Building a Winning Cross-Generational Culture in FAMILY BUSINESS

EgonZehnder + FBN

To our readers

Family businesses are special. The largest employer globally and a vital and resilient economic force, the sector also cherishes a unique ethos: strong values, long-term vision, entrepreneurial spirit, care for the community, and a bond of loyalty that embraces family members, employees, and customers. This culture is what makes the work that we at Egon Zehnder and FBN do with business families around the world so rewarding.

But culture must adapt as times change; upholding core values does not mean that family businesses are preserved in amber. Striking a balance between time-honored legacy and dynamic future readiness can be complex, and generational misalignment puts great pressure on all involved—the family members currently in charge as well as those waiting in the wings. This is especially true during leadership succession.

The way this process is managed makes all the difference to the sustained wellbeing of the business. Why then is it seldom discussed, frankly and in detail? With this report, we open the conversation. Drawing on insights from a new, large-scale study, we offer a powerful three-phase model for conscious culture change, with a comprehensive set of best practices and concrete steps for successful transition.

At Egon Zehnder and FBN, we take pride in our role in helping to ensure that the precious legacy of family enterprise is transferred safely into the hands of the next generation, for many generations to come. We look forward to accompanying you on this journey.

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Family businesses are a dynamic global force, a mainstay of economies and employment worldwide. The culture and values of family businesses—typically focused on long-term value creation—are key elements of their success. However, if not managed consciously, communicating and aligning that culture that culture across generations of family leaders can present particular challenges and vulnerabilities.

This wide-ranging study, conducted by Egon Zehnder and the Family Business Network (FBN), explores the significant impact of culture in family businesses—based on a survey of 300 family business owners across Asia-Pacific, Europe, the Middle East and Africa, and the Americas; Egon Zehnder's proprietary Culture Profile analysis; and interviews with over 80 leading family business owners across generations.

The study's standout finding is that most participating family business members—88%—believe that a strong culture is very important for overcoming business challenges and driving performance. Yet only 39% of them rate their company's culture as very future-ready. There is wide agreement that more work is needed to translate values into behaviors that drive future high performance.

The study also casts light on the need for more deliberate alignment between leaders currently at the helm and those coming up in the next generation. This alignment is essential for navigating leadership transitions, and for fostering a strong, unified culture that drives long-term success.

Drawing on case studies, survey results, and Egon Zehnder's deep experience in advising family businesses, we have identified three distinct modes of intergenerational transition. To aid a family business to pass through these modes in a managed and successful manner, we describe four general enablers as well as a key interventions to help the business advance from mode to mode—and through to a successful transition.

Whatever your company's current culture or stage of transition, these findings can help the family speak with one united voice, shape a shared vision, and drive long-term value creation.

INTRODUCTION

Around the world, family businesses account for the majority of economic output and employment, and their contribution is increasing. A key element that makes these companies stand out from their competitors is their distinctive culture—typically characterized by long-term vision, strong values, and a commitment to contributing meaningfully to customers, employees, and society. If the owners and leaders of family businesses proactively nurture and manage that culture, aligning it with their strategy, it can underpin sustained growth and value creation.

The transition between different generations represents a particular challenge for many family businesses. At Egon Zehnder, we have accompanied many families through this, advising them on aspects of leadership transition. Our experience has shown that culture plays a pivotal role in the process, and here we explore this relationship in detail. This study integrates insights from a survey of 300 global family business owners, additional interviews with 86 family business leaders, and Egon Zehnder's proprietary Culture Profile analysis.

More than three-quarters of our survey respondents are decision-makers or strong influencers in their family businesses. Respondents hail from Asia-Pacific, Europe, the Middle East and Africa, and the Americas; they span the generations, from leaders in their twenties to those in their eighties; nearly a third identify as women; and they represent companies both small and large (from under 500 employees to over 10,000). Figure 1

In the interviews, we made sure to speak to at least two different generations from each of the businesses we approached. Our conversations with these current and next-generation leaders illustrated both their areas of alignment and their differences.

Cultural misalignment between those currently at the helm and the upcoming generation can sap energy and stall progress. Productive dialogue and harmonization between the generations, however, can amplify long-term value creation, support strategic renewal, and bring significant growth opportunities. Our exploration identified strategies to bring the best of both generations to the task of shaping a great and lasting family business culture.

Figure 1: Our study integrates insights from a global survey and interviews with leading family businesses, incorporating Egon Zehnder's proprietary Culture Profile analysis.

Online Survey

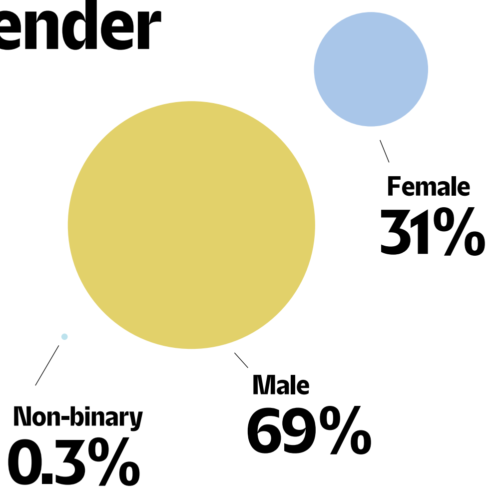
- A total of 300 people took part in the online study
- … from 166 family businesses
- … from 35 different countries across all study regions
- More than 75% of respondents were decision-makers and strong influencers

Additional Interviews

- A total of 86 family members were interviewed
- … from a total of 39 family businesses
- … based in 16 different countries across all study regions
- Each family business was represented by at least two different generations

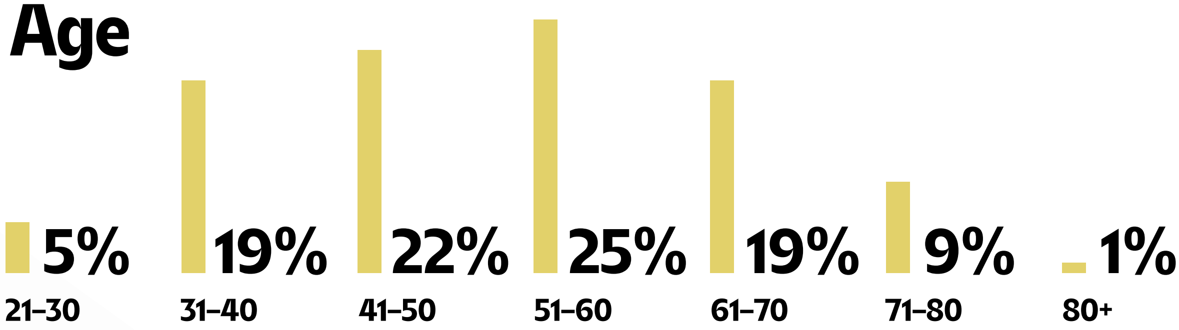
OUR

Gender*1



*1 Age and gender figures are based on individual survey data (n=300). Size and region figures are based on total number of organizations in the survey sample (n=166). Percentages may not sum to 100 due to rounding.

