

Transcript of 'Sustainable Family Businesses'

Season 1, Episode 10, Transforming Tomorrow

[Theme music]

Paul: Hello and welcome to Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business here at Lancaster University Management School. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

Paul: And Jan, it's our last podcast of 2023.

Jan: That's amazing. Who have we got to talk to today?

Paul: Well for our last guest we've saved one of the best 'til last...

Jan: ...of course...

Paul: ...a colleague who I always enjoy working with. So we're joined by uh Dr Allan Discua Cruz, who is currently cringing in his seat as I say I enjoy working with him, and he's one of the best and last, no pressure Allan.

Allan is a Senior Lecturer in the Department of Entrepreneurship and Strategy, he's also the Director of the Centre for Family Business. His research cuts across all areas of family businesses, succession planning, sustainability.

He was also born into a family business, uh and he's been the steward of the family farm in recent years and it makes me wonder, should Allan be here should Allan be somewhere else shearing a sheep or milking a cow?

I, I have no idea if Allan really his job is in a University when I found this out.

Jan: I think we'd like him here, but also I think you always have a one foot in where you come from as well. So, I think that's a really good thing to be in two places at once.

[Theme music]

Paul: Welcome, Allan.

Allan: Well, thank you very much for having me here today, it's, I've been listening too much to your podcast and I think it's a great opportunity not only

to have a great conversation but at the same time to just catch up with different things, so thank you.

Paul: Thank you. First of all, can you assure us you're not meant to be anywhere else or looking after any livestock...

Allan: ...no, no, I'm not meant to be anywhere else. [laughs]

Paul: Great. So um you are the Director of the Centre for Family Business. Can you tell us a little bit about what are family businesses, how are they defined?

Allan: Well, family businesses. Um, we have had records of family businesses since we have, you know, something written either in stone or in paper. And it's fascinating because what you tend to find is that association of family with business predates written records.

And so, over the years we have been trying to understand this fascinating form that is a family business. Over time we have tried to make the association between family objectives and business objectives, put together into a business form. So when these two objectives combine you tend to find a form that is usually called a family business.

So family objectives for example will be, you know, you are, you are preoccupied with providing your family with an income, you are preoccupied with providing your family a source of pride, you are preoccupied with providing your family with a job or a career within a business as well.

And in combination with that, you have a business form that you have created perhaps with your spouse or with other family member. And that business as well has to perform, it has to turn out a profit, it has to achieve certain milestones to continue to be viable and, and to be again sustained throughout, throughout time. So when you combine these two objectives, the easiest way to define this form is to, to be a family business.

Definitions vary throughout the world. And the reason that is, is that in some countries in some context a family business is defined by ownership, how much ownership you have will, will actually suggest this is how much influence I have.

So in some contexts people will think to will tend to think well I need 100% ownership of this business, to say this a family business, why because then my family will have an input on the decisions that have to be made, and therefore the business will obey family objectives, but I need to have 100% ownership.

But in other contexts it's actually quite, quite different. You don't need to have a full 100% ownership to be able to control the decisions that, you know, take place within the business. And even though it might not be such a large percentage, still those family objectives have an influence on the firm.

So nowadays there are a lot of studies about how can we better define a family business. You'll be surprised that over perhaps a 100 definitions have come around, and that's because researchers have become really interested to understand this particular form of business.

The most common definition that has been coined by, by researchers in the UK suggests that a family firm will be a business form where a family, or members of a family, own enough of the equity of the firm to be able to influence the decisions about what tends to happen over time in that firm.

Sometimes they also occupy top management positions, or leadership positions in the firm. And, as well, there is an intention that the family members will continue the business over time. So this is again, is the one definition that accommodates a lot of studies and a lot of, of interactions between uh researchers around the world.

Paul: What size businesses are we talking about? Are we talking about small businesses, are we talking about large businesses, are we talking about everything?

Allan: Well you know it's, we're talking about everything. Family businesses are everywhere. From the small businesses and the corner shop that sell you a loaf of bread, to large multinationals that control a conglomerate of business, or a constellation of business, in different permutations.

