy in various forms, such as co-investments, internal entrepreneurship mechanisms, minor diversified businesses, or family foundations that some family members could manage.

Allowing and favoring separate activities by individual family members and branches supported longevity in two main ways. First, it prevented family members from keeping "all their eggs in one basket," thus easing the perception of risk from having a substantial portion of their wealth jointly invested with the other members of the family. Second, these alternative and complementary activities and engagements offered "a breath of life and freedom" to family members. As a family CEO reported to us: "There must be absolute freedom. No one should feel compelled to do anything." This prevented negative forces—usually concentrated on the main businesses—from joining and combining their strength.

Insights for younger business families

As they build governance structures, rules, and processes to facilitate longevity, younger families should be aware of the increasing pressure that these initiatives may put on family members. To release this pressure, they should breathe life into the family system by:

- Offering opportunities for autonomously running a business, within or outside the portfolio of businesses jointly controlled by the family.
- Providing financial freedom to family members by devising shareholders' buy-sell agreements, and by establishing clear and positive dividend and financial remuneration policies.
- Offering family members multiple opportunities to exercise their different leadership and entrepreneurial attitudes and skills.

3.10. From "fair governance" to "fair, flexible, and effective governance"

All 10 families spent substantial amounts of time and effort setting up structures and processes to govern family and business systems. This was a largely expected outcome of our data collection and analysis, since central governance is a key and longstanding tenet of research in family business longevity. Governance designs and solutions were seen by all families, and throughout their long histories, as tools to achieve the nine previously described principles. In line with common wisdom, the governance designs that we observed had three key qualities: variety, flexibility, and fairness.

First, we observed **a steady increase in fair** governance processes across the history of these 10 families. At their current stage of development, these centenary families reached the highest levels of fairness in family and business governance. Currently, decision-making processes are performed by all parties with sincere interest and commitment to finding solutions that are acceptable to everyone. All parties involved in making a decision are aware of the issues to be addressed, of the need to come to a decision, and of the relevant context. Conflicts of interest are avoided or made clear and debated. Discussion and decision processes are not rushed and decisions are subsequently reviewed if needed. Objective third parties, such as advisors and independent board members, are systematically involved to represent everyone. As a family member effectively summarized regarding his family's constant strive for fairness: "I think one of the important aspects of governance is that families need to find ways in which they can discuss with each other in a way that meaningful decisions can be made so that everybody feels legitimated." Although we did not observe all these elements of fair processes throughout the whole history of these families, we often identified traces of fair processes even in the distant past, particularly related to buying and selling shares at fair value.

Second, in these long-lasting families, **governance has always been flexible** to meet the evolving needs of the business and the family. As one of our informants effectively put it: "If [governance] is static, it is dead." For the 10 families, governance was not only a matter of identifying and implementing the best possible structure. As we observed, governance structures that served these families well for 10 or even 20 years were upgraded and modified as the family and the business evolved. As one of the senior family members explained: "Paying attention to regularly checking if an existing governance structure is going to serve our purposes through the next decade, or if we need to modify it, has been pretty important throughout our history." An experienced independent director, who served on the board of directors of one of the ten family companies for several years, illustrated how he and the family interpreted governance flexibility: "What are the challenges we may have to face? The family needs time to discuss these issues: is a change needed in governance? What sort of a change? These are things that take a lot of time to be properly analyzed and discussed."

Third, we observed a large **variety of governance designs** across the 10 cases, and over time. Each family identified a **specific** governance solution in each period of its life. In some cases, governance was mainly grounded on the key role of one member of the family. In others, we observed different forms of team leadership. In yet other families, we traced an important role of independent board members in performing governance processes. Some families displayed complex family and business governance structures involving multiple and interrelated processes, councils, and committees. In contrast, other families consistently preferred simple designs, revolving around a single key family leader and the board of directors. As one of our informants observed: "There is no perfect governance template: it simply doesn't exist! Every family needs a different form of governance, but every family has to think very hard about which is the best unique governance system. Its own principles, own ways to debate and address conflict." History mattered in driving governance choices. As one of the family members reported: "In our case, governance depends on family history and culture. It cannot be generalized." Therefore, in this report, we explicitly avoid describing specific governance structures and processes because, as expected, we could not derive any common lesson.

