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**PROOF**

## **Part V**

# Family Enterprise Stewardship





PROOF

## 10 The Men and Women Who Plant Trees

Exactly a century ago on the bare contours of the southern French Alps, one man began to plant trees.

Elzéard Bouffier had been a farmer in the lowlands, but – after the death of his wife and only son – he withdrew to the mountains with his sheep. However, it was not his intention to live out his last years as a shepherd, alone on the arid slopes scattered with long-abandoned villages. He had a simple purpose: to bring the withered landscape back to life by populating it with trees.

Bouffier spent his days planting acorns and his evenings sorting through the next batch of seeds, selecting only the best. He also started to introduce other species, such as beech and birch. Over three years, he planted 100,000 seeds in total. Of these, only one-fifth produced seedlings. And he knew that only half of these again would survive. But that would still leave 10,000 trees – growing in a place where once there had been nothing.

The years went by, and with them the Great War. Elzéard Bouffier continued his single-minded pursuit. By now the first oaks were as tall as a man, and the beech trees shoulder high. In the valleys birch thickets were thriving, and water ran in the beds of streams that had been dry throughout living memory. Meanwhile, Bouffier had sold all but four of his sheep, as the flock had begun to eat too many seedlings and to drink too much of the water, the scarcest resource of all. Instead he acquired a hundred beehives, from which he was able to earn a basic living.

Little by little, as the years went by, wildlife returned to the landscape: first flowers and willow trees, then hare and wild boar. Hunters followed in their tracks, but no one yet suspected that man, let alone one single man, was responsible for this apparent miracle of nature. And still Bouffier continued – with no recognition, yet much adversity. One year

he planted more than 10,000 maples, all of which died. But the rest of the forest flourished to the point that he now had to walk 12 km from his house to plant new beech trees. Bouffier was 75 years old and had almost forgotten how to talk, such was his solitary lifestyle.

When the Second World War broke out, his work was briefly in jeopardy. Some of the trees were cut down for much-needed fuel, but the forest was so remote that it soon became apparent that felling them was uneconomical. Bouffier continued planting, just as he had through the First World War. By the time a distant peace was declared in 1945, he was 87. He died in hospital two years later.

During the last years of the old man's life, a wise forestry officer had come to realize that the trees had not sprung up spontaneously. He had, unbeknown to Bouffier, assigned some of his staff to protect the young forest. At around the same time, families had begun to return to the abandoned farms and villages. Water became plentiful, as the trees retained the snow and the people learned how to channel streams. Crops of all kinds grew abundantly.

Elzéard Bouffier left behind him not only a forest of thousands of trees but a community of nearly 10,000 men, women, and children. His once-bleak mountainside lived happily – if not ever after – right up to the present day.

#### FROM PLANTING TO PLANNING

“The man who planted trees” is clearly *not* a story about family business. Its original author, the French writer, Jean Giono, was never even clear as to whether it was fact or fiction. He claimed instead that it was a modern fable. Indeed, since he first published it back in 1954 the short story has been translated into all major languages and turned into a Oscar-winning animated film in 1987.<sup>1</sup>

No doubt the fable is more relevant than ever in an age where planting trees could quite literally save our planet. But for us, it is above all a story that sums up all that is – or can be – best about family business. Perhaps too, just as business families can learn from the man who planted trees, so other companies can learn from the example set by family firms.

Ultimately, “The man who planted trees” is about an ordinary human being who channels his creativity and energy into a vision and accom-

plishes extraordinary things. His values of focusing on the future, continuous learning, and working strategically, combined with the entrepreneurial determination to do something that had never been done before, enabled him to transform the arid countryside into a thriving landscape filled with wildlife and happy, prospering families. Without any thought of personal recognition or gain, the shepherd turned forester moved tirelessly across the countryside, selecting and planting the best trees for the different soil and landscapes. In short, this is a story about the outcome of sound planning – what we call *stewardship*.