So you tend to find them even from agriculture, from farming, to aerospace. So it's fascinating because there is not a single sector of industry doesn't have at least a large represent, representation base on, on being family firms.

Jan: And I suppose what's also interesting to note here is that the Pentland Centre funders, the Pentland Brands, again is a family-owned business. And so, um I'm lucky enough to work with the second, third and have just recently met the fourth generational member in that business as well. So I think they are all around us.

And Pentland Brands is a large firm and it's a, you know, a sporting and outdoor goods and leisurewear firm and, again, a transnational.

Paul: How many are there? In the UK, how many family businesses, or even globally?

Allan: The databases that we have are still being you know, you know, populated with, with information. And, um, we are working as well closely with organisations that deal with family businesses in the UK.

And the latest figure that's in two thousand, um 2022, suggests that we have around 4.8 million businesses being considered, in the UK alone, as family businesses. And again they might range from small to large. Um they generate quite, quite an input into the, the country's GDP. And at the same time the influence they have an employment is vast, as you can imagine.

So with those numbers alone in the UK, you know, it gives you an idea of how the, the amount and the scale these businesses can get. And around the world you tend to find that on average at least 60% of the business landscape will be family business in different forms, from small to large.

So you have that big influence of, of family businesses, not only in the economy of, of different countries, but the at the same time their representation in the business landscape around the world is, is huge.

Paul: That makes me wonder where my family business is, 'cause I, I'm just doing some quick maths there that's about one family business for approximately every 15, 16 people in in the UK, and as far as I'm aware no one in my family has. But someone must have more than one.

Jan: [laughs] Well certainly I, I was raised in a family business on the family farm. And so in that respect I suppose um, without knowing that that's what I was brought up in, I started off in a family business. It's quite, yeah.

Paul: And is that where the fascination came from, from you Allan, because we mentioned you, you know brought up in the family business, with the family farm and anything, is that where your interest in family businesses comes from?

Allan: Well all I have known since I can remember is being involved in family business, and family business decisions. Whether it was counting, you know, items in an inventory, whether it was listening to how decisions were going to affect the next day operations of a business. I remember my mom and dad, you know thinking about, about okay what are we going to do with this business tomorrow, in a week, in a month, and perhaps next year.

I've been part of a, of a family that was entrusted to look after a farm since 1910. And it's again is, is the kind of involvement that allows you to understand how interesting, but at the same time how complex it can be to mix family and business objectives.

So, so yes my fascination is, is looking at the different processes, at the different features of a family business from family involvement, family participation, family conflict. And even that intention of succession, you know over, over time.

So yeah definitely that that fuels my interest, and at the same time it allows me to be motivated to look at different things that might affect the family business over time.

Jan: I wonder if we can ask you to elaborate on something that you just touched upon there, and that's the succession question. So I would imagine that's one of the tricky things for, for family firms.

So, so I don't run the family farm, as you can imagine, partly because it's in New Zealand, but also given my age and stage and sort of the expectations of, of that time, um I was a girl so I couldn't imagine, my parents couldn't imagine me being a farmer so, so that wasn't available. Um, so succession strikes me as a really sort of tricky part of um a family business, and a very tricky moment in time. Could you tell us more about those issues?

Allan: Absolutely. Um, succession is, is one of those processes that are so influential in a family business, even compared to other business forms. So in any organisation there is always that that, um, feature of succession.

So at some point in time the leaders of an organisation might decide, okay who's going to run it for the next 10, 15, 25 years? Who's going to be the next ones leading this firm?

So it happens in all organisations, but the difference in the process of succession for a family business is that it has the power to be extremely influential for the future, the next generation, but at the same time the potential would be disruptive.

And the reason for that is that, of course, you have an expectation most of the time by family, that will be a family member who will be the next person in charge of it. So this, rather than being an event, and in the past we used to study it and thought it was an event, that has sometimes emerged out of a

crisis within a family, a crisis within the business, but at the same time what happened in this process is that it was influenced by family dynamics.