Age



Region

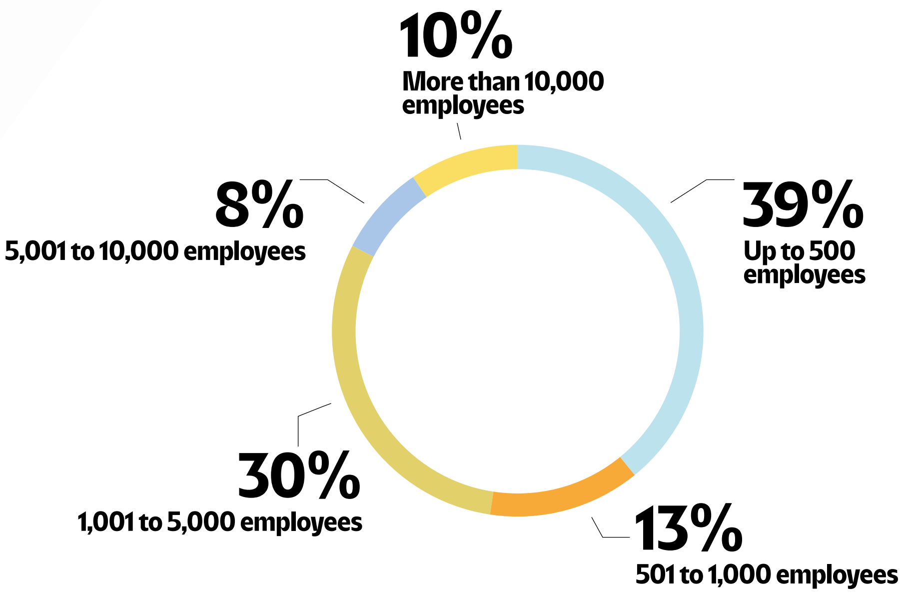
APAC 15%

AMERICAS 18%

EMEA 67%

STUDY

Size of Businesses



Source: Egon Zehnder Survey, 2024

THE POWER OF CULTURE IN FAMILY BUSINESSES

"We understand that culture is key to the company's success, but if it doesn't evolve, it can hinder change. Culture can only remain a success factor if it continues to evolve and renew itself." — LEADER AT THE HELM

"Building a strong company culture is an ongoing journey that ultimately leads to better performance, happier employees, and a stronger organization. Culture is dynamic and growing, and should adapt with the business over time."
— ASCENDANT LEADER

"We approach all aspects of the company with a view to the future. The culture is historically the basis of all our actions and the DNA of our key decisions." — LEADER AT THE HELM

VOICES OF FAMILY BUSINESS LEADERS

By all accounts, we are living through a golden era for family business. Our study reflects this: out of 300 family business owners surveyed, 78% say their company is thriving, growing, expanding, or developing—and only 4% say it is struggling or declining.

This dynamism matters for society: with their long-term vision and high capacity to create employment, family businesses are an important growth driver in most countries. One recent study found that the growth of the world's 500 largest family businesses is outpacing that of the global economy—at nearly twice the rate of advanced economies and around 1.5 times the rate of developing countries.[1]

A key enabler of family businesses' success and societal contribution is their capacity to ride out short-term pressures and volatility. At their best, family businesses can be a force for good, bringing clear commitment to a noble mission that spans multiple generations; it is no surprise that three-quarters of the companies in our study have been in existence for 80 years or more.

When asked about the unique advantages of a family business, a next-generation owner said to us:

"Family businesses emphasize a long-term vision because the family's future relies on the business's sustainability, not just short-term gains. Family involvement helps instill the desired culture and a strong sense of responsibility to pass on the legacy. There's a shared commitment to overcome challenges and maintain continuity."

What is "culture"?

Ed Schein, the doyen of organizational development, defined culture as "the basic assumptions and beliefs that are shared by organizational members."[2] Charles O'Reilly and Jennifer Chatman defined it as "a system of shared values defining what is important, and norms, defining appropriate attitudes and behaviors."[3]

At Egon Zehnder, we believe culture boils down to how people behave in an organization—the norms and patterns of behavior seen throughout a business, which in turn are reinforced by systems, leadership behavior, and processes. Looking at culture this way enables us to measure, manage, and change it for the better.

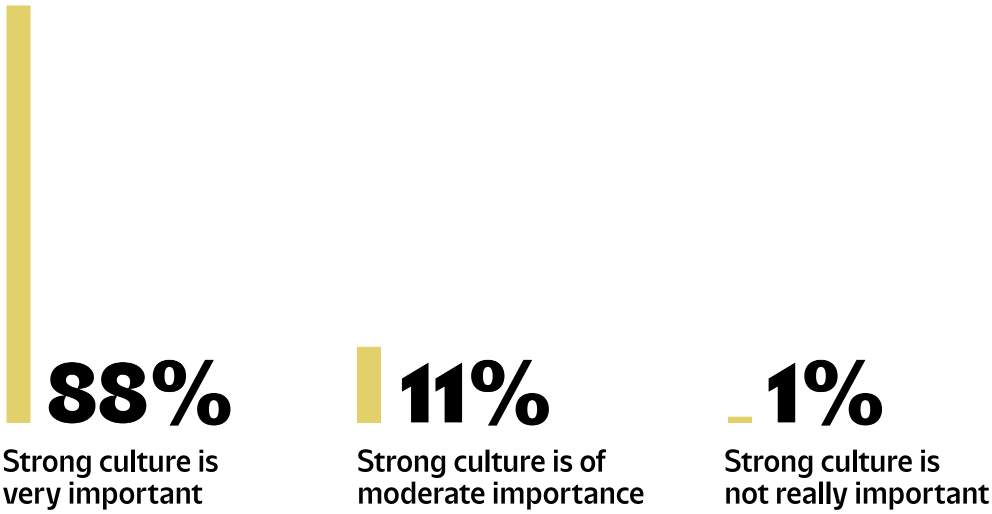
Our study makes it clear that family businesses' capacity to create prosperity for the long term is underpinned by their culture—the organization's prevalent norms and behavior, or what one might call "the way things are done round here." Driving culture management is a key responsibility of family business owners. One ascendant leader in our study encapsulated this crucial role as follows:

"Creating a thriving company culture is an ongoing journey that brings rewards later through improved performance, happier employees, and a stronger organization. But culture isn't static—it's a living element that grows and evolves with the business and is updated with the times."