Jean Giono's story also returns us to the starting point of this book – values and vision – and enables us to close it by insisting on the importance of the human dimension of family business. As business professors, it is easy for us to suggest new thinking about strategy, investment, and governance. These are technical topics where we can offer relevant information based on our research, teaching, and advisory experience. Yet, in reality, the most important factors in working with business families are their values and vision. If the family's motivations do not support a commitment to working together to build a long-lasting business, then our ideas about planning are of little practical value.

In this chapter we do something that we have attempted to avoid throughout the book. We are going to make a specific recommendation that you consider including stewardship as an overriding value for your family and business. When we say family and business “stewardship,” we literally mean how you raise your children, how you lead the business, and the type of legacy your family aspires to. Wealthy and successful families face a difficult challenge, because maintaining their family connections or glue is not easy. This is where stewardship can play a role in helping create shared meaning in their lives. A strong set of values can hold a business family together, and more importantly, offset the natural tendency for wealth and power to interfere with normal human relationships.

We know that many of you have stewardship or continuity or perpetuity in some form as a family value, but we believe that there is a particularly complementary relationship between stewardship and the *Parallel Planning Process*. Stewardship is the value, and the *Parallel Planning Process* activities of visioning, strategizing, investing and governing are the behaviors, that build legacies of success for family businesses. Family business stewardship can take many different forms:

- using family values as the basis for planning and actions
- teaching your children about the responsibilities of wealth
- funding family education and talent development
- ensuring the business has the resources to grow
- selecting the most capable management team available
- planning for ownership transitions
- continually monitoring business opportunities and threats
- preparing the family and business for change
- developing programs to support family participation and commitment
- contributing family talents and resources to philanthropy
- developing sound family agreements to prevent conflicts
- using governance to take decisions and improve accountability
- practicing fair process in all family and business dealings
- protecting the interests of the communities served by the family business.

The best families consciously work at stewardship, because passing on a better business than inherited or founded to children and grandchildren is of high purpose. A healthy business with sound prospects provides options for future generations and builds a legacy based on family values, participation, and a commitment to creating value for all stakeholders.

Most businesses, just like the forest in the story of Elzéard Bouffier, simply do not grow naturally. Then they last one or two generations and simply fade away. Dr. Léon Danco, one of the early consultants to study family business, first observed this phenomenon 30 years ago. His thinking challenged business families to professionalize their planning. He lamented that the lack of effective planning by family, owners and managers was a leading cause of business failure. Danco's challenge to the field of family business influenced our previous books: *Keeping the Family Business Healthy* by John Ward, *Strategic Planning for the Family Business*, which we co-authored, and now *When Family Businesses Are Best*.

We believe that business families achieve their potential when the owners and leaders develop effective family and business plans supported by stewardship values. Stewardship alone is just a good intention – it requires a constructive framework like the *Parallel*

*Planning Process* to help members of the family team understand their roles and take decisions and actions that support the business' future success. The five steps of the *Parallel Planning Process* are the tools that transform stewardship from an idea into a professional behavior. While our book is written for business families, we believe that it offers a planning template for the twenty-first century. As the global environment becomes more threatening and businesses become more complex, we doubt that many organizations, either family or widely traded, will grow without sound planning and a longer-term, stewardship-driven approach.

The results of planning for a family business are not, of course, predetermined. For most readers, this book presumes, planning – especially the *Parallel Planning Process* – will sharpen the choice of strategy and strengthen the family's commitment to the business. If so, the increased reinvestment by the owners will enhance the business strategy's chances for success and the family business's long-term continuity. For some families, the *Parallel Planning Process* will lead to a different, but perhaps equally appropriate, result. They may accept more conclusively and comfortably that business continuity is not the best goal for them.

For other families, the *Parallel Planning Process* will help them realize that potential exists and that commitment is for some family members, but not all. They may choose to strengthen commitment by providing ownership redemption opportunities for those less interested. Coming to that conclusion pro-actively and gracefully strengthens the chances for both business success and family harmony. If owners and leaders act as stewards and if the family feels that processes are fair, the full potential and benefit of the family business's strengths are realized. Families that respect both stewardship and *Fair Process* will find the *Parallel Planning Process* an invaluable tool and worthwhile adventure.

