

The Power of Inclusion in Family Business

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Praise for *The Power of Inclusion in Family Business*

“Through facts, professional experiences and rigorous research, this easy-to-read book stands as a ground-breaking contribution to the family business field and practice, highlighting how women owners’ inclusion is strategic, profitable and harmonizing. A must read for families-in-business and their family firms’ executives, board members and advisors.”

**Andrea Grobocopatel, President of FLOR Foundation and AMPATEL,
Argentina**

“Smart and extremely timely! Rosa Nelly and Miguel Ángel remind us of our responsibility, as entrepreneurs, to be involved in understanding and addressing correctly issues like inclusion, equity and diversity. Smart, extremely timely and brilliantly supported by great family business experts, this book leads us into a more inclusive environment.”

**José Antonio Fernández Carbajal, Executive Chairman of the Board,
FEMSA, México**

“*The Power of Inclusion in Family Business* provides an insightful roadmap for implementing diversity and genuine inclusion in family-owned businesses. The book guides us on how companies should prepare its next generation female leaders, shining a light on recognizing and consciously involving daughters in the succession line. More than a trend, diversity and inclusiveness are major assets for family enterprises to thrive and survive in a fast-changing world.”

**Rita Nabeiro, Grupo Nabeiro – Delta Cafés Board Member,
Portugal**

“This wonderful collection of essays on women in business families is a new reference in the family business field. Truly insightful and impactful, this is a must read for members of business families, advisors, and scholars alike.”

**John A. Davis, MIT Sloan School of Management,
United States (U.S.)**

“An impressive, accomplished and complementary team! Professor Gallo, a forerunner in the field of family business and a seasoned advisor, finds in the academic qualification, social sensitivity and hands-on experience of Dr. Rosa Nelly Trevinyo-Rodríguez the perfect tandem to address and expand an essential and unprecedented topic: women owners’ inclusion in family firms.

Using a precise, powerful and simple language, this book is a practical guide not only for planning and implementing family business succession processes but also, and more importantly, to prepare daughters for occupying leadership positions in their family-owned firms. Female next generation members will find in this text a description of what is expected of them as potential responsible business owners and a roadmap to achieve it.

Moreover, *The Power of Inclusion in Family Business* offers an especially interesting view on the role of family business most trusted advisors, who by means of well-thought, gender sensitive mentoring processes, can help families-in-business train and empower next gen women owners so they can achieve the necessary moral authority to influence consensus building about what is reasonable, legitimate, beneficial and authentic for the family enterprise.”

**Javier Ormazabal Echevarria, President & CEO at VELATIA Group,
Spain**

“This book is an outstanding collection of equity and inclusion research in family firms, being a valuable guide book for practitioners. *The Power of Inclusion in Family Business* addresses critical, family and business-related issues that influence and shape the sustainability of 21st century family companies.”

**Su-Lee Tsai, Former Chairman & President; Board Member of Eastern
Advertising Co., Ltd., Taiwan.**

The Power of Inclusion in Family Business

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INVESTOR IN PEOPLE

*To All the Families-in-Business we have had the
privilege to serve worldwide.*

*To All the Women Owners we have had the honor to
work with and learned from.*

*To All the Next Generation Members who we have had
the joy to positively impact.*

*To All the Practitioners and Scholars who diligently
nurture and build up the family business field.*

*To All Family Business Passionates and
Entrepreneurship Enthusiasts who are currently
transforming our societies.*

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Foreword

Pramodita Sharma

In today's fast-changing society, increasing numbers of well-educated and talented women are steadily progressing toward ownership and leadership positions in the world's smallest to largest business enterprises.

For family business leaders, the demographic, environmental and social trends together indicate that encouraging the development of women as responsible leaders, owners and wealth stewards is not only the right thing to do, but critically essential for their family wealth preservation plus business success and longevity.

