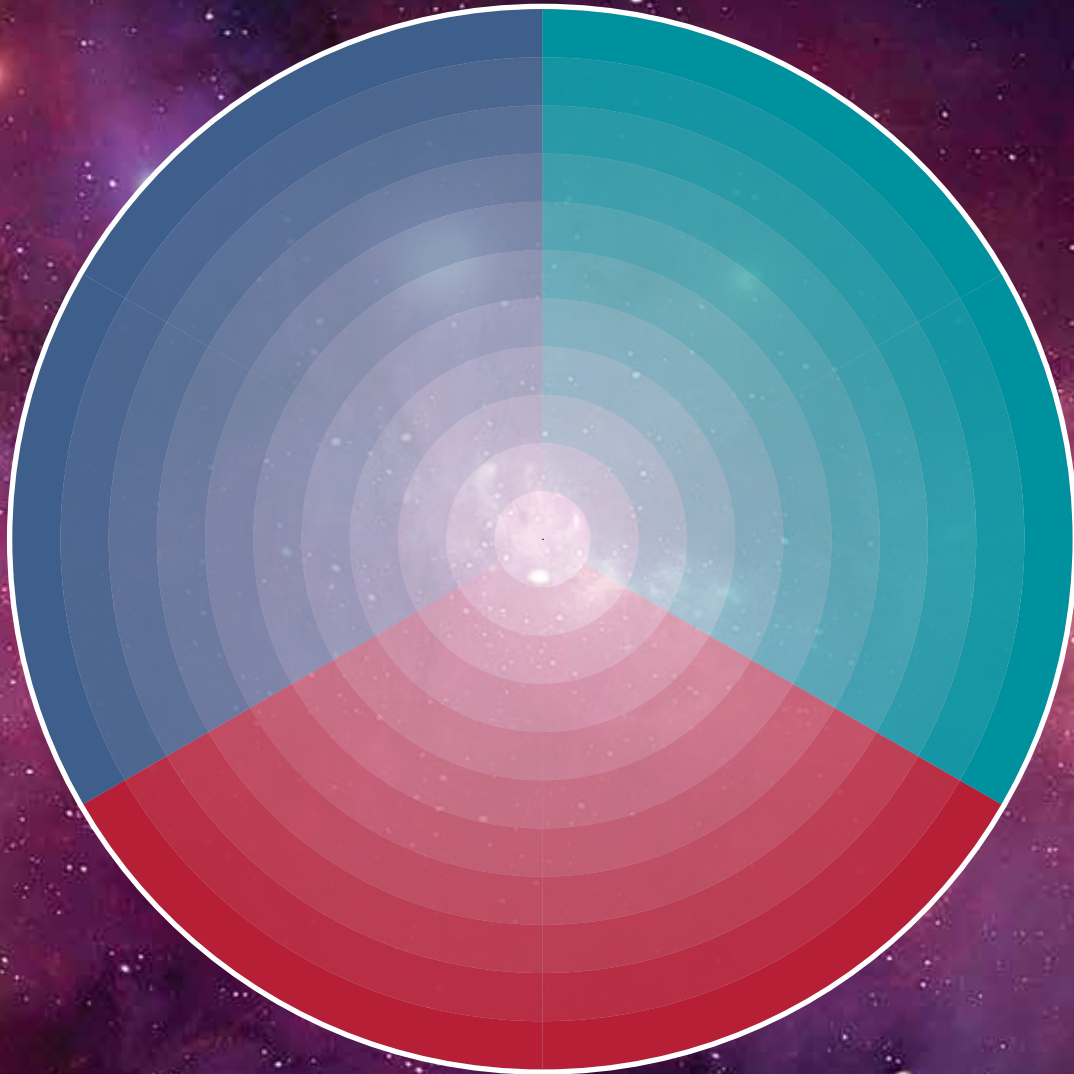


Exploring and Developing the Potential
of Your Family Business

Family Gravity™



Understanding 2

Exploring 7

Finding your archetype 24

Developing 34



Family Gravity™

To our readers

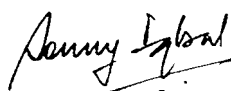
The leaders of family businesses must constantly balance the demands of business with the rich history and dynamics of family. More than anything else, this challenge sets them apart from their counterparts who run non-family enterprises. The rewards for successfully walking the family-business tightrope are many, including better business performance, more continuity from generation to generation and an easier time attracting top-tier talent from outside the family.

Why are some family businesses able to reap those rewards while others struggle? Unfortunately, there are few resources for the family business leader seeking an answer to this question. To fill this vacuum, the Egon Zehnder Family Business Advisory partnered with The Family Business Network International to conduct in-depth interviews and online surveys of hundreds of family business leaders worldwide. This research showed that high-performing family businesses had all harnessed a stabilizing force we call Family Gravity. In the pages that follow, we will share with you what Family Gravity is, why it is important, how to assess the Family Gravity of your own family business and how to strengthen that gravity.

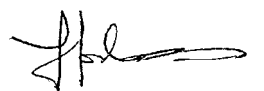
We have a deep appreciation and respect for the essential role family businesses play in the global economy. We understand the unique circumstances of these enterprises as they seek to build organizations and develop great leaders for today's fast-paced and uncertain world. We believe that Family Gravity can be a powerful guide on that journey, helping families secure and extend their legacy.



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Understanding Family Gravity™

Family Gravity and its archetypes

All business leaders rely on metrics to help them gauge the performance and direction of their business. Yet, family business leaders have to do more than that. They must also closely observe and reflect upon the dynamics within the family and the relationship between the family and the business with perpetuity as *the* objective. We refer to this sensitivity for the family-business relationship as Family Gravity.

In our research we found that indeed Family Gravity is what makes some business families more successful and resilient than others. We have developed a tool to assess the Family Gravity of a business family – including key qualities that traditional tools such as BSC, ROI and EBITDA do not measure. Family Gravity fills an important void by identifying and developing a family’s stability, cohesiveness and momentum for growth.

When Egon Zehnder and The Family Business Network partnered to survey more than 300 family business leaders – from a wide range of industries around the world and with an average annual revenue of €1 billion – we found that all family businesses could be defined by the strength of the six critical dimensions that we collectively call Family Gravity.

