

INTRODUCTION

► Predicting the unpredictable.

In a world beset with fragile economies, climate change, and a raft of other volatile factors clouding the future, Families Summit of Minds participants gathered to prepare for unpredictable. Sustainability of our planet and our businesses has rarely been more urgent. Are we making progress towards cleaner energy? In a world of eight billion, growth will come with disruption. What impact will humanitarian crises have on migration and wealth gaps? Debt and inflation are key problems globally. **What will this mean** for our children? Canada's labour shortage is acute. How best tap into migration shifts as a stopgap measure? We are at a critical juncture. Global power dynamics are shifting. The implications for our wellness are serious. Ultimately, there are ways to better govern ourselves, our families, our investments and our businesses by challenging NextGens to invent a new world order.

HEALTH, WELLNESS & TECH: A CONVERGENCE?

► Families have a well-being advantage.

THE WELLNESS sector has expanded explosively in the past decade. A little-used word a few years ago, wellness now equates to a **\$4 trillion a year industry**. The concept of preventive, holistic self-care as an integral part of health has long been supported in parts of the world, yet in the West we have just started to catch up, finally finding a place for wellness in government, community, and corporate language. With their traditionally strong focus on long-term and relationship-based planning, family businesses can lead this sector by committing to the physical and mental health of all their employees, and of the families themselves. Tech advances have made **wellness support** easier, richer, and more cost-effective as new employees will likely use wellness support as a criterion for their job choices. **Key message:** A focus on wellness, with a commitment to the tech tools that are available, will serve family businesses well, and **dovetail with the corporate values** that often fuel family firms' unique appeal.

FORTIFYING FINANCIALS

► Diverse boards, more diverse portfolios.

HIGHER returns of family-controlled businesses over others reflect the **long-term perspective** of these companies (patience and concern for grandchildren), the bigger role of women, and the long-term networks and contacts that have been instrumental when going global. It is unclear whether

the current ESG focus is a transitory state or not, but the principles of that work will serve family businesses in the long-term – especially if the focus is broader than just the environmental part of the equation. It was reinforced that in the face of a “depressing” economic outlook, family businesses, with their multi-generational stewardship can gain strength, so long as **diversification is a key part** of stewardship. **Key message:** A diverse board, and more diverse portfolio, are keys to the lasting success of family businesses – as is setting the stage for inviting participation of a younger generation that recognizes the value of older family voices. This is not always an easy shift, and family business advisors can help.

WHAT PRICE SUSTAINABILITY?

► Stakeholders want commitment.

SUSTAINABILITY is a huge, global puzzle, with no single path to solutions. Family businesses can play a critical role by following their own path. You do not have to **give up revenue** or place in your industry to do the work of sustainability: It is a true and marketable enhancement to your business, and more people will ask you to demonstrate how your business is built around it. Sustainability is more than just ESG – it is best understood as **prosperity that is inclusive and green**. Our stakeholders will need to see proof of that understanding, and as we move forward. **Key message:** New employees want to change the world. If family businesses want to keep them, they need to demonstrate the capacity to do what public companies and governments often don't: focus on more than the financial picture, listen to stakeholders and take a long-term view.

MANAGING RISK, MAXIMIZING OPPORTUNITY

► Strong planning increases positive outcomes.

MANAGING risk is about making effective decisions, not avoiding decisions. Risk-taking is a natural element of decision-making – and one of the key responsibilities of family leaders is to make effective decisions about the future of their enterprise. Challenge your boards and executives to consider internal and external risks beyond their usual, instinctive areas of focus (supply chain, reputation, safety, cybersecurity). Remember that **every key stakeholder has a unique perspective** on risk, and these influence decisions. Individual risk appetite and risk capacity can vary greatly throughout an enterprise (among directors, within the C-suite, between spouses, siblings, generations, and key external partners). Leaders must

gather and analyze these capacities and tolerances, and understand how to integrate them into a collective risk map that is regularly updated and used in evaluating decision-making. Key message: Risk intelligence of all your team members is just as key a leadership skill as emotional intelligence. Leaders must nurture a risk-intelligent culture. We cannot control or predict the future, but with robust scenario-planning, constructive debate, and thoughtful decision-making, we can improve the probability of positive outcomes.