So families will decide who is going to be the next one leading the firm, and do, does anyone who has an interest run the firm have the skills, has the interest to actually continue it for the next generation?

So the, the succession process itself became one of the most fascinating features of family firms, and the reason for that as well is that you have different actors in families that have an influence on this process. So you might have now a great interest and understanding those invisible actors, just like you're saying Jan, that perhaps in the past were not thought about as being potential successors.

But now we're saying, let's wait a minute. Why are we considering different family members that in the past, or in previous generations, will not have an opportunity to be thought of. She might be the next successor, she might be the next leader.

Now we're more interested in knowing what skills, what kind of features, what kind of education, what kind of relationships, what kind of you know contact with different markets, and so on, are needed for that successor to take on the firm, regardless of whether they are a daughter or a son. And we are interested more on that and that process then becomes extremely rich to understand.

Jan: What that makes me think then is, family firms might last longer 'cause there's a sense of being inculcated in the business and, and a longevity that maybe sits within that.

Would that be the right kind of assumption? Do they last longer than other businesses. Or are they the same as other businesses and, and are born and, and you know wrap up on the same kind of timelines?

Allan: Generally we, we tend to understand the family business as, as a form that we want it to continue as an extension of ourselves over time, and you tend to find that in founders. And they have that desire, that dream that that firm will continue over generations, and therefore the decisions that they make or they don't, the decision they do or don't, have an effect on how the business will perform.

Whether is the choice of a person that is going to take it for the next generation or not, whether is who are they going to be working with in the future, and that will affect the performance of the firm over time.

What you tend to find is that, in families that are involved in business, there is a greater interest on making sure that the family members remain in business, and so the business itself becomes just a vehicle.

So what you tend to find sometimes is that a business might last one or two generations, and then for whatever reasons, you know, performance-wise, the market is not favourable, you name it, that business ceases to exist.

And then we think, well [blows out] God, that business disappear, family business is gone. But then we tend to overlook that on the same process, in the same life cycle you have families that perhaps have considered other opportunities.

Why? Because perhaps the business, market or industry is not favourable to the next generation, they do not feel happy at the way that industry is working, or they actually feel that there are greater opportunities elsewhere. So what you tend to find is a longevity feature in the way that families doing business go over time.

You have of course family businesses that have lasted more than 200, 300, 500 years, and that is an admirable feature. What you tend to find in these businesses as well is that these families actually put together a good balance between family objectives and business objectives. But over time, of course, the family might grow, and they might think of other opportunities. And therefore the longevity of the business sometimes it doesn't match the longevity of, of the family.

You actually see an explosion at some point of time of different factions of a family looking into different business opportunity, or skills, or trade funds or professions. And therefore longevity is a great feature of a family business and some of them achieve it over generations, over centuries, and some of them achieve it through being a family in business over time.

Paul: A lot of this must have to do with resilience, um the resilience of the business to overcome wider challenges, and I guess that ties us in with sustainability, the challenges that are facing businesses at the moment.

Net Zero, which is something that we spoke about from a local policy level on the last episode uh with Jekaterina Rindt, uh but other challenges that businesses are facing to do with sustainability. Is an important factor for family business success how they deal with these bigger challenges, and how they are resilient?

Allan: Absolutely. The connection of family business and sustainability is very strong, and the reason for that, and again Jan you ,you of course you have talked about this in sustainability, and when we looked at it in the context of a family business and management we tend to see this as a way of enduring over time. And, and how to achieve systems or, or ways of working that allows that particular form to not only survive for a couple of years, but actually survive over time.

And at the same time, be aware that any decision that is made is going to affect those who come after. So that sustainable feature is, is very much ingrained in the family business. What you tend to find, and this is my experience from, from the farming sector, is that there is a very strong connection of families to the environment.

And those families that have endured over time have developed a notion that, perhaps you have heard about, is the notion of stewardship. And that notion of stewardship tends to come about, not only as looking after something, looking after a particular business, or a particular asset, but actually looking after the benefit of different people associated to the business.

