



Fit for the Future? The Cultural DNA of Spanish and Latin American Family Businesses

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Abstract We use the metaphor of biological DNA and its essential building blocks to describe generic and specific family business cultures and suggest that Spanish-speaking or “Latin” family businesses inherited four key cultural DNA building blocks—Trust, Loyalty, Authority and Justice—from historical Roman times. Like biological DNA, family businesses are forced to change when its environment changes. In this context, we discuss recent changes representing paradigm shifts to which family businesses relying on “Roman DNA” must adapt in order to be fit for the future. We draw upon our firm’s 30 years of work consulting to Latin family businesses and present a wide range of supporting cases and stories.

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¿Preparadas para el futuro? El ADN cultural de las empresas familiares españolas y latinoamericanas

Resumen Usamos la metáfora del ADN biológico y sus bloques de construcción esenciales para describir culturas genéricas y específicas de las empresas familiares y sugerimos que las empresas familiares hispanohablantes o “latinas” heredaron cuatro bloques de construcción de ADN cultural clave (Confianza, Lealtad, Autoridad y Justicia) de los históricos tiempos romanos. Del mismo modo que el ADN biológico, la empresa familiar se ve obligada a cambiar cuando cambia su entorno. En este contexto, discutimos los cambios recientes que representan cambios de paradigma a los que las empresas familiares que se basan en el “ADN romano” deben adaptarse para estar en forma de cara al futuro. Nos basamos en los 30 años de trabajo de nuestra firma en consultoría para empresas familiares latinas y presentamos como respaldo una amplia gama de casos e historias.

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1. Introduction

Do aspects of family business firms' "cultural DNA" prepare them to succeed in the present and future?

In this article we present ideas based on our consulting firm's 30 years of working with major family businesses in Spanish-speaking countries and ask whether elements of their cultural DNA (which have undoubtedly contributed to their past success) are fit for today's world and position them well for the future. More specifically, we identify the kinds of adaptations required for success over time, illuminating these with examples of how some of our clients have faced and embraced change. In other cases, family firms resist adaptation to the point of bringing about painful decline or demise.

Our analysis leans heavily on the metaphor of biological DNA: the molecules that enable all life to adapt (or perish) in the face of significant environmental change. We use the metaphor to identify historical origins and characteristics of the Latin "character," which we have found to be so deeply embedded that Latins (like other language-based groups such as Anglo-Saxons and Asians) are not conscious of their influence: it is just "how we are" and "how we do things." The characteristics we identify overlay the traits common to all cultural groups that help the human species survive, while each group carves out and enriches its respective culture-based niche.

We find the DNA metaphor useful in our client work because everyone appreciates that DNA is both the "engine" and "glue" for the continuity of all life. DNA can keep a species going over millions of years, but may also bring about, in very short measure, its extinction. Nature is beautiful, but also dispassionate: when something in the environment changes and causes the decline and/or death of an individual or entire species, an opportunist typically jumps into the vacant space and uses the newly available resources, with the mission of surviving and thriving in the new conditions indefinitely. It is a reality, then, that while adaptation does not equal success, inability to adapt will in time bring about failure.

We humans come from and are part of nature, so it follows that when a once-thriving entity loses its way, whether a species or enterprise, it becomes unfit for its environment and faces an uncertain future. Without the necessary adaptation, it is only a matter of time before its glory fades. Another leader or visionary group can then step in to reinvigorate it by leading modifications well-suited to the changing environment. If that adaptation proves unsuccessful, then a death is inevitable.

The Latin character we have seen in our client

work (and which our Spanish-speaking Latin consultant peers have also observed) is expressed generically: through the assumptions upon which our clients tend to base their decisions, through the behaviours they show and wish to see respected in their families and businesses, and through the extension of these into the expression of worldviews recognisable as "Latin." The Latin character is also expressed specifically in the uniqueness every family exhibits and enjoys celebrating as its own, differentiated way-of-being. We see the latter, for example, in the nature and style of the family and work environment created, and in the behavioural norms people know and accept as specific to their family/employer.

Our notion of "cultural DNA" came about when we compared our peer consultants' experiences of assignments with English-speaking clients with our experiences with Spanish-speaking clients. From that analysis came the undeniable, fascinating differences we describe below. Consultants and advisors, we learned, must be able to recognise and attune themselves to such differences, or clients will instantly sense the mismatch and look elsewhere for a collaborator who better understands their assumptions, behaviours and worldviews – in short, their ways-of-being.

2. Our Roman DNA: The Origin of the Latin Character

Long before the heyday of the Romans some 2000 years ago, civilisations had already worked out how to rule over their tribes or citizens using some degree of absolute authoritarianism. But it was the Romans, in spreading their influence from the Mediterranean as far as northern Europe, who aligned very well an epicentre of power (Rome) with the means by which to execute power (Roman Law).

