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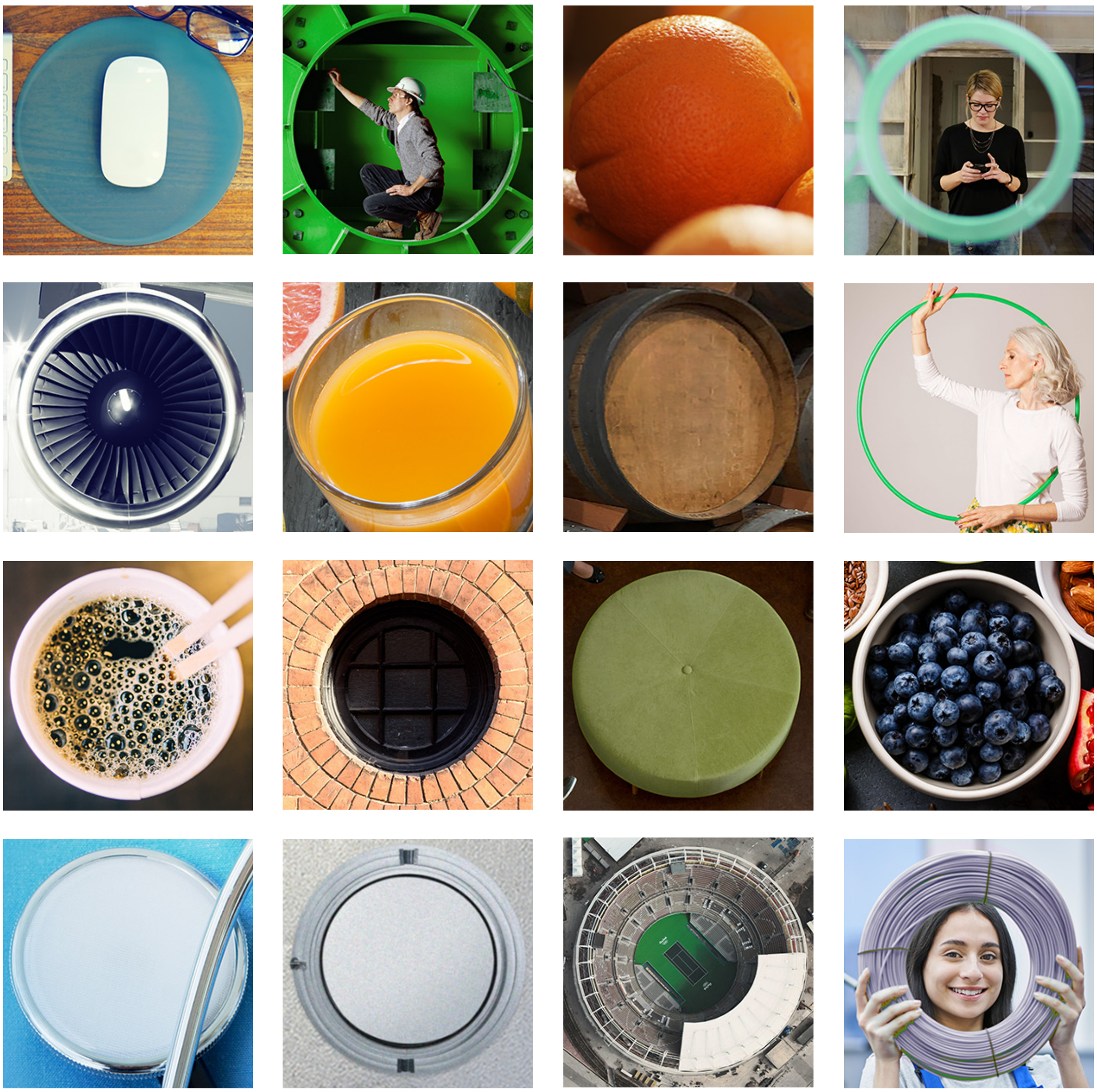
Private

Best Managed Companies
Stories of global excellence

November 2021



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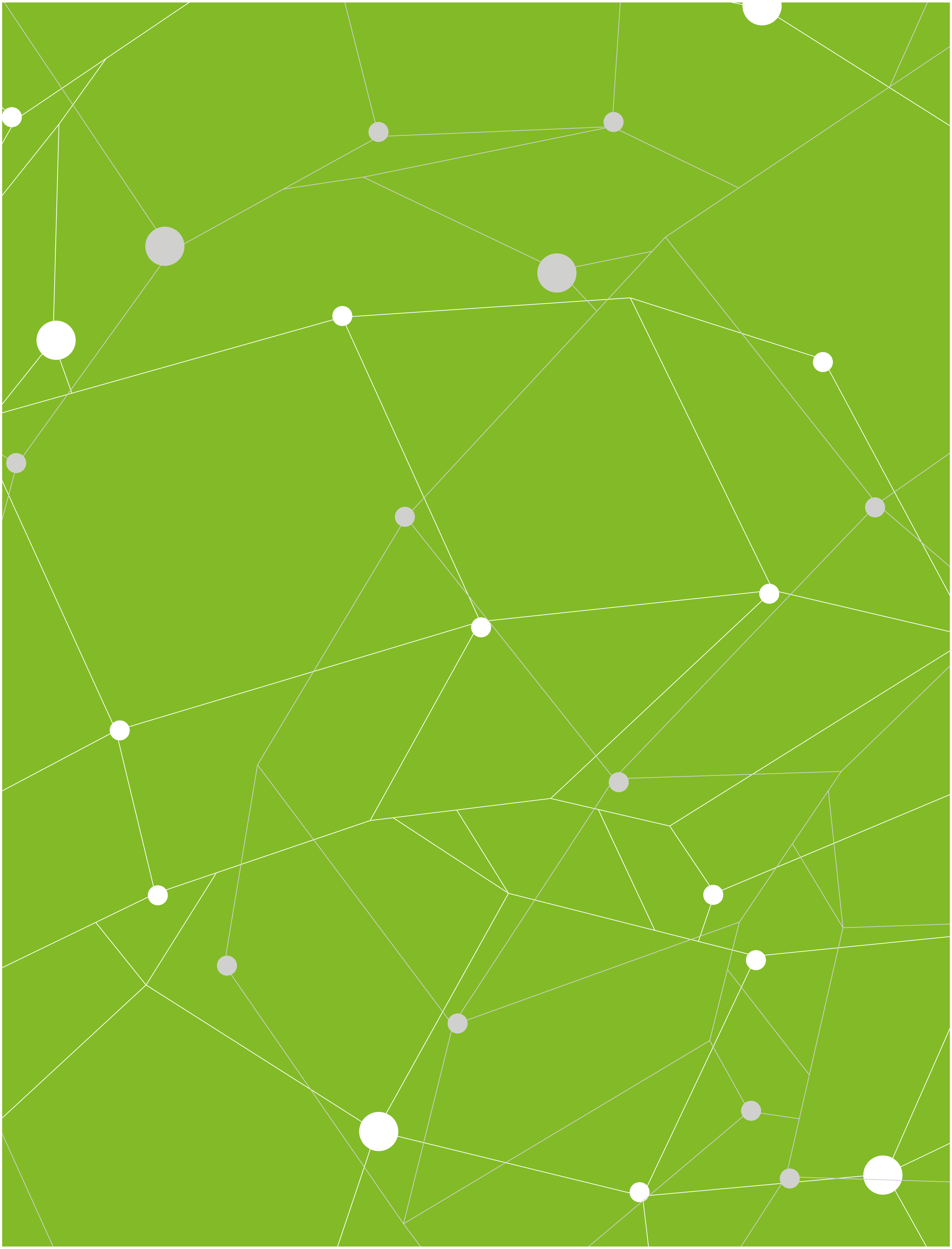