“Gravity becomes a huge competitive advantage for any business – over their non-family-owned peers or non-owner-controlled peers. It’s what will allow the consistency over ideally many generations, in the values and the DNA of the company and that it doesn’t erode or mutate with each change of leadership or each recycling of the board.”

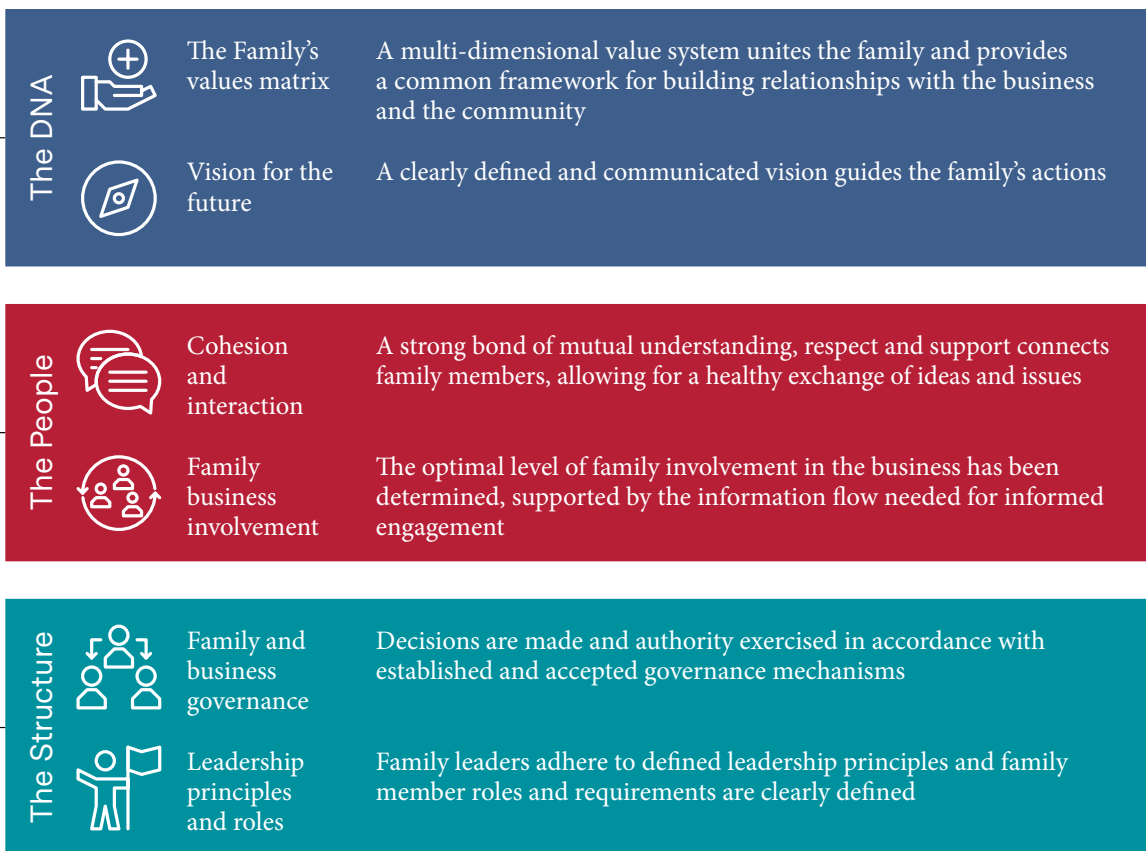
Next Generation (4th), Colombia

They are:

1. **Shared values** that allow the family to differentiate itself in its markets
2. A **vision** for the future that enables decisive action
3. **Cohesion and interaction** that leads to resiliency and internal alignment
4. Clearly defined **involvement in the business**, providing the foundation for better decision-making
5. **Family and corporate governance** that reduces opportunities for conflict and supports a high-performance culture
6. Established **leadership principles and roles** that make for stronger talent pipelines and smoother leadership transitions

The extended Family Gravity™ model addresses the uniqueness of family businesses

Family Gravity™



“I’m proud of one thing. And that is that my family is always able to band together, even when they are fighting over points concerning the business.”

Next Generation (3rd), Germany

Our research showed that Family Gravity occurs in four archetypes. Knowing your archetype gives you a powerful reference point from which to think about where your family business is now, where you would like it to be, and how to get there.

34% of the families we surveyed were strong in all six dimensions. These are the **Flourishing Families**.

31% were strong in “business” dimensions such as governance and leadership principles and roles, but were weaker in “family” dimensions including shared values and cohesion. These we call **“Business first” Families**.

22% were strong in “family” dimensions, but were weaker in “business” dimensions such as governance and clarity of leadership principles and roles. These are the **Personality-driven Families**.

3% were not harnessing their Family Gravity and registered low scores in all dimensions. These are the **Fading Families**.

We have identified four Family Gravity™ archetypes

Personality-driven Families Owner families with strong leadership personalities, but unclear shared vision and still developing governance	Flourishing Families The successful owner families with a high level of professionalism, NextGen development activities and a unique identity
Fading Families Owner families with weak values and identity as an owner family and limited NextGen development focus	“Business first” Families Owner families with strong business involvement of the family and high family cohesion

The benefits of Family Gravity

Our survey showed that the strength of a family’s gravity is connected to key indicators of continuity and performance:

- Flourishing Families tend to be more successful in transferring their business into the third generation or beyond.
- The strength of a family’s gravity is less dependent on annual sales than it is on the satisfaction of family members with the business growth.
- Fading Families face a greater challenge engaging the next generation in the family business and are frequently unhappy with the strength of their business development.

	Flourishing	Business first	Personality-driven	Fading
Family Gravity score (0–100)	80	69	63	42
Average annual sales (in million EUR)	1,100	1,100	700	900
Existing for three or more generations	79%	67%	66%	66%
Satisfied/very satisfied with business development	69%	52%	52%	25%
Next generation currently in or aspiring to leadership role	81%	85%	81%	67%

While there are clear benefits to having a high Family Gravity score, knowing one’s Family Gravity provides even Fading Families with a self-understanding or identity that can lead to valuable improvements in several areas:

Stronger relationships with Next-Generation family members

Next-Generation family members can play a crucial role in the business, provided that the appropriate career paths are established for them. Assessing the six dimensions of Family Gravity requires a family to examine itself closely and give honest answers to what can be difficult questions—some of which may never have been asked before. This can set the stage for the sort of inclusive, cross-generational dialogue that allows next generation members to be heard and demonstrates to them that they have a future with the enterprise.