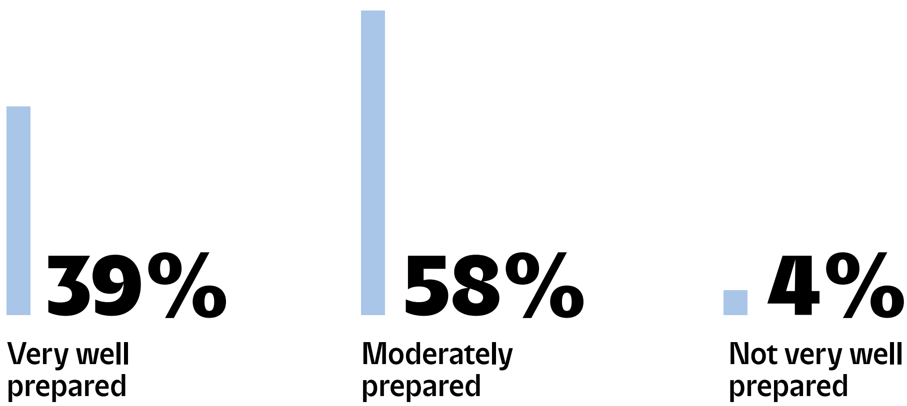
Among our survey respondents, nine in ten (88%) believe that a strong culture is very important for overcoming business challenges and driving performance. Yet despite their strength and significance, family-owned companies can experience particular vulnerabilities when it comes to organizational culture. Our survey findings underscore this: only 39% of respondents rate their company's culture as very well prepared for future challenges, or "future-ready".
Figure 2

Figure 2: Family business owners place great importance on culture, yet do not feel confident that their business culture equips them for the challenges of the future.

The importance of a strong culture for facing future challenges



Future-readiness from a cultural point of view



Percentages may not sum to 100 due to rounding.

Source: Egon Zehnder Survey (n = 300), 2024.

Many leaders said their companies saw value in qualities such as agility, curiosity, a growth mindset, and external orientation. But they agreed there was still a way to go in translating these values into behaviors that would drive future high performance—such as focusing on goals, listening to customers, anticipating market developments, enabling personal growth, and acting with integrity.

As the CEO of a family business told us:

"While our business values are strong and inclusive enough to be relevant in the future, there is a noticeable gap between demonstrated behavior in the organization and business values. I believe the culture needs to catch up to the values."

The leader of another family business echoed these concerns, saying:

"The company is clear about the values that are needed, but we need to do more work on living those values. In addition, we need to make sure the culture is role-modeled by senior management."

In 89% of the businesses in our study, the family is actively involved in management.[4] This means their values and behaviors have a decisive influence on the culture of the organization. When family members bring a unified sense of purpose and aligned behaviors, that can inspire performance and collaboration across the company. But discord—for example, over investment decisions or leadership appointments—can have the opposite effect.

Given the longevity of most family businesses, it is particularly important that family members across generations seek to build cultural alignment as they plan and manage leadership transitions. The scale and impact of such transitions will be massive. Over the next 25 years, an estimated $100 trillion will be transferred from current family business owners to the next generation—the largest wealth transfer in history.[5]

As one current leader of a family business told us:

"The issue of culture and values is crucial—for the survival of the business, and for its future cohesion. My generation and the next generation need to work on this together."

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1 "How the world's largest family businesses are outstripping global economic growth," 2023 EY and University of St. Gallen Family Business Index, Familybusinessindex.com.

2 Schein, E. A. (1985). Organizational culture and leadership. San Francisco: Jossey-Bass, 9.

3 O'Reilly, C. A., & Chatman, J. A. (1996). "Culture as social control: Corporations, cults, and commitment," Research in Organizational Behavior, 18, 157-200.

4 "Actively involved" means at least one family member is in a management or influential position, such as in the C-suite or on the Board.

5 Arjun Neil Alim, "The transfer of wealth from boomers to 'zennials' will reshape the global economy," Financial Times, 23 August 2023.

ALIGNING GENERATIONAL PERSPECTIVES

"I've seen many companies fail, not because of their product, but due to the founding generation's attitude, stubbornness, or overconfidence. This does not have to be the case."
— LEADER AT THE HELM

"The coming generation, they have been spoiled; they don't have the same drive." — LEADER AT THE HELM

"Be open to new ideas; century-old traditions shouldn't hold you back. The next generation wants to and will make a difference. Buy into that and work with them!"
— ASCENDANT LEADER

"An attitude of caution was more ingrained in previous generations. Our generation is much bolder in our approach, and the older generation should hear us out."
— ASCENDANT LEADER

VOICES OF FAMILY BUSINESS LEADERS

Most family businesses seek to align the perspectives of at least two generations of owners: those currently at the helm, and the ascendant group. Note that these "generations" are not strictly bound to years of life. We have found that it is a family member's role in the organization, rather than their age, that typically has a greater influence on their perspective and their impact.

That said, there is a wide diversity of ages in family businesses, with younger generations well represented. As noted earlier, three-quarters of respondents to the survey were decision-makers or strong influencers; of these, 20% of decision-makers and 21% of strong influencers were under 40 years old. Figure 3

