bordier | 1844

Governance and family-owned businesses

As seen by

Chopard

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Co-President, Chopard

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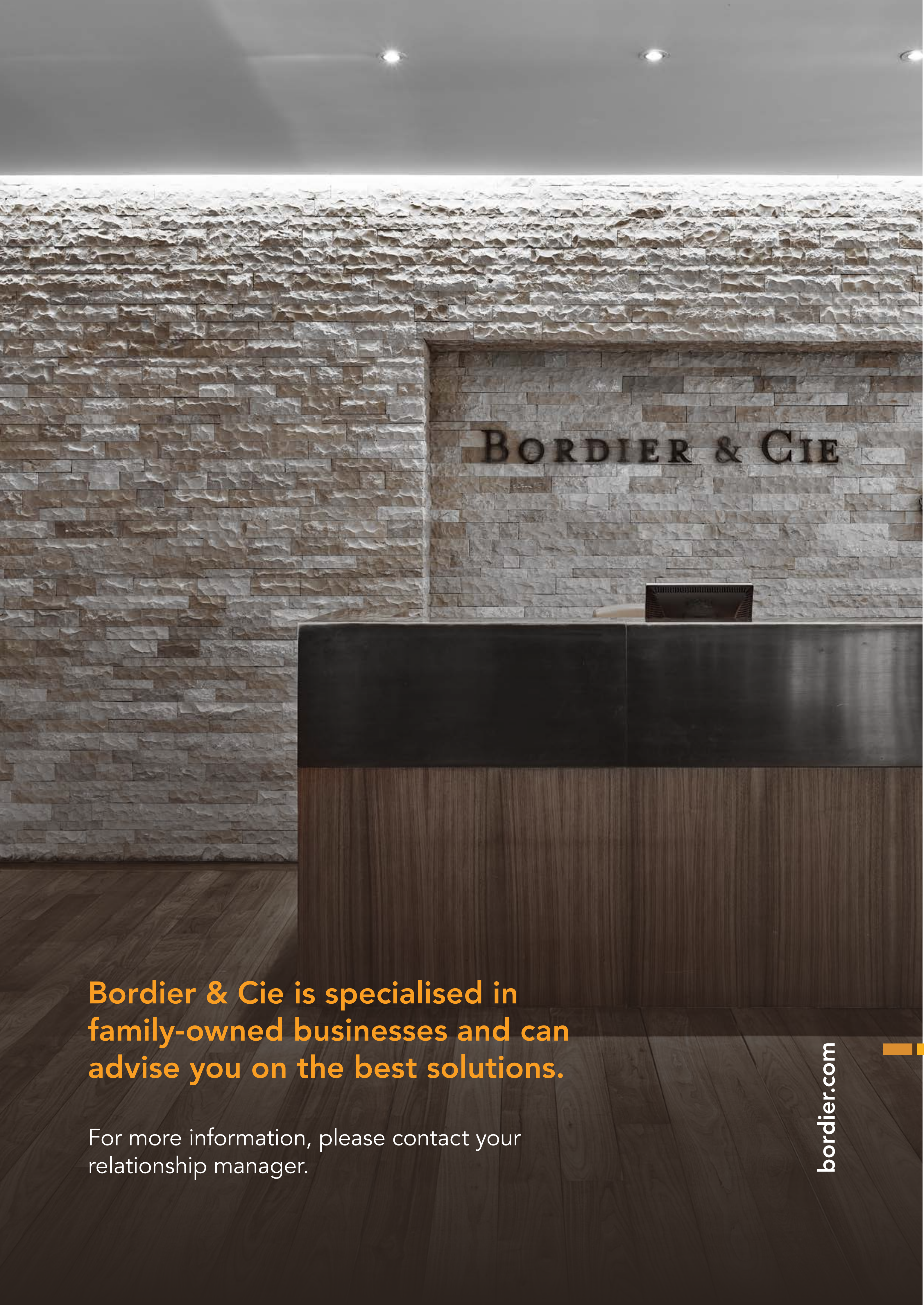

Governance and family-owned businesses

Family-owned businesses are the oldest and most common way of organising economic activity worldwide.

Many definitions exist as to what constitutes a family business. Under EU rules, a family business is any business, regardless of its size or legal form, that is majority controlled by a single family or in which one of the family members fulfils an executive role. This ranges from smaller businesses to multinationals such as Walmart (US), Samsung (South Korea) and Tata (India).

Understandably, each family business is different because every family is unique. However, the challenges and other issues that may arise with this type of company are often similar. This includes:

— identifying the family's values and vision;

— allocating the capital among family members and the roles that each can play in the business;

— legal questions covering the relationships between family members and potential differences in treatment between executives and silent partners;

— passing on the business to the next generation.