In their superbly-timed book, an iconic octogenarian of family business education, Professor Miguel Ángel Gallo collaborates with his remarkable quadragenarian protégé Dr. Rosa Nelly Trevinyo-Rodríguez to address a provocative question: How can enterprising families strategically capitalize on the gender diversity within their family to develop productive and confident next-generation family members capable of building functional families and overseeing and/or operating high performing businesses?

Twenty active consultants and scholars from 10 countries spread across 4 continents collaborate with Professors Gallo and Trevinyo-Rodríguez to bring their transcultural perspectives on women owners' involvement in family enterprises. Authors like Ethel Brundin, Ivan Lansberg, Matti Koiranen and Ernesto Poza whose professional journey extends as far as six decades, have not only observed, but contributed to the evolution in female education, ownership of property and inclusion in management and leadership in family firms.

Other emerging stars of family business research and advising share insights not only regarding the inclusion of daughters in family firms, but also about their preparedness and self-efficacy in making a substantive difference. Examples include a focus on the role and possibilities of women's inclusion in operational enterprises and investment arms like the single-family offices. Stark differences are noted between symbolic and strategic inclusion of females within their family-owned companies.

Anyone – men and women alike – planning to own, lead, advise or work with a successful, long-lasting multigenerational family firm should definitely read *The Power of Inclusion in Family Business* from cover to cover. This easy-to-navigate book is full of practical tips to understand and traverse common stumbling blocks to empower authentic family business leaders to build a talented, collaborative and collegial next generation, coupled with a gender-inclusive architecture.

The forces of change are in motion and gaining rapid momentum. Ignoring them or doing nothing is not an option. Mindful of the once-in-a-lifetime

opportunity to make a substantial difference for their families-in-business and their family firms, astute purpose-driven owners are reimagining and transforming their families-in-business' culture and practices, along with their firms' business models and structures into more female-inclusive contexts, reaping, in turn, economic and social returns.

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Introduction

The Daughters' Inclusion Challenge

Rosa Nelly Trevinyo-Rodríguez and Miguel Ángel Gallo

Although multigenerational families-in-business are diverse by nature, not all business-families are inherently inclusive. Why? Because while diversity in the business-family context is a given, inclusion is a choice – and as a choice, it implies awareness, reflection and action.

Family members are innately dissimilar or diverse in terms of their traits and characteristics with regard to gender, race, age, religion, culture, income, knowledge, leadership styles, etc., not to mention their personal preferences which they reveal and reach thru their acts. Hence, the real challenge for business-owning families rests not in how to bring more diversity to their families, or even to their firms, but in learning (first) how to manage, integrate and capitalize the family diversity they are blessed with.

As families-in-business get bigger, and family firms become more complex, inclusion turns out to be a key factor if an all-encompassing multigenerational business dream is to be attained. If the family business is to survive and endure, passion for family unity is imperative. As the old adage goes: “United we stand, divided we fall.” In this respect, genuine emphasis and conscious work on the topic can actually forge stronger bonds within and across generations, potentially bringing them together around shared values such as honesty, openness, respect, and acceptance.

Having said that, inclusion is not likely to be achieved overnight. So, instead of trying to do everything and deal with all potential types of family diversity, we must favor targeted efforts that in due time can yield a meaningful, exponential change. Thus, let's be specific and address, first and foremost, the most basic type of diversity: gender-diversity.

Accordingly, our book's notion of inclusion specifically deals with women-inclusion. We focus, for the most part, on *how* families-in-business handle their intrinsic gender-diversity, emphatically concentrating on *how* they can create environments where all family members – men and women – can feel loved, accepted, respected, fairly treated, trusted, supported, involved, and included.

The world and society are shifting at a fast pace, and so are family configurations and the business models of companies. This evolution is influencing and adjusting gender roles and behaviors making them more suitable to better survival in modern societies. In this regard, new family demands and market realities

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are driving enterprising families to rapidly acquire the knowledge and skills to successfully navigate these transformations. To address this growing norm, we put together this book to help families-in-business approach and assess female inclusion in their own nucleus and in their family firms.