FAMILIES: THE STRONGEST OR WEAKEST

LINK? ► Want better governance? Rebrand it.

FAMILIES have the privilege of being able to plan for the long-term when publicly traded companies cannot. Yet they require the right information and governance structures to allow this: they need advisors who can predict economic environments, and boards with capacity for long-term focus – all while still being agile in the short term, and comfortable with risk, uncertainty and complex problem-solving. Family business boards must be **aware of their own and their enterprise's blind spots**, and challenge the family's bad and potentially bad habits in their strategic thinking and decision-making. It is important that family boards have members outside the confines of their sector to disrupt potentially exaggerated group-think or inflated conflicts often typical of family boards. **Key message:** Families often dislike or carry disdain towards the notion that they require governance, yet can be far more accepting when relabelling these practices as “improving communication” and “decision-making.”

(UN)LIMITED RESOURCES

► One door closes, another one opens.

THE WAR raging in Ukraine has been a powerful mirror, shining light on both our vulnerabilities (our capacity to predict global events was once again surprisingly poor) and our opportunities (disruption of gas supplies to the EU might turbocharge the move away from fossil fuels) when it comes to resources. The sharpest minds are seeing that it is critical to not just react in old, short-term ways, but also see the signs that such crises offer opportunities to cement longer-lasting change. On one hand, **Canada missed a short-term opportunity** to provide the EU with liquefied natural gas because it had not yet built sufficient pipelines and ports. On the other hand, that lack of infrastructure has sparked a greater commitment to alternative energies. Such events also highlight our values, as we see how other countries respond to crises, and we critically assess our own responses and current state. We see that we need to take a **more intentional approach to our resources**, and perhaps shift the standards of measurement of our successes. **Key message:** Moving forward, far greater ESG accountability will be demanded of all energy consumers, and family businesses must have clear ways to ensure they are being

accountable, even if they do not have activist stakeholders who help shape public businesses.

HOW WILL AI IMPACT FAMILY FIRMS?

► Families can learn from self-learning.

VIRTUALLY every sector is experiencing a digital tsunami in which artificial intelligence (AI) is playing a part. This wave is overwhelming and often has a negative impact on a company's ability to plan long-term. Given the volume and pace of change, there is almost no way to clearly foresee AI's potential impact. For example, we are expecting the introduction of 500 million new apps in the coming months. Meanwhile, **machine learning is doubling every five months**. AI is being used in some form in virtually all sectors when it was unknown just a few years ago. In short, AI has tremendous value, but it is little understood by most people, even feared by some. Although it truly is just a set of self-learning pattern-recognition algorithms, people worry that it will replace workers, and this can be especially hard on “people-centred” family enterprises. We need to appreciate how **AI can elevate workers** to a place of greater contribution and satisfaction rather than replace them. **Key message:** You can adopt AI tools and remain true to your values by clarifying opportunities where AI and human intelligence can both contribute to improving the way your family enterprise operates.

GEOPOLITICS AND LONG-TERM VIEWS

► Strategic empathy can mitigate crises.

FAILURES to predict the crisis in Ukraine has highlighted the extent to which the lenses that we typically use to understand the world – financial and economic – may not always afford us the clearest picture of what is happening and why. To truly assess what is occurring around us, we need to have “strategic empathy” for the other side's perspective of the facts, their personal understanding of history, even their sense of national destiny. This requires family businesses to have **personal connections, with informed observers** on the ground, but also with academics and politicians, to ensure they are not always at the mercy of unexpected high-level policy decisions, but rather can make on-going contributions to those policies. At the very least, having a risk officer with a network of political and academic contacts can be helpful. **Key message:** Family enterprises are uniquely positioned to make a real and lasting difference by developing that strategic empathy with their peers in the countries where struggles are occurring. We can help ourselves, our stakeholders, and our international partners by establishing values that encourage doing the right thing.