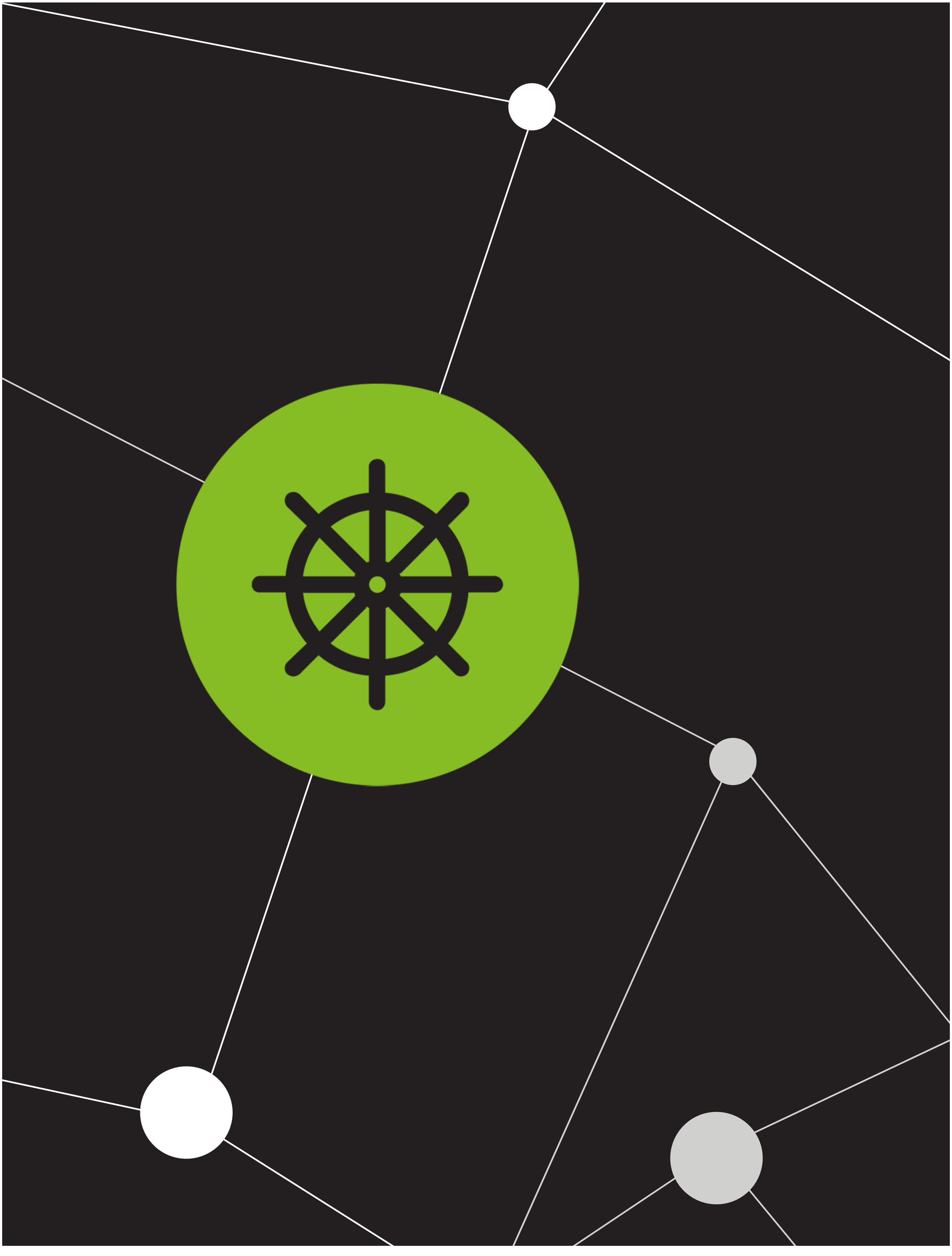
At Deloitte our purpose is to make an impact that matters. We know that private businesses are the backbone of most economies throughout the world. Our Best Managed program, operated globally with our many sponsors, is designed to inspire, celebrate and build an ecosystem of exceptional private businesses. In doing so we believe we can help create a brighter future for all by sharing common traits of best managed companies, shining a light on these leading businesses, and inspiring others to follow.