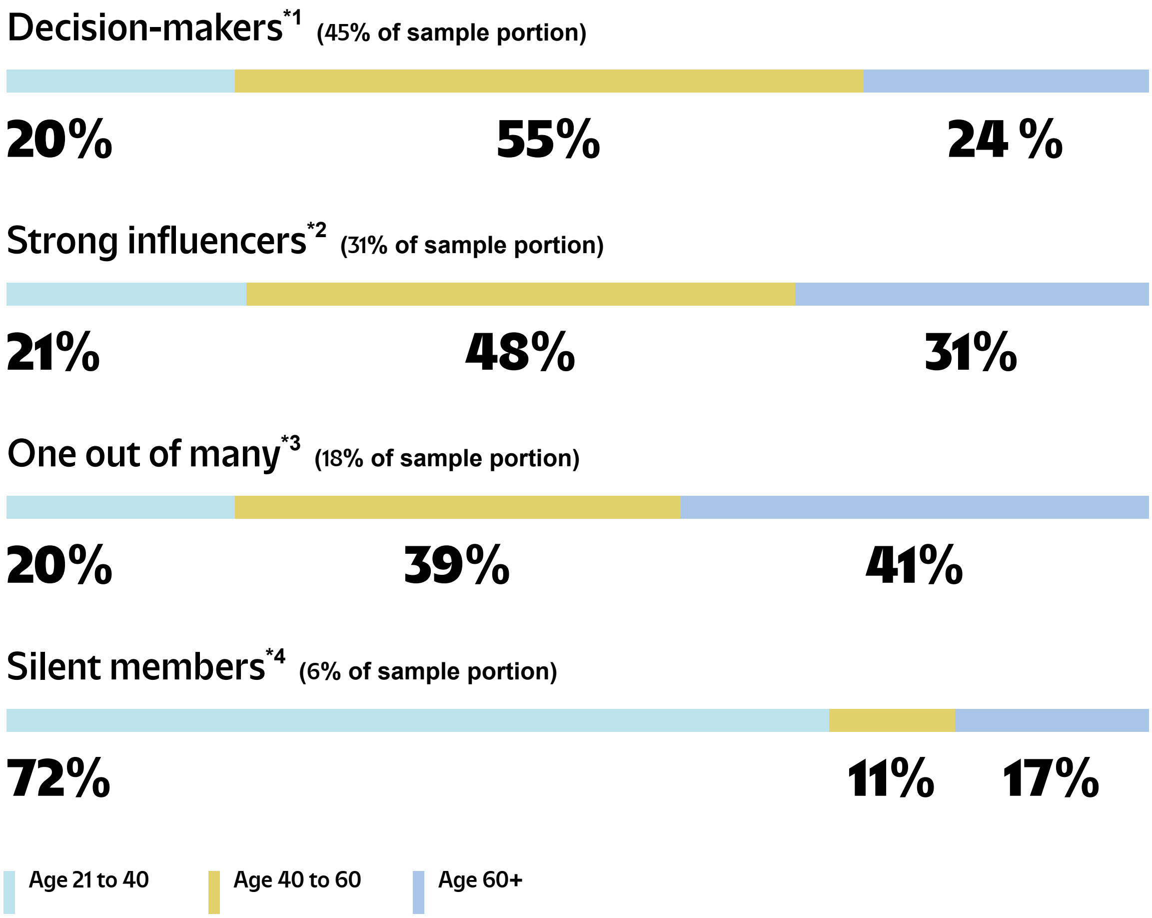
Our study shows that, even in the most harmonious of firms or families, incumbent and ascendant leaders may have very different ideas about how to implement the principles that all may agree on. It is in this gap that the seeds of miscommunication may lie; but it is also an opportunity for cultural development to be managed productively.

In most of the family businesses we surveyed, there appears to be a remarkably high level of agreement on the fundamentals, with good alignment on values and norms between the generations. There was a large degree of consensus on the cultural strengths of both family and business, a principled commitment to "doing the right thing," and agreement on what that might look like. Further, nearly three-quarters (73%) of the respondents in our study felt that their family values accorded strongly with their business values—and only 3 percent said this alignment was weak.

The study shows that family dynamics—the way family members communicate and relate—is closely correlated with the degree of alignment between family and business values. Families with positive dynamics were much more likely to see high alignment on values, while those with challenging family dynamics tended to experience moderate or poor alignment. Figure 4

Challenges—and opportunities—arise when family members understand these cultural values somewhat differently and have different perspectives on how to go about fulfilling them. Even with strong alignment, significant generational differences exist.

Figure 3: The younger generation has significant influence: 20% of decision-makers and strong influencers are under the age of 40.



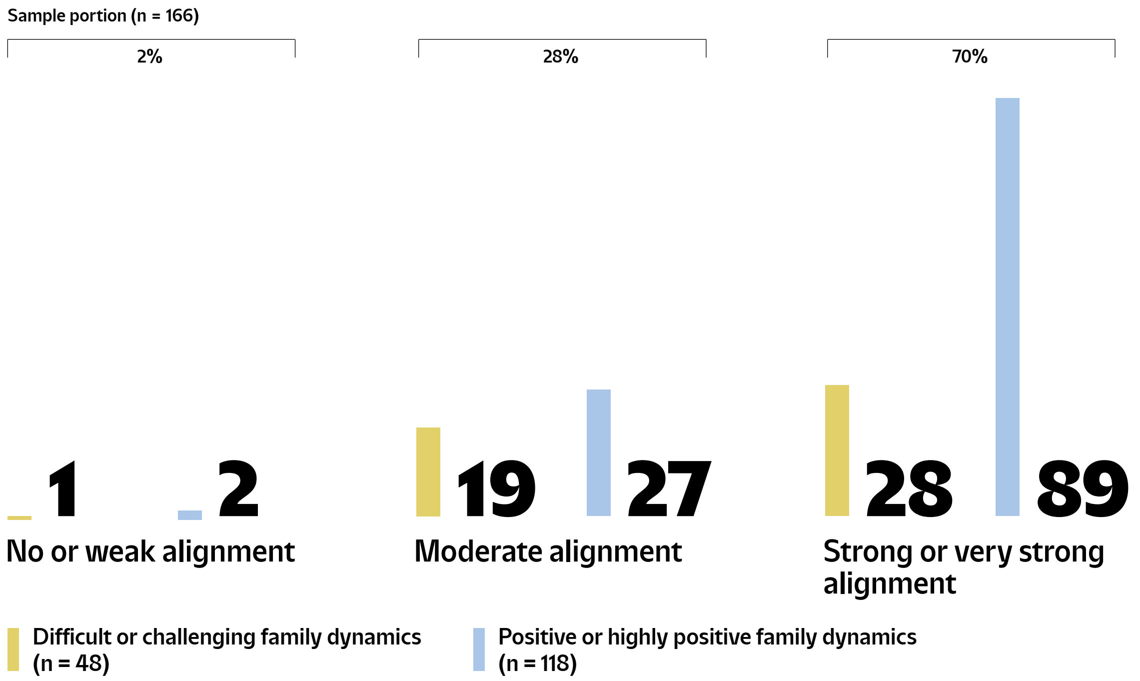
*1 I am enabled to decide upon central business issues (voting rights).
*2 My opinion is relevant to decision-makers in important business issues; they follow my advice.
*3 My opinion is heard by decision-makers but I am one of many other influencers.
*4 I am not involved in the business decision-making process.

n=300

Percentages may not sum to 100 due to rounding.

Source: Egon Zehnder Survey, 2024

Figure 4: Positive family dynamics correlate with stronger alignment between the values of the business and those of the family.



Data is based on organizational responses (n = 166)
The figure illustrates correlations between family dynamics and alignment of values, but does not imply causation.