A cleverly considered governance structure can therefore be extremely useful.

Corporate governance is the system of relationships between shareholders, corporate bodies and the executives. It determines how these participants control and govern the organisation. When it comes to governing a family-owned business, matters can become more complex because the hard-to-discern emotional aspects become entangled with the purely business-related considerations. Yet research shows that implementing the right type of family governance structure (whether codified or otherwise) will have a strong bearing on the success of the business. Families committed to this process appear to be able to strike the right balance between their personal wealth, business acumen, the charities they support and their position as role models in society.

Two Swiss family-business executives have agreed to share their vision and experience with us: Caroline Scheufele, Co-President of Chopard, and Grégoire Bordier, Managing Partner of our Bank.

A partnership contract is an agreement that provides the cornerstone for a partnership limited by shares and covers all the financial aspects of relationships between the partners.

A family charter is a non-binding document that sets out a family's vision and values. It names the individuals considered as belonging to the family and lays down the key operational and organisational arrangements for the family business. Drafting this type of document is a means of sparking discussion and nailing down precisely what unites family members.

Leila Vassiltchikov-Ali Khan
Head of Legal & Tax
Attorney-at-law
Trust and Estate Practitioner (TEP)

Interview with

Caroline Scheufele

Co-President, Chopard

An instinctive creative spark

Interview by
Leila Vassiltchikov-Ali Khan

Founded in Sonvilier, in Switzerland's Jura region, in 1860, Chopard – headquartered in Geneva – has been owned by the Scheufele family since 1963 and is today managed by the second generation. The group, which has some 2,000 employees, is famous worldwide for its watch and jewellery collections.

Chopard, a family business

Chopard is a family-owned company founded in 1860. It came into your family's possession in 1963. The Scheufele family was already making watches and jewellery when it purchased Chopard, wasn't it?

Caroline Scheufele (CS): Absolutely. We're originally from the town of Pforzheim, in Germany's Black Forest region. Pforzheim has been known for its goldsmiths since the 18th century and was even given the nickname *Die goldene Stadt*, the gilt-edged town. The Margrave of Baden was behind this development. My great-grandfather, who was already working in the trade, founded Eszeha, a company whose name was made up of the first three letters of our surname, pronounced as in German: "S C H". Even back then, the company produced watches. Eszeha was handed down to a further two generations of our family and in the 1980s was folded into Chopard. My brother and I are the fourth generation in the business.

Do you think that Chopard is seen from the outside as a family business?

CS: Our foreign business partners, especially our franchise boutiques and the multibrand stores we work with, know that we are. In the Middle East we've been working together for generation after generation. In that region there are still many agents who have been running our boutiques for several generations, and my father already had business dealings in some instances with the parents of the people my brother and I work with today. On the client side, our regulars plus our VIP clientele – those who purchase our most prestigious pieces – are fully aware of our company's family ethos.

In your view, what are the hallmarks of a family-owned company?

CS: To start with, I'd say that our employees are proud to work for a family as opposed to a multinational, where the bosses tend to change every two or three years and employees are often considered like numbers. Here they are happy that top management doesn't change and remains approachable. We have an open-door policy. Any member of staff can come to us if they have a question or an issue, or want to put forward an idea. I think that's why some members of staff stay with the company for 25, 30 years or even longer. Some of them even did their apprenticeship with us and then stayed on until retirement.

At the same time, working for a family is not always straightforward. That's a fact. Because families have several members, each with their own personality. Yet I'm sure being family-run has a positive impact on the company. I'll give you an example. We run a boutique in Gstaad, a resort where I own a chalet and where my parents spend a great deal of time. This boutique has a very different feel from the others as it has an alpine feel. The issue is that our two sales staff are retiring and so need to be replaced. For me, it was essential that my parents became part of the recruitment process. I wanted the final choice to be to their liking. The candidate we were interviewing was sat opposite three members of the Scheufele family, who were watching his every move. He must've really been scared (*laughter*)! This is the kind of situation that would never happen in London or New York, where my brother or myself do the hiring. Gstaad is a special case but is a rather typical illustration of the family ethos that runs through the company.

> *Our strengths are the values that we champion, the fact that we can work as a family and, most of all, our responsiveness. That's a definite advantage. At Chopard, decisions are made quickly.*

In your opinion, what are the strengths and weaknesses of this type of business?

CS: Our strengths are the values that we champion, the fact that we can work as a family and, most of all, our responsiveness. That's a definite advantage. At Chopard, decisions are made quickly. My brother, my parents and myself all live close by. For example, an important decision for the company might be made on a Sunday morning during a brief exchange. This was the case during the pandemic: we adapted extremely quickly to the Covid measures.