Based on observations gleaned from thousands of companies that have competed for the Best Managed designation globally, the program is built around four pillars: Strategy, Capabilities and Innovation, Culture and Commitment, and Governance and Financials. In each area, applicants were carefully evaluated by a panel of independent judges in their country.

Along with recognizing these organizations, we are proud of our ability as one of the world's largest professional services organizations to build an ecosystem of extraordinary companies and offer examples of leading practices that bring these evaluation pillars to life. A Czech brickmaker. A Chinese property developer. A Chilean air rescue carrier. Inside each of this year's Best Managed Companies is a tale as unique as the individuals who founded them. Whether their businesses were decades or generations in the making or relatively recent creations, each can point to specific moments or decisions in their history that put them on the path to success.

The company stories that follow, gathered from dozens of interviews conducted around the world, represent some of the best of the best. But don't take our word for it—judge for yourself.

Peter Brown
Global Best Managed Companies Program Leader, Deloitte Private



Strategy

Best managed companies have a tremendous sense of direction, rooted in mission and vision, and increasingly inspired by purpose as the world seeks a broader definition of capitalism. This strategy provides focus for the business in the context of a rapidly evolving economy. They invest extensively in planning, have a formal methodology for strategy development, ensure the strategy reflects their stakeholders, have the right execution discipline to bring their strategy to life, and effectively communicate the strategy to all levels of the organization. Even in the face of acute challenges, they maintain a long-term perspective

Double click

eShopWorld:
Strategy-setting on twin tracks

In internet commerce, it's usually an unseen hand that makes each purchase as quick and convenient as possible. Ireland's eShopWorld is one of them. >

« ...a major part of that is keeping up with consumer expectations when it comes to their digital experience. »

The Dublin-based company helps some of the world's best-known brands offer a seamless e-commerce experience whether their customers are in Canada or Katmandu. In a split second, eShopWorld's technology solutions show every price in the customer's local currency, adjusting for real-time exchange rates, and adds relevant cross-border taxes. But eShopWorld's services extend well beyond individual transactions—it uses the data at its disposal to help brands build website traffic, acquire new customers, optimize promotions, and manage inventory, among other tasks.

"The big advantage we provide for most brands is that we give them global reach without any brand dilution," says Chief Executive Officer Tommy Kelly. "And a major part of that is keeping up with consumer expectations when it comes to their digital experience."

The company's intake-infused strategic planning process helps keep it on the leading edge of that change. It starts with the five to 20 eShopWorld employees that are involved in every brand account. They communicate daily with the client to obtain customer feedback, product requirements, and generally what's driving their growth. These insights are combined with real-time information on customer behavior being generated by eShopWorld's internal data team, and feed into a biweekly strategic review held by the company's top executives. At those meetings, the executives bring in outside advisers to challenge their views and provide different perspectives. In the US, for example, eShopWorld has an advisory board of retail and luxury goods specialists, with whom it confers regularly.

All of this information is incorporated in an annual strategic review held by the board at the start of each year, but material changes to the plan occur regularly in the intervening months within each of the 25 teams that represent different parts of the business. "We have a three- to five-year strategic plan but it's being updated on a quarterly basis," Kelly says. "Our strategy largely depends on our clients' needs, so we're constantly operating on twin tracks."

A 2017 strategic decision to invest heavily in a cloud-based microservices platform illustrates the point. The company added more than 150 new staff over a two-year period to support the effort, which enabled eShopWorld to continuously deploy large, complex applications to meet new demands in individual markets, rather than have to outsource their development. When Mexico started requiring shopper identification at virtual checkouts in 2020, eShopWorld introduced a new application for its clients to collect that information—in a matter of weeks. The company has the ability now to deploy up to 30 applications on its platform each day.

"As an organization, it's imperative that we can maintain flexibility in our strategy," Kelly says. "We can't be restricted to waiting for the next board meeting, because if waited that long we wouldn't be responsive to our clients' needs."

Speed metal

LVD: Balancing shifts in demand with long-term strategies

The LVD Group (LVD) got its start in the early 1950s during the "Belgian Miracle"—when the country's specialization in manufactured goods helped Europe rebuild after World War II. What began as a small metalworking shop has grown into a global manufacturer of press brakes, laser-cutting machines, punch presses, automation systems, robotic cells, computer-aided manufacturing software, and other sophisticated integrated systems for the sheet metal industry. >

« We thought [virtual environments] were items for the medium and longer term, but we were forced to develop quickly because of the facts. »

Carl Dewulf, President and Managing Director—and the "D" in the company's initials—says LVD has been able to achieve success by balancing shifts in global demand with long-term strategies. This has allowed the family-owned company to withstand multiple twists in the economy, from the post-World War II period to the COVID-19 pandemic. In this most recent crisis, LVD felt the impact worldwide, all of its manufacturing, sales and service operations were affected. The company quickly enacted a series of measures, including implementing additional shift patterns, work-from-home policies, virtual product demonstrations, and remote service appointments.

"Some of these measures, like the new AR app introduced by our service group and a strengthening of our IT structure, were already in development, but the crisis moved us to accelerate these efforts," Dewulf says of the company's quick pivot to virtual environments. "We thought these were items for the medium and longer term, but we were forced to develop quickly because of the facts."

Dewulf says the company has long prioritized flexibility through its approach to strategic planning. It's in part a bottom-up process that spans functional areas. Individual teams are encouraged to actively elevate ideas to the company's senior management team, with key ideas taken to quarterly board of directors meetings. With the board's blessing, approved ideas are then taken to various divisions across the 47 countries and 19 subsidiaries that comprise the LVD Group. In addition, colleagues from areas such as marketing, logistics, and engineering meet quarterly as part of LVD's new product development process, where current projects are managed, new ideas exchanged and supply and demand trends are discussed.

"Our strategic planning cycle is dynamic, and deliberately so," Dewulf says. "We believe it's important for senior management, engineering, and other departments to have this flow of information and dynamism to move strategy and tactics very quickly to suit business conditions."