Source: Egon Zehnder Survey, 2024

Take, for example, the shared value of wanting progress and growth. Those currently at the helm often emphasize the importance of drive and eagerness for success. Some are concerned that the next generation may not experience these qualities with the same intensity, and that the company may lose its "edge" as a result. Another concern for incumbents is a potential dilution of focus as the company tries to address multiple interests and needs as more family members join the fold.

The ascendant group, on the other hand, is typically preoccupied with the need to modernize in a fast-changing world—they worry that the business is not moving fast enough to keep up, and place great value on adaptability and collaboration. While study participants generally recognized the same "pain points," the up-and-coming generation often emphasized these more and put greater focus on the need for change.

Many upcoming leaders are aware of the need for professionalization: they recognize that non-family executives can play an invaluable role in steering businesses, shaping a strong culture, and mediating decision-making between generations. They are also alert to the distinctive challenges that can arise: one ascendant leader went so far as to warn of the risk of "personality cults" developing around leading family figures such as founders. There is also concern among this generation that family businesses can experience a degree of stasis. As one interviewee reflected:

"It's very hard to change things around here. Family is the biggest friend and the biggest foe of a family business."

The key question then becomes: how can generational perspectives be aligned?

MANAGING CULTURE IN LEADERSHIP TRANSITIONS

"We need to create more space for reflection and seek more opportunities for dialogue with management. However, quite often there's little time to discuss business development and the future—we need to be collaborative and smart about this crucial element." — **ASCENDANT LEADER**

"I see us as links in the chain, here to pass it on. It would be disappointing if our generation were the one that failed. My hope is that it will continue—I'm just a transitional link."
— **ASCENDANT LEADER**

VOICES OF FAMILY BUSINESS LEADERS

In our analyses of interviews with 86 family business owners, we found that most perceived the current business culture to be quite close to the desired state. However, once again, upcoming generations had somewhat different approaches. It is often in the course of leadership transition—handing the baton from one generation to the next, one of the toughest challenges facing businesses—that friction between these viewpoints can manifest.

Creating alignment during these transitions requires active management of culture. Indeed, when well managed, culture can be a tool to support the succession process, empowering the younger generation to step up to their leadership responsibilities faster and more effectively.

Egon Zehnder has worked with diverse family companies in different regions at various stages. This experience, together with the findings of this study, point to three distinct modes of generational leadership transition. Figure 5

Across all three of these modes, a few key values constitute a stable, common core: a long-term perspective, and, frequently, a view of employees and colleagues as *"part of the family"*—precisely the qualities that make family businesses special. But they also have features that make them distinctive enough to be seen as archetypes:

Mode 1
Two generations in business: Common values, different approaches

In this mode, both generations share a strong commitment to a common set of values and are mostly aligned on their understanding of pain points. However, each has a very different approach to tackling those—and tend to keep it to themselves. There is little attempt or opportunity to discuss links between strategy and culture, or to exchange and align ideas.

One organization we interviewed was an Asia-Pacific manufacturing and supply company. Its top management consisted of a well-established older generation (the executive chairman) and a member of the younger generation who was relatively new to the business but starting to take more responsibility.

The organizational culture reflected the values of the old guard: prioritizing integrity and high ethical standards, with a strong employee orientation and high-performance expectations. While valuing these elements, the younger leader

Figure 5: The three modes of leadership transition and their identifying characteristics.

Two generations in business: Common values, different approaches

- Alignment is present between generations on basic cultural values and principles.
- There is recognition that the same cultural challenges are faced by both generations within the business.
- Yet differences in approach, tempo, focus, and vision remain.

A cross-generational team: Sharing open dialogue and moving forward together

- Both generations work on developing a common vision for the future.
- Each is aware of the other's characteristics and priorities.
- The different generational narratives are communicated and integrated into a common understanding.
- Dialogue and open communication is fostered.

A family active in cultural management, with the ascendant generation taking the lead

- The voice of the family is united on shared values and vision for the business.
- The ascendant generation is enabled to step to the fore and take ownership.
- The generation at the helm supports the incoming generation in their commitment and responsibility.

Source: Egon Zehnder Interviews Analysis, 2024.

was keen to get the company to collaborate in a different way, improve its understanding of customers, anticipate market developments, and push for adaptability. The older leader was more comfortable with the company's current norms. He compared the family's attachment to the company to that of a parent to their child, and projected this dynamic onto the employees, creating a familial relationship strong on respect, loyalty, and support. The younger leader, on the other hand, wanted to prioritize shaping a clear and open agenda for the company's growth and renewal—and mobilizing employees around that.

Thus, as with many companies at this relatively early stage of transition, the two generations shared core cultural values, such as an ingrained sense of principled responsibility, and recognized mutual cultural challenges in terms of employee orientation and commitment—but differed on approach, tempo, focus, and vision.

It is not unusual, or necessarily problematic, for a business to find itself in this mode; but it is important to work through this difference and use it as impetus for advancing the organization. As one senior business leader expressed, *"Without some manageable conflict, there can be no growth."* But to get this right, communication and interaction is key—and for that you need to find a common language.

If this process is not managed appropriately, there is a risk to the unity of the business. As we heard from one ascendant leader:

"The risk would of course be that we become more and more two camps; that there is no alignment, that we don't find a consensus, that we don't find a compromise. But then again … family equals compromise."

Mode 2
A cross-generational team: Sharing open dialogue and moving forward together

In this mode, the generations are aware of and value each other's differing perspectives. There is an exchange of views about culture, and all parties hear and understand. They work on integrating and finding common threads. An industrial manufacturer based in Europe had progressed their transition to the point that current and upcoming leaders were working as a team. This had led to the development of a common vision for the future, with agreement on key principles. Each generation had grown in awareness of the other's characteristics and priorities. For both, the focus had shifted to action- and solution-oriented practices.

For the older generation, the key focus was on the importance of meeting goals, while acting with integrity. The younger generation believed in maintaining traditional values, while also emphasizing the importance of fostering innovation, listening better to customers, embracing calculated risk, and experimenting with new ideas—often leading to a re-evaluation of company strategies.

These different generational narratives were cross-communicated and were starting to be integrated into a common understanding. As the senior leader at the helm of this business remarked when we interviewed him:

"I told the younger generation that it's very good to have opposing views, different ideas about how things should be done … But we should talk more often and respect all these differences—and make these differences strengths rather than weaknesses in the way we run the business."

As alignment between the generations grows stronger, it is important to analyze how this mutual understanding accords with and serves the overall business strategy. A company in this mode will benefit from taking time to understand how norms and values translate into behaviors; and from considering how to role-model and inculcate desirable patterns in the organization—for example, through implementing a charter.