Besides these largely expected features, the 10 families interpreted governance processes in an unexpected and somewhat surprising way throughout their history. What we systematically observed were governance processes that were certainly fair. However, **families applied fairness not as an end in itself, but intending to make processes and decisions effective.** As one of our informants said: "In the past, not every discussion and decision in our family strictly followed governance rules or schemes. We faced situations where it became difficult to discuss and reach a decision, no matter what the governance process was. In our family, for example, we had some instances of pruning the family tree to enable the family to continue to take decisions in harmony. Pruning has not been a purpose in itself, but in two cases in the last 60 years it was necessary to keep the ability of the governance system to work by letting someone go."

Besides pruning, throughout the long history of these families, we observed slight deviations from strict governance rules in the case of **leader selection**. In many processes of leadership transition, we observed a strong role of previous leaders in driving decision-making processes. These outgoing leaders acted fairly throughout the transition process. However, the effective appointment of the right leader was their focus, not fairness as an end in itself. Outgoing leaders considered the different points of view of all family members, but they eventually focused on appointing the right leader in the best interest of the business and, eventually, of the family. As we already mentioned, the compass that guided these decisions was always business centrality and focus on effectively accomplishing outcomes. Fairness was never under discussion, but it was often a "fairness in context."

Interpreting governance rules "in context" with the goal of effectively accomplishing outcomes was a key feature of leaders in the 10 families. Although governance mattered for all the families, **leadership was clearly more important than governance design and governance structures**. Family leaders understood if some family members were acting irrationally, and they were able to shift the focus to rational issues following a a "business first" logic.

Insights for younger business families

Family governance (through, e.g., family assemblies and family councils) and corporate governance (e.g., shareholders meetings, owners' councils, and boards of directors) are essential in driving younger business families towards longevity. Designing effective governance systems requires careful consideration of the following choices:

- Refraining from standard, "one-size-fits-all" governance solutions offered by manuals or suggested by advisors who lack a deep and longitudinal understanding of business family dynamics.
- Choosing corporate governance designs that fit the specific needs of the family business in terms of stage of evolution, size and complexity, social and industry dynamics, vision, and goals.
- Constantly reflecting on the degree to which governance structures and processes reflect current and—more importantly—expected future needs and adapting governance design accordingly.
- Striving for the utmost level of fairness in performing governance and decision-making processes.
- Interpreting fairness not as a theoretical goal or technical procedure, but as a tool to effectively perform vital decisions.
- Being constantly aware that governance is an engine of decision-making that needs to be fueled by leadership.
- Considering the support of expert advisors and independent board members to further enhance the flexibility and effectiveness of governance processes.

4. Business family longevity: Lessons for nonfamily top managers and directors

Besides the insights for members of younger business families, nonfamily top managers and nonfamily directors sitting on the boards of directors of holding and operating companies may also play a relevant role in strengthening each of the ten roots of longevity. As the focus of our research was on the business family entity, we here synthetically report the insights that emerged from our data and our own considerations.

1. Valuing business centrality

- Nonfamily managers: The role of nonfamily managers is clear: They should exercise their role with the highest possible level of professionality and independence, contributing to the creation of both economic and social value and avoiding distractions resulting from family dynamics.
- Nonfamily directors: Nonfamily directors usually interact with family members sitting on the boards of directors of holdings and operating companies. In these governance arenas, family members often introduce issues and conflicts specific to the family that have no place in these governance bodies. Nonfamily directors should therefore bring strategic discussions "back to the business," pointing to the benefits for the family of successfully running business activities.

2. Preparing for the future

- Nonfamily managers should contribute to anticipating the future and preparing for unexpected events by supporting a process-based approach to management, i.e., industry and trend analysis, financial forecasting, strategic planning, and sophisticated tools for risk assessment.
- Nonfamily directors should ask company leaders to develop medium and long-term strategic plans and elaborate systems to assess strategic risk. They should also contribute to defining and structuring the internal control system, which is one of the main responsibilities of a professional board of directors.

