



# HOW SUCCESSFUL FAMILY BUSINESSES PREPARE FOR AN UNCERTAIN FUTURE

Lessons from award-winning company Odebrecht

By Professor Benoit Leleux - October 2010

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Brazilian giant Odebrecht has left its mark on nearly every major project in South America over the past half-century. The \$23 billion family business, established in 1944, is the holding company for the largest engineering and petrochemical companies in Latin America, and is one of the five largest private-sector manufacturing companies in Brazil. It is also one of the world's biggest producers of ethanol and thermoplastics.

But, outside of its size, one of the firm's most intriguing and unique characteristics is its governance structure. Odebrecht holds a stake in a large number of firms, creating what is, effectively, a federation of entrepreneurs united by their long-term outlook, their shared concern for social and environmental responsibility, and on reinvesting income in a way that supports their local communities by creating new job prospects. This has obvious benefits for individuals and communities, but it has also proved enormously successful as a business strategy.

### **“A dream with a deadline”**

When Marcelo Odebrecht took executive control of the company last year he was determined to build the business still further. However, he was also working within a corporate tradition that had been around for more than half a century. The approach established by the business's founder – Marcelo's grandfather, Norberto – had seen the firm grow by an annualized rate of 21% over the past 10 years while building a sustainable foundation, for example through massive investment in “green” plastics and ethanol production facilities.

For Marcelo, the central challenge was finding a way to translate the Odebrecht vision into “a dream with a deadline”. In *Vision 2020* he outlined his ambitious goal for the decade ahead: annual revenue of more than \$200 billion. To do this, the business would need to grow internationally, recruiting more than 200,000 new “members” (employees) in the process. He also had to consider some very basic questions: were the company's historical clients right for its future? Would the corporate culture that created opportunities over the past 65 years support the future? And would the business be able to handle another bout of intense growth?

The milestones set by the previous visioning exercise that led to the creation of Vision 2010 were met two years early. It was time for the new CEO to define a new set of milestones that would shape the business' future while remaining compatible with the company's well-established values which emphasizes trust in humans and their ability to develop through hard work.

### **The practical challenges**

*Vision 2020* set out Marcelo's overarching goals for the company's future. It envisions a company that offers integrated, innovative solutions to major global challenges, such as the availability of water, energy, infrastructure, industrial inputs and foodstuffs – and in doing so becomes one of the 50 most admired companies in the world. It also commits Odebrecht to reinvesting its profits to support organic growth and to develop new businesses through differentiated opportunities, while ensuring financial self-sufficiency and focus.

The challenges in achieving this are clear: Odebrecht would have to find a way to share knowledge within the organization, maximize synergies between very different business units, keep the spirit and mindset of empowerment alive at a time of major growth, and reinforce its entrepreneurial culture and values.

The starting point was developing four macro strategies for 2010-2012 that would form the foundation for the longer-term vision. These are, briefly:

- Putting the organization's concepts into action, for example by increasing the entrepreneurial leaders' capacity to deliver solutions, empowering strategic political relationships, and strengthening the identity of each business
- Ensuring direction for growth through financial self-sufficiency, prioritizing organic growth, finding the right people, and attracting partners and external capital
- Strengthening and supporting the leaders in their role as educators

- Adding efficiency and sustainability to the company's permanent commitment to effectiveness

### **Crises and questions**

In 2010, Marcelo found himself approving a \$290 million investment in a “green” plastic production facility – in the middle of the global economic downturn. While convinced that every crisis is an opportunity in hiding, he also had to wonder whether the “green” label was what he was really looking for, and whether it would fit into Odebrecht's corporate strategy and portfolio. Was the market ready for it? Should he be pushing a new product and technology, given the severe global industrial recession? The product was a 100% functional equivalent to a petrol-based plastic, so clients wouldn't have to adjust their production facilities, but was this really the time to build up production capacity? These were not the only questions that Marcelo found himself asking as a result of the global economic situation, either – sugar cane-based ethanol production and hydroelectric facilities also required reconsideration. The human resource requirements imposed by growth would also challenge all business leaders.

Brazil was one of the few countries in the world to emerge relatively unscathed from the crisis. The country has been rightly proud of its success to date, although Marcelo has remained conscious that it is far too soon to relax. But with an ambitious vision of the future and a commitment to building on the strong familial values of the past, he is confident that his company will meet the tests ahead of it.

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*Odebrecht was awarded the 15th annual IMD – Lombard Odier Global Family Business Award at the 21<sup>st</sup> Family Business Network International Summit held in Chicago on October 1.*

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