Mode 3
A family active in cultural management, with the ascendant generation taking the lead

Here, a company has successfully integrated the voices of the younger generation, pushing for innovation and adaptability, with those of a supportive older generation. Ultimately, the family speaks with a united voice, backed by shared values and a unified vision for the business.

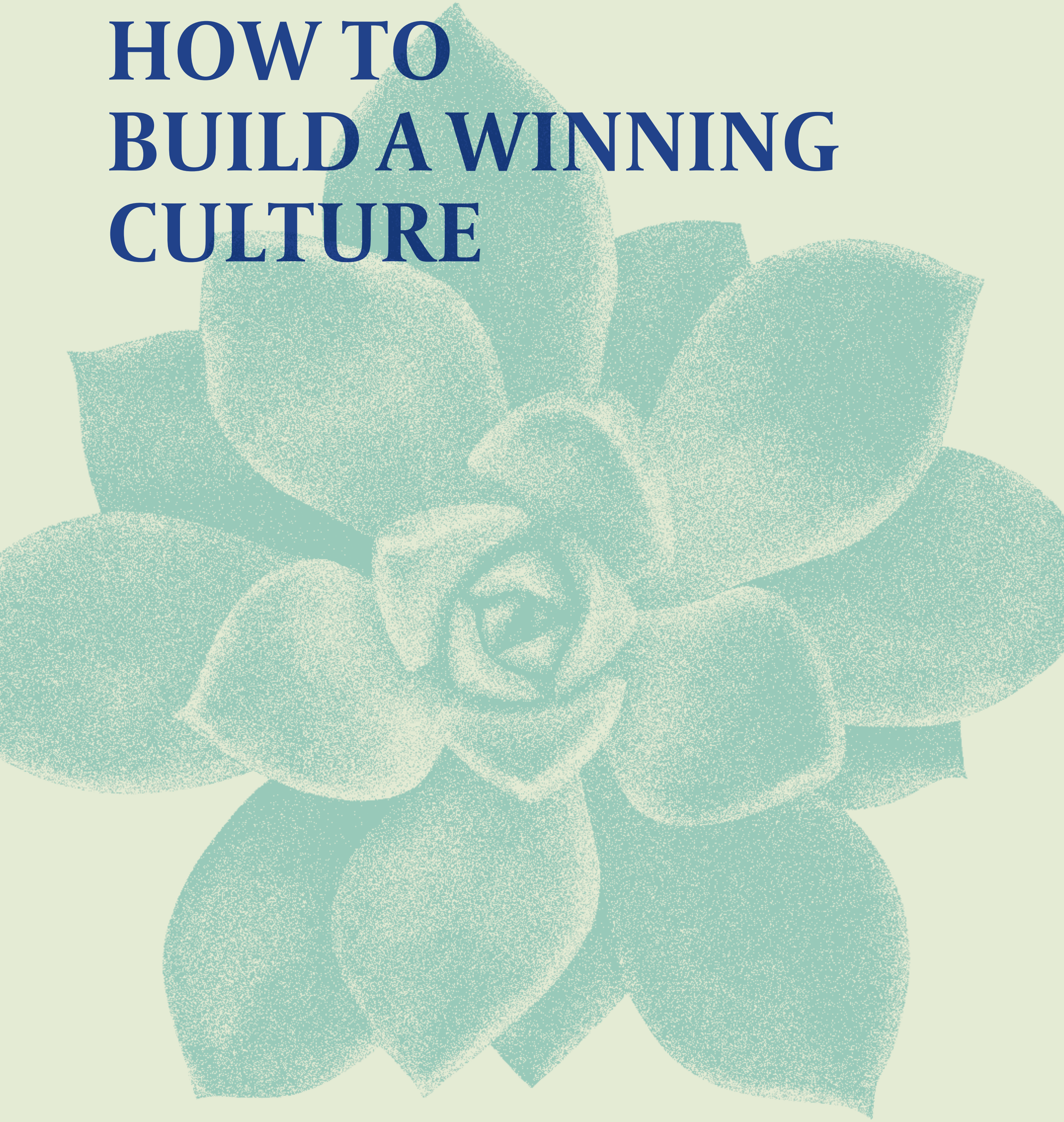
One multinational engineering company based in India is a good representation of a family business in our study that has actively and successfully managed this generational transition. To get here, the family went through a guided process with all generations to align on values and vision, actively managing the transformation of the business culture. The process readied the younger generation to step up and proactively take ownership of the future; the older was supportive of this narrative, while continuing to value the past.

An ascendant leader in this company told us that the two generations had deliberately shaped a common understanding that guided the transformation. He said:

"This gave us a lot of strength and confidence in our roles and in the company during the transformation process, because we didn't have generational conflict. It's not a balancing of opposites, but a recognition of a common journey that addresses the necessary areas for action. This has enabled us both to undergo a personal change process … At all levels this has had a positive impact on the family."

At this point, it becomes necessary to think about the right structures to support the behaviors and values that you would like to see in the company going forward. It is important to build new employee capabilities to perpetuate the norms of active culture management and clear communication that have been established. Culture change management does not end with leadership transition: it is a constant, ongoing process, with no "final" stage.

HOW TO BUILD A WINNING CULTURE



In this chapter, we explore practices that help to build, pass on, and implement a common cultural language within a company. Our study identified four productive enablers for building and sustaining a winning culture across generations in all three of the archetypal business modes—particularly during the destabilizing phase-shifts of family succession.

Proactively manage culture

Integrating the past and the future requires a mindset shift. The best-run family businesses don't passively default to existing cultural norms: they recognize it is important to manage the culture proactively. Best-practice family businesses work cross-generationally and deliberately to think through their issues and learn together, often starting with a culture diagnosis as a first step. They are also not afraid to seek support outside the family, tapping into outside networks and diversifying leadership with external talent.

Egon Zehnder's Culture Profile analysis is a technique that some have used to illuminate this process. It helps leaders of organizations diagnose and understand their culture better and creates a picture of the company's current culture —and importantly, the culture to which it aspires. This, in turn, provides leaders in the organization with a language to discuss culture in a structured way, helping them to consider different priorities, identify the changes required, and build alignment both in the leadership team and across the organization.