3. Continuous leadership flows

- Nonfamily managers: Besides acting as business leaders when family owners prefer nonfamily professionals in key business positions, nonfamily managers should continuously advance innovative and entrepreneurial ideas to be analyzed and possibly supported by the family.
- Nonfamily directors should provide support in succession processes, in particular supporting the entry of NextGen members, their development, and their assessment and future promotion. For instance, nonfamily directors may sit on or even chair "Hiring & Promotions" committees—named "Talent Committee" by one of the ten families—within the board of directors performing these activities. In addition, nonfamily directors should also prompt senior family leaders to reflect on the need for a timely transfer of power to NextGen "leaders in waiting" to avoid "air gaps" in leadership resulting from the decreasing energy of current leaders, illness, or death. These roles should be performed to place merit at center stage in succession processes, and to enhance the knowledge and skills of NextGen members and successors.

4. Balancing "We" and "I"

- Nonfamily managers and directors should always attempt to balance individual and shared needs within the family. They should strengthen the "minimum common denominator" of values and behaviors to accomplish shared goals. They should also help family leaders listen to and understand "I" requests from individual family members. Raising awareness on "I" requests may, in turn, help accomplish shared "We" goals.

5. Raising the talent bar

- Nonfamily managers should attract, grow, and retain family and nonfamily talent, constantly raising the "talent bar." Paradoxically, the best way for a nonfamily manager to develop a successful career in a long-lived family firm is to support the development of managerial talent within the family, understanding that growing NextGen talent is a primary concern for business families, and for the long-term success of the businesses in which they work.
- Nonfamily directors should help the family identify the best nonfamily managerial talent through their network. They should also help the family grow and identify the best managerial talent among NextGen members by setting up, and participating in, "Nominating" and "Hiring & Promotions" committees. They should also stimulate business leaders to develop a management assessment system aimed at identifying and growing the best candidates.

6. Sharing behaviors

- Nonfamily managers should identify those positive behaviors that are widely shared by the controlling family and their underlying values, and they should strive to conform to these behaviors and values. They should also prompt the controlling family to reassess behaviors that may gradually become misaligned with the determinants of longevity.
- Nonfamily directors should become external "ambassadors" of the values that are behind the behaviors shared by family members, in particular those related to the family's financial solidity and trustworthiness, and the excellence of the family business products and services. This attitude will strengthen trust and collaboration in the family and its businesses and with external stakeholders such as banks, financial investors, suppliers and customers, governments, and local communities.

7. Nurturing the tree

- Nonfamily managers may contribute to "nurturing the family tree" in at least two ways: (a) all managers should contribute to educating family shareholders, for instance by participating in training initiatives organized by the family council or family office; (b) CFOs should contribute to accumulate and raise the financial resources that will be needed to address possible "liquidity events" of family shareholders selling their shares.
- Nonfamily directors should listen to different types of family (and nonfamily) shareholders. The family should speak with one voice, but the board should be able to interpret the different viewpoints and balance the contrasting goals of majority and minority family shareholders, and the goals of family and nonfamily shareholders.

8. Speaking with one voice

- Nonfamily managers and directors should understand the value of having a family that "speaks with one voice." Accordingly, they should systematically refer to the single and clear "family contact point"—a single family member or governance body to which managers and directors can refer for information and guidance on family goals and desiderata. In the case of managers, this is usually the CEO. In the case of independent directors, this "contact point" is usually the chairperson of the board or a family director. Managers and directors should also avoid entering the conflict between family members—also known as "triangulating."

9. Encouraging a breath of life

- Nonfamily managers and directors should understand that distributing dividends is an essential factor in keeping the family together. Within the boundaries of their authority and separate roles, managers should therefore strive to propose, and boards to accept, long-term dividend policies that simultaneously keep the business on a solid growth path and provide the family a reasonably stable income.
- Nonfamily managers should provide continuous, transparent assessments of existing businesses to avoid being trapped in an "escalation of commitment" to failing businesses (typically, the founder's business). They should also help develop strategic plans for business diversification, once diversification is identified as a goal by the shareholders and the board of directors.
- Nonfamily directors should help the family identify novel opportunities for diversification of both the family businesses and family members' financial assets.

10. Supporting fair, flexible, and effective governance.

- Nonfamily managers should support the fairness of governance processes by providing governing bodies with clear, well-structured, timely, and transparent information to support their decision-making processes. They should also be aware that decisions about family leadership positions at the top are often complex and difficult, thus requiring a flexible use of governance tools to reach decisions. Slight deviations from strict governance rules in making these choices (e.g., a strong role of the previous leader in reaching a conclusion) should not be interpreted as a decline in fairness, but as an effort to preserve and shield business centrality from family disputes.
- Nonfamily directors should help families design modern, professional, and fair decision-making processes, by suggesting the best practices that utilized on other boards. . They should also help families anticipate the needs for improvements in governance systems; for example, by suggesting regular board assessments supported by external experts providing a structured and objective view.

