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From the board

The Ethical Revolution and the Family Business

By Jeffrey S. Davis and Brian Nagle

2018! Who thought we would be here so quickly, but it's a new year with new challenges for family businesses. A new tax law has passed, and it's the most impactful in a generation. There has been plenty of speculation and conjecture as to what its effects will be, but what we know for sure is that it will be significant and far-reaching. As capital is repatriated from overseas corporate tax rates fall, enhancing the competitive landscape.

One of the challenges faced by every family owned business as it grows is preserving the original family business culture, core values and family assets. Many family businesses cultivate close ties to the communities where they are based and become leaders locally. As a result, family businesses tend to maintain a higher level of ethical standards in the day-to-day operations since their family's life and reputation is so closely wedded to the company that often bares their name. In today's climate, preserving team productivity alongside ethical standards while practicing social responsibility is of paramount importance to businesses that hope to appeal to ever-more discerning consumers.

Now that Millennials are the largest population group in the United States, businesses are taking cues from them—both as consumers and members of the workforce. Just like the previous generation listened to

the Baby Boomers, the Baby Boomers now need to listen to the Millennials and adapt their operations and culture accordingly. This generation (currently 18-35 years old) represents over a quarter of the U.S. workforce – and is expected to grow to over 50 percent by 2020. A 2014 Nielsen survey showed that Millennials are significantly more responsive to corporate social responsibility in both consumption as well as employment decisions than previous generations. A 2017 Stanford business survey reinforced this further, finding that most of the public viewed unethical behavior as a fundamental breach of trust between a company and its customers. These Millennials are choosing to spend their resources on organizations that appear to represent their own set of values. It is not only wise but necessary for companies to be proactive in ensuring that their company effectively promotes these values.

The view of how businesses should conduct themselves will mean that corporate citizens will have to continue to evolve at a faster pace in 2018 and over the next decade. Many practices that were accepted as the norm by previous generations now face greater scrutiny as our desire to have leaders of admirable values have evolved. We are living today in the age of Harvey Weinstein, Charlie Rose, Matt Lauer, Brett Ratner and numerous other business and public leaders

that are finally being held accountable. The continuing national conversation we are having around moral, ethical leadership and sexual harassment must not be ignored by those in the business community. Leaders and family businesses today must be driven by a higher social order! Work environments depicted on TV shows such as “Mad Men” – environments that used to be widely tolerated – have no place in today's corporate culture. In order to attract the best and brightest in the workforce and to meet consumer demand, companies must ensure that their values and reputation align with today's higher standards. If they don't, they will fall short in the evolving global business landscape as ethical culture becomes a competitive business advantage.

The co-founders of the FBA created the organization over 11 years ago in order to assist family-owned and -operated enterprises successfully navigate the ever-changing business landscape. If you want to learn more about the FBA or get involved, please contact us directly or find us at FBA.org. ■

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