Greater credibility with outside stakeholders

The self-understanding that comes from knowing one’s Family Gravity also sends a powerful message to lenders, investors, business partners and external executives that a family firm wants to hire. These outsiders often have concerns regarding a family business’s objectivity, professionalism and stability—concerns that can be reduced when a family demonstrates a genuine awareness of its internal dynamics and its place in the world.

Smoother leadership transitions

CEO and other senior leadership transitions are vulnerable times for any company but can be particularly so for family businesses, depending on the combination of family and business dynamics unleashed by the event. Knowing its gravity gives a family insight into its culture and internal interactions so that it can anticipate conflicts that may arise in the succession planning process. It also allows a family to specify some of the changes the new leader will have to implement to move the family business to the next stage in its evolution. Family Gravity also is another benchmark that can be used in assessing how well candidates fit with family culture.

The FBN–I and Egon Zehnder global study “A Family’s Gravity”

Based on the research question “How will the Family Gravity accelerate a higher commitment of the NextGen to their family business in the future?” the second joint study by FBN–I and Egon Zehnder was conducted in two phases:

Phase I: Qualitative

- Interviews by Egon Zehnder with 28 leading family businesses in 13 countries globally
- More than 50 respondents, in a paired approach with senior & Next Generation members

Phase II: Quantitative

- Questionnaire was sent out by FBN-I to 4,000 FBN NextGen members globally
- n=308 interviews analyzed by Egon Zehnder

“I think part of the gravitational pull is my desire and commitment to helping maintain and sustain and strengthen the legacy of my father and grandfather, who were much involved in the company.”

Next Generation (4th), Colombia

Exploring Family Gravity™

The following descriptions of the six dimensions of Family Gravity will enable you to assess your strength in each area. Completing this exercise as a group activity can help foster valuable discussion and provide another layer of insights regarding the range of views at work in the family business.



Strengthening indicators for values

A multi-dimensional value system unites the family and provides a common framework for building relationships with the business and the community



1. Shared values

Every family has their own implicit set of values, but for business-owning families those values should be defined and consciously shared within the group. This allows the family to behave and act with clarity and intent. Shared values give the family a moral center that helps sustain it in the face of challenges and difficult decisions and provides a powerful way for the family to differentiate itself in the marketplace. Remember that shared values don't just manifest themselves in times of crisis; they also often inform about the company's products or services and how a family conducts business and manages relationships.

Questions to ask

- What are the family's traditions, values and history?
- How do these traditions, values and history manifest themselves in the business?
- What is the family's relationship with the community?

“Honesty, fairness, hard work, performance and the love of construction are what we value.”

Senior Generation (3rd), USA

How values help determine a “family's gravity”

In our survey, respondents were given a list of 22 values and asked the extent to which those values applied to their family.

Four of the top five choices of Flourishing, “Business first” and Personality-driven Families were the same: honesty, longevity, strong work ethic and integrity.

Importantly, they differed in their fifth choice:

- Flourishing Families placed great value on respect and fairness, demonstrating an ethical focus.
- “Business first” Families placed great value on excellence and high performance, reflecting their business focus.
- Personality-driven Families emphasized loyalty, drawn from their people focus.
- Tellingly, Fading Families reported weak association with all values.

Strengthening indicators for vision

A clearly defined and communicated vision guides the family's action



2. Shared vision

Shared vision allows a business-owning family to set goals and determine priorities, uniting the family and providing a framework for business decision-making.

Shared vision is particularly important in the current business environment, when ambiguity and complexity can be high and incremental improvements are rarely enough. Today, virtually every business is faced with transforming itself in some way, whether in its supply chain, its customer relations or its technology. A shared vision within the family makes innovation and discontinuous leaps possible.

Questions to ask

- What is the family's vision for itself and for the business?
- Is the family's vision shared across generations?
- How does that vision evolve in response to changing family and business imperatives?

“Our ‘vision 2020’ has three legs. It’s got how we see ourselves as a family, how we see ourselves socially in terms of our social responsibility and our philanthropic initiatives, and how we see ourselves as entrepreneurs and business owners.”

Next Generation (4th), Colombia

“We go to family off sites to create alignment about where we are headed as a business and as a family. I promise to NextGen and the one after that I will help them learn and they are enabled to achieve.”

Founder, Ukraine

Strengthening indicators for cohesion and interaction

A strong bond of mutual understanding, respect and support connects family members and allows for a healthy exchange of ideas and issues

Typical Indicators	<ul style="list-style-type: none"> • Refusal to acknowledge internal dynamics • Lack of trust and confidence between family members creates unstable relationships • No forum to air views on family and business matters 	<ul style="list-style-type: none"> • The family is passive regarding developing a common identity • Relationships are driven through informal and inconsistent channels • Family meetings are infrequent and lacking in a clear agenda and focus 	<ul style="list-style-type: none"> • Emerging trust and transparency among key family members • Select family members are developing an informal forum for discussion of issues 	<ul style="list-style-type: none"> • Internal cohesion positively impacts external factors like brand, employee and customer loyalty • Periodic investment in forums to connect and gather views which are increasingly incorporated into decision-making • Conflict resolution through informal channels 	<ul style="list-style-type: none"> • The family is perceived as a cohesive unit internally and externally • Developments that might compromise seamless interaction are anticipated and mitigated • Formal conflict management processes have been established and are respected
Next Steps	<ul style="list-style-type: none"> • Start building awareness among the family members for a forum and rules as to how to communicate in a respectful manner 	<ul style="list-style-type: none"> • Start to establish a formalized information flow and a forum to avoid dysfunctional communication • Establish professional family meetings 	<ul style="list-style-type: none"> • Strengthen the cohesion of the family by establishing regular forums to connect and to discuss on relevant family and business issues 	<ul style="list-style-type: none"> • Establish a long-term conflict management framework • Motivate for mutual understanding, respect and support among the family members 	<ul style="list-style-type: none"> • Continue to protect cohesion and adjust interaction to match the evolving needs of the business
Level	<ul style="list-style-type: none"> • Actively does not display the indicators of the dimension 	<ul style="list-style-type: none"> • Neither actively nor passively displays the indicators of the dimension 	<ul style="list-style-type: none"> • Displays <i>some</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>many</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>all</i> dimension indicators

3. Cohesion and interaction

All families and businesses will be faced at one time or another with challenges to survival; in family businesses, these stresses can easily be amplified. The cohesion of the family and how well the members interact with each other will determine how resilient the family will be when challenged and how it will respond to change.

