What’s in a Name?
Family Identity Matters!

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Over 25 years of global family business research at IMD has affirmed our belief that family businesses have the potential to outperform in the long run when compared with anonymous public corporations. Why is that? And is this limited to financial performance? Firstly, the proximity of ownership to management brings additional knowledge, understanding and interest beyond the purely financial motivation of owners. Secondly, when family ownership is intended to be passed on to a next generation there is an additional motivation at work: the desire to pass on a healthy and robust business which does not harbor any hidden “skeletons” left behind by departing leaders. Thus, the ideal family business model is not only financially advantageous, but also morally and ethically more sustainable. In our research we have found many examples of outstanding multi-generational family businesses that are living proof of this hypothesis.

Family businesses may not always be visible to the external world, and many of them are considered hidden champions – leaders in their industry and market segments who leverage well on the powerful and unique blend of innovation excellence, strong brand identity as well as independent and stable ownership leading to a “natural” unique selling proposition. But we have also found a considerably larger number of struggling family businesses, which are far away from reaching the ideal family business model. So we asked: what can we learn from leading families in business who leverage on their family business identity?

The difficult reality for family businesses is their inherent system complexity of having to deal with – and align the interests of – three different dimensions:

- Family (F)
- Ownership (O)
- Business (B)

The anonymous public corporation does not have to deal with the first dimension (F) and usually does not want to deal with the second dimension (O), thus being able to focus strongly on (B) alone.

In a family business the FOB dimensions interact and impact in diverse ways. Figure 1 highlights the need to define an integrative approach and make strategic decisions on choices over time. It also provides a conceptual approach to understanding the needs of the three dimensions: family (F), ownership (O) and business (B), as the family grows over time. The first step is to define who should be considered as part of the family. The choice is between inclusive and exclusive. Are in-laws considered a true part of the family?

The next step is to define the ownership strategy. Is ownership shared or concentrated? Which are the defining criteria for the right choice? The final step is to decide about potential roles of family members in the business. This is the easiest decision to make, but often more difficult to implement. Management must be based on meritocracy – exclusively.

The FOB conceptual model over time is that of a funnel – a narrowing down process from the top. Ultimately choices must be made as not every
The three-circle model is particularly helpful for the case of growing families and addressing the need for clarity when ownership and management roles are either separated or overlap. It is a "roadmap" to help families define and understand the diversity of roles and the need for clarity and guidelines. It is of great benefit in situations of conflict management and resolution. As an example, same generation members may better understand why a number seven is not in favor of maximizing dividends when siblings and cousins in number five are pushing for that. The three-circle model also helps family members anticipate the different and diverse needs for succession planning as they shift from a more passive to a more active role.

Over time the fundamentals of the family business framework/context change and evolve. This is at times of succession, family growth and business growth. The three-circles model conceptualizes the issues confronted during these times:

- A growing family over time brings, very predictably, a greater diversity in the characteristics of the members of the family. The potential for conflicts of interest grows over generations. In the founding generation, the three circles overlap. If the family decides to stay with the full owner-manager model, the overlapping circles can continue – partly or fully – for many generations to come. Most of the oldest – but also smallest – family businesses have indeed followed this model as it reduces the complexity brought by a larger family.

- A growing number of family owners bring different levels of interest, commitment and understanding of the business needs. In addition, the appetite for risk decreases the more the owners are distant from the business while the dividend needs might increase. Those family members relying on continuous dividends for all or part of their economic livelihood will become increasingly concerned about their dependence on a non-diversified business. The pressure to cash in their inherited shares...
usually being the name of the founding and owning families. While this is prevalent for B2C – especially in fashion and luxury products – we have identified a surprisingly large number of B2B cases.

We decided to extend our study globally to gain in-depth knowledge about the benefits – and the challenges – for business-owning families to use the family identity as a business brand. We understand a family business brand (FBB) as a concept that embraces the sum of a family firm’s marketing and communication measures, conveying the fact that a company is family-owned and possibly family-managed, to both internal and external stakeholders. Managing a family business brand strategically does not stop there.