The company also pursues its strategic goals by scanning the globe for acquisition and joint venture opportunities that enhance its technology capabilities. For instance, its 2015 acquisition of US-based tube laser manufacturer AltaMAR and in 2019 Italian automation manufacturer Compac allowed LVD to combine design and engineering capabilities for tube laser cutting technology with AltaMAR and boost automation capabilities with Compac. Dewulf says LVD is also expanding its footprint in China through two joint ventures—boosting Chinese market share while also allowing LVD to compete more aggressively on pricing globally.

As part of its Global Manufacturing Strategy the company has followed world class manufacturing and lean thinking management techniques to control costs and reduce waste. The latter objective has been a key area of focus for the company both commercially and operationally. Every LVD manufacturing facility—which includes its main factory and headquarters in Wevelgem, Belgium; Slovakia; the United States; an automation facility in Italy and China—are also equipped with sustainability in mind.

Sustainability is increasingly part of LVD's strategic focus. Solar panels account for 30% of its electricity consumption. The company was able to cut its annual electricity consumption in half between 2008 and 2020 by relighting offices, relighting production halls, installing new heat pumps, and investing in high-efficiency machinery. In addition, water use dropped 25% between 2011 and 2020 after the company installed new plumbing systems. Plans for 2021 called for rain and waste water separation, and reuse of rainwater in restrooms.

"Sustainability is not a buzzword for LVD," Dewulf says. "From the beginning we wanted to add value for the generations to come and add value for the community we are operating in."

Fresh

The Oppenheimer Group: A strategic commitment to finding the freshest ideas

If ever there was a crisis to knock a company off its five-year plan, COVID-19 was it. The global fresh produce industry was among the hardest hit, roiled by wave after wave of supply and demand issues. Consumers around the world initially hoarded goods and then stayed away from stores. Strawberries sat in parked trucks wilting, unable to be unloaded. Containers full of oranges coming from China were weeks late. Spoilage occurred on a massive scale, as Mother Nature waits for no one.

« The produce has to come off the vine—there's not much you can do about that. »

But The Oppenheimer Group (more commonly known as "Oppy" in the trade), wasn't swayed. The Canadian privately held business got its start in 1858 providing food to gold prospectors in British Columbia. Today it's one of the world's largest fresh produce companies, with nearly US$1 billion in annual sales and a distribution system that spans the globe. Even as it helped its vast network of growers and retail, wholesale, and foodservice buyers come to grips with the acute fallout from the pandemic, Oppy's regular annual planning process took place as usual.

"The produce has to come off the vine, there's not much you can do about that," says John Anderson, Oppy's chairman and chief executive officer. "But when it came to our strategic planning, we adapted to the change and didn't drop the process anywhere."

Just as it does every year, Oppy sent out a survey to all of its employees, asking them to identify the company's strengths and areas needing improvement. Starting in March 2020, when the pandemic was already in full force, it brought together its "Champions of Change" in each department, by video conference, to pore over 100-plus pages of results. These "Champions" include not just managers but employees identified as potential future leaders, and they conclude by agreeing on four to five different points worth elevating to senior leadership. This information is combined with survey results from board members, executive leadership insights, retail scanner data by category, and macroeconomic perspectives. June is the month all of the company's managers meet to review the information and set or affirm its strategic goals.

"2020 was a little different because only about 20 of us were able to get together, socially distanced at a hotel in Whistler, but the rest of the group joined us through Zoom," Anderson says. "It would have been easy to get distracted and get off track, but we think the process gets people really focused."

In years past, that focus has contributed to pivotal changes in tack. Early on, Oppy decided to take ownership over a slew of different services required by its core business units. Today, its information technology systems, transportation, and quality control—among other in-house services—are all proprietary to the company, rather than outsourced. "It gives us a competitive advantage because it pulls everybody together, trying to deliver the same product at the right time," Anderson says.

When the Champions of Change process yielded insights that Oppy's trading salespeople were too stretched across product lines, they reorganized them by single categories, like apples, kiwis, and grapes. "Now we're getting them to sell fewer categories and be better at the categories they're selling," he says.

The annual process is constantly supported by ongoing feedback in each department, so the company can act quickly to support its customers—and producers. One hothouse/greenhouse grower, for example, was struggling because of lack of name recognition in the market, driving it to approach its business on a week-to-week versus a longer-term "pre-programmed" basis. Oppy assigned a team to review the grower's operations, including its packaging and marketing. They created a new brand identity for the grower, complete with a new logo. "We've done that for a number of different growers now because we want them to become popular brands," Anderson says.

While companies in many sectors are thinking decades out these days, worried about the potential for technology-driven disruption on their business models, Oppy doesn't have to think too far ahead. Absent a magic pill that will suddenly make food consumption unnecessary, people need sustenance to live—and Oppy is going to keep delivering it to them. But innovation is such a key part of the company's overall strategy for the next five years that it recently created a new senior leadership position: Manager of Innovation. The role oversees all of the company's new ideas, from growing methods to packaging types to robotic automation. "Every day, we're getting a clearer picture of who we need to be as a company," Anderson says.

Cleaning up

Virutex Ilko: Constantly shifting strategy showcases company's flexibility

Chilean consumer goods company Virutex Ilko has produced and sold some of the most sought-after products since the inception of the COVID-19 crisis: cleaning supplies and cooking accessories.

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« We've had to move fast, make quick decisions, and change direction when needed, thinking long term but also operating on a daily level in a pandemic. »

Sales of both groups of products skyrocketed as families sheltered at home to slow the spread of the virus. According to Juan Martín Monsalve, the company's corporate chief executive officer, the pandemic modified some of the company's strategic objectives while accelerating other plans—demonstrating a capacity to shift strategy quickly in reacting to shocks in the marketplace.

"We've had to move fast, make quick decisions, and change direction when needed, thinking long term but also operating on a daily level in a pandemic," Monsalve says.