Cohesion and interaction are self-reinforcing; using them strengthens them. Families that have these assets are able to form and sustain bonds of trust, respect and support.

Questions to ask

- How does the family acknowledge its internal dynamics and work to address them?
- Does the family have agreed-upon conflict resolution mechanisms in place?
- How do the different generations of the family interact and work together?

“ But to remain united,
this will be the biggest challenge.”

Senior Generation (5th), Germany

“ The more time you spend with each other, the more people get along with each other, the more attachment you make, of course, because then you just have more understanding, you get to know each other and the spirit lives on.”

Next generation (4th), Austria

Strengthening indicators for family business involvement

The optimal level of family involvement in the business has been determined, supported by the information flow needed for informed engagement

Typical Indicators	<ul style="list-style-type: none"> • No effort to establish decision-making that is inclusive and uniform across branches and generations, leading to resentment and dissent • Family and business operates in silos 	<ul style="list-style-type: none"> • No clear anchor to establish the family's level of involvement or forum for discussion • Family responds reactively to problems that arise from inconsistent inclusion and involvement in family and business issues 	<ul style="list-style-type: none"> • Informal discussion among family subgroups regarding engaging diverse branches and generations on succession, professionalization and sustainability 	<ul style="list-style-type: none"> • Clear vision of optimal level of involvement in business • Institutionalized and inclusive discussions with actionable outcomes • Informal forum engages Next Generation • Consistent, accurate and transparent flow of information between family and business 	<ul style="list-style-type: none"> • Dedicated resources to mentor Next Generation in their education, experience and professional development • Systematic and institutionalized plan for inclusion and collaboration around family and business matters, with in-built flexibility to span business and generation cycle
Next Steps	<ul style="list-style-type: none"> • Increase awareness of the importance of inclusion and involvement of family members for the long-term survival of the company 	<ul style="list-style-type: none"> • Establish a forum so that all branches and generations can reach alignment on family business issues 	<ul style="list-style-type: none"> • Institutionalize discussion of business issues and distribution of information • Create a clear vision of the family's level of business involvement 	<ul style="list-style-type: none"> • Initiate processes to strengthen Next Generation business connection • Foster collaboration • Guard against information asymmetry 	<ul style="list-style-type: none"> • Evolve family involvement with changes in the business and family member goals and interests
Level	<ul style="list-style-type: none"> • Actively does not display the indicators of the dimension 	<ul style="list-style-type: none"> • Neither actively nor passively displays the indicators of the dimension 	<ul style="list-style-type: none"> • Displays <i>some</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>many</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>all</i> dimension indicators

4. Family business involvement

The level of a family's business involvement can range from acting primarily as a supervisory board providing oversight to managing the business. Wherever the family falls on this spectrum, however, it needs the appropriate information and level of engagement to fulfill its role. Families that have clarity on their role and level of involvement and the means to carry out those responsibilities can more easily be a positive force for the business.

Questions to ask

- Does the family have a clear idea of the level of business involvement it wants to have?
- Is there a consistent, accurate and transparent flow of information between the family and the business?
- How does the family mentor and develop Next Generation members for that level of involvement?

“Growing up in a family business, we never even knew that there was something called the choice. You know, it was always that you finish and then you join the work.”

Next Generation (6th), India

“And ever since I was 13, my father used to take me to the board meetings. Whenever I was in Colombia, I used to also go to the offices where they do all the investigation and analysis. I used to like that part very much during the summer vacations, etc.”

Senior Generation (3th), Colombia

Strengthening indicators for family and business governance

Decisions are made and authority exercised in accordance with established and accepted governance mechanisms

Typical Indicators	<ul style="list-style-type: none"> • Family members make strategic decisions in isolation • No mechanism for consistent governance of family or business • Difficulty attracting and retaining non-family professionals 	<ul style="list-style-type: none"> • Poorly defined balance of power between family, owners, management and board • Board has vague mandate and consists of family members only • Strategic decisions are made in an ad hoc and opaque manner 	<ul style="list-style-type: none"> • Governance mechanisms exist but have not been adopted wholeheartedly • Separate governance structures for family and business • Board is dominated by family members 	<ul style="list-style-type: none"> • Reasonable clarity of roles and responsibilities among the family, owners, board and management • Board consists of family members, loyalists and independent members • Non-family business professionals involved in strategic decision making 	<ul style="list-style-type: none"> • Governance evolves and deepens to include family council, advisory boards and family charters for multi-generational continuity • Proactive and engaged board with independent chairman or CEO • Business considered a desirable place to work by non-family professionals
Next Steps	<ul style="list-style-type: none"> • Raise awareness of the importance of a best-practices driven governance system for the family and the business 	<ul style="list-style-type: none"> • Create and implement governance mechanisms for the family and for the business 	<ul style="list-style-type: none"> • Clarify roles and responsibilities among the family, owners, board and management • Clarify issues regarding external talent 	<ul style="list-style-type: none"> • Establish a fully professionalized board • Evaluate governance structure to ensure it is optimal • Make good governance part of family culture 	<ul style="list-style-type: none"> • Maintain the discipline of good governance and evolve governance structures as needed
Level	<ul style="list-style-type: none"> • Actively does not display the indicators of the dimension 	<ul style="list-style-type: none"> • Neither actively nor passively displays the indicators of the dimension 	<ul style="list-style-type: none"> • Displays <i>some</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>many</i> dimension indicators 	<ul style="list-style-type: none"> • Displays <i>all</i> dimension indicators

5. Family and business governance

Business-owning families frequently have entrepreneurial roots and strong personalities, making it easy for them to underestimate the importance of formal governance. In fact, because there is typically a wide range of agendas and priorities among the members of a family, a family business can require more layers of governance than does a non-family business. Families with the proper governance in place, however, are less susceptible to conflict, signal a commitment to professionalism and have an advantage in attracting outside talent.