These, we argue, became embedded in the cultural DNA of the Romans' far-flung descendants. The ways of thinking and being those early behavioural patterns gave rise to remain engrained, in various essences, degrees, and forms, in everyday life across Spanish-speaking cultures, hidden in plain sight. So embedded are these that the vast majority of us with Latin heritage do not realise they are in play until it is pointed out. For example, the *paterfamilias* or "father of the family" was, as the oldest male in the Roman household, the head of the family. He owned and held authority over all the family's resources. He was also the *patria potestas*, or "legal father of the family." Indeed, he could, under law, sell any family member into slavery or even put them to death. Legally, he could also choose to abandon a child born of his wife, acknowledge a child he fa-

thered outside marriage as “family,” or adopt the children of others as his own and arrange their marriages. Other family members, understandably, had to adapt to find ways of living with such terrifying uncertainty.

Fortunately, these extreme practices have died out along with the laws that enabled them! But our broader point is that the ancient Roman cultural DNA predisposes the Latin character to look to an authority figure and to accept that one’s own choices and degree of self-determination (individuality) will be limited when such an authority figure reigns.

In this context, consider the *modus operandi* of several memorable historical Roman figures. For instance, when Julius Caesar made his famous decision to cross the Rubicon, the Roman river separating Gaul from the Roman nation, he first took control of the Senate and then, using his legions to thwart any opposition, established himself as dictator. He assumed the role, in principle, to grant himself absolute power as a temporary emergency measure. But Caesar got a taste for such absolute power and held on to the role for life - until he was assassinated.

In contrast, Caesar’s successor, the Emperor Augustus, had succession in mind. He accepted that his reign should and would end, and wanted a family member to take on the mantle. Keeping power within the family, he believed, provided stability and offered reasonable and peaceable lives for loyal citizens.

From Augustus there follows a long lineage of Roman emperors and family dynasties in which it was understood that identifying a successor in the dynastic line was as important as winning wars and gaining territories. That lineage is a goldmine for stories of sibling rivalry and family conflicts, as potential successors vied to be the chosen one—emphasis on the one. Power-sharing, that is, was not in the cultural DNA. There are examples, however, when such sharing was a tactic used expediently on the way to absolute power. The first triumvirate, with Caesar, Crassus, and Pompey, is one such case of power-sharing; another is the second triumvirate, with Augustus (the Octavian), Lepidus, and Mark Anthony (the latter known today mostly for his affair with Cleopatra). But both were short-term political agreements, and each turned into a prelude to war between the former power-sharers, with the emergence of Julius Caesar as a dictator for life and Augustus as the first Roman emperor, respectively.

2.1. How were succession choices made?

The dilemma this question represents permeated the entire period of the Roman empire: choosing between (a) someone non-family: battle-tested

with a long list of conquests and territorial annexations to his name, or (b) someone from the family: in whom enough family members would place their trust to deliver another generation of stability for the dynasty.

History shows that the latter choice, family, won every time, leading to the institutionalization of nepotism. Consider the first emperors belonging to the Julio-Claudian dynasty, the names of which remain deeply rooted in our Latin culture: Caligula, Claudius, and Nero. Consider also the line of politically astute women including Livia and Messalina, each wielding their own authoritative power and style. Literature, theatre, and cinema have elevated these names (and thereby our perceptions of who they were and how they operated) into a mythos. Our perceptions of these larger-than-life figures naturally include the shadow side of autocratic power based on about 2000 years’ worth of story interpretation and tropes detailing sexual perversions, promiscuity, madness, intrigue, and murder (poisoning as the specialty).

Stanford historian Tom Hendrickson also finds these dynamics fascinating. “It’s not that power-sharing was never tried,” he commented on our premise. “It’s just that power-sharing is really hard, especially in a family situation. And especially so when the father figure is gone.” He points to the example of Septimius Severus and his sons: “Septimius took power in AD 193. He made his sons Caracalla and Geta his co-emperors, which was a common way for emperors to groom successors. But when Septimius died in 211, the power-sharing agreement didn’t last long: Caracalla murdered Geta within the year. (I can’t imagine how furious their mother was!)” The legacy of this mythos for families in business today is a bad reputation and some negative assumptions about the process of family succession. Add to that the reality that ancient Roman DNA still predisposes the Latin family to trust “family” succession candidates over non-family, and we start to see how entrenched Latin family businesses might be in their assumptions, world-views, and behaviours.

That entrenchment translates into a deep cognitive resistance, common to our species, to doing things differently, to changing the status quo. That might work in the short term, while the family and business are demonstrably fit for the near future. But in a changing world and fluid business environment, such resistance may at best yield a turbulent path forward and, at worst, mean the death of the enterprise.