Figure 3 visualizes these developments as a centrifugal force on the three circles, namely pulling them further apart. This may already be visible at the sibling stage but become more prominent during the cousin stage.

Figure 3: Centrifugal forces on the three family business constituents
(Note: A centrifugal force moves away from the point around which it is turning whereas a centripetal force moves toward it.)

The all important task for owning families is to recognize this – predictable – evolution and to fully grasp its potential impact on the future of the family business. Our global research has shown that the vast majority of families tend to be reactive, rather than anticipating and reflecting about measures well before they are actually needed. We have developed a conceptual approach to counter the centrifugal forces by containing them in a centripetal structure.

The underlying hypothesis is that there are ways to reduce and contain the negative centrifugal effects. In our research we were struck by the large number of successful family businesses with strong brands, if strategically managed, the FBB can be a centripetal force on the three family business dimensions. The actual integrative force of the FBB depends on various contextual (contingency) factors such as the type of owner family (guardian versus investor), the degree of involvement of the owner family, the industry etc. The FBB may represent an integrative force for both internal (family, employees, overall organization) and external share- and stakeholders (the public, business partners, investors etc.) as it helps create and reinforce a shared sense of identity within the owning family, the business organization and with the “extended family.”

Positioning a company as a family business is a strategic and long-term oriented decision that has an impact on all three dimensions of family business – family, business and ownership. The full results of this study will be published in 2015 in a forthcoming book by the authors of this article.
As the family business changes over time in all three family business constituents, the FBB may serve as an element of continuity, which provides guidance for sense-making and strategic directions, and strengthens the bonds between and within the stakeholders.

**Family**: aims to satisfy the needs of the family members (e.g. self-actualization). The FBB strengthens the family identity and culture, and sense of belonging across generations.

**Ownership**: aims to satisfy the interests of the business owners (e.g. dividends). The FBB countervails the risk of ownership dilution as it strengthens the ownership identity and commitment to shared goals.

**Business**: aims to satisfy the goals of the organization (e.g. growth, profit). The FBB supports a strategic long-term positioning and differentiation vis-à-vis competition.

**Key Findings**

Leveraging on the family identity and heritage to strategically position the company has multiple advantages. These can be external, in terms of the classic brand benefits to the consumers (whether B2C or B2B), and internal, as it forces the family to rationalize and verbalize its vision and mission as a family and as owners of the business.

A family business brand is more than just a brand. And it stands for more than just the foundation or history of a business. It also stands for a vision to sustainably grow the business in the future.

Most family businesses are naturally inclined to “stay under the radar” and there are good reasons for preserving the value of privacy. If all business is personal though, non-communication is no longer an option in today’s media landscape and the absence of clear communication and transparency creates a vacuum that the media might fill in their own way.

The relevance of strategic and proactive reputation management has become more important than ever. It also represents an opportunity for families to become aware of the multitude of opinions that exist in larger family communities and to discuss the differences between the generational views.

The name is unique, and if well managed it can be “the glue that keeps everything together.” It has the power to integrate and strengthen the identity of a family in business providing future generations with an emotional home and a secure value base.

Values, activities and personalities nurture the identity and foster the cohesion of a family in business. “The family business value sets an aspiration level, represents a unifying focal point of effort, gives long-term directions and provides guidance on what core activities to preserve and which initiatives and businesses to stimulate to achieve future progress.”

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1 Simone Bagel-Trah in Henkel: Shareholders with a Face. IMD case study IMD-3-2362; 03.10.2013.
The family business brand ultimately represents a force that helps capture the business and financial wealth, addresses the broader needs of late and future generations and counteracts the centrifugal forces that family businesses are exposed to over time.

We found very few examples where families in business systematically assess the potential benefits and risks in order to derive strength through their identity. Scenarios where the family beliefs, values, entrepreneurial heritage and future vision are discussed and conveyed to the external world are rarely developed. And they are hardly discussed at family and shareholder level, though the owning families are highly impacted. Instead, the discussion happens reactively rather than proactively, for example when a PR crisis has happened. And a change in leadership or the fresh winds of the next generation are trigger points that kick off a dialogue between the owning family and the business organization.