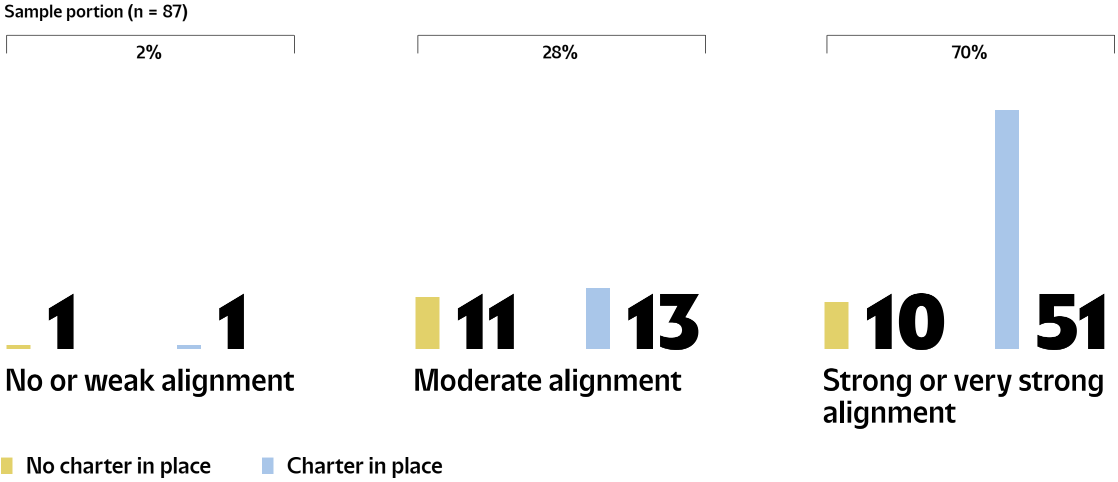
Make the implicit explicit

As we have seen, organizations with positive family dynamics tend to have stronger alignment between family values and business values. But not everybody in the organization may share the same understanding of these values and how they should be lived and translated into behavior. It is important to create clarity through open dialogue and collaboration—for example, what do we mean by "integrity" or "hard work"? What do we mean by "taking care of employees"? What are the trade-offs that we are consciously accepting and managing?

As one senior family business leader said:

"We realized as a family that we really needed to be a lot more intentional about institutionalizing what we actually mean."

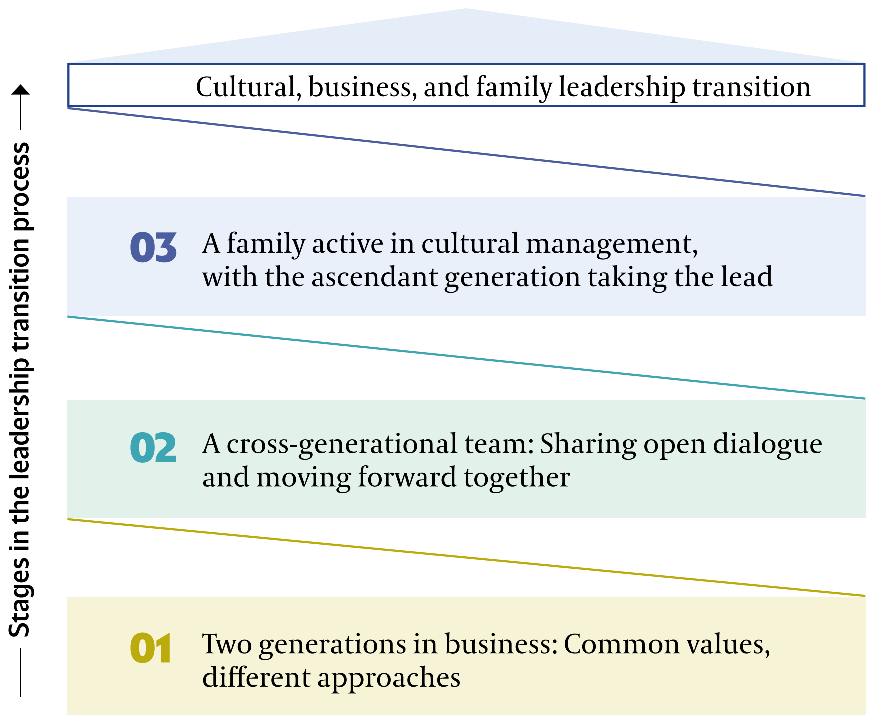
Figure 6: For larger organizations, having an established charter document correlates with stronger generational alignment around values and norms.



Data includes only organizations with > 1,000 employees.

Source: Egon Zehnder Survey, 2024.

Figure 7: Progressing through the three modes of leadership transition



Source: Egon Zehnder Analysis, 2024.

Another leader underscored this point:

"I think the big question is who we want to be and who we are as a family. If we can make that clear to everybody else who works for us, then we've done the best we can do."

A charter can be a very helpful document in this process. These charters, sometimes owned by family councils, can strengthen ties and help ensure unity among family members. Figure 6 shows that for larger organizations (those with more than 1,000 employees), having a charter document in place correlates with stronger alignment on values across the business.[6]

Shape the right decision-making structures to ensure effective governance

Families affirm that it can be useful to put separation between family matters and business operations. This may take the form of a systematized governance structure, with chosen, trusted external members on the board to balance family influence in decision-making. Outside advisory panels may also be formed to guide the organization, if the scale and complexity of the business warrant it. Many businesses that reach a certain size transition from smaller family management bodies to larger, professionalized structures.

As one of our survey participants confirmed:

"Having an external leader was crucial for gaining a different perspective. It was a significant growth opportunity for the entire family."

Another family business executive—a decision-maker of a 1,000+ employee organization in Brazil—explained that:

"The dynamics of decision-making have shifted significantly as the company enters its third generation. While the second generation saw family members holding management positions, with the authority to make decisions independently, the current generation operates within a more structured governance framework."

With two family members actively involved in management and decision-making roles, decisions in this company were now subject to oversight from a board consisting of nine members, five of whom were family members. The executive affirmed that this shift towards stronger corporate governance had "*facilitated more transparent, accountable, and well-informed decision-making processes.*"

Keep the "glue" strong

"Values are the glue that binds the family, the business, and its employees," one survey respondent told us. Best-practice family businesses put processes in place to ensure that those values are translated into action. One way of doing that is to foster effective communication between the family and senior management teams. Respect and commitment to finding solutions must underpin this, and there needs to be enough time invested to have regular and deep dialogue.

It's also important to ensure that there is "osmosis" of ideas and values between the generations—this is also strengthened by spending time together. "Glue-creation" practices and habits can include anything from "iron-commitment" Sunday lunches for the extended family, to a simple newsletter from the company to family shareholders, to facilitated family dialogue or learning sessions on important topics—a family that learns together may also find it easier to stay together.

As a leader at the helm of a family business said:

"For us, there is no strong separation between family and business. They are strongly linked and often discussed at the kitchen table. We are also already involving our children in the business and trying to prepare them to be responsible owners."

Key interventions for advancing through business modes:

These enabling practices don't have to be implemented in entirety, or in order. The process may look quite different, depending on the family and the business. Things won't work the same way for companies with ten family members and those with 600 owners—or for businesses in different modes.