Regarding entrenchment, Roman history asks us not to forget Marcus Aurelius, the Stoic philosopher and consummate strategist known as the last of the five good emperors. For even he failed

to follow his own logic of choosing a successor most qualified for the role or ruler. Instead, he chose his son, Commodus, empowering an eventual ruler of dubious reputation and superficial talent. This succession signaled the end of the period known as the Pax Romana, creating the instability that ultimately undermined and brought down the Roman Empire.

3. Roman Cultural DNA in Latin Family Business

To further appreciate how Roman cultural DNA-related behavioural traits influence Latin families in business today, we draw upon a more detailed understanding of the biology of DNA.

If we pull apart DNA's famous double-helix strands, we see that each comprises four building-block proteins ordered in a specific way to do a specific job. By changing the order and nature of the assembly of these building blocks, this simple but ingenious structure enables unlimited variation and creates the myriad species - and their evolving variations - observed on our planet over history.

To carry forward the metaphor, we can identify the equivalent of DNA building blocks in family businesses. What "switches on the engine" - and enables life on the planet - is the make-up of what we will call the "soup," the medium or environment surrounding the DNA strands of building blocks, suspended as in a pool. When something comes along to upset the soup's delicate balance or equilibrium, the DNA is prompted to change itself and generate something that can thrive in the new medium. But if the soup is spoiled, the DNA cannot do its job. Something critical the organism needs will be lacking, resulting in stagnation, sickness, or death.

When we pull apart the strands in what we are calling Roman cultural DNA, the metaphorical "building blocks" revealed promote behaviours we have observed in our clients. The four building blocks we have identified are *Loyalty, Trust, Authority, and Justice*.

To illuminate these building blocks in action, we provide select examples below.

3.1. Loyalty

In our Latin clients, the expectation of loyalty to the leader is paramount and can be summed up as "You are either with me or against me"—likely unsaid, but definitely understood. Disloyalty amounts to betrayal; anyone who elevates their individuality over the collective expectation of loyalty is likely to do so with feelings of guilt (for the betrayal), anger (for feeling forced to step over the line), and shame (for violating a major family norm).

What does disloyalty look like? Leaving the family business. Defending or endorsing an outsider's opinion. Supporting another family branch against one's own branch. In short, if you have a different view, yet want to remain part of the family and belong to the group in control, you would never make evident such indicators of a disloyal attitude. You would tread carefully and cautiously.

"Even though we may disagree outside," one client said, "once we are in the boardroom, family members are expected to speak with one voice without discordance or disagreement."

"In case of doubt it is better not to ask questions," commented another. "It is safer to keep your mouth shut."

In times of succession, a particular facet of loyalty is an expectation of cross-generational respect for the senior, which tightens the incumbent's grip over key decisions - decisions that belong in the broader business and family.

In a Latin family business, one example of a "loyalty" conversation certain to trigger the Roman DNA would be if a son told his father to step down and make way for him. Or if a son vocally opposed his father's strategic decision, such as with regard to entering a certain sector of activity. Triggering the Roman DNA brings into play assumptions, worldviews, and behaviours that would not arise if the conversation were between, say, the CEO and the Chairman of the Board of a nonfamily firm.

In the general domain of loyalty, a sibling must also be able to differentiate between when they are speaking as a representative of their family branch and expressing their own voice. This is something we work on in great depth in our confidential conversations with client family members. As we hope this article makes clear, subverting the cultural norm is not easy in this context.

Sometimes this expectation of loyalty and conformity extends to how the outside world perceives "us" (the family and its business as a political entity) and how "we" view the outside world. Close attention is paid to what is said or done that reveals "our" political ideas and religious beliefs. It is immensely difficult for individuals uncomfortable with any of this to break the chains of expected conformity. Ongoing group membership requires not only supporting one another but agreeing on the publicly stated or perceived version of the group's thinking. In the most extreme cases, it behooves those around the table to think exactly alike.

3.2. Trust

Trust is a controversial element in Latin business families. For example, in some non-Latin cul-

tures, asking a family CEO to be accountable to the Board of Directors may seem just part of the role. But in the Latin culture, the CEO is likely to feel this accountability threatens their position. It feels personal, that their competencies are being challenged.

Indeed, consider that in the Spanish language no word represents the notion of “accountability,” defined here as a person agreeing to be answerable, to be deemed responsible (and thereby blamable), and to be held liable for their actions by the appropriate governance body.

