



Family business and creative capitalism

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At the World Economic Forum in Davos in 2008 Bill Gates coined the term "creative capitalism", writes Christian Stewart.

According to Gates: "Capitalism harnesses self-interest in helpful and sustainable ways, but only on behalf of those who can pay. Philanthropy and government aid channel our caring for those who can't pay, but the resources run out before they meet the need. But to provide rapid improvement for the poor, we need a system that draws in innovators and businesses in a far better way than we do today. Such a system would have a twin mission: making profits and also improving lives for those who don't fully benefit from market forces."

In Asia in particular, the family-owned business must be a critical part of the creative capitalism debate, if not at the very centre of the debate. Some estimates say family businesses represent 80% of all enterprises in Asia. Many listed companies across Asia are family controlled. Family business here is big business.

There are a number of characteristics of successful family businesses that should provide fertile soil in which creative capitalism can easily flourish. Success as a family business is often measured in terms of generational continuity as well as the ability to have a healthy family and healthy business.

First, successful family businesses manage to find ways to balance the competing goals and interests of family and business. This skill at balancing conflicting goals and interests might prove useful in the creative capitalism debate where the goal is to find new ways to balance the profit motive with the desire to care for others.

Second, family businesses take a longer-term view; they think 25 years ahead when their children will be at the helm. This longer-term view should make family businesses an easier platform for adopting creative capitalism because of this natural tendency to be concerned about tomorrow, rather than being worried about the results for the next quarter.

Third, successful family businesses have something that large public corporations do not have: shareholders with emotional commitment to the business. If you are an investor holding shares in a large public corporation, you look at your shareholding in purely financial terms. However family business shareholders can decide to support a company strategy if they believe it is consistent with family goals and values and good for the family legacy. They can be more patient.

Fourth, the term "stewardship" is often associated with multigenerational family businesses. When you talk about stewardship the question that naturally follows is: "Who are you being a steward for and who are your stakeholders?" The stakeholders that the family are accountable to can easily expand to include your employees and customers and the communities in which they live and the communities in which you do business.

Fifth, successful families pay attention to their "social capital". One aspect of social capital is the philanthropic endeavours of the family. But social capital also refers to the reputation of

the family, the connection that the family name can bring, the doors that it can open and the standing of the family in the community. How do you enhance the social capital of your family? Try creative capitalism.

It might also work the other way around. Maybe creative capitalism can be good for the family business.

First, creative capitalism can provide recognition and this is valuable. Asian family-owned businesses often have a hard time attracting and retaining senior non-family staff. If the top jobs are reserved for family, or are perceived to be, this can limit the interest of talented non-family professionals. If a family-owned business were to pursue a creative capitalism agenda, and were to receive due recognition for its actions, then this can be a way to make that firm attractive for talented outside professionals who want to work for a company they feel can make a difference. It might also enhance the firm's brand.

Second, it takes hard work to be a successful family business. How do you keep the family united and supportive of the business? It helps if the family members have a clear agreement as to the values that the family stands for, and they get to see that the business is managed in accordance with those values. It helps if the family members can feel that the business is something they can be proud of, if they believe there is a mission they can buy into. Creative capitalism can provide this mission.

How would you go about introducing a creative capitalism agenda into a family business?

1. Step one is to have a separate forum where ownership issues can be addressed. The owners get to decide on the values that should be reflected in the business.
2. Step two is for the family owners to agree as a group on their core shared values. This values discussion often has the effect of enhancing family cohesion and strengthening emotional commitment. This is where the creative capitalism debate can be held in the family business.
3. Step three is for the family owners to ensure that the board of directors understand the values that the family want to see the company managed in accordance with.
4. Step four is for the board and the CEO to ensure that the company is being managed in accordance with the family's core values and that the company starts to engage in creative capitalism.
5. Finally, there needs to be a way for ongoing feedback to be given to the family shareholders on the company's efforts at doing good while making a profit.

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