5. Conclusion

Our journey through the lifecycle of 10 European "champions of longevity" confirmed many of the lessons learned across decades of research and study of family firms, while providing an equal number of surprising insights. These 10 business families evolved in ways that match common wisdom found in family business handbooks (e.g., Corbetta and Salvato, 2012). Yet they reinterpreted these lessons in unexpected ways, as instructions alone are not enough to overcome the barriers to a successful century-long entrepreneurial history. Throughout this journey, the families moved from characteristics that provide some continuity to unique configurations of attitudes and behaviors that equipped them to thrive over centuries and generations.

A unifying feature of these attitudes and behaviors is the centrality of economic and social value creation through jointly controlled businesses. Over time, these families realized that the essence of what keeps them together—amidst mounting differences among family branches, members, and generations—is the power of pooling their strengths and talents to accomplish results that would be unimaginable if pursued by individual branches or members.

Yet longevity is never accomplished once and for all. Although we wish these families several hundred years of uninterrupted success, we—and they—are well aware of the possible threats to their accomplished longevity. Due to the relentless evolution of families and businesses, each of the 10 roots of longevity hides the seeds of dissolution. Incessantly "raising the talent bar" risks it becoming "too high" for interested NextGen members of the family. Emphasizing shared behaviors over shared values risks diminishing the important role of value statements, which help keep the family together. Broad-scope general education and social activities aimed at "nurturing the tree" may lose the anchor to the business, thus leaving owners without the necessary knowledge and understanding to exercise an entrepreneurial role.

Despite these possible risks, these 10 families, and many others, have managed to survive and prosper over decades of family and business transitions. More importantly, they seem to have developed a capability for anticipating threats as well as the diverse positive and negative events that may endanger their survival as a cohesive social unit. Striving to continuously learn and codify learned lessons is the antidote to the threats that business families must face on their journey towards longevity.

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Annex 1. Additional details on methods

Choice of comparative case study method.

To explain the determinants of longevity in long-lived family firms, the Research Team (see Annex 2) decided to investigate 10 exemplary cases of European family firms. The value of an in-depth investigation of a small number of exemplary cases rests in the possibility to identify previously unobserved phenomena, and to explain why and how these phenomena resulted in the longevity of the analyzed cases. The goal is not to generalize conclusions to the population of all business families, but to offer rich and deep insights that may allow other business families to reflect on their unique characteristics and to guide their future decisions towards longevity.

Choice of "transformations" as the focal events to understand longevity.

The longevity of a business family results—among other determinants—from the ability to effectively address significant transformations, transitions, disruptions, and shocks. Disruptive events can be both positive and negative. We addressed both. Examples of negative events are a deep industry crisis or the death of a key family leader. Examples of positive events are the opportunity to acquire a major competitor and the ascension of a particularly innovative member of the family to a leadership position.

Choice of positive performance as one of the case selection criteria.

We were interested in business families that not only survived across a long period (100+ years) but did so by creating economic value for themselves and for the businesses they controlled. We were also interested in families whose businesses had reached a significant size. Revenues of the main businesses controlled by eight of the ten families exceeded one billion euros in 2021, ranging from 1.5 to 8.1 billion. Net Asset Value of the two investment companies in the sample was 8.4 and 23.6 billion (see Table 1).

Choice of multiple data sources to trace family and business histories.

The goal of our research determined the need to track the history of families and businesses over decades, well beyond what current family and nonfamily members can recall. We thus selected cases for which multiple data sources were available, allowing us to cover the entire life span of the family and its businesses.

Tracing the history of a family and its controlled businesses over decades required a substantial amount of data and guidance. Besides secondary data that we autonomously collected, we required considerable support from the 10 families to collect data that were not publicly available and to understand and interpret the vast amount of information that we gathered.

Secondary data (such as books, articles, databases, archives, and websites) were the main source for tracing family and business history over the extensive period of interest (Annex 3). They were coupled with documents provided by the families, such as memos, history profiles, ownership, and governance charts (Annex 4).

Choice of "insider-outsider" approach in data analysis.