Continuing with the point above, in Latin culture, asking someone to be held accountable has been perceived as an act or evidence of mistrust, almost as if they had committed a crime. “If you don’t trust me, tell me” is a phrase we have heard countless times in conversations between family members. And of course, the answer is almost always, “Yes, of course I trust you.” The unspoken sentiment, however, may well be “If I tell you what I truly think, the relationship will end here.” It would be like saying “I don’t love you” or “You are a bad person.” You can’t say that to parent, child, sibling, cousin, or other relative when they are part of your circle of loyalties.

Again we can find parallels of these trust and accountability issues by looking back to the Romans. For example, reporting in his *Annals of Imperial Rome*, Tacitus states, “The whole point of autocracy ... is that the accounts will not come out right unless the ruler is their only auditor.”

If we can agree accountability is problematic, then let us consider next the evaluation of a family member’s performance in their business role. If the person got into the role despite not being qualified and/or has not proven capable with assigned tasks (both are common contemporary aspects of Roman nepotism), then how difficult will it be to communicate this without eliciting shame for both the exposure of poor performance and for having placed someone into that position in the first place?

Moreover, what happens when someone has to leave their senior position? No Roman Emperor ever resigned; quitting is simply not part of the cultural DNA. The only choice seems to wait it out until illness, mental decline, or some other unexpected event brings the matter to a head. Or, more common (and more Roman) has been the removal of the incumbent by force, against their wishes. Left with no choice but to face their unwanted fate, the outgoing family member is left feeling scarred, insulted, and resentful. That resentment can be taken up by their other family branch members, and thus lingers in the hearts and minds of succeeding generations in that wing of the family. It can appear in assumptions, atti-

tudes and behaviours expressed in meetings and at seemingly innocuous social occasions. Worse, it can escalate into revenge, which supplants the initial shame or guilt for not having been able to stay in situ or to have performed to the standard expected.

Lest this all sounds overly pessimistic, we can report seeing some cases of families, albeit few, where meaningful conversations about forgiveness, love, and being welcomed back into the group have enabled a genuine letting go of the resentment and other negative feelings. In such cases, the family achieves redemption and the turning over of a new leaf, with the integration of positive lessons, boding well for future relationships.

3.3. Authority

The origin of the word authority takes us back again to Rome and the Latin *auctoritas*, which denoted the authority conferred to an individual by their title’s prestige. (Today, *auctoritas* is more likely to be associated with moral authority.) This was separate from *potestas*, or authority based on law, and *imperium*, or entitlement to wield power (usually by means of force, coercion, or threat).

In the foundational stage, an archetypal founder is like a successful, benevolent emperor. The familiar archetype is that of a strong man forged by hard times (until recently it was invariably a man, hence our frequent use of the male pronoun here). His moral authority was reinforced by his business successes and the power brought by the law as an owner, and by his *imperium* (not in the coercive sense, but in the sense that someone is in charge, has the power to make decisions, and has a praetorian guard and army of followers with the mission to follow and execute that vision).

And what of those who serve under him? A line from the Castilian epic poem *El Cantar del Mio Cid* reads, “Que buen vasallo sería si tuviese buen señor!”: what a good vassal, if I had a good lord!. In Latin culture, when we are sure our leader has all the qualities we expect and hope for, we will follow his vision and authority as if following a hero. In a tough world, where merely surviving is sufficiently challenging for most, it can be a relief to hand over the reins of one’s life, in exchange for greater stability and the extinguishment of much worry and suffering.

But who has the authority in the sibling or cousin stages? It does not follow that family members who have the surname, some of the business shares, and up to half of the founder’s biological DNA inherit any of his vision and moral authority. Any whiff of entitlement, indeed, is an expression of Roman cultural DNA.

Ivan Lansberg, one of this article's authors, often points to Shakespeare's highlighting of the conflation of succession with entitlement. Shakespeare wished to say a successor must be tested, and must earn the right to rule and to enjoy the respect of their subjects. His play *Henry V* dramatizes that premise when the dilettante successor-in-waiting Prince Hal realizes he must change his ways to earn his right to reign, to bear the title of King and have bestowed upon him everything that goes with it. It is a stirring and moving moment when we witness the change: no longer does Hal want the easy life epitomized by his nemesis and enemy, the French Dauphin. Rising to the challenge, the prince girds himself and his men prior to leading them into the fray, with victory far from certain. Gone are his drinking songs. Instead, to inspire and rally them behind him, he says,

*We few, we happy few, we band of brothers;
For he to-day that sheds his blood with me
Shall be my brother...
And gentlemen in England now a-bed
Shall think themselves accurs'd they were not here,
And hold their manhoods cheap whiles any speaks
That fought with us upon Saint Crispin's day.*

In Latin culture, the Roman cultural DNA still seeks to have authority bestowed and locked into formal titles. Terms and concepts such as *el jefe* (the boss) or *el presidente* (the Chairman) denote the embedded expectations that exist about the role, task, and very identity of the person who bears it. The boss is conceived of as a father figure to be obeyed without negotiation. Normally the people with these titles are thought of as the ones who command or rule, as if crowned and seated on the throne in the Shakespearian sense, rather than actively leading on the battlefields of enterprise.