The 76-year-old family-owned company got its start in the cleaning products business literally from the ground up—selling disposable sweeper-mop pads. Today, Virutex Ilko manufactures more than 2,000 products representing kitchen and cleaning goods under one roof; the Virutex brand includes items such as disinfectant wipes, while the Ilko label markets kitchen essentials such as utensils and cookware.

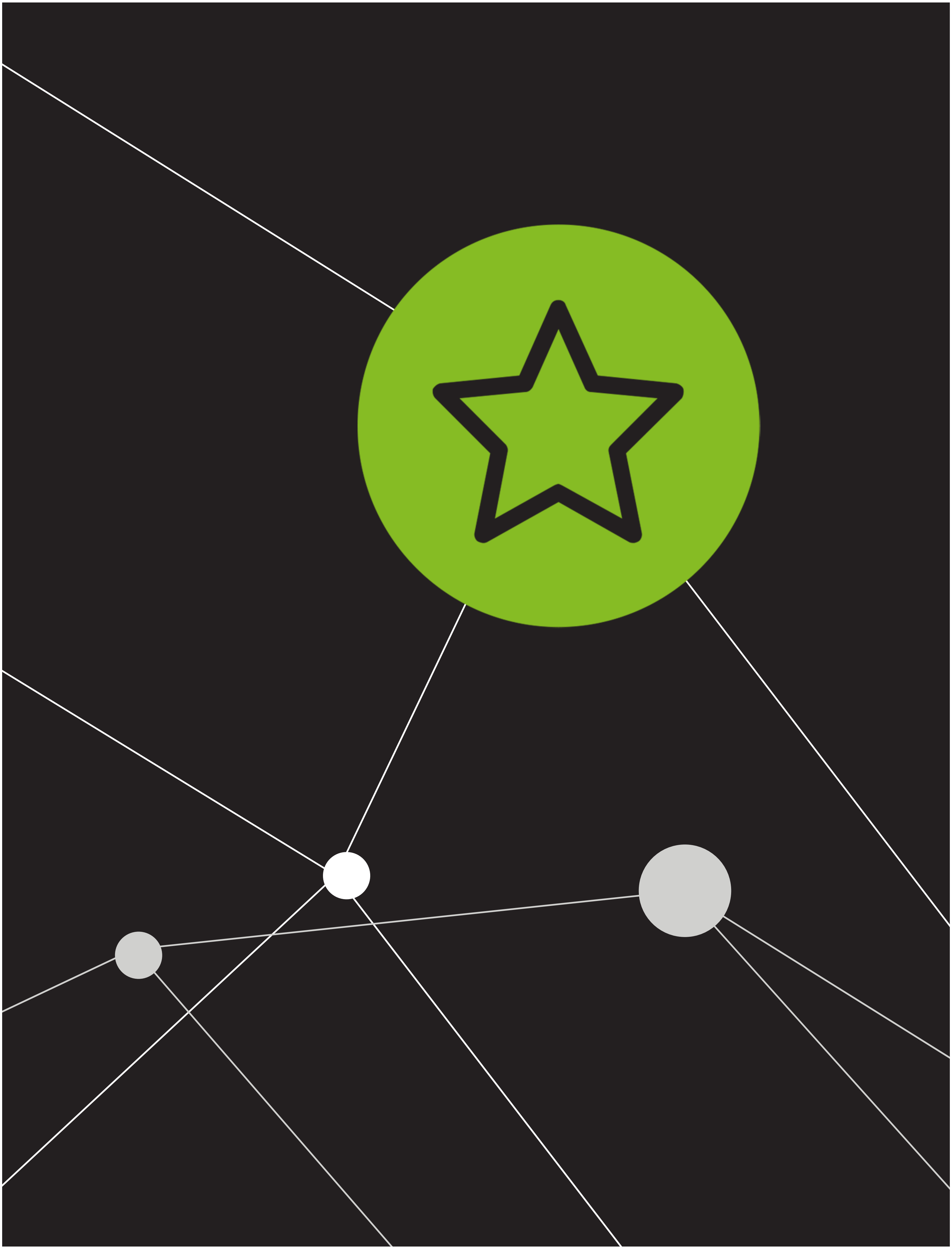
The company has factories in Chile, Colombia, and Peru. It has nationwide distribution operations in Argentina and Mexico, as well as importers in other parts of Latin and North America. More than 1,000 workers supply its products to retail chains, small convenience stores, and institutional customers. In response to the pandemic, the company began direct-to-consumer sales, launching an e-commerce site carrying products from both sides of the business.

With growth comes environmental responsibility, Monsalve says. Chile is the second-biggest producer of waste per capita in Latin America. The country banned the use of plastic bags in 2018, providing a two-year period for retailers to completely phase out the bags. In 2020, Virutex Ilko opened a new manufacturing plant that accepts recyclable material and turns it into recycled garbage bags. The process involves taking in plastic, making pellets, then turning those pellets into new bags. The site has the capacity to receive 10,000 tons per year, and has created about 400 jobs.

"We're changing packages and products, and working with our vendors to reduce their carbon footprint, too," Monsalve says. "We want to be as sustainable as possible, and we're committed to science-based target initiatives in the markets where we operate."

Another dimension of the company's strategy involves investing in its suppliers—providing a financial boost to keep up with product demand. The deals involve favorable terms that allow the manufacturer to fulfill orders. For instance, Monsalve describes the high-growth category of wet floor wipes. Companies that have the machinery needed to cut and produce the wipes have been stretched thin in the pandemic so Virutex Ilko helped one of its Chinese suppliers buy new machinery to keep up with demand.

"These are long-term relationships and that's part of our vision with our suppliers," Monsalve says.



Capabilities and innovation

Best managed companies hone their "secret sauce," creating a unique set of capabilities and resources that differentiate them in the market. They are highly committed to adaptability and innovation, approach productivity through a continuous improvement lens, and strive to hire the right people to execute their business model and strategy. In other words, they develop a differentiating set of in-house capabilities that allow them to be innovative and enterprising without fear of failure, and they constantly put their operations under the microscope with an eye toward constant improvement.