Questions to ask

- How and where are the responsibilities of the family, owners, board and management defined?
- How has the governance system evolved with changes in the business and the family?
- Are strategic decisions made in a transparent manner?

“I think our pride is this, of being very thoughtful and united.”

Senior Generation (3rd), Brazil

Family Business Governance

Well-run family businesses rely on several powerful governance bodies and documents. Here are a few of the most common:

Family council: The basic family decision-making body. The family council ensures that governance mechanisms are appropriate and evolve as necessary. It is here where issues are debated, disputes resolved and consensus reached.

Family charter: Usually augments the shareholders' agreement and establishes a set of guidelines concerning the family's relationship with the business. These guidelines typically cover governance mechanisms, succession planning, the involvement of the family in the business, decision-making and procedures for determining the roles of family members and non-family members.

Board of directors: The statutory body that oversees the business. A key moment in the evolution of family business governance occurs when the board begins to incorporate non-family members, accelerating the board's professionalization.

Strengthening indicators for leadership principles and roles

Family leaders adhere to defined leadership principles and family member roles, and requirements are clearly defined



6. Leadership principles and roles

Most business-owning families have strong leaders. But having a vision and exerting one's will is not enough. Owner family and business leaders must have a clearly developed sense of their leadership responsibilities, both within the family and in representing the family to outside constituencies. They learn from both their successes and their mistakes. Most importantly, they are the keepers of the Family Gravity. They perpetuate the family business by preserving the family's cohesion and vision and by ensuring that there is a healthy leadership pipeline.

Questions to ask

- Are the leaders – both family and non-family – acknowledged and accepted?
- How are Next Generation family members mentored and developed?
- Do the family leaders work to adapt family strengths to changing conditions?



“ You simply have to do what is best for the family business. You have to take back your personal vanity, your personal pride.”

Next generation (4th), Austria

“ Our biggest failing is that we don't have a program to bring members of the family on the board.”

Next generation (4th), Austria

The DNA

	 The Family's Values Matrix	 Vision for the Future
81 – 100% Displays <i>all</i> dimension indicators	<ul style="list-style-type: none"> • Traditions and values are constantly evolved to keep pace with generational change and societal shifts • Values are actively harnessed for sustained alignment between the family, business and community 	<ul style="list-style-type: none"> • The vision is routinely incorporated into internal and external communications • The vision evolves in response to changing family and business imperatives • Multi-generational perspectives are the norm in all aspects of strategic decision-making
61 – 80% Displays <i>many</i> dimension indicators	<ul style="list-style-type: none"> • Shared values are formally articulated and part of the family legacy • Values are actively integrated into the business and its brand, quality, innovation, customer focus, growth and stakeholder management 	<ul style="list-style-type: none"> • There is a common vision across the family • Family members are able to accurately express the vision among themselves and to others • Some decision-making processes have reached all generations
41 – 60% Displays <i>some</i> dimension indicators	<ul style="list-style-type: none"> • Awareness of shared traditions, values and history and their impact on business continuity • Current and next generations inspired to safeguard traditions • Shared values and history are embedded in family culture and communicated to the business 	<ul style="list-style-type: none"> • A common vision is held by the subset of the family most active in the business • Decisions are made with a three- to five-year horizon
21 – 40% Neither actively nor passively displays the indicators of the dimension	<ul style="list-style-type: none"> • Emerging awareness of traditions, values and history • Emerging awareness of the connection between shared values and business continuity • Values not yet transmitted from the family to the business 	<ul style="list-style-type: none"> • Emerging awareness of the importance of a common vision • Dialogue but no agreement on what that vision should be
1 – 20% Actively does not display the indicators of the dimension	<ul style="list-style-type: none"> • No shared values uniting the family or agreement on their importance • Differences in values create discord in the family or business 	<ul style="list-style-type: none"> • No shared vision or recognition of its importance • Decisions are made with a short-term horizon

The People

 Cohesion and Interaction
<ul style="list-style-type: none"> • The family is perceived as a cohesive unit internally and externally • Developments that might compromise seamless interaction are anticipated and mitigated • Formal conflict management processes have been established and are respected
<ul style="list-style-type: none"> • Internal cohesion positively impacts external factors like brand, employee and customer loyalty • Periodic investment in forums to connect and gather views which are increasingly incorporated into decision-making • Conflict resolution through informal channels
<ul style="list-style-type: none"> • Emerging trust and transparency among key family members • Select family members are developing an informal forum for discussion of issues
<ul style="list-style-type: none"> • The family is passive regarding developing a common identity • Relationships are driven through informal and inconsistent channels • Family meetings are infrequent and lacking in a clear agenda and focus
<ul style="list-style-type: none"> • Refusal to acknowledge internal dynamics • Lack of trust and confidence between family members creates unstable relationships • No forum to air views on family and business matters