We want families-in-business to make a stop along the way, think and re-think the role and the standing that next-generation women owners or owners-to-be are taking, and will take, in their family businesses. Genuine female inclusion starts at home. If a business-owning family fosters an inclusive culture and environment where gender-diversity is esteemed, respected, and embraced so that all family members find a sense of purpose and self-worth, their family firm will most likely display those values and organizational culture.

Furthermore, evidence supports the premise that gender-diversity and inclusion have a positive impact on the business' bottom line. In this book, we aspire to help enterprising families understand the power of including valuable next-gen women owners in the family firm management, decision-making, ownership and investment structures. The impact of females in the family business cannot be overstated, particularly in terms of firm performance, innovation, management and leadership synergy, succession processes, stewardship promotion, and the advancement of entrepreneurship.

Cultural views, religious beliefs, and family conceptions and expectations influence the decision to add women next gens to the family firm. But considering the business continuity challenges that family businesses and family offices are currently experiencing around the world, a new, inclusive view on how the family business can take advantage of their own *familial* resources – namely, talented women owners – may well help them to increase their survival chances and preeminence around the globe. A wider and complementary talent pool of men and women, enhances collaboration, innovation, above-average profitability, and so on.

Research indicates that men and women do offer different, unique skills and resources. Women exhibit more communal attitudes and behaviors – social sensitivity and intuition, empathy, caring and cooperative stances, emotional expressiveness, and a desire for common ground. They demonstrate higher communication skills (verbal ability), strong attention to detail and a practice-oriented approach. On the other hand, men show more agency with regard to goals and power, being more dominant and competitive. They also exhibit higher geometric/spatial ability and tend to be more theory-driven and oriented toward justice.

Women's superiority in communal and men's advantage in agentic characteristics are not opposite, but complementary. In order to capitalize on these complementarities, men and women must understand each other and accept their valuable contributions, both in the family and the business. Moreover, they have to acknowledge, accept, and respect that due to their innate unique skills and resources, they will exhibit different leadership and management styles.

But, taboos, misconceptions, prejudices, and gender bias continue to hold female owners back from active involvement in their family firms, deterring them too, from reaching their full potential. So much so, that during our international consulting, research and teaching engagements, we have encountered many

ill-equipped next-generation owners or owners-to-be, especially among daughters. We coined this phenomenon “**the daughters’ inclusion challenge**.” Some common conditions we have observed among these women, which we address and provide solutions for in this book, are:

- Lack of ownership legitimacy or *auctoritas*, which translates to not having the social recognition needed to influence people and their decision-making. As business owners, next-gen women hold the firm’s legal rights, but have not attained the moral authority to make their voices heard and followed.
- Inadequate understanding of family business matters and wealth management strategies due to limited business-investment socialization.
- Incomplete access to family business figures and family wealth (assets) information.
- Circumscribed ability to participate in the family firm’s decision-making processes due to bounded involvement in the family business’ Top Management Team and/or Board of Directors.
- Selective inclusion in single-family office governance structures such as the family office investment committee and/or family office board of directors.
- Underutilization of their negotiation skills due to inexperience, role conflict, or double bind.
- Inappropriate shared-leadership dynamics among gender-diverse teams of siblings and/or couples.
- Ineffective succession processes and outcomes due to unapprised gender-dynamics (predecessor-daughter successor).
- Skepticism and uncertainty as a result of the family-in-business lack of transparency.
- Unengaged proprietors with weakened and threatened identities who are worried about communicating, negotiating, and settling their expectations, feelings, and concerns.
- Burn-out due to deficient work–family balance tools, coupled with the family or partner reluctance to adapt to the changing role of women in the family and business domains.