We mentioned earlier that commanders and rulers, in many cases, have a shadow side (think: Caesar, Augustus, Marcus Aurelius). So too do those who follow. In times of crisis and uncertainty, followers may look to that figure of authority to exempt them from responsibility for their own decisions and actions. When they are disappointed, their support degrades into secret complaining. They have adopted the shadow role of victim. To step into one's courage like Prince Hal and risk making mistakes is not in the cultural DNA of followers by nature, but it can be developed. This is the nature of the supportive work our consultants engage with at the personal level with many clients.

Unsurprisingly, the Roman cultural DNA has given rise to a very personalistic culture with little interest in the use of institutions as a primary instrument of governance. In Latin family business-

es, succession work has inherited all this cultural baggage. Rather than engage in a process exposing the problematic Roman cultural DNA assumptions, worldviews, and behaviours, Latin family businesses instead put effort into finding The One to replace that successful historical figure. This may make instinctive sense, but not if elements of the "soup" in which that Roman cultural DNA sits has changed.

The challenge, therefore, is to give the Roman DNA a chance to adapt, to mutate if needed, to learn how to accommodate the new elements in the "soup." A client's adaptation, in the context of our face-to-face work, is learning about and designing a set of institutions and processes that guarantees the governance and continuity of their particular business family for rising generations.

Moreover, leaders operating under the influence of their Roman cultural DNA are likely to regard governance institutions such as the Board of Directors as obstacles to their rule. They may see Boards as unnecessary bureaucracy impeding implementation of their vision. Under the influence of elements bubbling in the new "soup," the DNA would prompt leaders to learn how a properly constituted and well-run board is a valuable resource to facilitate implementation, something that adds value to the whole process.

Even in Latin companies that do have boards, it is our experience that the title (*El Presidente*) and charisma of the figure bearing the title are more important than any role or structure listed on paper. When this is the case, it is very difficult and frustrating for highly experienced executive and non-executive directors striving to add the value for which they were recruited.

The obsession with title and public image is another dominant element of our inherited culture. The word "chairman," for example, does not translate into Spanish. Here we speak of *El Presidente*. The role of chairman in the Latin world has everything to do with visibility. For example, appearances in influential magazines and online forums equate to being perceived as more (or less) important in the business, social, and political worlds. Titles are meant to influence what others will think about the family and the firm. Titles motivate onlookers to speculate about how much actual power the holder wields. This is of more interest than what the individual is actually doing in the role and the contribution they are making.

When it comes to the succession of *El Presidente*, in some cases, there is an expectation amongst family members waiting in the wings that "my turn is coming." Their Roman cultural DNA tells them to regard it as a right or entitlement, rather than something to be earned, Prince Hal-like,

with the effort, personal sacrifice, and dedication such responsibility entails.

3.4. Justice

Latin culture is, on the one hand, very legalistic. Our way of resolving a conflict is to turn to a text or a code that tells us what is right or wrong; what to do; how to impart justice in cases testing or violating the code.

On the other hand, we like to make our own interpretation of the law and written agreements. As such, justice in the Latin world becomes a matter of finding support for our opinion or for what we think is right or the right thing to do. And if there is no such support, then we feel entitled to contradict the law, and will look for ways to “bend” the rules. In sum, we make the law and change the rules - because we are the law.

This may seem an exaggeration until we consider our extensive experience working with the detailed contents of *protocolos*: governance documents sometimes called a Family Constitution or Carta Magna. This document aims to regulate family and business relations in order to provide direction and order to the continuity of the family business. Thus in times of doubt or conflict people ask, “What does the family protocol say about this?”

We can also think of a *protocolo* as a highly specific set of cultural building blocks bathing in its own home-grown “soup,” giving rise to specific segments of bespoke DNA. Because the ingredients of the “soup” change when the environment changes, the recipe must be tweaked occasionally by means of ongoing conversation.

Further, Roman cultural DNA is triggered when blame is attributed in a dispute. “Mud sticks,” people say, and “There is no smoke without fire.” Such refrains fly off the tongue and disrupt objectivity in tense times. A verdict of guilt is presumed, and placed upon the shoulders of the “guilty party,” who faces the burden of providing evidence to defend their innocence. Next, a parallel justice of public opinion occurs, typically with judgment in advance of presentation of actual evidence. Thus, it very difficult for the so-called “guilty party” to shake off the image of having done something against the rules or indeed the Law, even if the opposite is proven later.