CLASHING CLANS

► Succession brings risk. Be ready.

THERE are three common roots of tension in family businesses. First, there is an Uncertain Path to Succession: Understand that the path is long, sometimes bumpy, and requires a map and even a guide from outside the family. Make the journey about the process, rather than the person, and do not dismiss the founder entirely – they have wisdom that can be essential. Second, **Succession Involves Risk**. This is especially true when the founder leads the process. Third, the Next Generation Wants the Business to Succeed: They want the choice of successor to be the right choice, not just their choice, so part of the founder's job is to educate them about that choice. Support opportunities for them to sit on other boards and broaden their perspectives. If you want them to stay in the family business and succeed, they need to find their own passions and how to apply them. **Key message:** Be ready for the succession process long before the moment comes.

THE TRANSITION HIKE JOURNEY

► The best view comes after the hardest climb.

WHAT DOES it take to transition a multigenerational enterprise of family owners – whether committed, neutral or filled with trepidation about the prospect of deep change – to a new phase of enterprise direction? The short answer is a “journey.” Journeys can be arduous, but if families learn to build their tolerance to risk and to recognize risk, they will develop a capacity to mitigate risk. This means being open and curious. Multigenerational family business leaders with experience in these matters point out that, as with any journey, a good map is essential to reach worthy goals. If you imagine a mountain summit as your metaphorical objective, whatever that may symbolize, then it is essential to factor in multiple stages in your march to the peak. When in “ownership” transition journeys, individual family members should be allowed to find their own path. All members should agree that reaching consensus may not be easy and that not everyone will arrive at an outcome that fully matches their expectations. Yet it is important to hold one another other accountable and to be honest throughout the journey. There are other types of transition journeys. In some cases, it may be the introduction of family members, say, spouses or young children, into the business. In other cases, it may be finding the tools to keep a whole generation engaged. In other instances, a diversified family enterprise may need to begin keep a sharper eye on foreign markets that impact their livelihood.

Other journeys may involve philanthropic initiatives in the hands of new owners with little operational experience. The common denominators in these journeys? Get a good map. Communicate honestly. Seek advice and find strength in your family purpose.

LEARNING FROM THE HEIGHTS

► Tolerate risk by recognizing vulnerabilities.

EVERY STEP you take in the mountains or in business has an element of risk. Learn how to recognize them. Internal knowledge, or knowledge of yourself, plus external knowledge, or understanding conditions, equals Risk Intelligence. It is critical to undertake after-action reviews on all elements of the process, whether you succeed or fail, so that every event becomes at least a learning success. A critical part of your role as a leader is to create the space for all voices to be heard, and one way you can do that is to be humble about your own fallibility. Organizations must have a risk mitigation strategy that includes an understanding of their leader's risk profile, followers' risk tolerances, and the organizational culture of risk-taking. **Some people need to be reined in, some need pushing.** Passion is fundamental to successful risk management – you should know what pulls you into risk and what pushes you away, and you should know what motivates your people to remain committed. Deepen your experience and learning by exploring the spiritual roots of your practice. Understand better the “why” behind the things that you do, and look for opportunities to learn from humility. Know that even the strongest families have vulnerabilities. Know what these vulnerabilities are.

FINAL THOUGHTS

► It is time to rethink how we define success.

PREDICTING the unpredictable is a formidable task. It is why we must engage in constructive **debate** and mindful decision-making if we are to improve the probability of a better future. Those who take **calculated risks** will be rewarded. Those who value human connections will find purpose. If we seek the **wisdom of elders**, we will fortify the rising generations. Family enterprises who care deeply for their employees, whose ethics endure, and who willingly redefine the meaning of success, will thrive regardless of the state of our world. If we are to find ways to better govern ourselves, protect our families, and improve our businesses, we must seek – by **challenging ourselves** and the rising generation to invent a new world order with compassion at its core.

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