We bear worldwide experience in (1) training female next-gen owners to engage in management, governance and/or ownership roles within their family firms and family offices; (2) building up, developing, and adjusting family constitutions; (3) designing governance mechanisms and ad-hoc ownership configurations, and (4) solving wealth inheritance problems. In gaining and sharing this experience, we were enlightened about one irrefutable truth: Becoming a responsible owner is not easy; yet, nothing but good ownership makes for long-lasting family companies. In this regard, *The Power of Inclusion in Family Business* is a guide for grooming next-generation responsible women owners of family businesses.

Putting together this book took a remarkable international effort. Outstanding family business scholars and practitioners from 10 different countries – Canada, Finland, India, Italy, Japan, Mexico, Spain, Sweden, Taiwan, and the United States – come together and apply their theories, research methods and practice, to

serve the common purpose of providing novel insights, gender-sensitive consulting practices and culturally adapted recommendations to advance the daughters' inclusion challenge.

This book should be read completely or in segments by all male and female members of multigenerational families-in-businesses who have or will have ownership responsibilities in the family firm; who are involved or want to get involved in the family business; who like to contribute and add value to the family legacy; who are in charge of training future generations to become stewards; who are in the route of identifying and grooming potential successors and/or who are in the process of transferring their family wealth and aspire to create a long-lasting family dynasty (i.e., parents, grandparents).

Our book is also for non-family employees working in the family firm and the family office, like the CEO, COO, CFO, and CIO (to name a few), for all members of the Board of Directors, and for practitioners and scholars who mindfully acknowledge the need and advantage to transform enterprising families and family businesses' management, governance, ownership, and investment structures into more gender inclusive systems. Family business consultants, wealth management bankers, corporate and tax lawyers, trust attorneys, professional coaches, therapists, and mediators can certainly benefit from this text.

A Women Inclusive Environment

We have learned from several decades working with global families-in-business that fostering women-inclusion in the business-owning family and the family business is always a work in progress. As Fig. I shows, the process requires six crucial aspects: (1) Love, (2) Learning, (3) Freedom & Acceptance, (4) Confidence, (5) Collaboration & Collegiality, (6) Co-Evolution.

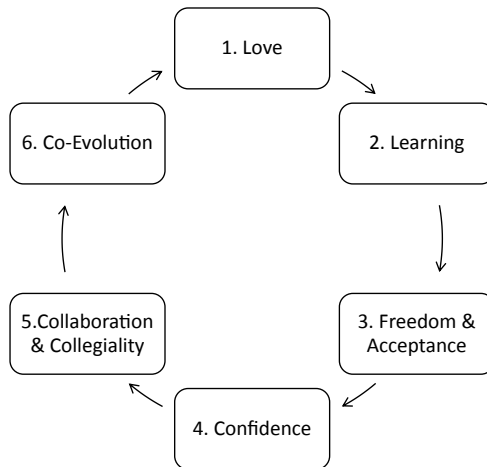


Fig. I. A Women Inclusive Environment – Crucial Aspects.

1. Love

Our dignity as humans rests in our rational nature. And, while material goods have prices; we, as people do not. Instead, we have *dignity* – meaning no substitution of one person for another can preserve exactly the same value. Given that as human beings, we are all equally dignified and no substitutions would work, there is no possible way we can justify any superiority of one person over another. The ultimate source of equality between women and men is their dignity as human beings.

Respect is the required minimal response to acknowledging human dignity. Respect “arrests our self-love” (Velleman, 1999, p. 360), controls our egocentricity and prevents us from treating other human beings as a means to our ends. To respect someone is to see that person as a separate and independent center of value. This would mean that love is at the core of respect, since love involves “respect for your beloved as the particular person she is, and this requires respecting her autonomy” (Helm, 2017, sec. 2, para. 6). Love is therefore and in turn a similar response to recognizing the dignity of persons.