Indeed, conversations that we have with parties in a dispute speak to these ideas. For example, we often hear, “They have already judged me without even listening to me or verifying the facts they are talking about.” The “guilty party” and their own nuclear family, in many cases, may already have been ostracized socially and in the business. Sometimes the facts behind the accusation are true and sometimes they are not; but

when Roman cultural DNA for loyalty has been activated, by the time the truth of the matter is verified, the damage is done - and memories are long.

Overall, we can think of a *protocolo* as a tailor-made suit, one that can be modified when conditions or family size changes. It has to be made of a material that is flexible enough to adapt not only to what we are currently, but also to what we want and will be in the future.

4. Cultural DNA and Adaptation to Changes in the Family Business Environment

Many of the things we “should” do to adapt and be fit for the future fly in the face of our Roman cultural DNA. Our clients dedicate their lives to building family businesses into solid socio-economic entities using for “bricks” their own building-block norms for Loyalty, Trust, Authority, and Justice. But if no space exists for heartfelt conversation and the free exchange of opinion, it suggests a thick fog of Roman cultural DNA has settled on the entity, through the operation of internalized assumptions, worldviews, and behaviours.

We hope that the metaphor of biological DNA here has helped to expose dynamics hidden in plain sight. Reading about it, indeed, may have prompted an examination of the extent to which these building blocks have a role in your family business. It will be useful, especially, to notice how tightly they interlink - just like the actual DNA double helix - and to determine whether their presence creates a wall of resistance to the many profound changes in today’s world.

5. Change Ingredients as Forces for Adaptation

Change is in the air worldwide, with serious impact on the “soup.” In companies owned and run by Latin families, strong expressions of their Roman cultural DNA may have been a key to their past success. But it is time to examine what new ingredients have pushed their way into the soup. Adaptations to these are necessary for ongoing success, and unless they are understood, planned for, and executed effectively, they will be painful. Moreover, the list of new ingredients could be endless. We will focus therefore on several which the present, controlling generation could not have anticipated having to address. We view these very real issues, described below, as paradigm shifts that have already prompted adaptation in our forward-thinking clients. How they work together to anticipate likely unwanted consequences and put into place the means by which to manage or contain such elements of their “soup” is adaptation in action.

In this context, it is a mistake to believe that culture should be fixed and unchanging. Culture is a catalyst for the enterprise's effective functioning, and for the family, and yet it must evolve over time. Culture encompasses artifacts, perspectives, values and assumptions that can be learned and transmitted between individuals and can change over time (Schein, 1985). This process of transmission and change speaks to Darwin's principle of descent with modification through natural selection. When a cultural trait is not adaptive, its frequency in the population decreases; it will not be transmitted to successive generations through social learning, and thus fades and dies out.

Through our work we are seeing families facing cultural transitions, most of them as part of generational transitions. In this process the old order comes apart when some of the assumptions we have covered here prevent effective response to the challenges and needs of the company and its shareholder base. Often, the assumptions are no longer aligned with the enterprise's purpose and interests, or with the motivations and challenges of rising generations, nor with those of business and society at large.

We have been tracking the rise of these paradigm shifts in our work for the last 30 years, and find that they correlate to emerging research on perceptions and attitudes toward family enterprises amongst the different generations and stakeholder groups within a family business. Below we begin with a shift related to the next generation.

5.1. Adaptation to incoming Millennials: The push for meritocracy

Millennials were born, raised, and socialized in the digitized, connected, globalized world. Educated in this context, as young adults they are rapidly recruited to firms looking for their set of knowledge and attitudes. In the working world they become key players in stimulating, innovative teams and develop influential networks, attaining a high level of personal and professional growth, often before the age of 30. They know that the most important outcomes require collaboration and enjoy working in that ethos. Millennials expect to be mentored and evaluated, and to receive honest, comprehensive feedback on their performance. Their experience outside the family enterprise tells them that in a business, management and leadership accountability is needed to accomplish financial goals.

This pattern represents a paradigm shift away from the cultural DNA we laid out earlier. It suggests Millennials can and will articulate their expectations about the enterprise and pursue them elsewhere if necessary. This is critical because no business desiring continuity can afford to lose

its talent. No family wanting to pass its business to future generations can afford to lose or drive away its next-generation members.

Now, in the 2020s, most young family business people have been well-educated on the ingredients for family business success and, equally, the ingredients that cause jeopardy, decline, and failure. Well aware of the complexity that a multigenerational family enterprise can face, these future owners want to see the best team in management, regardless of whether they themselves are the chosen successors.