We also learned that working on the family business brand and positioning entails a long process for a family, often spanning a number of years. Strong family leadership is needed to build a platform of exchange and foster a dialogue within the family – and between generations that may have a different reading of the concept and a different history that influences their point of views (i.e. in Western countries there is a legacy of negative experiences on security and image issues that affected family businesses during the 1970s’ anti-capitalist movements). In any case, bringing up the topic definitely engages a discussion on the overall values and mission – among and within generations.

What’s in a Name?

An example of steering the family name as a strategic asset is the Philippines-based Ayala Corporation, a family-controlled conglomerate which stands out for its prominent, consistent and proactive brand and stakeholder communications.

The Ayala story began in 1834. There are several related reasons for Ayala’s success over time, but two in particular stand out. One is the company’s strong commitment to nation-building and development, reflecting its belief that inclusion and sustainability are keys to continued success. The second factor is a deep commitment to mutually beneficial, dynamically managed long-term strategic partnerships and to making Ayala a partner of choice.

Since its foundation, Ayala has always been an important contributor to the Philippines’ development and growth. Jaime Augusto and Fernando Zobel de Ayala, respectively the seventh-generation chairman and president of Ayala Corporation, have continued this tradition and act as ambassadors for the Philippines, promoting the country as an up-and-coming market to global investors and potential business partners. Like their father, Don Jaime Zobel de Ayala, they believe that nation-building activities such as these will ultimately help the long-term growth prospects of the family conglomerate. In the words of Fernando Zobel de Ayala, “We consistently look for ways to give back to our country – through Ayala’s businesses, through the Ayala Foundation and through our individual efforts.”
The family has combined its nation-building with professional management structures. Many of Ayala Corporation’s entities are publicly traded without compromising family values and control. By the end of 2013, Ayala’s listed companies accounted for 20% of the Philippines’ Stock Exchange Index capitalization and employed 42,000 people. Gross revenues from all its companies, including associate and jointly controlled entities, reached 308 billion Philippine pesos (about US$7.1 billion). In 2013, the market capitalization of the entire Ayala group amounted to 1.4 trillion Philippine pesos (about US$32 billion). The group holds majority stakes in a range of businesses, principally in real estate development (Ayala Land), banking and financial services (Bank of the Philippine Islands – BPI), telecommunications (Globe Telecom), water utilities, electronics manufacturing services, automotive dealerships, business process outsourcing, infrastructure and power generation.

“For generations,” claims a company publication, “the Ayala name has been carried proudly by its employees and leaders, as a badge of honor.” The owners were convinced that their visionary leadership and long-term ownership stability represented a “very important kind of competitive advantage” that fundamentally contributed to building the success of the Ayala businesses. On the occasion of the company’s 180th anniversary, the Ayala story was drafted as “a human narrative.” It not only presented the owners’ identity as stewards of a sustainable long-term oriented “family in business” but also shared the leader’s continuous responsibility of preserving the Ayala name and business brand, discussing questions such as “what’s in a name?” and “what makes an Ayala brand?”

Ayala’s values of integrity, vision, empowering leadership and commitment to the nation’s development are brand values and attributes that are built and leveraged within the Ayala Corporation, whereas trust is considered to be a value that is formed in the minds of the people. The owners are well aware that this means constantly being in the public eye and meeting expectations, which demands “continuous responsibility, true commitment and full dedication” from both the Ayala business as well as the Ayala family sphere:

If a company does something excellent, it gains respect.
If it does so often, it elicits admiration.
If it excels all the time, it wins trust.

At Ayala, the corporate brand has clearly been a strategic C-level topic and has been managed with care and strategic vision. The prominent name and reputation are also closely followed at the owner’s table; the family is committed to keeping the brand strong for generations to come. As the Ayala leaders explain:

We found our name means quality and trust.
It gives us a premium, attracts capital and brings many new opportunities to our door.

