



Institute for
Family Business
with UCG

Family Business Challenges

Developing Stewardship



The *Family Business Challenges* series

This guide is part of the *Family Business Challenges* series commissioned by the IFB Research Foundation. The series offers practical guidance for family business owners seeking to manage the unique challenges and opportunities they encounter.

The series provides concise information on a broad range of topics – covering family business dynamics, governance, performance, succession and family business wealth.

Each guide, which is illustrated by a real-world case study, is divided into three sections:

1. **Defining the challenge** – clarifying the issues and summarising expert thinking.
2. **Actions to consider** – ideas and strategies to help family business people meet the challenge.
3. **Resources** – annotated further reading.

The publisher

About the IFB Research Foundation with UCG

The IFB Research Foundation with UCG is a charity (no. 1134086) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The Foundation's vision is to be the UK's centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside *Family Business Challenges*, its work covers a broad range of publications, including:

- *Family Business Sector Report* – benchmarking the size and importance of the sector.

- *Family Business Research and White Papers* – thought leadership on key family business characteristics and issues.
- *Family Business Case Studies* – showcasing family business exemplars.

The Foundation disseminates knowledge and best practice guidance through printed publications, online media accessible via the IFB website and other activities, including the IFB Research Foundation Annual Lecture.

About the IFB

The Foundation works closely with its sister organisation, the Institute for Family Business, which is a membership association representing the UK's family business sector. The IFB is a member of FBN International, the global network for family businesses.

www.ifb.org.uk

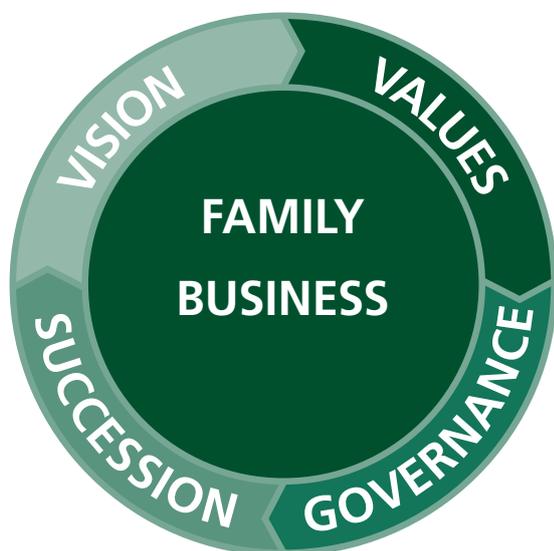
Developing Stewardship

1 Defining the challenge

Family business stewardship is about building, nurturing and passing down an enhanced legacy to future generations.

It requires clarity of vision and purpose, and a family-wide commitment to the idea that mutual family interests outweigh the ownership interests of individual family members (see Exhibit 1). Stewardship also embraces broader concepts like trustworthiness, honesty, a sense of responsibility and community.