As such, as the family grows, Millennials know competition for leadership roles will increase. They want that competition to be fair, held on a level playing field. Moreover, as relationships between relatives "thin" from siblings to cousins or second cousins, demanding accountability and results - which Roman DNA would not have tolerated - becomes easier and less likely to be considered a form of disloyalty.

Indeed, with Millennials in the "soup," the cultural DNA is challenged to rely less on the old building block of Loyalty, Authority, and Trust, and to incorporate more fully the core value of Talent. That Talent needs a meritocratic environment in which to thrive.

In line with this, we increasingly see next generations prioritizing Talent over family factors when it comes to their career plan. "It was a sobering day," one client told us recently, "when the first of our next generation knocked on the door of the family business with her world-class CV and a salary to match (having already earned and commanded it elsewhere), asking: with whom will she work, doing what, with what prospects, and what are the terms and conditions?"

5.2. Adaptation to the demands of people and planet: Owners push for diversity, inclusivity, and sustainability

The patterns for distribution of ownership throughout generations are also evolving. More and more we see ownership shifting toward inclusivity through more equal distribution among all descendants, female and male. Nepotism in its many forms, a mainstay of Roman DNA, is becoming untenable, and traditions such as male primogeniture or daughters receiving real estate assets but not business assets are declining. We continue, however, to see cases where only those who participate actively in the business can become owners.

This paradigm shift puts the business and its needs firmly in the spotlight when considering family wealth and power transfer, and requires the family to orient itself around the business as befits their wishes, passion, and commitment.

Moreover a larger, more diverse shareholder

base that owns a large company requires a more complex system of governance. If the family is to retain influence over the business vision and direction, then seats within the key governing structures must be reserved for members of the owning family, people who have the passion, interest, education, and skills to inhabit governance. True value can be generated by developing a strong ownership base populated by people who have internalized and can convey the values of the enterprise as well as its goals and challenges, while committing fully to the related decisions made.

These trends and changes in the “soup” impact the building blocks in the DNA by threatening the old norms of Justice, Authority, and Loyalty. Adaptation means new assumptions about inclusivity and fairness. Enterprises must embrace the usefulness of governing structures to be fit for this different environment.

5.3. Adaptation to participation: The push for stewardship, shared power, and accountability

The push for a participative, meritocratic culture is a paradigm shift away from the historical paternalistic stance supported by the Trust building block. Indeed, participative management is underpinned by an idea at the other end of the spectrum: that no one person should have sole power over all the talent and knowledge required by the family enterprise to be successful and sustainable. The leadership function, once fulfilled by an individual’s charismatic style, has evolved in many cases of family enterprise to leadership based on structures. Responsibility and accountability fall to these governance structures and forums. To adapt from one way of being (Roman DNA-based Trust) to another takes education, time, and thoughtful process.

Similarly in governance, it is paramount to have trust and belief that the effort going into using structures that represent the enterprise will deliver on owners’ expectations. The shareholders of many Spanish and Latin American family businesses resist such a change because their Roman DNA convinces them it is normal to mistrust “structures.” In his article “Ruling vs. Governing: On the Dialectics of Governance” (*Family Business Magazine*, Autumn, 2009), Ivan Lansberg comments,

“Indeed, in several cultures around the world, including many Latin American and Middle Eastern countries, family business shareholders often do not behave in accordance with the assumptions underlying the model of enlightened stewardship. There, individuals and shareholders mistrust “systems” but latch on tightly to “personalities” - that is, to an individual whom they trust to take care of them”

Key to Trust is accountability, that formerly non-existent concept in the Latin world. Adaptation means “enlightened” shareholders and managers learning to work in a regime where authority is shared. It is not easy, for sometimes founders and leaders can feel they are sharing decision-making with those who have not yet “earned it.” Overall, this age-old debate between centralized personal authority versus participative enlightened governance, immortalized in the writings of philosophers like Hobbes and Rousseau (and articulated beautifully in Dostoevsky’s “The Grand Inquisitor”), is very much alive and well in the microcosm of family enterprise.

There is no doubt that in any family business, culture frames how internal governance choices are perceived, thought about, and implemented. Latin family enterprises have inherited a cultural bias for autocracy and personal leadership, under certain circumstances this model has proven successful. But it is also the case that in many other global regions, like Asia and the Middle East, where patriarchic cultures predominate, family businesses are nevertheless having to evolve to more democratic governance arrangements as the global “soup” requires.

This presents a paradox and a need for coping with incongruent scenarios. The choice often involves either breaking up the system or sharing power. This is not easy when the people concerned hold a cultural worldview in which democratic decision-making is thought of as weak and inefficient - a necessary evil.

