



The Role of Family Business Boards in Sustainability

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SA: Barbara, your career is unique and you have seen lots of different business models. Can you give us a brief definition of sustainability?

BK: Well, I checked this morning and the number of Google hits for definitions of sustainability is currently 724 million and I think it is growing. My point of view in business has always been to look at the 3Ps: profit – people – planet and synchronize them. Profit has always and will always be there because we want to create value for shareholders. I think the people aspect has always been there as well, and in family companies more than others. The third one is the big one, the new one. That is planet. In my view whenever you make a decision,

whenever you build strategy, make an acquisition, hire someone, consider those 3Ps.

SA: Are boards really interested in sustainability?

BK: In my board work I have been seeing reactions to Greta [Thunberg]. And she is a controversial figure – the opinions range from positive to negative, respectful and suspicious. But she has brought a much greater awareness on the topics. Looking from a marketing cycle AIDA perspective – awareness, interest, desire, action – today awareness and interest are clearly there for boards, top managers, companies, family and publically listed companies. I think the

desire to action is there, too. Companies that are more successful say yes we have to do it. Action is the weak part because very small numbers of companies are actually making it happen.

Interestingly recent research has shown that 65 percent of companies have sustainability as a management topic, but 22 percent think the board cannot deal with it in a conclusive way. So it is there in the agenda, but our board is not helping to further it. A recent study by Mazars showed that 53 percent of boards see a business case for sustainability. That means 47 percent of boards do not see a business case for an interest in sustainability. So it is inconclusive but in general the interest is there.

So why should a board be interested in sustainability? Well, investor interest worth \$30 trillion is there, whether they are family or non-family. ESG is an increasing demand and if you are a public company, you need investors. Then we have 60 percent of millennials who want to join a company with a good sustainability program. And money and titles and cars – they do not care for those; they go for the purpose and sustainability. Then you come to consumers and they have apps such as ToxFox that mean they just have to scan a product in a supermarket and get a conclusion on Substances of Very High Concern (SVHCs) and an immediate option to send a complaint to the company. Then there is a huge opportunity presented by the green market. Today it is worth \$3 trillion and by 2025 it is projected to grow to \$6 trillion. So there are reasons to engage with sustainability at board level.

SA: There is the idea that values should be non-negotiable and strategies can be negotiable. Should boards move sustainability to a non-negotiable value and see everything else as a negotiable priority?

BK: It is very important that sustainability is embedded in values. Typically in family-owned companies values are more important. You have fourth or fifth-generation members



and they want to continue with those values. I was head of sustainability at Philips 15 years ago. The way to move things with values was to create a business intention. At the time Philips was introducing LED lighting that emitted 30 percent less CO₂. So we focused

on growing the LED business to fulfill our sustainability agenda. So, identify what I call the 'green sweet spot' and focus on it and use it to accelerate the business. Values must be kept but promote them through the business.

SA: I was once told if you miss a tipping point, you live to regret it. Is sustainability is huge tipping point?

BK: It is absolutely true. Look at the automotive industry in Germany – they missed electric cars. Elon Musk just announced an electric car factory in Germany. However, millennials don't want cars. They want a mobility service, they do not need status symbols. They want to do good for the future. They have realized we cannot go on as we have. We are using the resources of 1.7 planets. I have not yet found the engineer who can create a new planet. We are limited. From August 2, 2019 we began living off the natural resources (air, water, wood) of our kids and grandkids. We have to do something about it.

SA: You have seen lots of family businesses. What advice can you give them to give them quick fixes, easy tweaks? Also, is sustainability a culture-specific phenomenon?

BK: Well, first the culture question. I grew up in a Swiss German village. We walked 30 minutes two or three times a day. We were separating garbage, we composted in the garden. We do have a cultural-upbringing that is aligned with sustainability.

The second point is on quick fixes. I have to tell you, sustainability and quick fixes are not compatible. But what can companies do? Well, the first thing is companies must ask is it really part of our DNA? Is it truly embedded? In family companies, I have found it is always part of it. They always cared for the environment and people and

they always look at long term. The second thing is to look at the materiality matrix. This is a simple two-axis matrix that balances the priorities of board leadership alongside the priorities of stakeholders. You can map anything from climate change to health or the ageing population or emerging markets on it and identify the green sweet spots or risks. Once you do that you can make sustainability part of strategy – not a separate strategy but central with aim to build competitive advantage. Next is the long-term horizon. Sustainability has a time axis, we must look at things in the long term, which is great for family firms. Here you can also introduce KPIs. And finally you have to consider your position as a role model, as a board.

SA: Which boards do you think are great role models?

BK: All the boards I am involved with are all very much advanced in sustainability already. There is learning to be had from other industries – especially fast moving consumer goods. Anything that touches consumers is advanced; it has to be, so learn from them.

Questions from the floor

Q: We can make incremental changes or radical changes. Based on your experience what is the sense of urgency shared on boards?

BK: I do not see urgency as yet and that is what Greta [Thunberg] has drawn attention to. A sense of urgency is required but decarbonization is a long-term goal. We could solve two-thirds of the CO2 problem with existing technology. That is amazing. So regulatory action is needed to advance the change.

Q: What is your advice on getting boards more aware of natural science tipping points on climate change and biodiversity? How can we work collectively bearing in mind that we have a decade left to act?

BK: It is a big question. We cannot do it by order or law – you can try but people ultimately have to see the logic and move according to conviction. The new EU Commission and the World Business Council are exposing boards and wider stakeholders to these conversations. But to accelerate maybe the World Business Council has to make it a conference topic.