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2 Company communication; Inside Ayala >180; Ayala Corporation, 2014.
3 Company communication.
4 Fernando Zobel de Ayala: interview in Manila, June 2014.
5 Company communication; Inside Ayala >180; Ayala Corporation, 2014.
Whether via the mass media or by direct contact, or both, the task of successful branding is to have the desired image/perception/association, how to cultivate and develop it, and how to preserve it. The role of the corporate brand is to deliver Ayala’s message of excellence and its core values. As a business corporation, the Ayala business house hosts a multitude of brands under its roof. Each of them carries other messages to customers which are, however, very consistent and aligned. Every brand has an individual personality, yet it is supposed to also carry a powerful promise: that there is a name and a reputation that stands behind every product and service. And every Ayala brand is supposed to represent the values and the principles – and the people – that hold the conglomerate together in order to push it forward.

When CNN turned its “eye on the Philippines” for a special edition of the “Talk Asia” series in April 2012, the Asian business community was not surprised to see Jaime Augusto and Fernando Zobel de Ayala as interviewees alongside President Benigno S. Aquino III, because the name Ayala has been inseparable from the story of the Philippines as a nation. The family leaders are at ease with being prominent brand ambassadors. They are happy to communicate and share company news in person as well as to take part in social responsibility activities. At times, they use social media resources at private events and at others can be seen engaging with the international business elite when representing the group at international business forums like the World Economic Forum.

However, the Zobel de Ayala family has kept the “business of business” separate from “the business of family.” It was a first for the family to discuss its family insights and best practices on governance and succession management with a public audience when they received one of the most prestigious accolades for “excellence in family business” – the IMD-Lombard Odier Global Family Business Award. It was a memorable moment for the ten family members from the seventh and eighth generations who had gathered at the award ceremony that took place during the 25th Summit of the Family Business Network International (FBN-I) in Dubai on 16 October 2014.
Our Brand

As a corporate brand, Ayala immediately delivers a message of excellence and embodies the values that have guided its growth and sustainability through almost two centuries. As a business house, Ayala carries a host of brands that bear other, similarly indelible messages to their customers.

At Ayala, every brand has a distinct personality, and a powerful guarantee: that there is a name and a reputation that stand behind every product and service, and that a brand is much more than a mere name or symbol. For us, each brand is an experience—designed to satisfy, meant to be shared, and destined to hold value for each customer.

Guided by a lofty ambition of how our brand as a commercial enterprise should contribute to national development, Ayala summarizes this ideology in its brand promise:

"PIONEERING THE FUTURE"

By looking to the future and the potential it holds, Ayala has pioneered many firsts.

Our heritage in the Philippines and our reputation as a trusted international partner give us the confidence today to draw upon our unique experience, resources and capabilities to tackle the challenges of tomorrow.

Key to the future are our corporate citizens whom we respect for their integrity, reward for their intelligent risk-taking and support in their determination to make things happen. Through them we seek to pioneer a future where innovation thrives and where all our business practices make a positive contribution to the social, economic and environmental development of the communities we serve.
Related Programs:

Leading the Family Business (LFB) helps family businesses to better understand and manage their specific and inherent challenges by sharing experiences and benchmarking success with other family firms:

- Navigate specific challenges and critical issues in your family business
- Probe key issues facing family businesses: growth, governance, succession and culture
- Benchmark best practices to broaden your understanding of successful family businesses
- Get concrete take-home value to drive overall performance

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The Next Generation (TNG) is for young family members, those already involved, and those who have been identified as potential next leaders in the management, ownership or governance of their family business.

- Get ready to move into an active role in your family business, family office, or in any of their governance functions
- Develop your leadership skills
- Explore best practices in the world of management
- Understand how global businesses operate
- Relate what you learn to your own business context
- Feel confident of your contribution to your own family business

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IMD is a top-ranked business school. We are the experts in developing global leaders through high-impact executive education.

Why IMD?
» We are 100% focused on real-world executive development
» We offer Swiss excellence with a global perspective
» We have a flexible, customized and effective approach