As in many aspects of family enterprise, the tension between relying on structures and governance OR on strong leadership to sustain the unity and commitment of family shareholders presents a on-going dilemma. Over time effective families adopt a “both/and” mindset rather than a reductionistic “either/or” approach to managing these dilemmas

That families (like their businesses) are continually evolving. Owners and their descendants age, some die, new ones are born, some marry and some divorce, some stay local and many move away. “Every effective solution to the governance and integration of owners,” says Lansberg, “is but a temporary equilibrium that buys the proprietary family periods of stability in the long-term journey across generations.”

This truth has serious implications for families in their approach to governance. “My sobering conclusion is that no solution is perfect or eternal,” says Lansberg. “Quite the contrary, there are dialectics associated with ‘governing’ (integration through structure) and with ‘ruling’ (integration through a leader) that must be anticipated and managed. Governance must be approached as a lifelong process rather than as an engineering

problem for which there is a lasting “silver bullet” solution. Inoculating families to this reality and getting them ready for the inevitable periods of transition is critical.”

5.4. From shareholder value to shareholder values and purpose

Our experience over the past 30 years has illuminated the rewards for family enterprises who broaden the scope of opportunity for owners to find their place in the enterprise through active participation in governance. These families enjoy a significant increase in owners’ sense of belonging to the enterprise and commitment to the continuity of the shared family project.

Today, family businesses are expanding their sense of purpose beyond the family or group of shareholders to embrace inclusivity. It is part of a broader global paradigm shift that also applies to family businesses (Feliu & Labaki, 2020). Family-owned companies have always had a long-term vision; now, in their cultural principles, they are broadening their focus to include other stakeholders (community, customers, employees, suppliers). This suggests that the purpose of the family enterprise is broadening beyond creation of shareholder value to generation of long-term value for a wider range of stakeholders, in many cases society at large.

This push from the younger generation introduces other objectives for the family enterprise. In terms of financial objectives, for example, it likely means a positive income statement with sustainable development objectives. Family companies are increasingly defining their priorities around sustainability and the impact they are having on the environment. Without abandoning traditional objectives, what we are learning today is that being sustainable is “business.” Well managed, sustainability can and should have a positive impact on the bottom line.

One of the learnings here is that what has not changed in the culture of the family enterprise is its long-term vision. So, the shift in priorities noted here is a reflection of what families consider will support them in being “sustainable as a business” over time and across generations.

However, though we are still observing this change with great intensity in many families, we believe that it is not yet a general change in the world of family enterprise. This implies they are losing, as a collective, the possibility of being leaders in this evolution, putting their future legacy at risk. (The authors of PWC’s 2021 Family Business Survey also share this concern).

The bottom line here is this: we cannot go back to “business as usual.” Change has to happen. The Covid-19 pandemic has highlighted important vulnerabilities in our societies and our economic

system, and a more resilient economy depends on making the shift to a healthier, long-term way of doing business by adopting sustainability practices.

We believe that an important part of the cultural change that family enterprises are effecting is precisely to highlight their values and culture. The pandemic crisis is showing us that it is those enterprising business families with their clear and shared values and well-established culture of family and organization who are best able to make the difficult decisions required of them for immediate and longer-term success.

6. In Conclusion

Growing complexity within the family enterprise; the need for diverse talent; new knowledge and perspectives in the business and its governance—all of these suggest that family enterprise and its governance are not static.

A paradigm shift from Roman DNA would be having a diverse board whose members are selected for their willingness to challenge the status quo as much as their specific expertise, along with their ability to openly challenge management and other directors through open debate (Jared Landaw, 2020 HBR), and their commitment to call-out groupthink when they suspect it.

Board members also bring important insights on topics unheard of only a generation ago: sustainability as a business imperative affecting the bottom line; social inclusivity and diversity in employment (and governance) practices; the internet of things; automation and artificial intelligence replacing human resources; the cost and process of decarbonization; changing markets based on aging demographics....to mention just a few.

In this article we have relied upon examples from our clients where we have seen high degrees of reliance upon the building blocks of what we have called the Roman DNA exemplified in today’s Latin character: namely *Loyalty*, *Trust*, *Authority*, and *Justice*. In so doing, many Latin business families may feel as though we have shown them an Everest-high peak and asked them to climb it. We understand that this may appear a daunting ask. Yet the important thing to remember is that adaptation is a journey of a thousand miles, and always begins with the first step. And then the next. And so on, until the broad challenge has been broken down into manageable projects with clear aims and objectives. Doing this work of course elicits the natural human tendency to resist change and to avoid unpleasant emotional challenges. These, however, have been the nature of our work with clients over the past decades and it has been a fascinating privilege to

bear witness to their willingness to engage with and ultimately embrace the work and the many smaller tasks and processes it comprises. In so doing, they are making the critical changes that will make them truly fit for the future.

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