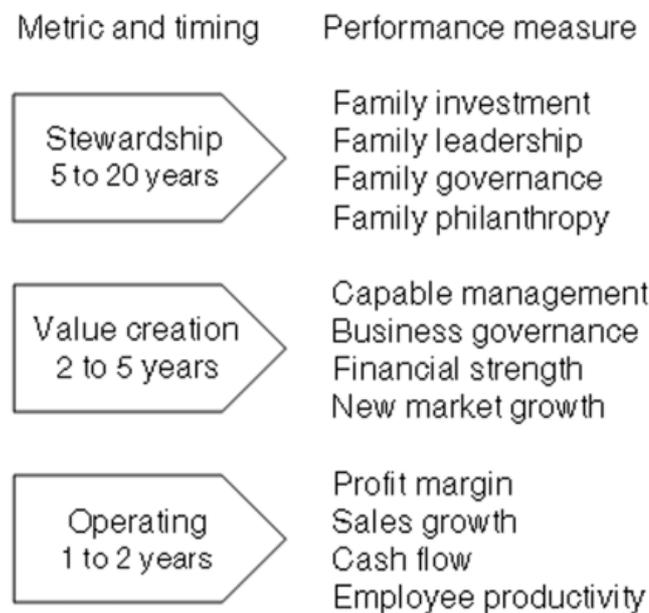
#### STEWARDSHIP AS THE REAL MEASURE OF FAMILY BUSINESS PERFORMANCE

Typically, business performance is measured on two metrics: operating results and value creation (see Figure 10.1). Operating performance

is a financial measure of efficiency taking into account the business' results over recent periods in terms of cash flow, productivity, and profitability. These are the key criteria of the health of a business, and both the management and the board will monitor them on a quarterly and annual basis.

The second metric, value creation, measures the effectiveness of the business's strategy and the management's execution in creating long-term value for shareholders and all stakeholders. Criteria include new market development, sound financials, the quality of the management team, and effective governance. These are important indicators of the business' longer-term health and ability to create future value.

Family businesses have a third measure of performance, which we label "stewardship." It is not a measure of the business's outputs, but rather assesses the family's ongoing contribution – as owners and leaders – to its own success and that of the business. Stewardship measures the family's efforts in terms of its human and financial



**Figure 10.1** *Three measures of family business performance*

investment, leadership, and governance behavior, and most important, the way in which it enacts values like professionalism, concern for employees, philanthropy, or fairness. Business families require an expanded set of performance metrics because their success is not simply measured by financial performance. Families, as discussed in Chapter 1, often expect social, psychological, and spiritual returns on their investment.

#### THE COMPETITIVE ADVANTAGE OF STEWARDSHIP

Stewardship is a potential competitive advantage for all business families – provided they plan and govern to exploit it. Effective planning artfully capitalizes on every possible family business strength or advantage. Although it is impossible to list all of the unique advantages of family businesses, there are natural strengths that the best family firms often possess by the very nature of the fact that they are family controlled. It is interesting that many of these strengths are demonstrated in “The man who planted trees.”

The following section reviews the five steps of our *Parallel Planning Process* and how they can turn natural family business strengths into competitive advantages.

#### **Family values mean something**

Widely traded companies must often set their standards of excellence through costly and time-consuming personnel and management controls. But family companies are driven by shared values and a sense of pride in their people, products, or services. It is their name above the door. Elzéard Bouffier valued quality as a driving force in his work, and was inherently motivated to do things right. Family firms tend to value quality too. They often respond to customer complaints more quickly than larger or more widely held companies. Family companies take such complaints personally since they come from neighbors. For customers large and small, a family business can provide that “personal touch” so important in today’s frequently impersonal business world.