Working as a family can also be complicated at times, as we all have our personalities – some are stronger than others. But on the whole, there are more plus points. We can also run into problems, as an independent company, when it comes to harnessing specific opportunities. If we need to set up shop in a strategic location, we sometimes have to fight harder because we represent a single brand, as opposed to Richemont and LVMH.

What values did your family want the company to champion or embody?

CS: First and foremost, hard work. The Scheufele family coat of arms represents two crossed shovels: *Schaufel* in German. That's where our name comes from. Next, we are committed to passing on and raising awareness about our craft. Watchmaking and jewellery encompass a broad range of skills. In our view, these occupations must be made accessible to young craftspeople. Our industry tends to keep to itself. As a result, the general population is not very aware of the jobs it offers. It's our task to highlight the beauty of this craft among the younger generation.

Sustainable development is also important to us. In 2013, back when our competitors did not yet place importance on the matter, we were already championing the idea of transparency in the luxury goods industry, based on our concept of responsibly sourced gold. The idea was guaranteeing that the mines where the gold used at Chopard was extracted met specific criteria. One example of these criteria is that the mercury, a highly toxic element used during extraction, must not be discharged into running water. We also guarantee that miners earn a fixed wage, enabling them to send their children to school. Their pay is not dependent on striking gold, so to speak. We started out with one mine. Today, many more meet the responsible business standards that we have set.

We are also active in sustainable development for precious gemstones, especially coloured gemstones, but there's still a long way to go. Mines are often located in countries with murky business conditions. The money earned from gemstone extraction is often used to fund illegal activities. Changing mindsets is a difficult job! But to achieve that, everyone along the luxury production chain needs to work hand in hand, work together to solve the problem.

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Joining the family firm

Did you work for another jewellery house before starting your career in the family firm?

CS: Not at all. I was trained at the Gemological Institute of America (GIA). I also spent a short time at a fine arts institute. Although I learnt some Spanish and Italian, I soon realised that I was not cut out for academia. My father then suggested I go and work at our company in Germany. So that's where I began my career, rotating through every department, from packaging and export to after-sales service. In return, I was allowed to spend two days a week in the design department, because that's what I wanted to do. A year later, I was back in Geneva.

When you arrived in Switzerland, what strategic vision did you have for Chopard and how did your contribution shape the development of your company?

CS: Once I came back to Geneva, I shared an office with my brother. We work well together, much like yin and yang. Straight away I had my own projects to manage and soon took an interest in what was going on in the design department. I also started bringing to bear my strategic vision of the brand. One of my first ideas that impacted Chopard's development was the need to open directly owned boutiques. At the time we had none. All our products were sold through multibrand chains such as Bucherer. It seemed vital to me to sell our products ourselves, so we could enhance our visibility. After much insistence, a first franchise boutique was inaugurated in Hong Kong, followed by a first entirely self-managed boutique in Vienna. That was followed by Geneva. Some years later, my father acknowledged that I'd had the right strategic vision for Chopard, bringing us closer to end clients. Today we have 13 subsidiaries, 60 directly owned boutiques and around 90 franchise boutiques worldwide.

Can you give an example of how you have added value to Chopard's business?

CS: I've always wanted to create and design. I even designed my first piece of jewellery when I was 16: the Happy Diamonds Clown Pendant. Back then, Chopard did not manufacture jewellery, only watches. I've always enjoyed visiting the circus and watching the clowns. They have a knack for making everybody laugh, despite their sad faces. So I thought up this clown-shaped pendant with a see-through belly in which you could see diamonds bobbing around. My father had one made and gave it to me as a Christmas present. Yet one day while visiting the manufacture, I came across several clowns of different sizes. I was astonished as I thought I had the only one. My father then explained to me that he'd used that model as the basis of a limited-edition series, for commercial reasons, and I would understand later… In fact, this was the beginning of our jewellery manufacturing business!

Was your move to Geneva seen as a natural and legitimate step in the eyes of non-family staff?

CS: It was not a natural step for everyone. I had to ruffle some feathers and show what I had to offer. Someone even said that if I joined, they would leave, even though I'd done nothing to spark that kind of animosity. Things were very different compared to when my brother joined. There was not that kind of reaction.

How did you go about winning people over?

CS: By contributing my strategic vision and creative spark. Also by being resourceful. One day, I was asked to represent our company at a trade fair in Manilla. My father officially appointed me as a vice-president, as I was due to meet politicians and it was important for them to be able to clearly grasp my position within the company. When I got off the plane, I was in jeans and a t-shirt, my hair braided. The delegation waiting for me on the tarmac was clearly expecting a woman who looked more like a vice-president. At my young age, nobody could imagine that I might be that woman. In their eyes, I was just a kid (*laughter*). I also had to give a speech to mark the opening of the boutique. So I called my dad in a complete state, and he said to me, "You'll just have to deal with it yourself" (*laughter*). I stayed up all night drafting my speech, a total nightmare, but in the end everything went well.