The Structure

 Family Business Involvement	 Family and Business Governance	 Leadership Principles and Roles
<ul style="list-style-type: none"> • Dedicated resources to mentor Next Generation in their education, experience and professional development • Systematic and institutionalized plan for inclusion and collaboration around family and business matters, with in-built flexibility to span business and generation cycles 	<ul style="list-style-type: none"> • Governance evolves and deepens to include family council, advisory boards and family charters for multi-generational continuity • Proactive and engaged board with independent chairman or CEO • Business considered a desirable place to work by non-family professionals 	<ul style="list-style-type: none"> • Clear understanding of Family Gravity, which is embodied by its leaders • Family leaders have high visibility and acceptance internally and externally • Strong clarity of family member roles and career paths • Objective assessment of individual Next Generation members for competencies and potential
<ul style="list-style-type: none"> • Clear vision of optimal level of involvement in business • Institutionalized and inclusive discussions with actionable outcomes • Informal forum engages Next Generation • Consistent, accurate and transparent flow of information between family and business 	<ul style="list-style-type: none"> • Reasonable clarity of roles and responsibilities among the family, owners, board and management • Board consists of family members, loyalists and independent members • Non-family business professionals involved in strategic decision-making 	<ul style="list-style-type: none"> • Family leaders learn from their and others' successes and failures • Family leaders have some external visibility and acceptance • Clearly established family member roles and career paths • Next Generation development leverages internal and external opportunities
<ul style="list-style-type: none"> • Informal discussion among family subgroups regarding engaging diverse branches and generations on succession, professionalization and sustainability 	<ul style="list-style-type: none"> • Governance mechanisms exist but have not been adopted wholeheartedly • Separate governance structures for family and business • Board is dominated by family members 	<ul style="list-style-type: none"> • Family leaders begin to exert positive impact on family and business • Leaders begin to question established approaches • Greater clarity of family member roles and career paths • Growing focus on Next Generation
<ul style="list-style-type: none"> • No clear anchor to establish the family's level of involvement or forum for discussion • Family responds reactively to problems that arise from inconsistent inclusion and involvement in family and business issues 	<ul style="list-style-type: none"> • Poorly defined balance of power between family, owners, management and board • Board has vague mandate and consists of family members only • Strategic decisions are made in an ad hoc and opaque manner 	<ul style="list-style-type: none"> • Leaders have little anchoring in leadership principles • No role models for Next Generation • Limited clarity of family member roles and career paths • Limited focus on Next Generation development
<ul style="list-style-type: none"> • No effort to establish decision-making that is inclusive and uniform across branches and generations, leading to resentment and dissention • Family and business operates in silos 	<ul style="list-style-type: none"> • Family members make strategic decisions in isolation • No mechanism for consistent governance of family or business • Difficulty attracting and retaining non-family professionals 	<ul style="list-style-type: none"> • Individual leaders have a volatile impact on business and family • No clear roles or career paths for family members • Little if any focus on Next Generation development





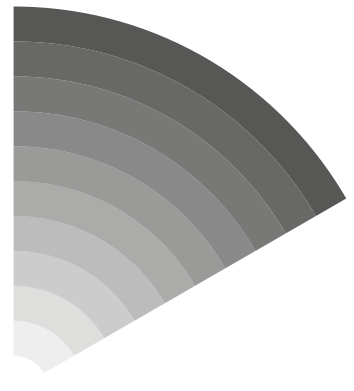
Finding your archetype

Family Gravity™

The analysis of your own Family Gravity is the starting point for dealing with the question of how you define yourself as an entrepreneurial family and how you want to shape the connection and influence on your family business. Through the self-assessment of the six Family Gravity dimensions through all family members and key leaders of your family business you can recognize the respective characteristics. Then you can compare your individual graph with each of the four Family Gravity archetypes to see which is the closest fit. Based on these results you want to decide about a format which will help you to accelerate on open and trustful environment for discussion, decision and alignment of your Family Gravity with your family business strategy. Based on this strategy for your family business and the ambitions as an entrepreneurial family, it is now time to develop your six Family Gravity dimensions. The whole process should be co-driven especially with NextGen members. This will give you a powerful reference point from which to envision the future.

Legend

Displays <i>all</i> dimension indicators	100%
Displays <i>many</i> dimension indicators	80%
Displays <i>some</i> dimension indicators	60%
Neither actively nor passively displays the indicators of the dimension	40%
Actively does not display the indicators of the dimension	20%
	0%



The DNA

The Structure

Vision for the future



Leadership principles and roles



The family's values matrix



Family and business governance



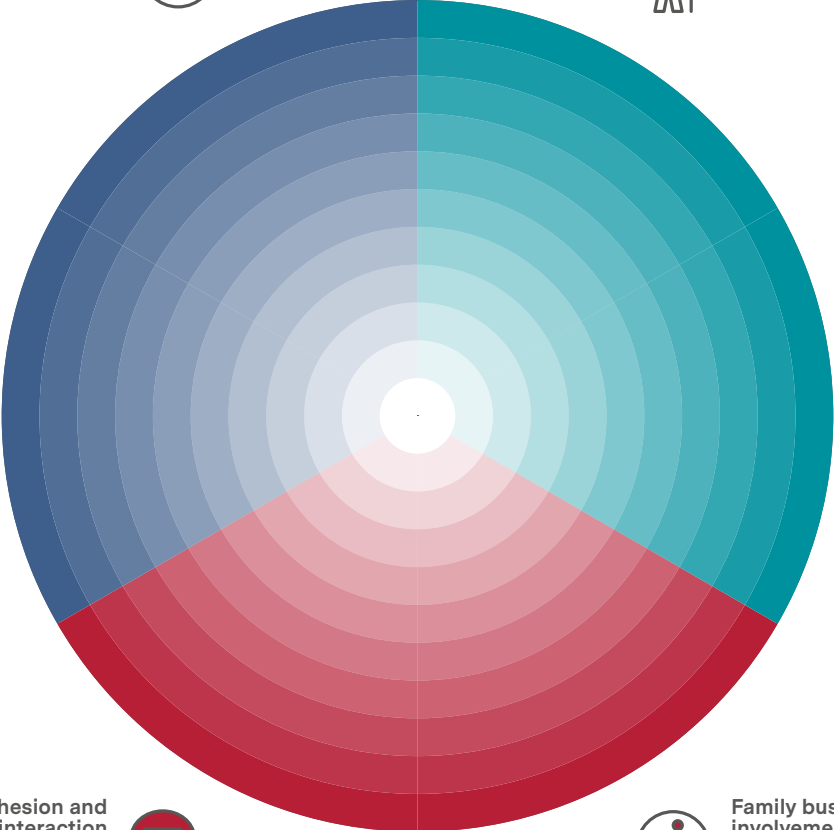
Cohesion and interaction



Family business involvement



The People



Flourishing Families

The Family Gravity of Flourishing Families is clearly expressed in all dimensions. Even if these family businesses are still run by their founders, they carry themselves as if they had existed for generations. These families are strong in both family and business dynamics, putting them in the best position to leverage the family's values, relationships and cohesion to achieve business objectives.