Wheels up

Aerovías DAP: Niche transporter maneuvers through extreme environments

The notoriously treacherous conditions through the Drake Passage between Chile and Antarctica make the area one of the most dangerous transportation routes on the planet. Aerovías DAP, a Chilean carrier that specializes in adventure, air rescue, cargo, and charter trips, has spent four decades specializing in air and sea travel adapted to rugged destinations. >

« We've learned to transform challenges into opportunities creating a legacy of innovation and resilience. »

The founders' early instincts to offer plane connections throughout the region helped cement its status as "The airline of Patagonia." Its innovation in commercial and leisure travel have made the company a leading logistics provider between South Chile and Antarctica.

The DAP group, Chile's oldest private airline, got its start in 1980. The late entrepreneur Domingo Andrés Pivcevic, from whom the company gets its initials, recognized the need for better air connections between the isolated towns and cities along the southern tip of Chile and the rest of the country. Pivcevic's sons, the late Andrés Pivcevic Rajcevic, and Alex Pivcevic Rajcevic, the company's current CEO, helped expand the business, which now extends to a third generation. From its home base in Punta Arenas–where the company has concentrated and maintained its senior management staff–DAP began scheduled flights across the area to outposts like Porvenir and Puerto Williams, among the country's southernmost towns.

A fleet comprised of a single aircraft eventually grew into 15 airplanes and 15 helicopters, as well as a cargo ship and barges. Vessels including its "Betanzos" ship, with a reinforced hull for ice, and its BAe/RJ, four-engine planes designed for landings on short runways, as well as its fleet of helicopters, have allowed the company to offer highly specialized services, such as helicopter flights to offshore oil rigs, Antarctic logistics, and high altitude operations.

"We operate in isolated areas with many logistical difficulties, as well as adverse weather, which make our clients highly appreciate our capabilities," says Andrea Pivcevic, the company's legal director and member of the third generation of the Pivcevic family. "When you need to transport passengers or cargo, or handle logistics by air or sea in hard to reach locations, we do what others won't."

The company launched leisure trips to Antarctica in 1989, taking advantage of its growing experience on the continent. Some of its multi-day itineraries include a guided tour of King George Island, home to penguin colonies and leopard seals as well as scientific bases. Guests visit the site of the area's first human settlement as well as an international research station, and get an "ice camp" experience in tents specially designed for extreme cold.

Though its aircraft and marine vessels are built for niche transport in demanding conditions and require highly detailed logistics management, the company focuses on extracting maximum value from those assets. By taking advantage of off-season lulls to alternate between adventure trips and cargo transport, the company limits the chances for its investments to sit idle. One example: The company managed logistics for a Turkish scientific team doing research at an Antarctic station. A DAP crew flew the scientists between sites by helicopter and used the company's specialized light sea vessels equipped for trips between islands. True to its core values, the company is continually innovating and opening new markets while solving critical problems to its clients.

In 2004, DAP extended its capabilities to emergency services with the launch of a subsidiary offering air medical rescue services. The company operates both helicopter and airplane rescues throughout South Chile and to King George Island. As part of workplace partnerships with companies throughout the area, DAP provides coverage to a vast number of workers in the event of an accident in a remote location that requires rapid medical attention.

"We are proud of our family, our team and our company" says CEO Alex Pivcevic Rajcevic. "We've learned to transform challenges into opportunities creating a legacy of innovation and resilience."

A little sweet

CO-RO: Beverage innovation through classic fruit flavors

The CO-RO Group oversees a globally distributed assortment of fruit-based soft drinks and ice lollies—triangular popsicles in multiple flavors. The company began with two brothers making treats in a kitchen outside Copenhagen in 1942.

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« When you commit to a project, you can't get cold feet because the weather changes. »

Today, CO-RO sells more than 3.5 billion servings per year in 80 countries. The core ingredients for its concentrates are still conceived and produced close to home, though. It's part of a purposeful strategy that allows the company to preserve the feel of a small enterprise while growing its worldwide presence.

Keeping in step with consumers in places like Saudi Arabia, one of the company's biggest markets, or in Bangladesh, where CO-RO holds majority ownership of a juice-making subsidiary, falls to innovation teams working from the company's distinctive innovation center, the CO-RO Oval. The aptly shaped structure in Frederikssund, Denmark, houses research and development labs that are visible from multiple vantage points inside the complex. Informal meeting areas, workstations, and an atrium form part of an open plan designed to maximize interaction—fostering an innovation culture.

"You want to make a statement when suppliers visit that we are an innovative company, and we've built this habitat to foster that philosophy," says Lee Taylor, the company's executive vice president of innovation and global marketing. This philosophy underpins the company's objective to generate 10% of annual sales through new innovations.

Regular exchange of ideas flows through CO-RO's ideation group—a team led by executive committee members that considers suggestions from suppliers and different geographies on new products. Taylor offers examples such as packaging improvements including paper straws, or new flavor profiles for juice drinks. The company's consumer innovation team takes those insights, analyzes demand in specific markets, then decides whether to produce or enter into joint production agreements.

Like many large companies in Denmark, CO-RO is owned by a foundation—a nonprofit entity that provides long-term stability for the company and its employees. Global operations span a variety of business structures, from wholly owned companies to joint ventures, allowing CO-RO to adjust to a diversity of business conditions and economic pressures. For instance, in 2020, the company opened a concentrate production facility in Kenya for its Sunquick fruit drink brand, a joint venture project that had been in the works prior to the onset of the COVID-19 pandemic. Taylor says the company is confident that demand for fast-moving consumer goods such as the company's drinks and frozen product can withstand the current crisis.

"When you commit to a project, you can't get cold feet because the weather changes," Taylor says. "We still maintain that East Africa is a great place to do business."