The family-run company as a corporate blueprint

When does business stop being "family"?

CS: At Chopard, things are quite straightforward, unlike other companies such as Hermès or Swarovski, which are owned by several members of the same family. Apart from my parents and myself, only my brother and his wife work at the company. Karl-Friedrich has three children, but none of them have yet made their career choices. Our family unit is therefore quite small.

What attributes do family members have to develop individually and collectively to get the best out of this corporate model?

CS: You need to understand how the company and its departments function, as I had to myself. Next, creative flair is not something you can learn. You either have it or you don't. By contrast, management, accounting and marketing are core areas in which a fair amount of expertise is required. Marketing and communication, especially in the digital sphere, have moved centre stage in recent years. Covid sped up the trend through digitalisation of our industry and the expansion of e-commerce. All these technological considerations have become vital. It's definitely the job of the younger generation to develop that kind of expertise. I never wanted a PC at home but sadly no longer have the choice. In any case, the next generation will have to do their bit. Being part of the Scheufele family will not be enough. This would not be right for Chopard.

The original Happy Clown, designed by Caroline Scheufele, with its floating diamonds

What can be done to reduce the risk of conflict (which is often seen as inevitable) between family members in connection with the business?

CS: By communicating. In our business, the majority rules. If you've got a good idea, you must put forward the right arguments and know how to win people over.

Family business structure and governance

Your brother, parents and yourself all have a role to play in the company. How do you allocate your roles?

CS: Figures are my father's job, though at times he'll also have a creative brainwave. My mother focuses on day-to-day management. My brother oversees everything connected with men's watches. I look after the entire women's collection, even though I sometimes also comment on the men's collection (*laughter*). I also oversee the boutiques and the retail channels. Concerning marketing, my brother is responsible for our partnership with the Mille Miglia motor race in Italy, and I'm the go-between for the Cannes Film Festival. But since we've always shared an office, communication is instantaneous and everyone knows everything that's going on. In that respect, we make the big calls collectively, especially as concerns new advertising campaigns.

As a family-owned company, we are committed to continuity and have a strong sense of responsibility. The same ethos applies to our support for charitable causes and sustainable development.

In your opinion, would it be useful or advantageous to clarify the relationship between family members, perhaps by using a family charter or a shareholder pact covering the basics about what the family members want or must fulfil in relation to the family company?

CS: Our parents have already transferred their share of the company to us. Even though they remain active and act as our brain trust, ownership is no longer a consideration for them. Between my brother and myself, we haven't felt the need to put everything down in black and white. But we'll need to take a longer look at the issue sooner or later, especially when it's time to start thinking about handing down the business. In contrast, we've taken the time to write a family charter enshrining our values. It's a useful exercise. But I don't think it's worth making a song-and-dance over it.

Does estate planning as a concept therefore seem worthwhile?

CS: Definitely. As I've stated, we'll need to think sooner or later more intentionally about handing down the company. But in our case, it's still early days. We're not yet sure whether the next generation will want to work for the company.

With that in mind, would it be worth bringing non-family members on board and, if so, into which roles?

CS: In the first instance, we'd like as much as possible to reach family-oriented solutions. Next, we'll definitely need to commission a specialist for the more legal aspects. At the same time, I'm not against the idea of using outside arbitration if ever required.

Philanthropy in a family-run company

In your opinion, how important is it for a family-owned company to commit to charitable causes?

CS: As a family-owned company, we are committed to continuity and have a strong sense of responsibility. The same ethos applies to our support for charitable causes and sustainable development.

Is philanthropy part of your family tradition or have you added this to the business based on your own life experience?

CS: For us, it's part of our family tradition and everyone in the family is equally committed to it. My father is heavily involved with the José Carreras Leukaemia Foundation, while my brother is committed to conservation projects, especially in the Alps. I support the Elton John Aids Foundation. But what impacts me the most is everything that's connected with sustainable development and the materials we use. I was the one who started the project, called The Journey, and emphasised its importance. But we're not doing all this for the sake of image. There are many other causes we support but don't mention. We don't do it to shine. Signing a cheque is easy. We also try to put our heart and soul into it.

Which criteria do you use for choosing your charitable commitments?

CS: Our personal bond of friendship with the founders of these charities is fundamental. This applies to my father with José Carreras, and to myself with Natalia Vodianova and Petra Nemcova. Elton John is also an old friend. So it's never impersonal. Knowing people is important, enabling us to see where the money goes so we can be certain our support helps to advance the causes we champion.

