

Case study

A long-term view of sustainability in business decisions

The Wendel family started its entrepreneurial journey in 1704, through the purchase of metal forges, in Lorraine a region of North Eastern France close to the French-German border. The family's business concerns saw many turns of fortune, surviving the French revolution, the 1st and 2nd World Wars and the nationalisation of steel production in France in the late 1970s. Currently, the Wendel family controls the Wendel Group which is an investment group that has an estimated net value of USD \$8 billion. Over its 300-year history, the Wendel family have maintained a strong focus on entrepreneurship and social responsibility.

Taking a long-term view, this case study discusses the role of family businesses in addressing social and environmental challenges with Priscilla de Moustier, chairman and chief executive officer of Wendel-Participations, the 1,200 members family holding controlling the Wendel Group. She is joined by Christine Anglade Pirzadeh, director of communication and sustainable development, Wendel Group and Professor Morten Bennesen, academic director, Wendel International Centre for Family Enterprise and co-director of the Hoffmann Research Fund at INSEAD Business School. All three interviewees provide their expertise on the role of family businesses in supporting sustainability and addressing social and environmental challenges.

Priscilla de Moustier led the discussion by talking about the history of the Wendel family in supporting social causes in Lorraine in the 18th century.

"When Wendel was invested in iron and steel production in the East of France, we felt completely responsible for the population of the area. So, we built schools, churches,



Priscilla de Moustier

stores, houses with gardens, and hospitals. We did everything so that the people in the area could live well. This is something which is still very ingrained in the family. It was one of the reasons it was so difficult for us when our steel factories in Lorraine were nationalised, because we felt we were deprived of our mission."

Professor Morten Bennesen agreed, he pointed to the important role of family businesses as stewards in supporting local communities in the areas in which their businesses are located. For Professor Morten Bennesen, in family businesses, sustainability concerns are driven by legacy, loyalty, and values.

"When you become a second or third generation family business, you start planning for the forthcoming generations. This concern about legacy is one of the driving factors for

supporting sustainability. Furthermore, there are many examples of family firms, like Wendel, which have been supportive of their local region. This comes from being in a small town for generations. You take responsibility and if nothing else you're one of the big taxpayers. So, this loyalty is a good driver. There are also many families who are very value driven. These values penetrate everything from investments to management."

Professor Morten Bennedsen also pointed to the unique characteristics of family businesses that make them more effective in tackling the challenges and changes needed to adopt a sustainable business model.

"Family businesses can play a unique role in supporting sustainability. If you have a major shareholder who is a family, you can be stewards. Families can set expectations, stay on track, and internalise the cost of what is needed. I don't see many other owners doing that. A hedge fund for example can never do that because they are out in a few months or years. I was at a conference with the Bolton Group in Italy. Now as an industry, they have major ESG issues. The chairman of the board said, 'I want to reduce production waste to half within 10 years. You must come up with an implementable plan, regardless of the cost.' She was just so inspiring. You could see how her values and impact changed this company. Some of the chocolate companies are doing the same thing. Cadbury did that a 100 years ago when they basically changed the slave laws in the UK."



Professor Morten Bennedsen

A sense of responsibility and strong values still defines the Wendel Group's investment approach. Priscilla de Moustier explained how ESG considerations play an important role in their investment decisions.

"When you have a very strong ESG strategy, it's very important that the people you partner with also share these values. We want to partner with entrepreneurs who share our values so that we can build sustainable leaders for the future. Christine Anglade Pirzadeh will tell you that not only do we do financial due diligences, we also do ESG due diligences before every investment. That's extremely important for us."

Christine Anglade Pirzadeh agreed with this and further explained that the firm retained its strong belief in the core values of engagement, excellence, and entrepreneurship. All investment opportunities are systematically assessed through an exclusion list and a business model resilience test. Along with this, the ESG maturity of the companies invested in is also assessed as part of an in-depth sustainability due diligence. They are also expected to address the key priorities that are important for Wendel. These include: gender parity and diversity; climate change; health and safety at work; and sustainably-designed products and services.

"In CSR and ESG you must measure your impact. So, we have a very extensive list of KPIs to measure our ESG performance. We have a roadmap for the three coming years. We ask

Family businesses can play a unique role in supporting sustainability. If you have a major shareholder who is a family, you can be stewards. Families can set expectations, stay on track, and internalise the cost of what is needed. I don't see many other owners do that.

Professor Morten Bennedsen



Christine Anglade Pirzadeh

The younger generation will not work for a company that does not correspond to their values. So, if companies want to recruit the right people, they will have to adapt.

Christine Anglade Pirzadeh

all the companies we control to have an ESG roadmap with their own priorities regarding their sector specific issues. On top of this, we have also set four Wendel priorities which we ask them to consider. These priorities are, firstly, climate change because we think this is an issue for all businesses. Secondly, we focus on gender and diversity. We want them to improve gender diversity and to have women in management positions. The third priority is health and safety, as this is the legacy of our industrial history. We think that when safety is not insured in a company, it's a matter of management. This is something that we don't tolerate. You must be good at safety. Finally, the last one is innovation. We want companies to innovate regarding ESG matters. Along with this, we also ask our companies to choose some SDGs they could be aligned to. This is a very important reporting for us."