**Family visions are in generations**

The story of Elzéard Bouffier also demonstrates how focusing a vision on the long term can get results. His vision of creating a forest – where before there was nothing – supported a simple strategy of planting 100,000 trees over three years, knowing that only 20,000 would result in seedlings and that just half of those would survive to form a forest in several decades' time. He followed his dream, even though he knew he would not be there to see it become a full reality. The best family businesses are in for the long haul too. They are able to look beyond the results for the quarter or even the year, to the next generation and beyond.

**Families plan for new opportunities**

Niche or specialty markets often provide greater opportunities than larger, mass markets because there are fewer players – and that means more profit to go around. The company that first makes a name for itself in such a market can usually create a barrier to other competitors.

Family businesses are eminently suited to taking advantage of such market opportunities. They do not have to answer to shareholders and investment professionals. Instead, with the right family commitment, they have the freedom to experiment with new markets and opportunities – even if they have to wait one or two decades for the eventual payoff.

This was also the case for Elzéard Bouffier. As sheep no longer became his central concern and in fact began to threaten his main enterprise of nurturing a forest, he turned instead to bees for his livelihood. He practiced perfect stewardship of scarce resources like water and young birch trees. He knew his values and what was right, and so he never gave up on his vision – but as he aged and his environment evolved, he planned and adapted to take advantage of new opportunities.

**Families invest for the next generation**

One of the oldest clichés about business is particularly true for family businesses: Successful businesses are successful because they invest for the future. And the best family businesses are the best because they invest their talent and resources in developing their human capital and

capabilities as owners and leaders. Similarly, Elzéard Bouffier was continually learning. He knew far more about trees than the forestry official who one day came along and warned him not to light fires, as it might endanger the “natural forest.”

The best family businesses offer training programs, family seminars, coaching, time off for professional or industry associations, even funding for further formal education. Family companies can gain high returns from such investments because they result in long-term loyalty and commitment. A family company that develops, promotes, and rewards based on contribution to the family, benefits from the commitment of the entire family whose interest it has encouraged. A family leader who has no interest in business matters becomes a committed owner when a son or daughter works for the family business or chooses to support it in other ways. Like Elzéard Bouffier, he or she is not yet ready to withdraw from life while working for the benefit of the next generations.

### **Families govern for performance**

A universal challenge facing family businesses is the inherent conflicts that exist between the values and thinking of families and businesses. These two powerful systems – when aligned in their vision and planning – create outstanding value for their stakeholders, but this requires sound governance based on effective decision making and accountability. The well-governed family business that plans in parallel for itself and its business, based on a shared vision, can react more quickly to new opportunities. It can do this because a few people make these decisions, not a slow-moving corporate bureaucracy. Just before Elzéard Bouffier died, the forester with foresight did exactly what was needed. That is, nothing at all – except for guaranteeing that the forest would be placed under the protection of the state and that all commercial felling of the trees would be strictly prevented. In the same way, effective governance processes prevent conflict and protect family relationships without undue interference.

### **FAMILIES CREATE SHARED SUCCESS**

“The man who planted trees” is a parable about stewardship: an ordinary man who had no need for recognition or power toiled persis-

tently without expectation of personal gain. The work and his ability to contribute to the future was his reward.

The social glue created by shared success may be the most important reason for family business ownership. Members of the best business families create opportunities to recognize each other's contributions, to show appreciation for efforts, and to develop pride in accomplishments that non-business families seldom get to experience. It is only when families work together that father, mother, daughter, son, uncle, aunt, sister, brother, or cousin see one another in leadership roles, serving others and the family itself.

Family businesses create a special place where their families can share and enjoy their successes and support each other during setbacks. These shared experiences – if supported by clear boundaries, like family agreements, and sound structures, like boards and family councils – form strong bonds. In such a close-knit environment, family members share the big achievements but also the small, often unrecognized, contributions, which are not even expected. These hidden successes are reinforced in a thousand ways, from a kind word by a senior relative, a smile from an employee after an important decision, the laughter of children at a community event, or the feeling that comes from helping a struggling family member achieve something positive in their life.

This is WHEN FAMILY BUSINESSES ARE BEST.