You've dedicated some of your collections such as Happy Hearts to one or more philanthropic initiatives. Is this a way of getting more involved than simply by donating money to a charitable foundation?

CS: Absolutely. In our Happy Hearts collection, we devote three ranges to these long-term causes. The pink hearts are dedicated to Natalia Vodianova's Naked Hearts Foundation, which supports the many autistic children in Russia. Proceeds from the sale of red hearts go to the foundation run by our ambassador Petra Nemcova, All Hands and Hearts, which rebuilds schools in disaster-stricken areas. She was in Thailand in 2004 when the tsunami struck, which swept away her fiancé. So she decided to do something to help the victims of natural disasters. To date, she has been instrumental in the building of 160 schools worldwide. We also support the Education Above All programme, initiated by HH Sheikha Moza bint Nasser of Qatar, which has to date helped more than 10 million children into education. I'm currently working on a new design in support of these ventures.

Succession and passing down assets in a family-owned company

One of the challenges facing family-owned companies is handing the baton to the next generation. What's your opinion and experience in the matter?

CS: My grandfather had confined my father to his goldsmith's and watchmaker's bench. He didn't have a broad vision about how companies work. Sadly, he died young and my father quickly had to learn how to manage the firm from A to Z. My mother's father, who was also active in the trade, helped him considerably. My father learnt from this experience and wanted my brother and myself to be involved as much as possible and have our own experiences. So you could say I was thrown in at the deep end.

How can future generations be prepared to take over the family business?

CS: They must be encouraged to be part of the business and join the firm, but it's also up to them to show willing. My parents, my brother and I have poured our heart and soul into our work. That's what's needed to succeed. You must also be capable of making sacrifices for the company, and not everyone can do that. For those of the next generation who'd like to join the company, we should, I think, entrust them with projects periodically. But as was the case for me, it's especially important to spend plenty of time at our sister company in Pforzheim, Germany. It's a town with a goldsmith tradition. People are hard-working and there's not much else going on to distract you from work. It was an excellent place for me to learn my trade. My supervisor wanted me to outperform my peers and so set extremely high standards. I had to work twice as hard as my colleagues simply because I was the boss' daughter and had to prove myself.

In your opinion, what are the tell-tale signs that family business owners should change the structure or even sell the business?

CS: For us, that time hasn't yet come. The next generation must first decide on the direction of their careers and get some solid work experience under their belt. Currently, my brother's children are still studying. My nephew is enrolled in the Lausanne Hotel School, where he is also active in one of our side activities connected with the wine trade.

It is important to encourage future generations to be part of the business, but it's also up to them to show willing.

Chopard in figures

1860 first manufacture established by Louis Ulysse Chopard, in Switzerland's Jura region.

4 generations of Scheufele family members active in watch and jewellery making.

2,000 employees.

1963 Paul-André Chopard, the founder's grandson, sells the company to Karl Scheufele III.

2 Co-Presidents: Caroline and her brother Karl-Friedrich Scheufele.

1,200 points of sale and over 150 Chopard boutiques worldwide.

5 generations at the helm since Chopard was formed (3 generations from the Chopard family, 2 from the Scheufele family).

40 trades across three production sites.

100% ethically sourced gold used in Chopard's watch and jewellery production since 2018.

Private bankers for nearly 200 years

Interview by
Leila Vassiltchikov-Ali Khan

Bordier & Cie was founded as a limited partnership in Geneva, in 1844. For five generations it has been owned and managed by the same family and moreover employs several family members. Today, with its 270-strong workforce, the Bank independently serves private clients and their families.

Bordier: a family business run by the fifth generation

Bordier is a family business. But is that how its clients see it?

Grégoire Bordier (GB): Yes, I definitely think so. Especially since, in my view, "family business" is a concept that runs far deeper than this basic definition. In addition to full or majority ownership by a family, transmission from generation to generation and the family's presence among senior management, what sets this type of business apart is seen in much broader terms by clients. What I think gives a business a family feel is, first and foremost, its mindset, its DNA and the values it stands for. Companies that are family-owned tend to be imbued with a sense of stability and connectedness. On the other hand, the more family members who have an ownership interest, the more the family ethos and its impact on the business are diluted, and relationships may get more complicated.

Let's talk about how you are organised. What makes Bordier unique?