While Wendel has always had a strong legacy in supporting social issues, Priscilla de Moustier accepted that historically the environmental consequences of their business were not really understood. Environmental consciousness in business decisions is a significant change that has occurred over the last few decades. This change has been led by the next generation, for whom environmental issues are critical.

"The societal aspect has always been very present for our business, helping people and so on. Of course, we were not as aware of the environmental effects of our business. I must own that our iron and steel production, especially in the nineteenth century, wasn't environmentally friendly. We were polluting rivers and everything, but nobody was aware of that at that time. This is different for the younger generation. We did a seminar with the Next Gen a year and a half ago. We had about 85 young people ranging from 20 to 40 and they all had a very strong environmental conscience."

Professor Morten Bennesen also agreed that sustainability had become a more central concern over the last decade.

"At the Wendel Centre at INSEAD we research and teach about the family business space. The courses are developed according to what is current and topical for family businesses. The key issue right now is how do we save the world, and issues like diversity and inequality. I was giving a session for the World Economic Forum's Family Business Community. The two main concerns were climate change and inequality. Obviously, that's also driven by the younger generation in families."

Christine Anglade Pirzadeh agreed that the next generation are playing a critical role in driving change. She further emphasised that rules around environmental protection are still developing and their company is prepared for the changes they know lie ahead.

"The younger generation will not work for a company that does not correspond to their values. So, if companies want to recruit the right people, they will have to adapt. Things are also changing from the point of view of governments, which are now developing stricter rules. So, for some, it's going to be by choice and for others it's going to be compulsory."

Challenges in pursuing sustainability for family businesses

Professor Morten Bennesen highlighted the fact that not all family businesses are value driven or ethical.

"Not all family firms are good. There are family firms who have no values. Think about the opioid crisis in the US which was generated by a very successful family. Or in Indonesia, the biggest environmental catastrophe was caused by a family firm. The challenge is that when family firms don't have a good set of values, there are not many checks and balances."

Priscilla de Moustier agreed, she drew importance to the distinction between family firms which prioritise sustainability in their business model and those that are not concerned about the impact of their

“I think you’ve got to be consistent in the way you make your money and the way you give your money.

Priscilla de Moustier

investments, but are involved in philanthropy as a way of offsetting the negative environmental and social impact of their businesses.

“The most important thing is the way you make your money. This has got to be clean, transparent, and environmentally compliant. Then you can also do philanthropy on the side. There are a lot of firms which compensate for the fact that their businesses are non-compliant, or have a strong carbon impact, by doing philanthropy on the side. I disagree with that. I think you’ve got to be consistent in the way you make your money and the way you give your money.”

Christine Anglade Pirzadeh further emphasised that for her the primary responsibility for businesses was to ensure their impact was positive.

“I really think that it is important to keep philanthropy separate from ESG, the two are completely different. The key issue is to minimise your impact in the way you run your business, manufacture your products, and provide services. This is what businesses have to do, this is their responsibility. The way you manage production and earn money must be done properly, by respecting all your stakeholders.”

Professor Morten Bennedsen also pointed to regional differences in the priority attached to sustainability.

“In many Asian countries it’s more of a lottery. If you are an Indian family firm in a regional town, you are very loyal and responsible for your community. But it’s more of the, what I can see outside my window style ESG. It’s also harder as a lot of the Asian entrepreneurs are not as established. I mean, in China all entrepreneurs are still only 50 years old. You can find good examples, but I don’t think it’s as established as it is in the older, more established European and American families.”

Sharing best practices and establishing networks

Priscilla de Moustier is also the vice president of the French chapter of the Family Business Network (FBN). For her, having a strong network of like-minded, values-based businesses is a vital avenue through which she can learn and maintain her passion.

“I think being part of Polaris at FBN is very important because we can share best practices and get new ideas from each other. It’s also very important to feel that there are lots of like-minded people who have the same intentions and goals. It’s very comforting if some days you feel discouraged, you have a meeting with other people and say, ‘Oh great, we’re going to do fantastic work together.’ And the energy comes back.”

This need to establish strong networks of support and best practices for family businesses was also the impetus behind the establishment of the Wendel International Centre for Family Enterprise at INSEAD.

“When we set up the centre nobody was talking about family business. I remember there was a meeting with INSEAD and my father said, ‘Of course you will talk about family businesses.’ The INSEAD representative said, ‘But there’s no such topic.’ And my father said, ‘Well, if you want to have the money, you’re going to have to create the topic.’ That’s how it began. So, the first purpose was just that family business is an important topic. They are the most prevalent form of business in the world. So, you really need to talk about it in a business school.”

This has grown into a strong global network that Next Gen family businesses are drawing from. As Professor Morten Bennedsen explained:

“The fantastic thing about INSEAD is really the global outreach. We have students from 120 countries. The next generation members that we teach not only have a family network, but they also get a Next Gen family business school network. I have taught the Next Gens from most of the chocolate companies in the world, from Peru, Argentina, Belgium, France, to one in Asia. So, it is a unique experience.” ■