When tastes translate across borders, CO-RO uses its production capabilities to introduce or adapt existing products for new customers. For example, Taylor describes a Malaysian-marketed initiative that the company believed would also be popular for the Ramadan season in Saudi Arabia. Having the cultural familiarity of local markets and the logistics capabilities of a large organization allows CO-RO to responsibly innovate on a global scale.

"We encourage this learning between regions," Taylor says. "I can't overemphasize the importance of being small enough to be able to do that, but big enough that you can actually get things done. If you focus on the consumer and what's important, and you focus on the brands that you're making, you're going to do well."

Cheers!

Ferrari Fratelli Lunelli: Winemaking excellence in a changing territory

« Since we live in a beautiful territory, it is our duty to protect it, and to preserve it for future generations. »

Italy produces more wine than any other country on earth, ranking it as a top-three exporter by volume and value. At least for one winemaker in the region, embracing technology is as important as respect for history.

Ferrari Trento, a sparkling wine producer in Trentino in the heart of the Italian Alps, is investing in 21st century innovation to produce the ancient beverage. Known for its Traditional method sparkling wine—adding sugar and yeast to still wine to trigger second fermentation inside the bottle—Ferrari prioritizes innovation while respecting the company's 119-year-old history. Matteo Lunelli, the company's President and CEO, believes Ferrari's strategic collaborations and continuous focus on new technologies will help preserve the legacy for future generations.

Winemaking is a complex process that requires the right atmospheric, soil, and groundwater conditions. Lunelli describes a multilayered approach focusing on all these factors to arrive from vine to glass. For instance, the company takes humidity readings from sensors to determine humidity levels at its vineyards. Drones sweep over the territory to monitor the vigor, or growth rate, of the vines, as well as the colors of the grapes as they ripen. On the ground, staff agronomists use mobile tablets to log data as they get an up-close look at the plants.

"Using technology is good, but the human touch is always essential," Lunelli says of the family-owned firm. "We have people who are passionate about viticulture. Not only do they go with tractors or other instruments to cultivate the vineyards, but they are also technologically skilled."

Like businesses in regions across the world, Ferrari has taken steps to respond to climate change—mitigating its effects and adapting growing techniques in response to this disruption. Climate scientists predict the region might see a marked increase in summer temperatures through 2070, as well as a significant decrease in precipitation in the summer months. Lunelli says the company is actively scouting nearby locations at slightly higher elevations to mimic the temperature conditions of some of its current vineyards and maintain product consistency in case temperatures do in fact rise. Ferrari has collaborated with San Michele all'Adige, a local agrarian academy specializing in viticulture, to track temperature changes and refine its cultivation methods as needed.

"We are willing to have a higher average altitude for our vineyards in Trentino," Lunelli says. "Long-term, this will enable us to maintain similar conditions compensating the effects of global warming. If not, the risk is that the style of our wines might change."

Water use is another concern: It can take up to 2.65 liters of water to produce a standard 0.75 liter bottle of wine. Ferrari is testing a pilot project with a technology startup for an intelligent irrigation system at its vineyards using Internet of Things and artifical intelligence technologies. According to Lunelli, mini weather stations placed directly on the vines transmit a combination of climate, satellite, and soil humidity data to the company so it can manage watering only when necessary. The company hopes to save 9 million cubic meters of water per year—the equivalent volume of a small lake, such as the nearby Lago di Tovel.

"Sustainability in wine is crucial," Lunelli says. "Wine is an expression of a territory. Since we live in a beautiful territory, it is our duty to protect it, and to preserve it for future generations."

The right fit

True Alliance: Premium global fashion

True Alliance, a retailer, distributor, and licensee of international fashion, athletic, and accessories brands, has spent decades earning the trust of apparel and accessories makers whose products it markets and sells across Australia and New Zealand.

The Sydney-based company credits its deep experience in shared services for helping overseas brands run their businesses as seamlessly as they would in their own showrooms back home.

"If you want to come into this market without all of the costs involved we give you multiple choices," says David Smith, the company's CEO. "Our strategy fits in with the modern shared economy."

The company's value proposition includes its local insights, fast onboarding processes, and best-in-class infrastructure built on leading information technology solutions, supported by automated warehouse and logistics service capabilities. The company operates 20 e-commerce sites built and managed by internal resources on behalf of its clients.

The individual brands are very much managed as discrete domains. True Alliance maintains virtual firewalls between the companies it represents, each with its own general manager who helps guarantee independence. For instance, none of the brands within the portfolio has access to the other's systems, including sales, inventory, or profitability figures.