GB: Bordier is not your standard family business. It has adopted a partnership-based corporate structure. In terms of our legal structure, we are a partnership limited by shares, with ownership units held in turn by a partnership. That's rare in Switzerland. Domestically, there are now just a select group of private bankers left with this corporate structure. Besides Bordier & Cie, there's Baumann & Cie, E. Gutzwiller & Cie, Rahn+Bodmer Co. and Reichmuth & Co. In essence, it means the partners of these banks have unlimited liability and thus they are responsible for and involved in everything their bank does. In my view, that represents a major source of competitive advantage. Every one of our clients can rely on us managing their assets with the same care as we take with our own. That brings our respective interests into perfect alignment. When shareholders' interests are put before or run counter to those of clients, it's harder to do that.

> *What I think gives a business a family feel is, first and foremost, its mindset, its DNA and the values it stands for.*

How does the "family business" label help you to stand out in an environment as competitive as wealth management?

GB: For those who do not really like change and are looking instead for stability and predictability, working with a family-owned bank is clearly a source of additional security, with the responsibility factor playing a key role in this. We should also add the connectedness factor: the close ties between management and employees, between employees, between wealth managers, between the family and clients. This is something that people really like when they deal with us. Thanks to these close relationships, we are able to act more nimbly and respond more rapidly, especially when making decisions. When you do business with a family firm, you can really feel the connection with the company's DNA, I think. The combined sense of stability, longevity and long-term vision you get is also reassuring and makes a real difference. And what applies to our clients applies equally to our employees. Under our long-term strategy, no one contributing to our success need worry unduly about such things as a structural reorganisation, an acquisition, sudden management changes or the arrival of a new owner who will introduce new rules and turn the corporate culture upside down. These are strengths that can also be seen in companies with a similar structure to ours, irrespective of their size. Firmenich, Bongénie and Manor are family-owned companies that come to mind here.

What values does the family want the business to stand for?

GB: I don't think you can separate the values of the family from those of the business. They are part of the same continuum underpinning everything we do. First and foremost, they include acting responsibly and independently, as well as building for the long term and always being there for our clients. There are other principles we hold dear and apply on a daily basis in our banking activities at every tier of the business. Here I'm referring to our code of ethics, our professional approach, our emphasis on capital protection and our high level of customer service. These principles are firmly anchored in our daily activities.

Grégoire Bordier, Partner

How did you join the family business?

GB: Being born into a family that's the custodian of a family business obviously had a bearing on this. At a certain point, members of its younger generation inevitably face the question of whether to join the firm, while its older generation have to deal with succession issues. But no one has their arm twisted into a career in finance. It's a personal decision. At present, there are several of us working at the firm. There's my brother Evrard, a Partner like me, and my cousin Camille Bordier, who is a management assistant. Personally, the idea of a career in finance

appealed to me at a young age, but I wanted to learn my trade away from the family business to prove my mettle and gain experience. That's why I spent the early days of my career working for various investment banks. I joined Bordier in 1997.

Did you join as Partner?

GB: I was named Partner in 1998, so very soon after I had joined the Bank. That may seem very or even too fast. Even so, what may have looked unduly rapid or premature ultimately worked out very well for the Bank. If you are promoted rapidly or at a very young age to running a business, you are able to bring real freshness and energy. And that's a distinct advantage. Besides, I had gained considerable investment banking experience, and that has proven beneficial for the firm. Another contributing factor was the decision by my father's cousin, Philippe Bordier, to bow out. He wanted to retire, and a family member was needed to replace him as Partner. I was the only one willing to take over the baton at that particular time. Had that succession-related issue not arisen, there's no doubt I would have been made Partner later on.

What does becoming Partner mean for you?

GB: Over the course of time, things have changed tremendously in family-owned banks from a succession point of view. Today, you are no longer born a Partner; you have to become a Partner. I'm increasingly certain that's the case. Having the right name helps, but it's not enough on its own (*laughter*). You also need to prove your leadership capabilities and skills. Like many of my peers, I've had to show that I was up to the task. I needed to set an example, bring real energy and share my vision. And as in any organisation where the performance of the whole reflects the work done by each individual, it's also crucial to be able to maintain teams' motivation and engagement at a high level. Obviously, that comes from results but also reflects the trust that you inspire. Knowing where you are heading is very important in our situation. Especially when several Partners have a hand on the firm's tiller. For example, if teams do not believe in the leadership abilities of one Partner, they will naturally seek the backing of another they regard as more competent. That can give rise to a sense of insecurity and ultimately major imbalances.

Someone from outside the family is bound to have a different perspective, both in how they see the world, view the business environment and consider the competition. But these differences represent a source of strength.

How did you manage to establish your credentials as a Partner, especially vis-à-vis those people who are not part of the family?

GB: In my case, it was a multi-stage process. The existing Partners gave me tremendous support. To begin with, my dedication to work stood me in good stead, as did my business development and innovation capabilities. Since these two factors are quantifiable, those around me soon took notice. After that, I managed to win people over by developing an increasingly firm-wide vision.

