



THE RESILIENT FAMILY ENTERPRISE SERIES

Thriving at the intersection of purpose and trust

In recent years, companies across the economic spectrum have increasingly been engaged in a rethink about what drives them beyond making a profit. In boardrooms around the globe, business leaders began asking themselves questions such as “What is our greater purpose?” and “Why do we exist?” In August 2019, chief executives from 181 of the biggest US multinationals signed a joint letter from the US Business Roundtable—which promotes a thriving national economy through public policy—in which they recognized their purpose extended beyond solely benefiting their shareholders, committing to deliver value to every stakeholder affected by their businesses.¹

Many family businesses had a head start on this. At one point or another, family business founders have had to come to grips with this question of purpose. For some, their purpose was about building a legacy. For others, it was about making products they could be proud to put their name on or having a positive impact on their communities. But, for many, purpose tends to get watered down over time. A founder’s original intent may not translate to the next generation or be held in the same regard. When this happens, it can take a watershed moment to refocus the family business on what’s really important.

For many, COVID-19 has provided such a moment. The global pandemic has shaken businesses to their core, in many cases disrupting relationships with employees, customers, suppliers, communities, and other key stakeholders. Amid this upheaval, family business leaders are looking for ways to reconnect with these constituents in more meaningful ways. That search is what has them thinking anew about the intersection of purpose and trust.

Trust as a form of currency

When it comes to earning and retaining the trust of society at large, family businesses have an inherent advantage. According to the 2019 Edelman Trust Barometer,

¹ Open letter, “Statement on the Purpose of a Corporation,” Business Roundtable, August 19, 2019, <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>.

69 percent of people trust family businesses, a 13-point edge over businesses as a whole.² Employees, customers, and others tend to see family businesses as an extension of the family's values, which they understand and align with.

With the arrival and rapid spread of COVID-19, this trust advantage is creating a once-in-a-lifetime opportunity for family businesses to lead the recovery and position themselves to thrive in a post-COVID-19 world. In fact, if you talk to many family business leaders today, it's clear that they understand the importance of embedding trust as a catalyst to help their organizations recover. They see trust has a human and multidimensional form of currency—it may not have any value in isolation, but its value is accretive. Trust can be stored in the form of goodwill. It can also be invested in pursuit of all kinds of benefits, from economic growth and shareholder value to increased innovation, greater community stability, enhanced employee engagement, and better health outcomes.

The coronavirus pandemic has brought to light how resilient leaders need to build trust across four key dimensions that have been affected by its consequences.

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First, there's physical trust—knowing that your physical space is safe. Second comes emotional trust, or that your emotional and societal needs are being protected. Digital trust is the third dimension—people need to know that their information is secure, particularly given the virtual expansion of their working and living environments.

Finally, there's financial trust, or having confidence that your financial concerns are being served.

Today, the stakes in preserving trust across these four dimensions are greater than ever. We know this: everyone is watching. The rise of social media has given every voice much more power to share their perspectives and opinions. In 2020, the issue of racial inequality joined that of COVID-19 as another urgent reason to revisit matters of trust between the public and organizations of all types. New challenges will continue to emerge, and in order for family businesses to thrive in uncertain times, they will need to continue to build their currency of trust.

Purpose and trust

Given the current environment, family businesses have to manage a magnitude of challenges they didn't need to consider when they were founded; from technology to global interconnectedness, there's more complexity than ever. This is prompting many of them to reflect on their purpose and on how to get people to come together toward a common goal. In this collective rethink, family businesses may have a decided edge over other types of organizations. As streamlined enterprises, they tend to be more nimble. Having more direct access to leadership helps convey information to the top quickly. Moreover, employees trust their employers will act on it. In fact, the 2019 Edelman Trust Barometer reveals that workers employed by large family businesses are more likely than their counterparts at non-family businesses to agree that the organization they work for acts on its values, to look to their employer to be a trustworthy source of information about social issues, and to believe what their CEO says about the company they work for.³ But how exactly can family businesses use these advantages in redefining or communicating their purpose?

Honesty, respect, embracing diversity—these things are expected of every family business at this time. They are basic, foundational traits. Every family business needs to examine whether its purpose aligns with human decency.

When the next crisis arises—and it's arguable that it already has, with global protests bringing fresh attention to issues of racial inequality—companies will need to connect with people in an authentic, meaningful way by imagining the change they want to bring about in society, articulating it, and becoming an instrument of that change. When people want to share your purpose, you earn a self-replenishing fountain of trust and enthusiasm for what you're doing.

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It starts by answering a simple question: Does society want our company to exist? If you can't answer that in the affirmative, then you have to figure out how to make it so.

Here are three follow-up questions to get you started:

- What does our brand stand for?
- Does our purpose align with our family values and market demands?
- How are we building trust with our key stakeholders, and can we do better?

² 2019 Edelman Trust Barometer: Implications for Family Business, <https://www.edelman.com/research/family-business-trust-2019#>.

³ Ibid.

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