Love is morally valuable because it builds and holds relationships, specifically loving relationships like family dynamics and bonds. Positive family relationships not only promote self-knowledge but also contribute to personal well-being, improvement, and fulfillment in life. Love increases our individual feelings of self-worth, allowing people to develop healthy identities. Feeling loved lowers our stress and blood pressure, and benefits our general health and longevity.

Love reveals itself by caring about the needs, concerns, and interests of others. In this way, “[t]he intention in love is to form a *we* and to identify with it as an extended self, to identify one’s fortunes in large part with its fortunes” (Nozick, 1989, p. 78). Because love involves forming a *we*, we must understand other people, in particular other family members, as well as care for their welfare. Even so, in order for this love relationship to work, reciprocity is a key – it is not only for my sake alone or for your sake alone but for *our* sakes together. Viewed in this way, love goes hand in hand with promoting the common good, even if that means sacrificing our individual self-interest (such as a personal preference) for our common interest. This is precisely why love is the initial building block in the family-in-business and family firm female inclusion process.

If the family-in-business restricts women owners from being autonomous, it negatively impacts their development as human beings, diminishing their quality of life. Some business-owning families do not deliberately want to hurt the women in their family. They might say that their reasons are actually altruistic, done out of “love” for their female children: “I don’t want my daughter to deal with the stress and donkeywork our family business entails; I want her to marry well, to devote time to her family and kids, and to enjoy a soothing life. Our firm is in the heavy industry, and that’s not a place for her.” The question is, would

the determined women in their families, women who have aspirations to work and make key decisions in the family business, see this as a positive kind of love?

A positive type of love requires having some sense of what “well-being” means for a beloved family member, and what actions might affect, positively or negatively, her future quality of life. Consciously or unconsciously not favoring women’s knowledge acquisition has long been a global, historical problem. Not granting women learning opportunities and inclusion in the governance and/or management bodies of the family business is condemning them to “... become a parasite that lives from subsidies and inheritances...” (Yepes-Stork & Aranguren-Echeverría, 2008, p. 248).

In our work with enterprising families, we’ve discovered that, among women family members, while a positive type of love is beneficial for their personal and professional development and improvement; an unfair, negative type of “love” encourages physical and emotional separation from the business-owning family and from the family firm. Discernment of love is quite a topic, yet, we just want to put forward the idea that while we can love and continue to love for good reasons, we can also cease to love for good reasons.

Loving each other implies having the capacity to recognize, from time to time, the need to stop and reflect about “*our*” life together. Which means, collectively finding the humility and openness to recognize what kind of business family we are; evaluating and devising what kind of family-in-business we want to become, and acting in response. In this line, the female inclusion process implies working out and adjusting – for all the family members’ sake and well-being – the family values and role identities. The corollary being that the family-in-business love materializes when *all* its family members *equally* engage in this evolutionary process. That requires being open to learning through trial and error, and jointly improving while on the move.

2. Learning

In order to reach our full potential and make the best out of our lives, being alive is a necessary but not sufficient condition. Breathing air is just a way of existing, but not of genuinely living. True living implies putting forth our many capacities and aptitudes as human beings. Hence, true living requires learning.

As a matter of fact, the quality of our life and our balanced development as integral human beings depends on many things like how much we comprehend and learn, why we learn, in what ways we excel in the use of what we’ve learned; how we practice what we’ve learned and by what means we share our learning. When we use our learning experiences in a reflective and critical way, self-awareness about our own life purpose arises. And, as we consciously make meaning of our lives, we shift our view from obedient acceptance to reflective and conscious choices (self-determination).

Learning makes us aware of tacit assumptions such as historic/traditional prejudices, unconscious biases or role identity expectations, allowing us to assess their relevance for making interpretations and decisions, as well as for facilitating behavioral transformations.