Not all family businesses will find themselves experiencing all three archetypal modes of transition we identified in the previous chapter. However, we have found in our diagnostic work with many organizations that these modes are integrally linked. Ideally, they form a sequence, and it is possible and desirable to progress from mode 1 to mode 3. Figure 7

In each mode, a different set of focused interventions can strengthen the broad enablers and help a company progress at these crucial junctures. Interventions for advancing from **Mode 1** to **Mode 2** may include:

Structured intergenerational dialogue sessions: Regular, facilitated meetings to discuss values, vision, and strategic approaches can encourage communication and mutual ownership. These might focus on specific themes, such as innovation or employee relations, and result in documented insights and action items. At times, external facilitators might help the dialogue stay productive.

Cultural workshops to develop a family business philosophy: These may focus on understanding shared values and pain points, culminating in a document articulating the family's shared philosophy, core values, long-term vision for the business, principles for decision-making, and approach to innovation and risk. This document should be updated regularly. A tool such as the Egon Zehnder Culture Profile could be implemented to diagnose cultural strengths and weaknesses.

Cross-generational mentoring programs: These would focus on mutual learning and understanding of different operational approaches, pairing senior and junior members from different branches of the family and with peer families—with clearly defined objectives for the mentoring relationship, regular check-ins, and an annual review of the program.

Joint learning experiences: These bring different generations together to learn about industry trends, leadership, and family business dynamics. Family members might attend conferences together, invite industry experts to give joint seminars, or participate side by side in external education programs and learn from peers—debriefing with each other after each experience.

Interventions for advancing from **Mode 2** to **Mode 3** might encompass:

A formal culture management process: A structured approach to actively shaping the business culture might involve elements such as a cross-generational culture committee or an annual culture audit. Culture goals—such as "Operating sustainably while maintaining profitability"— would be set, action plans developed, and outcomes regularly communicated to employees.

Enhanced governance structures: These mechanisms support the integration of multiple generations and external perspectives and clarify values and expectations. Elements might include a family council, a board of directors with independent members, and a family charter that outlines values, structures, and processes—all regularly reviewed and adapted for ongoing relevance.

Intergenerational innovation initiatives: These leverage the strengths of different generations to drive innovation and foster dialogue. Such initiatives might include cross-generational innovation teams, with processes that allow family members to pitch ideas for new venture development. Joint "visioning" exercises could explore future possibilities, while "reverse mentoring" could encourage younger members to advise their seniors on, for example, tech trends.

A comprehensive succession-planning process: A long-term, dynamic approach to leadership transition goes beyond just selecting the next leader. It encompasses individual development plans for potential leaders, with a phased transition process, clearly defined criteria and milestones, and open communication on the process with all family members and employees.

Open communication channels: Transparency and trust between generations are reinforced through regular family meetings that encourage open dialogue about strategies, values, and aspirations, and which underline the importance of fostering a strong culture. These gatherings can be used to celebrate successes, address challenges, and shine a light on the business's history and future.

6 "Family constitutions" or "charters" are formal documents that set out a family's values, strategic goals, and governance structures.

CONCLUSION

Around the world, family businesses are thriving, and more influential than ever. Overall, this study shows that many are also harmonious and internally united on all-important cultural values, creating a healthy family dynamic. A vibrant company culture is a way for all participants, whether in the executive team or not, to express their ownership of, and allegiance to, the organization.

Yet intergenerational friction and misalignment naturally arise, often over approach rather than fundamental values. In times of instability, such as succession, this can threaten the enormous value that family businesses have developed. In such circumstances, it becomes crucial for owners and leaders to actively and consciously manage culture-change for transition. That means navigating and using conflict in a positive way, with healthy two-way communication.

Our work and experience, combined with our study findings, have shown us that these cultural changes can be consciously managed, with techniques such as Culture Profile analysis, a framework of archetypal transition modes, and a tool-kit of enablers and concrete steps to help one generation pass the baton safely and professionally to the next, and embrace culture change.

Culture change is also a way to drive innovation. As one ascendant family business owner affirmed, it is culture—when consciously renewed—that holds the power to unlock prosperity for the long term:

"If you want to pursue a growth course consistently, you need not only financial resources, but also courage—cultural courage and the courage to change."

These considerations come to the fore particularly at times of transition—but managing culture does not cease, even after succession. One leader at the helm of a family business left us with these words:

"There are some aspects of the culture that may need to change with time—but not the values. Rather, it's the way you deploy them. It's a never-ending journey of learning."

Indeed, especially given the longevity of multigenerational family businesses, culture change is a process that is never truly concluded. It is an ongoing process of maintaining family harmony, guiding innovation, and sustaining a great legacy into the future.

About Egon Zehnder

Egon Zehnder is the world's preeminent leadership advisory firm, inspiring leaders to navigate complex questions with human answers. We help organizations get to the heart of their leadership challenges and offer honest feedback and insights to help leaders realize their true being and purpose.

We are built on a foundation that supports partnership in the truest sense of the word and aligns our interests with the interests of our clients. Our 600 consultants across 66 offices and 36 countries are former industry and functional leaders who collaborate seamlessly across geographies, industries and functions to deliver the full power of the Firm to every client, every time.

We partner closely with public and private corporations, family-owned enterprises, and non-profit and government agencies to provide executive search, leadership solutions, CEO search and succession, board advisory, and diversity, equity & inclusion.

Our services include discovering leaders, developing leadership, advancing governance, shaping successions, and unlocking transformations. We partner with Mobius Executive Leadership to offer highly experiential, personalized and transformational programs for senior leaders.

We believe that together we can transform people, organizations and the world through leadership.

For more information, visit www.egonzehnder.com and follow us on LinkedIn and X (former Twitter).

About FBN

FBN (Family Business Network) is a global not-for-profit membership organization headquartered in Switzerland, comprising 33 member associations spanning 65 countries on 5 continents, 4,500 business families, and 22,000 individual members. For over 35 years, FBN has helped enterprising families grow, succeed, and prosper through the exchange of best practices and innovative ideas.

By families for families, FBN provides a unique environment where business families can learn from each other. As a global community, we welcome all business family members and their diverse needs, interests, and roles, including Next Generations, Now Generations, Entrepreneurs, Large Families, Family Office, and Impact.

For more, please visit www.fbn-i.org.

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Succulents embody resilience, endurance and resourcefulness: with their ability to store moisture, they have evolved to thrive in the most challenging environments. They grow steadily over many years—but also continually renew themselves, producing offshoots that take root, adapt and multiply. Anchored in the past but transforming to meet the future, these remarkable plants are an apt symbol for successful family business leadership.