Exhibit 1: The essence of stewardship



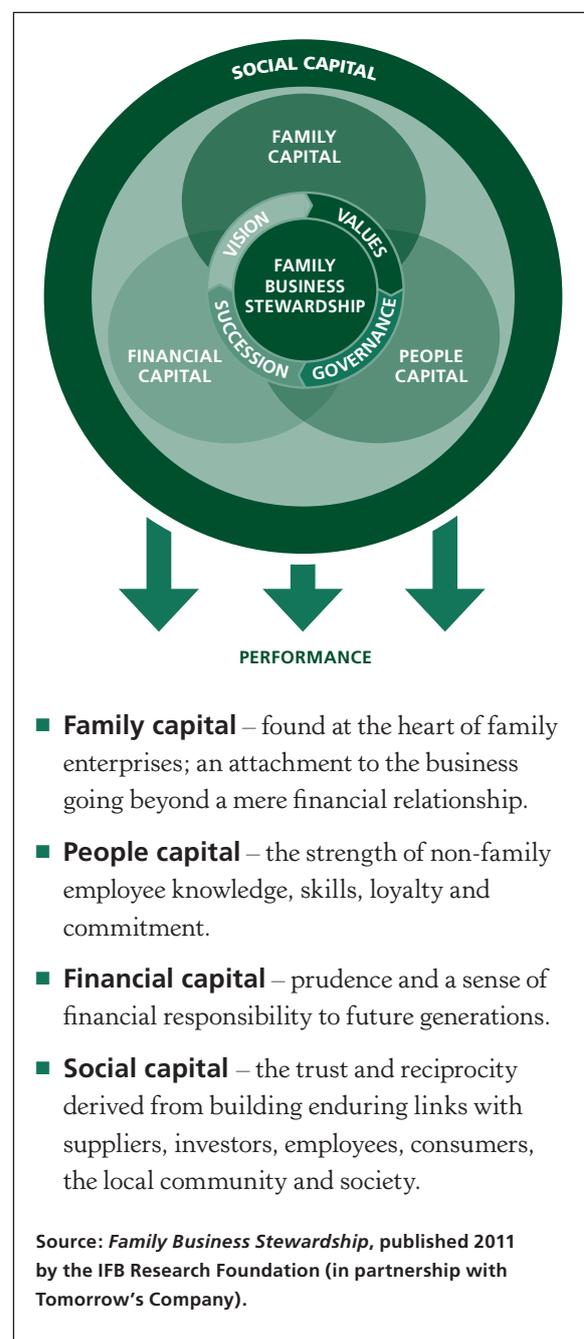
Source: *Family Business Stewardship*, published 2011 by the IFB Research Foundation (in partnership with Tomorrow's Company).

Stewardship under stress. While a stewardship culture may be supported as reasonable and achievable in prosperous times, it can become a source of tension if there's a profits downturn, or if seniors have not made adequate retirement provision: pressures build to draw down money from the business rather than to reinvest for the long term.

Reinforcing a stewardship mindset

means maintaining family agreement around the idea that the business is a *shared asset* to be developed for the long-term benefit of the family. It also means making the most of four distinctive types of capital – family, people, financial and social (see Exhibit 2).

Exhibit 2: Stewardship and the four types of capital



Sustaining a stewardship perspective is a predictable challenge for family businesses, so plan early. Make formal and informal commitments to four principles:

- Setting the course – attention to independence and clarity of purpose.
- Driving performance – attention to performance, continuous improvement and governance.
- Being part of the landscape – attention to the wider world.
- Planting for the future – coherence between the short and long run.

Practical steps. Consider drawing up a “Stewardship Declaration” as part of your family constitution or mission statement, and support this with detailed rules about:

- Managing family and business assets
- Dividend distributions
- Personal financial planning
- Succession planning
- The mutual obligations of family members.

The best family businesses manage the present while investing in the future.

They put resources into areas not immediately linked to short-term profitability, like training, research, infrastructure, marketing and next-generation leadership development (see Exhibit 3). Successful family firms are managed by “enterprising stewards” who think about:

- Capital investment as well as revenue growth
- Succession planning as well as performance management
- Family business reputation as well as results.

Exhibit 3: The essence of good stewardship

“In their quest to pass on the business to the next generation in better condition, those who own and lead family businesses come back again and again during the different life cycle stages of their business to two key elements:

- effective leadership that creates and embeds an enduring vision and values to achieve alignment between family and business
- governance, succession and renewal across the generations.”

Source: *Family Business Stewardship*, a report published in 2011 by the IFB Research Foundation (in partnership with Tomorrow's Company).

2 Actions to consider

- Deciding how important is it for us to pass on our business to the next generation in a healthier condition than when we inherited it.
- Do our family and business values support long-term ownership and investment in the business?
- In both financial and non-financial terms, how do we define, measure and benchmark business success?
- How do we balance shareholder liquidity versus business investment needs?
- Are we taking sufficient steps to communicate a stewardship philosophy to the next generation?
- What is our vision of a successful business in one or two generation's time?

