

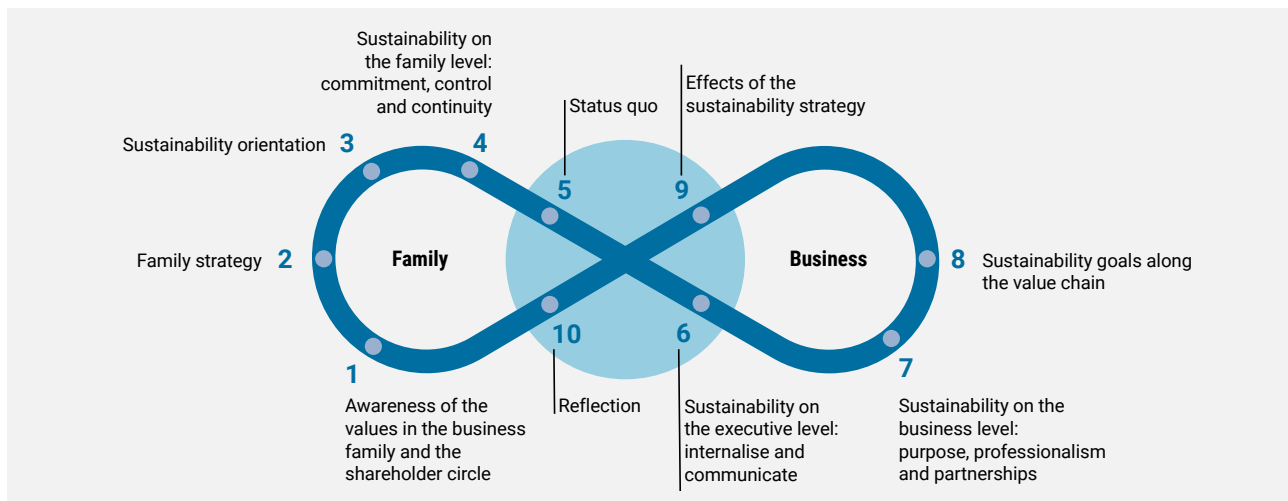


WIFU_compact_21: A Dynamic Model for Sustainability

It is among family businesses, in particular, that we find pioneers in the area of sustainability, as confirmed by current studies. The distinct values and attitudes of the owning family – alongside the characteristic long-term planning and the loyalty of employees and stakeholders in such businesses – encourage a commitment to sustainability, which in turn strengthens business assets such as innovation, competitive advantage and profit. This credible commitment to sustainability also contributes to non-financial assets such as reputation and standing – of the business family as well as the family business. When it comes to choosing specific sustainability projects, the owning family plays a key role.

How can family businesses adequately address sustainability?

A successful strategy for commitment to sustainability must be both sufficiently substantial and specific to the family business, as we explain with the help of the Lemniscate Model (a lemniscate is a horizontal figure of eight). Most notably, this model represents a *dynamic* process model; indeed, even its form illustrates that it allows for movement and flow. In using this model, the business family will explore important basic principles for its sustainability strategy.



The Lemniscate: Modelling the dynamic development of a sustainability strategy

Step 1: Raising awareness of values Intergenerational thinking may be the starting point for the development of a sustainability strategy. As a first step, the business family will, thus, acknowledge its values and convictions, both those only formulated and those already practised. Moreover, this step aims to highlight the *particular* activities in which these attitudes are evident.

Step 2: Family strategy The sustainability strategy does not run parallel to family governance but will become an integral part of it. In terms of the Witten Model of Family Strategy Development, Subject Area 3 – “Values and targets for the business and the family” – provides the space needed to introduce and embed sustainability-related values and activities.

Step 3: Sustainability orientation Which sustainability topics arise naturally from the business and its environment? Sustainability orientation depends not only on the entrepreneurial will but also on the given environment. Within this, sustainability should be integrated into the value chain of the business.

Step 4: Commitment, control and continuity Next, it is important to identify whether the business is merely reacting – driven by external pressures – or whether it is proactively pursuing the issue. Research shows three primary significant motivators: the self-inflicted obligation of the business family (commitment), its authority over strategic decisions (control), and the long-term perspective (continuity), the last of which complements the transgenerational focus of family businesses.

Step 5: Status quo analysis This analysis is undertaken by the entire executive management, including managers from inside and outside the family. It consists of assessing the sustainability strategy in terms of cost vs. benefit and business



vs. society. (In another sub-step, sustainability commitment can be viewed through the four dimensions of society, environment, employees and suppliers.)

Step 6: Internalise and communicate After clarifying the sustainability orientation of the business family, the executive management must familiarise itself with this attitude in such a way that it sees sustainability goals as a part of a business strategy that ensures the future viability of the business. Thus, this is a change management project; resistance from within the business can, therefore, be expected. The roll-out across the entire business follows from this.

Step 7: Purpose, professionalism and partnerships Implementing a sustainability strategy requires time and resources. Sustainability projects may take some time to become profitable, and this may give rise to second thoughts on the entire endeavour. Therefore, it is crucial to understand sustainability as a meaningful goal and purpose of the business family. Sufficient professionalisation in all areas of implementation is as crucial as entering into partnerships along all steps of the value chain.

Step 8: The value chain At this stage, the sustainability goals will be defined and prioritised along the value chain, which is ideally coordinated by an interdisciplinary team. Resources should be deployed where they can make the greatest impact. It is, therefore, essential to prioritise and use concrete as well as quantifiable measures.

Step 9: Effects This step documents and communicates the results of the sustainability strategy. Each relevant stakeholder group should identify the goals on the “triple bottom line” of ecology, economy and social issues. In this way, the matrix shows what has been achieved alongside what needs to be achieved and fosters the definition of further goals.

Step 10: Reflection Within the framework of a “learning organisation”, it is necessary to check whether the initial assumptions still apply, and how to evaluate emergent strategies and regard new insights (keyword: VUCA). By so doing, the business family gains clarity on the degree to which it has succeeded in achieving its intended goals and on whether new goals have formed.

Back to the Lemniscate: What makes this model special?

A look at the Lemniscate shows that Steps 1 to 5 depict the strategic value considerations in the family sphere. Crossing through the middle, the focus shifts towards the business sphere. In Steps 6 to 8, strategies are translated into goals and implemented through concrete measures. The perspective has moved to the opposite side of the starting point. In Step 9, the effects of the strategy are analysed and, crossing again through the middle, we reach the family sphere again. Here (in Step 10) the entire process is reflected upon and can be changed as necessary.

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