Typical attributes

Areas of strength

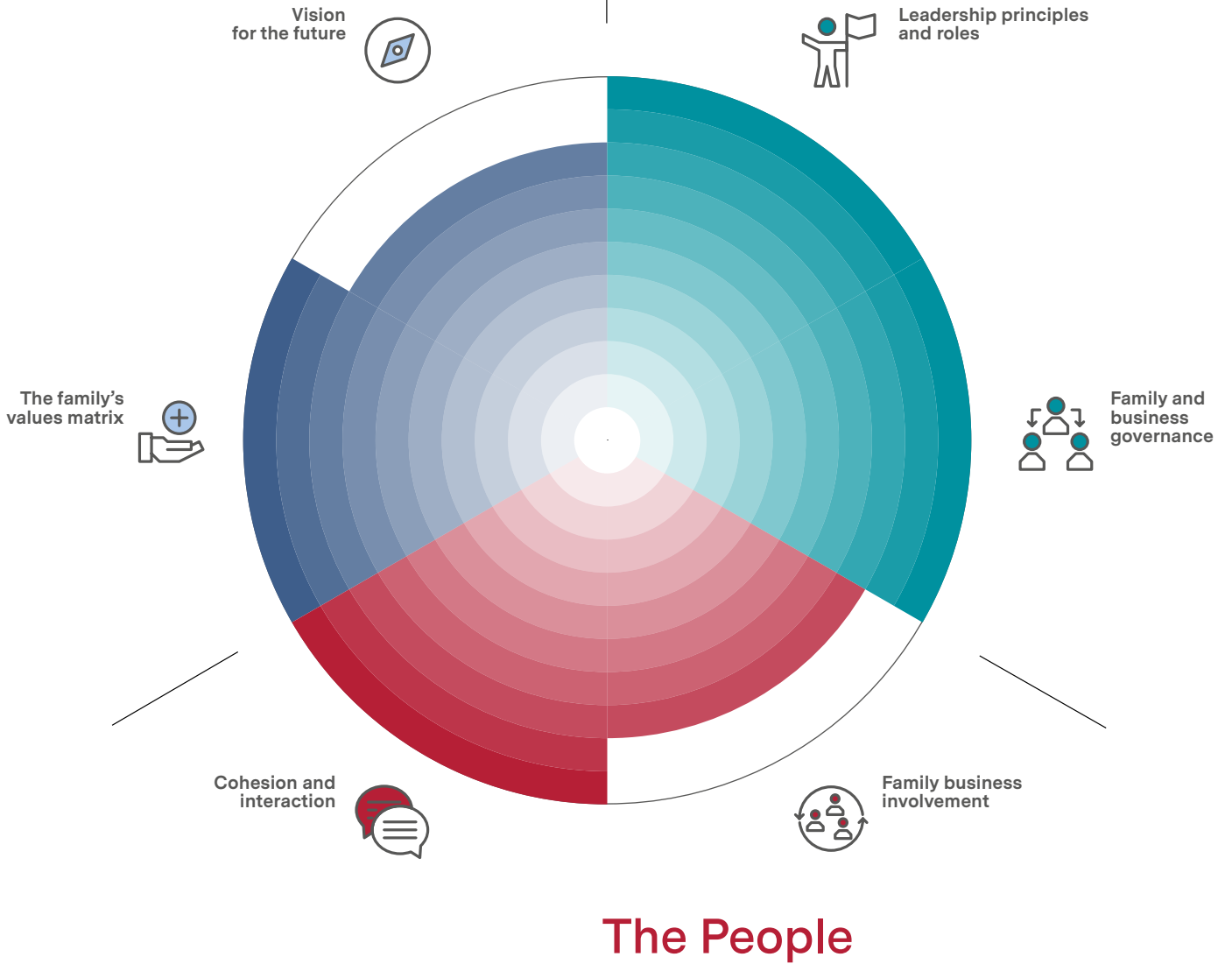
- Traditions and values continuously evolve.
- Decision-making spans generations.
- Change is managed well.
- There is a focus on the development of the Next Generation.
- The board is proactive and engaged, with an independent chair or CEO.
- Family leaders invest in Family Gravity and use it effectively to perpetuate the family.

Opportunities for improvement

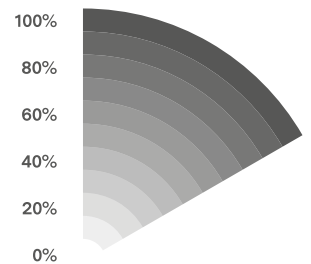
- Development of the Next Generation is informal rather than formal.
- The evolution and communication of the family vision is primarily ad hoc.

The DNA

The Structure



Legend



“Business first” Families

“Business first” Families pride themselves on their commitment to business best practices and operating with the standards and transparency of well-run non-family companies. This makes them formidable organizations. However, there is more work to be done in the intangible issues of family dynamics. This imbalance makes these owner families susceptible to being undercut by conflicts and ambiguities in the relationship between the family and the business.

Typical attributes

Areas of strength

- The family has a clear internal and external vision.
- A full array of governance procedures and mechanisms are effectively used.
- The owner family is led by strong leaders who manage for the long term.

Opportunities for improvement

- Trust and transparency exist but are still developing.
- Family values often exist only as unwritten rules.
- Family meetings are informal and not fully inclusive.

The DNA

The Structure

Vision for the future



Leadership principles and roles



The family's values matrix



Family and business governance



Cohesion and interaction

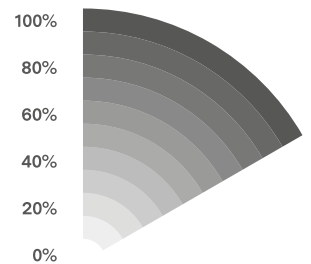


Family business involvement



The People

Legend



Personality-driven Families

Personality-driven Families are led from the heart and soul. These families are passionate about the business and highly engaged in it. However, they have not yet fully developed procedures and frameworks independent of the people running the business. As a result, some of the family's energy is applied ineffectively and dissipates before the business can benefit.

Typical attributes

Areas of strength

- The family's values clearly manifest themselves in the family brand and operations.
- The family has a clear shared vision and goals.
- There is a systematic and institutionalized plan for inclusion and collaboration around business matters.

Opportunities for improvement

- Decisions may be made by a small group without full transparency.
- The board often lacks independent members and its role is not clearly defined.
- Family power centers have difficulty driving consensus and leading strategically.