Case study: Bettys & Taylors Group

Stewardship and sustainability underpin the business model at Bettys & Taylors, the independent Yorkshire family business owned by the descendants of the Swiss confectioner, Frederick Belmont, who set up the first Bettys Café Tea Rooms in Harrogate in 1919. The business has been handed down through the family and, in the early 1960s, they bought Taylors, a family-run tea and coffee merchant, also based in Harrogate.



Group Chairman, Lesley Wild

Today, Bettys is a famous institution, with six Tea Rooms, a craft Bakery, and a Cookery School, all located in Yorkshire, while Taylors is

one of the UK's largest importers of tea and coffee. The group shareholders are Frederick Belmont's great nephew, Jonathan Wild, his great niece Liz Barnes, and eight other members of the family from the second, third and fourth generations.

"We recognise that the long-term survival and prosperity of the business depends on sustainable relationships," explains Lesley Wild, Chairman of the Group Board, who has worked in the family business for over 35

years. "These relationships embrace staff, customers, local and global supply chains, communities and the environment."

Locally, Bettys & Taylors supports the community in many different ways, including fundraising for local charities and supporting schools. Over the past 11 years, its Cookery School has given more than 3,900 schoolchildren the chance to enjoy a practical lesson in bread-making, with a further 2,300 children attending school holiday courses. Local schools, businesses and groups also support Bettys & Taylors Cone Exchange – a community recycling initiative, championed by "Captain Rummage" who turns "trash into treasure".

Globally, the family business is committed to long-term partnerships with their tea and coffee suppliers through their pioneering approach to ethical sourcing, which is making a positive difference to social and environmental conditions on the farms. Since 1990 the business has supported the planting of over 3 million trees around the world, and with the help of their customers their Yorkshire Rainforest Project is working to protect an area of tropical rainforest the size of Yorkshire. Bettys & Taylors has twice been awarded the Queen's Award for Sustainable Development.

BETTYS & TAYLORS GROUP
A GREAT YORKSHIRE FAMILY BUSINESS

3 Resources

Articles and reports

Family Business Stewardship

The IFB Research Foundation, in partnership with Tomorrow's Company, published in June 2011 (downloadable from www.ifb.org.uk).

The report includes case studies of stewardship exemplars, plus a practical section where family businesses can assess how effective they are as stewards and identify areas for change.

The Role of Stewardship in Family Business

Sanela Pestalic and Jessica Batts contributing to Family Business Wiki (“aiming to build a Wikipedia for family business” – www.familybusinesswiki.org).

A useful introduction to the main concepts lying behind family business stewardship.

Books

Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses

Danny Miller and Isabelle Le Breton-Miller, published by Harvard Business School Press (2005).

A reference book on stewardship principles.

When Family Businesses are Best

Randel Carlock and John Ward, published by Palgrave Macmillan (2010).

A statement of “Values and Stewardship Principles” drawn up by India's fifth-generation Murugappa Group is reproduced at pages 57–59. In Chapter 10 the book also includes a thought-provoking short essay on stewardship entitled “The Men and Women Who Plant Trees”.

Video

Focus on Family Business Stewardship

Three videos prepared by the IFB and available on YouTube.

The series comprises interviews with (i) Professor Nelson Phillips, Head of the Organisation and Management Group at London's Imperial College Business School; (ii) John Elkington, an authority on corporate responsibility and sustainable development; and (iii) Stella David, Chief Executive of whisky and gin maker William Grant & Sons, a family-owned business since 1887.

Family Business Challenges

The *Family Business Challenges* series of guides offer practical guidance for family business owners. Each guide identifies issues commonly faced in a particular topic area, suggesting strategies for managing the tensions and competing demands that arise. Titles include:

Family business dynamics

- Understanding Family Business
- Maintaining Family Values
- Developing Stewardship
- Promoting Sustainability

Family governance

- Managing Differences
- Building Family Governance
- Strengthening Family Communication
- Fostering Responsible Ownership
- Managing Communication:
Owners and the Board

Family business performance

- Fostering Entrepreneurship
- Professionalising the Board
- Maximising People Capital
- Employing Advisers

Family business succession

- Engaging the Next Generation
- Planning Succession

Family business wealth

- Selling the Family Business

Growing successful enterprises
for generations to come

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