Another factor is that being able to make decisions – and to do so rapidly – is a crucial quality if you want people to support and get behind you. A leader who fails to make decisions can rapidly go down in people's estimations.

Being able to listen is another key factor. Striking the right balance in relationships between all those involved is also a tough challenge, but you get better at it with time. So having Partners with different management styles is an advantage because each one will connect differently with each employee.

The family business as a model

Some of your Partners are not family members. In your opinion, does whether or not you belong to the family implicitly alter your view of and objectives for the firm's development?

GB: Someone from outside the family is bound to have a different perspective, both in how they see the world, view the business environment and consider the competition. But these differences represent a source of strength. They clearly advantage a family business' leadership team. The external perspective, whatever it may be, can open minds, expand horizons and enrich points of view. And in a business like ours, the family culture is a strong one and is embraced by all the employees, as well as by the Partners who come in from outside. Figures such as Pierre Poncet, a Partner from 1992 to 2012, have played a major role in the firm's development. And he embraced the family values that we stand for with exactly the same energy. The only problem that I can foresee in this type of situation is keeping the external drive in harmony with the firm's core values. If you can get this combination right, objectives align themselves.

Is transmission as important an issue for a Partner who is not from the core family group?

GB: To answer this question, I think we need to go back to basics and the partnership agreement that unites us. In any company, the more owners it has, the greater the extent to which their ties to the business are diluted. And the external Partners' vision can more easily become short-term. Here, there are fewer of us, and each Partner theoretically owns 100% of the firm. That means we need to act from a long-term perspective. The care taken in putting the firm on a sustainable footing thus directly affects how we run it, as this impacts the capital it invests. And transmission is a natural part of the same process. There is also a more emotional aspect connected with transmission, which affects all the Partners equally: the pride that comes from seeing the business thrive and prosper after they move on. Seeking to maximise profitability makes no sense from this perspective because it could weaken the firm's foundations. While we are the owners of our Bank, we are really only custodians. It's up to the Partners, be they from the family or elsewhere, to hand it down to the next generation. Anyone not sharing this vision would not be a good fit for the leadership of our Bank, family member or otherwise.

How deep does the "family" concept run through the business?

GB: "Family" is not a concept that's defined in precise terms at Bordier, and I see it in very broad terms. I consider that both very distant cousins and more direct members belong to the family. Whether a new Partner is a close or distant family member does not create any structural problems, at executive level at least. Our clients and employees do not have any trenchant views on the issue, it seems to me. Provided that the family retains an interest, it's keeping up its side of the bargain. Even so, it's vital for there to be at least one family member among the Partners. Were there not to be any, that would alter the equation because it would be hard to support the claim of being "family-owned". This factor aside, name or family connection is irrelevant, regardless of how strong their claim is. What counts is what the individual can bring to the firm. Nowadays, an individual's skills and capabilities can make all the difference.

What structural limitations and risk factors are there for family-owned businesses?

GB: Some argue they are less innovative or possess less appeal. These are clichés we need to try to dispel. Family businesses that move more slowly may be seen as being a less appealing prospect for people who are more attracted to companies active in new technologies, but that's not actually true. Recent studies have proven the opposite is in fact the case. And there are some highly innovative family-owned businesses. Caran d'Arche, Victorinox, Firmenich, among many others, come to mind. What's more, anticipating change is clearly part of the mindset of family-owned businesses. It underpins their long-term vision, as well as their drive to achieve stability and sustainability. And while a family business may in theory take less risk than a publicly-held or non-family-owned company, that does not mean that its decisions are any less innovative or its investments are any less timely. It simply means its risk factors are managed more prudently.

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And while this degree of caution can create the perception that family-owned businesses are less responsive and spontaneous, this can be largely dispelled by the fact that it's easier in this type of organisation to reach a consensus rapidly. So what if we are less competitive in certain arenas! Our long-term view tends to cut out mistakes over time because we are not endlessly seeking to reinvent ourselves.

How can we help to avoid the conflicts and disputes – often seen as inevitable – between family members over a family business?

GB: It's hard for me to talk about other situations, but as far as our family is concerned, it's vital for two principles to be upheld between Partners bearing the family name. Fairness in financial affairs is number one. Everyone should be treated in exactly the same way. Secondly, it's about clearly marking out areas of responsibility to make sure we do not step on other people's toes. If we do that, inter-family relationships are bound to be far more harmonious. And should family members have shared responsibility for certain issues, a third party always takes part in the discussions to act as a mediator and restore the balance or adjudicate, if necessary.