The emergence of insights from the data resulted from an insider/outsider view. One of the members of the research team played the role of "main investigator" (insider) in each of the ten cases, mastering the data and providing insights emerging from them. The other members of the research team challenged the emerging insights by providing alternative views or by integrating the insights with additional information and interpretations. The main preliminary insights after each interview were corroborated or revised through subsequent interviews.

Annex 2. Research Team

- **Beatrice Ballini** co-leads Russell Reynolds Associates' Family Business practice and is a member of the Board and CEO Advisory Partners practice. She is based in Milan.
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- **Paolo Morosetti** is a Senior Lecturer in Strategic Management in Family Business at SDA Bocconi School of Management.
- **Carlo Salvato** is a Full Professor in Family Business at Bocconi University, Milan. He is also the Vice Chair of the Family Firm Institute (FFI).

Annex 3. List of secondary data and data sources

Besides public data directly offered by the families, the following databases were searched to collect secondary data on families and companies.

Database	Main contents
AIDA	Company accounts, ratios, activities, ownership, subsidiaries, and management for Italian companies. Independent industry reports, information on company ownership structures, and people (advisors, auditors, board members, directors, and other contacts).
Bloomberg	Economic and financial data, news on equities and indices.
BoardEx	Profiles of business executives (including demographics, education and career history, compensation, board and committee memberships, etc.), as well as the connections among them.
Business Source Complete	Company profiles, case studies, industry reports, financial newspapers.
Compustat	Comprehensive financial and market data, covering publicly traded companies.
Eikon	Historical stock index data, exchange rates, interest rates, warrant and commodity data, economic data, bonds, equities, ratings, company accounts, and news.
Factiva	News and business information (stock quotes, company reports, industry and market data).
Mergermarket	M&A transactions by company.
Orbis	Company accounts, ratios, stock data, ownership, executives. Industry reports, as well as information on company ownership structures, and people (advisors, auditors, board members, directors, and other contacts).
RepRisk	Environmental, social, and governance data on public companies.
SDC Platinum	Historical financial transactions database. Financial transaction information on new issues, M&A, bonds, syndicated loans, private equity, joint ventures, project finance, etc.
Zephyr	M&A, IPO and venture capital deals with links to detailed financial company information.

Annex 4. Non-public data provided by the families

- Curriculum vitae of the informants/interviewees
- Documents on the history of the family and the company
- Family tree/genogram
- Company holding structure (e.g., description of family holdings, sub-holdings, operating companies etc.)
- List and description of active family governance mechanisms (such as: family constitution, family council, NextGen committee, recurring family meetings), if available
- Non-confidential papers describing corporate and family governance

Annex 5. Initial interview guide

The following text was sent to each informant one week before each interview and flexibly guided the semi-structured interview process. As the research progressed and insights emerged, additional, more specific questions were asked to corroborate emerging insights.

Thanks again for having accepted to participate in our research on "Best Practices in Family Business Longevity." In this document, we remind you about the aim of the research and we shortly describe the structure of the interview.

1. Research focus: FAMILY BUSINESS TRANSFORMATION

Aim of the research is to better comprehend the sources of **longevity** and **transgenerational value creation** in successful, long-lasting family firms through a multi-case study research. In particular, this research aims to answer the question:

"What can younger (1st and 2nd generation) business families learn from long-lived families (3rd, 4th generation and beyond), if they aim to boost their longevity?"

To answer the research question, we are interested in identifying major TRANSFORMATIONS that involved the business and/or the family over time. Once identified (mainly through secondary data), interviews aim to investigate HOW the family coped with such transformations and WHY they made some decisions to face them.

The term "transformation" embraces both the BUSINESS and FAMILY spheres, and both CHALLENGES and OPPORTUNITIES:

- Examples of **business transformations** - CHALLENGES: industry crisis; financial crisis; hostile takeover, etc. OPPORTUNITIES: sharp increase in revenues due to an unexpected event; successful diversification, etc.
- Examples of **family transformations** - CHALLENGES: death of key family leader; family conflicts; reputational crisis; conflictual succession; etc. OPPORTUNITIES: entry of highly entrepreneurial successors; appointment of a new family leader; major shifts in the family governance; etc.

2. Interview structure

Please, kindly book a 3-hour slot for each interview.

Beyond the confidentiality commitment reported below, a non-disclosure agreement can be signed between parties to facilitate the sharing of information.