The DNA

The Structure

Vision for the future



Leadership principles and roles

The family's values matrix



Family and business governance

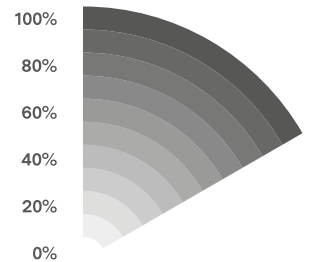
Cohesion and interaction



Family business involvement

The People

Legend



Fading Families

Fading Families tend to be weak across all dimensions of Family Gravity. These businesses may have strong sales figures and other economic benchmarks. But they are poorly positioned to leverage their family's particular strengths to help drive the business. Their Family Gravity is an underdeveloped asset that is not yet able to help them respond to change, seize opportunities and perpetuate as a family business.

Typical attributes

Areas of strength

- There is a baseline awareness of family values and history.

Opportunities for improvement

- Decision-making has a short-term perspective.
- The family is passive about cementing relationships and developing a common identity.
- There is no clear anchor connecting the family to the business.
- Little or no effort is given to developing the Next Generation.
- There is no balance of power between the family, the board and management.
- Family leaders operate without clear leadership principles guiding their actions.

The DNA

The Structure

Vision for the future



Leadership principles and roles

The family's values matrix



Family and business governance

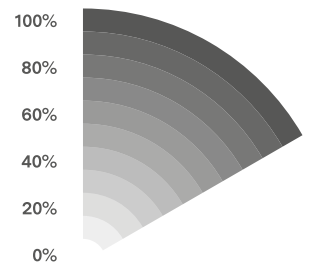
Cohesion and interaction



Family business involvement

The People

Legend





Developing Family Gravity™

Discovering your Family Gravity is the first step on a journey toward stronger family dynamics, a high-performance family culture and an optimal relationship between the family and the business. By using the following recommendations you can begin to plot your own plan for further developing your Family Gravity.

Recommendations for Flourishing Families

These families might seem to have little room for improvement. But Flourishing Families can only remain so if they guard against forces that can undermine their Family Gravity. For example, these families typically have a well-defined vision. But like many enterprises, that vision is often based on the family's past and present. Unfortunately, this perspective can be a vulnerability in today's complex and ambiguous business environment. These families thus need to make sure that they have a framework for revising their vision in response to events and changing circumstances. This might involve, for example, regularly gathering family members for talks by outside speakers who can spur new thinking about how geopolitical, technological and social changes may impact the family business. Flourishing Families should then make sure that their evolving vision is communicated both within the family and to management, customers and other stakeholders.

Flourishing Families tend to have strong Next Generation involvement. But the final step of the Next Generation trajectory should include the full integration of Next Generation leaders into the decision-making structure of the family, including seats on the board of directors. This can provide rich opportunities for collaboration across generations.

“While I was researching the topic of family business, I realized, ‘Oh, damn, there’s homework to do.’ I also didn’t see myself in the management of a company. So I didn’t really know where my way would take me. But I knew that there was stuff to do.”

Next Generation (3rd), Germany

Recommendations for “Business first” Families

“Business first” Families are highly focused on their business—so much so that they sometimes act as if the “family” half of a family business could take care of itself. But the fact is that there are best practices for managing a family’s values and cohesion, just as there are for governance and leadership structure. For example, these families often have a fairly clear sense of their values, but those values are kept siloed away rather than actively used in the business. A possible first step for infusing values into operations might be to check alignment between the values of the family and those of the firm, and to ensure that values are considered in performance measurement, hiring and promotion. This integrates those values with a key function (talent management) and reinforces those values through the shared perspective of the management team.

The cohesion of “Business first” Families can be weaker than it first appears. There may be opportunities for interaction between family members, but those opportunities may not be frequent enough to build the comfort level and trust needed for honest exchange. Or a family calendar might be full of shareholder meetings and other gatherings, but these are mostly information sessions in which decisions have already been made outside of the full group. Families should undertake a close assessment of communication channels to see what adjustments need to be made to create a more inclusive environment.

Recommendations for Personality-driven Families

These families need to place priority on creating frameworks to guide the family that are not dependent on any one leader. Many such families choose to start by establishing a family charter, which sets forth how the family makes decisions, resolves disputes and interacts with the business. Families that undertake this task find that this process itself—which may take a year or more—is often as valuable as the end document because of the opportunity it provides to articulate concerns and establish dialogue.

The leaders of Personality-driven Families also need to think more objectively about the art and science of leadership. Many of these leaders have an obvious knack for combining a strong vision with the organizing of people and resources. But as their enterprise grows in size and complexity, their understanding of the nuances of leadership style needs to expand as well through professional development such as executive coaching or management programs. Similarly, these families need to formalize the requirements and responsibilities of the roles held by both family and non-family members. Doing so will help foster a performance-oriented culture and will make it easier to attract non-family managers to the business. This process can be powerfully accelerated by electing one or more non-family members to the board of directors.

Recommendations for Fading Families

Fading Families are weak in all dimensions, which can make strengthening Family Gravity appear to be a daunting task. However, these families can take a strong first step in this direction by establishing a shared vision. They will then have a powerful foundation from which to address their values, their governance and other dimensions. Begin with an increased appreciation of the central role a clear vision plays in allowing the family to move efficiently toward its goals. Then begin the process of identifying a common vision for the types of enterprises they wish to build, how those enterprises will add value and what the legacy of the family will be. A subset of the family should be identified to shepherd this process, while still keeping it inclusive. Through an iterative cycle of writing and refining, the vision will begin to achieve acceptance across the family and across generations.





About the Egon Zehnder Family Business Advisory

The Egon Zehnder Family Business Advisory has worked with owner families around the world to build boards and leadership teams for businesses that succeed and legacies that endure through complex and volatile times. We help owner families understand and strengthen their Family Gravity and integrate this understanding into their development of current and future leaders. Our extensive experience allows us to be an objective and trusted resource on complex issues of succession planning, Next-Generation retention and leadership and family dynamics. We would look forward to partnering with you on your family's growth and evolution.

About the Family Business Network

The Family Business Network is the world's leading family business organization. 'By family businesses' and 'for family businesses', FBN is a safe, shared-learning space for enterprising families to flourish across generations, through the exchange of excellent, innovative and impactful practices. Founded in 1989, it is headquartered in Lausanne, Switzerland. A vibrant community spanning across the world, it brings together over 3,600 business-owning families – 12,000 individual members including 5,000 Next-Generation members – in 33 chapters covering 65 countries. FBN organizes 750 activities annually in its chapters, internationally, regionally or locally.

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