So when we have faced, for example, the recent crisis we have started uh businesses in the coffee sector, just to give you an example. And what you tend to find is that the resilience of these families, to make the businesses endure over time, go beyond an interest of preserving only the family, the family circle. But actually going back and looking after their communities, looking after their position in the supply chain looking after in the future what will happen after this crisis goes.

So they go back and think about why they got into business, what really matters to them, the values that are involved, and those values are very deeply connected to that sustainability feature. Looking after something beyond just the family circle.

And so when we take a look at sustainability in a family business it's, it's, I think it's really relevant to think about it in terms of stewardship. And what we tend

to find as well in these families is that when they face crisis they don't just sit down and think oh what are we going to do? They actually they draw on the power of a family collective to think, brainstorm, think, what are the different options that we have? How can we best go about it? And at the same time, how can we do it helping others?

Jan: From the way that you've been talking about these family businesses, and the places where they operate, and their care for both um workers but also the community, their attention to environmental sustainability may be pointing towards having a stewardship function.

And particularly if some family business are uh related to food and place-based, so you talked about coffee which is, is not a crop that you can do in any one year, it's a long-term investment. I wonder, all these features make me think right back to where we started some of this podcast and thinking about sustainable development and the Sustainable Development Goals.

Are there really particular and exciting touchdown points that you've identified in your work between the SDGs and family business?

Allan: Absolutely. We have been collaborating with different um colleagues from around the world in trying to understand how the Sustainable Development Goals, you know, have an influence in family firms.

Uh, we developed a case about the Pentland, Pentland Brands, we have developed a case about local family businesses as well in Lancaster area, and the regional area as well.

And now we're going international trying to understand, you know, what is the relationship here, and what you find is that relationship of a family with values and the ways that they should look after not only their firm, but also the external community, and that the SDGs provide a good framework for them to actually frame.

Are these our actions, are they you know in, in line with what there, what the society expects, and how we should behave over time? Why? Because it's not only affecting us now but it will going, it's going to affect not only our customers, but our supply chain, our competitors, and even our family members are going to be involved in the future.

We recently concluded a study about whether SDGs have an influence on family firms, and the, the results of this study suggested, well, it is when we

understand the beliefs and the values of these families involved in business, we tend to see a greater interest to frame their actions around SDGs. And not only in the short term.

Those values and beliefs have an influence of the, of the type of SDG that going to be involved, and at the same time, the time frame. They're thinking not only something for the short term, but a very long-term engagement. And again, goes back to that item of stewardship.

They look into this as a way to align their perspectives to the alignment that society expects of them. And the more family business interact with the environment, the more you see that they are more aware of course of that expectation from society, and at the same time the preoccupation of whatever legacy we're going to leave behind is not only a legacy for the short term, it's a legacy for, you know, down the line.

They're worried about the name that is above their building. And if that name is going to endure over time, they need to ensure that that presentation card, their actions and what they do, have a resonance with what society expects of them. And so the SDGs have of course, have becoming a really good framework for family business to, to allow their actions to be known.

Paul: One of your papers I found particularly interesting looked at the links between family businesses, sustainability attitudes, and faith, religion as well.

And it was interesting to me how the idea of stewardship came up there, the stewardship of the planet, and you know how religion can feed into that.

Can you tell, tell us a bit more about how that might influence a family business, you know their faith, their background, that how that comes into play?

Allan: Absolutely, well you, what, recent studies and, and we have just developed as well a call for papers for a special issue linked to, linking religion to entrepreneurship, and in that as well family businesses.

What we, are what we are finding out now is of course people make decisions based on their values, on their beliefs. And most of the time when these decisions are made they are made in the context of how are these values and beliefs affecting my decisions now and for the long term.

When you take a look at religion, and in the past we believe perhaps that it had a not a lot, a lot of influence. But the recent study suggest that a big

majority of population around the world has an association of their beliefs to a particular religion.

And when you examine closely, you know, the tenets and the principles of these religions, what you tend to find is a very close association to looking after this world, and the way as well how you should conduct in society.