A family-in-business that is anchored to intolerant, unfair and marginalizing traditions that prefer one gender over another – men over women – discourages its female family members to advance, achieve and fit, dampening their spirit (resulting in emotional detachment), and deterring them from becoming autonomous, independent human beings. How do you expect these women to personally and professionally excel in life and in their work duties if they have been denied from exploring their capacity to know and form judgment? How can we hope that these next-generation owners will reach their full potential, add value to the family firm and feel welcome in the business family if taboos and preconceptions have kept them constrained to lower-level responsibilities, or worse, have discounted them entirely?

Our position is simple: All family members must acquire the necessary information, knowledge, experience, and attitudes – the *auctoritas* or legitimacy – in order to suitably work in the family business, actively participate in its decision-making processes and/or aptly make ownership and wealth management choices. All family members should have the opportunity to accurately fulfill the duties of their roles in the business, allowing them to properly exercise the *potestas* – granted power, faculty – inherent to the management, governance, ownership or wealth management position they occupy. Lack of doing so will put at risk the future of the family business, while markedly undermining the family members' quality of life and self-determination.

Even so, in our global consulting practice, we have seen how the long-lasting practice of hindering women's involvement in the management and governance positions of their family firms, restricts their possibility of retrieving relevant family business and family wealth information. Such limits on women means they are not granted access to early investment and business socialization and fail, through no fault of their own, to attain top management positions, i.e., CEO or Board Members, access to wealth management boards, and even might preclude them from inheriting shares (ownership) in the family firm – though they might get “compensated” with other assets.

In most of these cases, these decisions were based, first and foremost, on an inborn characteristic (gender) which they had no power to choose. As could be expected, these family attitudes and behaviors act as “chains,” impeding (or slowing down) women's development – even if they are talented and well-educated. Although the how's are never simple, choosing to ignore the gender issues within family-owned businesses can create noise and dissatisfaction in the family and business-wide.

Family members have the choice to act as gatekeepers or gate-openers regarding gender-inclusiveness, and in preparing good managers, board directors, and responsible owners. Gatekeepers concentrate development opportunities and support on a select few; gate-openers shift the focus and give those same benefits to all family members – men and women. Are you a gatekeeper or a gate-opener?

3. Freedom & Acceptance

Learning equals freedom; this is indisputable. Mahatma Gandhi famously said: “Freedom is not worth having if it does not include the freedom to make mistakes” (Gandhi, 1931, p. 31). Humans have been given the gift and the ability to learn from their choices.

Being endowed with the capability to decide what we want to do, what kind of objectives we want to pursue, how we want to build up our personal and professional careers is a human right. Yet, having free will means accepting the aftermath of our choices. We are responsible and accountable for the consequences of our actions. For that reason, our free will must be an informed will.

Ironically, within families-in-business, freedom is not always the family member’s own choice. How’s that? Well, sometimes the “free will” of family members is contingent on the opportunities the family culture and context provides and often is based on selective perceptions and/or distortions of the reality induced by close others. This happens because our self as a knowledge structure is dependent on the knowledge structures of others – grandparents, parents, friends, teachers, the community we live in. Our individual ability to reason is fundamentally influenced and connected to the way other individuals, groups and communities around us think. Psychologists call this “interpersonal cognition.”

Predecessors, parents, and generational peers must be aware of the fact that, consciously or unconsciously, their “interpersonal cognition” and biases might facilitate or hold back family members’ chances to exercise their true free will, leading them to the enhancement or detracting of their quality of life. In the end, how we (positively or negatively) interact and connect with our family-in-business and with the reality of the family firm determines how we make our choices.

Taking the latter into account, the business-family culture and family firm context, as well as its prospects and occasions, must constructively (and consciously) offer learning opportunities and experiences to all family members – men and women. Openness, unbiased counsel, and moral support, can help next-generation female family members develop the acumen to make and face their own, independent decisions. These independent decisions ought to be concomitant with the acceptance by the family-in-business, of their free choice. The lack of desire, abilities, competence or means of the family-in-business to