Interview sections:

(A) Clarification questions (about 20-30 min.): Researchers will ask you questions aimed at clarifying themes that emerged in the analysis of publicly available data and documents received, in relation to:

- Respondent's profile.
- Family structure and dynamics.
- Business structure and dynamics.

(B) Broad "grand-tour" questions on the sources of family business longevity (about 30-45 min.). In particular, we would tackle two ground questions:

- What allowed the businesses controlled by your family (or some of them) to last and thrive across generations?
- What allowed your family (or part of it) to stay together and to keep creating value across generations (regardless of the specific businesses controlled)?

(C) Selection of 3 MAJOR business and/or family TRANSFORMATIONS that occurred over time (and that you have some knowledge about) (about 10-15 min.)

- Transformations identified by researchers through publicly available data.
- Transformations that you or your family remind as crucial for continuity.
- Selection of the 3 key transformations to be analyzed in the next step (D)

(D) "Deep-dive" questions on each of the 3 selected transformations (about 80-90 min.):

- HOW were these transformations addressed?
- WHY were certain decisions/actions taken in that context?
- WHAT were the outcomes achieved over time?
- If any, it might be instructive also to reflect on transformations that, in hindsight, were not faced, or not properly faced.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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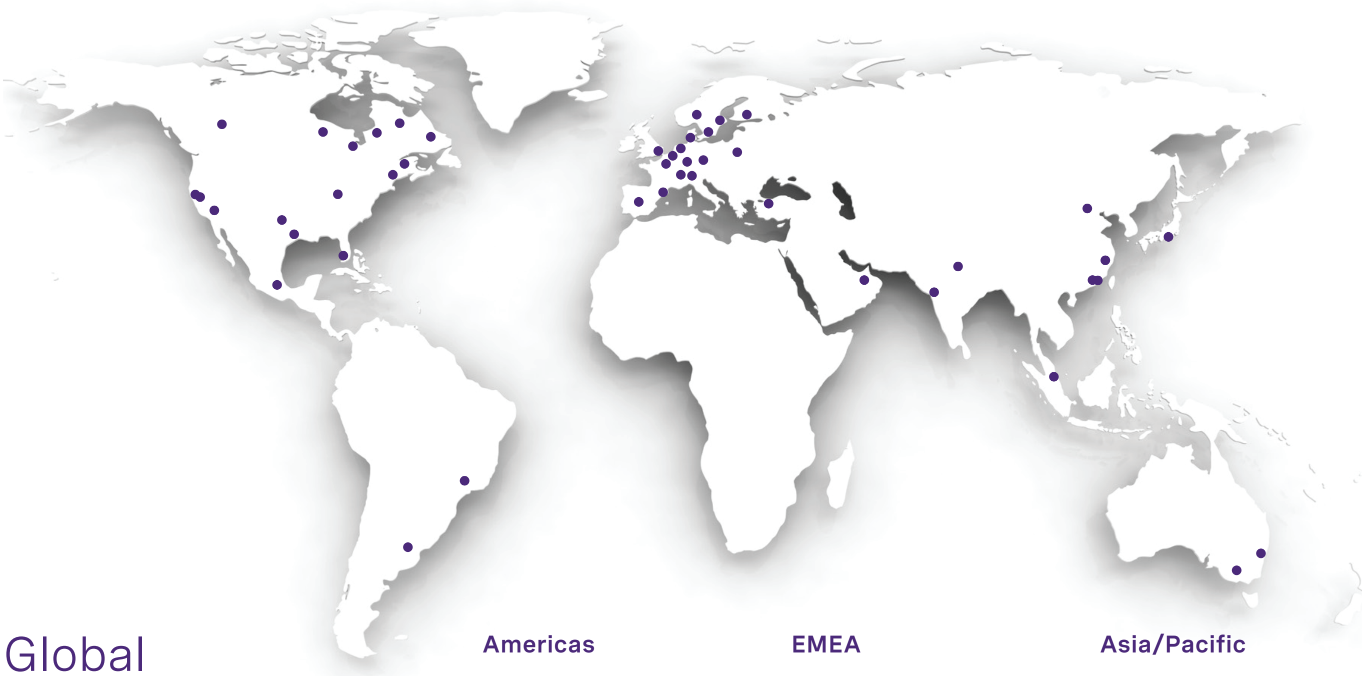

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