Being a successful family business in the 21st century

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In a globalized marketplace, family businesses must reinvent themselves in order to remain competitive, without losing their essence.

Over the past decade, the globalization process has become increasingly important, especially in the business arena. The talk is now of a global market with unlimited competitors, in which it is necessary to adapt in order to be competitive and to survive.

For family businesses, this involves meeting a number of requirements that traditionally have not been considered relevant for this type of company.

In order to adapt to the new international economic environment and preserve their essence, family businesses must adopt specific strategies, such as those suggested in the book *Transformarse o desaparecer. Estrategias de la empresa familiar para competir en el siglo XXI (Transform or Disappear: Family-Business Strategies for Competing in the 21st Century)*, co-edited by Joan M. Amat of the Instituto de la Empresa Familiar, ESE Prof. Jon I. Martínez and IESE Prof. Juan Roure, and featuring contributions from 17 other experts.

The survival of family businesses is not a new topic, but so far experts and academics have focused more on studying family-related problems than on aspects of a more strategic and organizational nature.

According to family business expert John L. Ward, although 60 percent of the time the demise of family businesses is due to conflicts within the family or over property, the remaining 40 percent is related to how the company itself operates. A great deal of progress has been made in this area in recent decades with the professionalization of corporate governance and the family.

Globalization has made it necessary to return to this subject and focus on it from the perspective of the new competitive context. In response to this need, this book proposes a range of strategies and tools that can contribute to consolidating the competitive position of the family business, while taking into consideration its specific nature, which is analyzed in depth in the first part of the book.

Competing with multinationals

Ernesto J. Poza, of the Thunderbird School of Global Management, explains that the unusual nature of the family business gives it unique competitive advantages that are hard to replicate. In fact, 36 percent of the companies in the Standard and Poor's 500 Index are controlled by entrepreneurial families, and it has been calculated that the value created for shareholders in family businesses was 10 percent higher than that generated in non-family businesses in the 1990s.

But what can family businesses do to compete with the multinationals' ESE Prof. Jon I. Martínez of Chile offers some advice:

- *Imitate or counteract the strengths of the multinationals.* Focus on one or a few business areas in order to specialize. Increase your size in order to obtain economies of scale. Internationalize gradually to become a multinational family business and compete all over the world, as Carrefour, Ford and LG did.
- *Avoid or take advantage of the weaknesses of multinationals.* Be different in order to respond to local needs and tastes better. Increase local sensitivity towards end customers. Prioritize improved service in order to obtain loyalty among purchasers and cultivate good relationships with local institutions. Using these strategies, the Chilean hypermarkets Líder de D&S, belonging to the Ibáñez family, and Jumbo de Cencosud, belonging to the Paulmann family, stunted the growth of the multinationals: Carrefour was forced to withdraw from the Chilean market and Wal-Mart was discouraged from entering.

Other recommendations include:

- Ensure financial resources by floating on the stock market.
- Work towards professionalizing management.

- Maintain a strategic outlook and long-term planning.
- Innovate and keep the entrepreneurial spirit alive.
- Develop social and environmental responsibility.

The Dream of Growth

Most owners and managers of family businesses have asked themselves how to achieve the desired growth. To achieve this, the family business must confront some challenges, whether it is developing the business or the Family Office, as IESE's Juan Roure and Juan Luis Segurado explain:

Free entrepreneurial ambition, creating an entrepreneurial and family-based project. It is not only necessary to set ambitious annual objectives, but also to cast a grand vision and share it with passion to the organization and owners.

Establish a "focused" strategy at the same time as exploring new businesses. Attention should be maintained on the activities or business basics that everyone already knows while also keeping an opportunistic eye out in search of new business areas to embark on.

Internalize a systematic process for identifying and selecting opportunities. Not only assess the opportunities identified by entrepreneurs or senior management, but also involve key members of the organization in the systematic search for business opportunities.

Proactively involve senior management in the financing of growth. Do not delegate the establishment of trust and relations with strategic financial institutions.

Build a professional, committed and winning management team. It is not just a question of having the most loyal management team, but also complementing and, in certain cases, scaling it appropriately as the company evolves in order to meet the challenges of growth.

Develop an active and effective system of governance for the family business. As well as the formal corporate and family governing bodies, these must be active and effective, with objectives, processes and structures matching each phase of the company's development (and that of the family).

Be flexible in implementing new options for growth and new ownership structures. The issue is not only organic growth in the main business, but also growth by means of different approaches to ownership as a means of acquisition or joint venture, depending on the profile of new business areas.

Adapting to the new scenario

The book also deals with other areas that can help the family business adapt to the new competitive landscape, such as:

- The importance of competitive intelligence and Internet surveillance for monitoring the business environment (Joaquín Tena and Alessandro Comai, Pompeu Fabra University, Barcelona).
- Private equity as a means for developing the family business (Juan Roure and Amparo de Sanjosé, IESE).
- The benefits of the members of the following generation having an active role in the family business (Joe Astrachan, Gaia Marchisio and Pietro Mazzola, Kennesaw State University).
- International expansion by the family business (José Carlos Casillas, University of Seville) and internationalization by means of strategic alliances (Miguel Ángel Gallo, África Ariño, Isabel Máñez and Kristin Cappuyns, IESE).
- The importance of renewing the entrepreneurial spirit in each generation (Alberto Gimeno, Eugenia Bieto and Mª José Parada, ESADE Business School) as well as the opportunity for promoting entrepreneurship by means of governing boards (Pablo Hafner, University of Sant Gallen, Switzerland).

Transform or Disappear contains a total of 13 articles about the strategic process in the family business, each analyzing the competitive advantages of family businesses. It studies the various strategies that this type of company can adopt, and closes by providing an overview of the strategic instruments that help family businesses improve their competitive position.

This is all illustrated through five supplementary case studies, including one on Heineken, a long-established company that is a good example of a type of multinational that is family-run, professionalized, listed on the stock market and global.

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