Structure and governance of the family-owned business

In July 2020, the Swiss entity was restructured, moving from a limited partnership to a partnership limited by shares. What changes did this entail for the family governance framework?

GB: This change did not have the slightest impact on the family governance framework. Our objective has remained exactly the same: keep running our business in a manner that's perfectly aligned with our clients' interests. That said, we have modernised our corporate structure to achieve a better fit with today's environment. This adjustment did not change anything as regards our commitments. Our partnership contracts did not require the slightest change. The only real change involved a tweak of the corporate governance framework, as we had to set up an external control body. Partnership contracts are essential and have proven their worth because it's crucial to lay down the arrangements for Partners to join and exit in order to safeguard the future of the business. Beyond these considerations, the partnership contract naturally helps to settle issues related to each Partner's ownership interest and their relationship with the others in this regard.

Have you ever considered drawing up a family charter?

GB: I understand perfectly how that may be useful for certain types of family business, but for ours, it would not add anything that we don't already have. What's more, the partnership contract that lays down our relationships is very business-oriented, whereas a family charter has a more intellectual focus. I don't think it would be a good idea to mix up both these aspects because it could breed confusion in relations between the Partners. And things are sufficiently clear within our partnership contract.

And what about for Partners from outside the family? Are their interests limited in order to retain family control or are you open to them taking a larger stake?

GB: Until now, family members have always held a majority interest. That said, it's not impossible that the balance may shift the other way, for example if there were to be a link-up with another family, as with Pictet, where the Demole and de Saussure families have long held the reins as well.

Succession arrangements and generational change in a family business

One of the major priorities for a family business is passing the baton to the next generation. Can you tell us about your experience?

GB: When I took over from Philippe Bordier, my father's cousin, at the helm of the Bank, the transition period was a short one, and that proved beneficial. Employees may feel that things tend to drift during a handover, and so it's important to work hard keeping things as stable as possible. Having two generations perform the same responsibilities for too long can create tensions within families, and so it's important to keep that type of situation from dragging on. The handover should also be regarded as an opportunity – the perfect time to inject fresh impetus.

Things have moved on considerably. We no longer need to prepare our successors because they get themselves ready. Firstly, by showing their desire to work hard and join the firm and secondly, by showing what they can do.

Thinking about when it's time for you to pass the baton, what would you like to hand on to the next generation? Do any particular values, a brand or expertise spring to mind?

GB: First and foremost, I would like to pass on an efficient operation – a robust bank that's ideally suited to the challenges that lie ahead. As Partners, we are not just owners, but also custodians. And we need to pass the firm on to the next generation, not just in good shape but also preserving the family values, ethos and DNA – all the intangibles that make it unique. It's then up to the future Partners to take the Bank forward, moving with the times and passing it on to the next generation when their time comes to bow out.

How can you prepare the next generation to take over a family business?

GB: Things have moved on considerably. We no longer need to prepare our successors because they get themselves ready. Firstly, by showing their desire to work hard and join the firm and secondly, by showing what they can do. Naturally, we monitor their progress, support and advise them, but it's important for them to take control of their own destiny, so they can acquire the requisite skills to convince existing Partners of the legitimacy of their ambitions and achieve the goals they have set themselves. The goal is not to prepare the next generation, but to pick the right people. And I firmly believe they will be even more effective managers if they have been trained in advance at first-class institutions in a variety of complementary and innovative areas.

In our current environment, it's crucial to develop your skills. Because, generally speaking, employees' skill sets have expanded tremendously. A future business manager must be able to pass muster. Even though being part of the family gives you a significant advantage, that's not enough on its own. And it will not suffice unless the next generation lives up to the demands of the role entrusted to it.

What can one do to make a handover go smoothly?

GB: First of all, there are several pitfalls to avoid, such as insufficient preparation by the successors, no credible candidates to pass the baton to and the inability of the new arrivals to provide the innovation and added value expected of them. We should also consider experience: someone with a great deal of experience will tend to be less flexible and put up stronger resistance to innovation. It may thus make sense to bring in someone younger to the family management team when it already includes a number of members who have been on board for several years. The newcomers must have the requisite maturity, however. That goes without saying. Either way, if there is one rule of family governance that needs to be met, then it's maintaining a balance: a balance of skills, experience and ages. Finding someone with the right profile and bringing them in at the right time will also help make the changing-of-the-guard a smooth process.

Bordier & Cie in figures

1844 Bordier & Cie founded as a limited partnership in Geneva.

3 unlimited partners: Grégoire Bordier, Evrard Bordier and Christian Skaanild.

270 employees Group wide, on 3 continents, in 6 countries and in 11 cities worldwide.

5th generation of the Bordier family presiding over the Bank.

#1 Swiss private bankers.