So what you tend to find, we concentrated recently on Christianity. So when you look at a particular religion there is a, a very clear way for these families that are in business to understand how they should behave towards the world, towards their environment, towards their relationship with others, and when you put all these different items together that feature of stewardship comes out very strongly.

So when you see their actions towards environmental, you know, uh sustainability, to the way they should behave over time and over generations, you see that religion, religious aspect really influences the firm.

We, uh, so we found out different ways of looking at this as well in, um through the Buddhist, through a Buddhist perspective, and it's fascinating to see how family business around the world. Sometimes we do not take into account the aspect of religion, but it has a very strong influence into how they behave towards environment, into how they behave inside their firms, and how they behave for future generations working at the firm.

And so, sometimes we tend to overlook these elements, but we shouldn't, because at the end they have an influence of what we do and what we don't over time.

Jan: Well a family, of course, you know you often hear um you know there's mum and dad and then they have, you know, three kids and eight grandchildren and 14 great grandchildren.

So in a family business as the number of people in the family grows and in the way that these, these things do, how is that dealt with in family businesses in terms of the coordination, and I mean it's a greater pool of people who might be there for the future but it must induce some of its own challenges as well?

Allan: Absolutely. We, you know the ideal, in an ideal world a business will grow organically at the same rate as a family. [Jan laughs]

So that's what we would expect, and I think that'll be ideal because then you'll leave room for every family members to consider being in the in the family

business and, and making decisions as to how this business will perform in the future.

However, unfortunately that doesn't happen, and what you tend to find sometimes times is that as the business grows, and perhaps the family business grows exponentially, it is very difficult to accommodate everyone within the firm, and so those kind of elements influence the decision that these families make.

What we tended to find, this is studies that we have conducted here in Lancaster, is that these create moments of crisis. And in those moments of crisis what you tend to find is that the decisions that they have are very closely related to how they want, how they perceive themselves as a family.

You tend to find out different factions of the family thinking should we stay, should we move on, what should we do? And that's where you find different family teams coming together, different family permutations, suggesting well how about we start something new.

And when you examine how they start new businesses what you tend to find is that the values and beliefs that were started out by that initial, let's say group, still replicate on other firms. And so when you have that initial, um engagement and interaction of families looking at, for example,, sustainability environmental protection, how not to engage in something that will be harmful for the for the environment, you tend to see that replicated in other firms as well.

And of course, ideally we would have all family members perhaps in one firm diversifying into different elements, but when you find even those firms, you know, going into different industries, suggesting that different family members will go away from the firm, we shouldn't be worried. I think that gives that, that gives room for everyone to contribute to the business landscape in different ways.

Um, families change and we have, we are just, uh 2024, we have been editing the Encyclopaedia of Family Business, and one of the key things is sustainability, and it's interesting how it closely relates to that definition of family.

Because families change, and family values all around the world, and that actually gives us a very good hint as to why we should think about not only the

family business itself, as a brick and mortar, you know building, but also as the families and business and how they change over time, and how they're changing in different contexts.

But at the end you tend to find a very strong association of a family thinking ahead and believing if we're going to be in business this is what is going to help us move forward into the future.

[Theme music]

Jan: And I like that idea of the family as being the carrier of the ethos and the norms and the notions of stewarding on into the future.

That was fascinating, thank you.

[Theme music]

Paul: It's all been fascinating. Thank you very much Allan for joining us.

And that's us, Jan, we're done for 2023.

Jan: Just like that.

Paul: Yeah. We'll be back in 2024. And the best way to welcome in 2024 obviously is to have an accountant on the show, because it's been a couple of episodes at least. [Jan laughs]

Uh, we'll be joined by uh Dr Mahmoud Gad he's going to be talking to us about Modern Slavery reporting and regulation, so a return to a topic we discussed a little while go with, uh Linda Hendry.

Jan: It is indeed, but building on and further from that, and giving a very particular and lovely accounting slant to it.

Paul: So until then, do have a good Christmas, a good New Year, a good midwinter festival or anything else that's going on in those few weeks before we return.

Thank you very much for listening. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme Music]