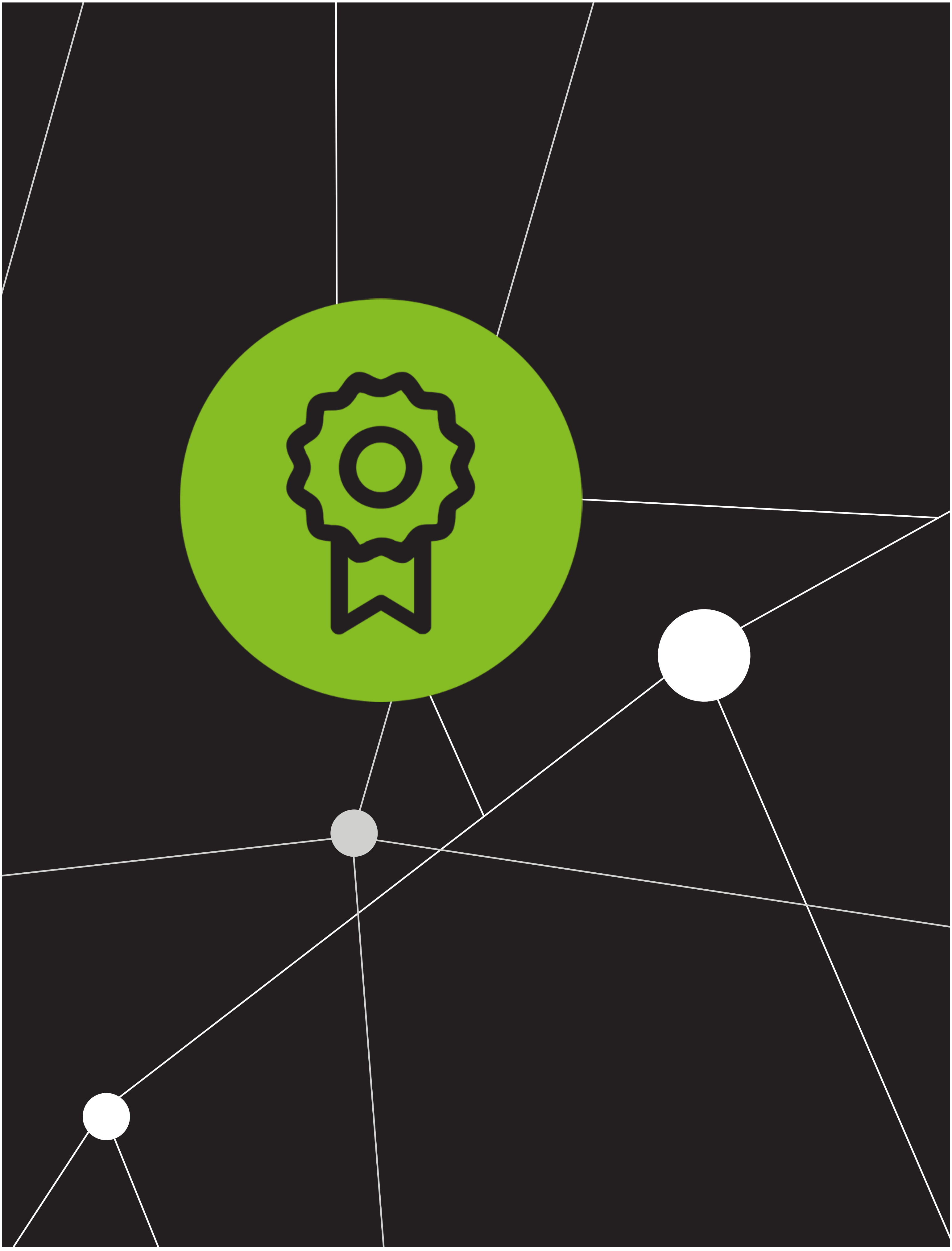
"We protect the individual integrity of the brand," says Smith. "It's really important that they see that they're being managed by a specialist, that you're looking after their brand's sales and marketing individually, in a bespoke way."

True Alliance began in the 1980s as the sole distributor of an international footwear brand in Australia before diversifying to represent other brands and building the breadth of services it offers today. That includes its shared services model and its best-in-class digital marketing and e-commerce capabilities, which allows its clients to focus on growing their sales and market share without the high cost and complication of establishing a corporate office.

"We know the complications of running brands in this market, and we've developed these systems over many years," Smith says. "We can leverage our capabilities to get a brand onboarded in a matter of months, without the need for them to invest in expensive infrastructure to manage their businesses."

In addition to opening stores—and overseeing the inventory, staffing, and operational aspects of brick-and-mortar retail—True Alliance helps foreign companies establish subsidiaries in the Australian market. By doing so, the companies can take advantage of True Alliance's back-office capabilities.

"We flexed our business model," says Roni Perlov, the company's chief financial officer. "Our clients which include the subsidiaries of large US listed companies can focus on growing their businesses and executing their global strategies with the comfort and knowledge that we provide a best-in-class infrastructure to support their growth."



Culture and commitment

Best managed companies disproportionately invest in their people. They build a strong corporate culture and legacy, actively develop their people and leadership teams, provide a holistic compensation system recognizing that people seek more than just money for their time, and address continuity concerns within the company by ensuring the next generation is trained and equipped to succeed. Increasingly, best managed companies are embracing diversity, equity, and inclusion to unleash their full potential.

Aaahhhh

Caffenio: Infusing collaborative behaviors into a coffee brand

Customers who visit one of Caffenio's drive-through locations across northern Mexico are often so well-known by the baristas they might not even need to place an order. José Antonio Díaz, the CEO and member of the third generation of the family-owned company, says his mission is getting to know his customers. He asks staffers at every location to build relationships with customers through familiarity.

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« We know our clients by name, what time they're going to arrive, and what they're going to order. »

hhhhhh

"We know our clients by name, what time they're going to arrive, and what they're going to order," Díaz says. "My job is ensuring a pleasant exchange, especially when that might be the first person they talk to all day."

Caffenio recently celebrated the opening of its 120th drive-through location. The company's origins date back 80 years. In 1941, Diaz's grandfather, José Díaz Díaz founded "Café Combate" with door-to-door sales in Hermosillo, Mexico. Caffenio now employs approximately 3,100 workers, and it's in the middle of a growth spurt. In addition to its drive-through establishments, its retail presence spans more than 19,000 OXXO convenience stores across Mexico.

One way Caffenio has built and consolidated a common culture across its operations is through tight-knit collaboration. It starts by defining a series of workplace behaviors aimed at building trust and respect among teams, as well as confidence among workers to try new things. The company actively encourages risk taking when employees have ideas for new products and services, even when they ultimately don't pan out. "Mistakes are a source of learning," Díaz says.

Díaz says small details matter when building a culture of collaboration, so the company focuses on frequent communication with teams. Each month, Díaz records a brief video address for café operators and employees. The videos cover topics like sales results and tips on improving processes within stores. "These internal efforts have allowed us to create a culture of service that is valued by our customers," Díaz says.

The videos also highlight employees, another area of focus for the company. Caffenio developed a workplace mobile application in which employees can identify colleagues who have excelled at one of the company's workplace behaviors, such as execution or leadership. If the recipient accumulates a series of "coffee beans," as they appear on the app, they can qualify for incentives such as travel vouchers.

Díaz notes that while instilling these behaviors has helped the company create an environment of cooperation, there are some challenges that arise when running a business with high employee turnover. Approximately 70 percent of the staff has been on the job for less than two years. "The current challenge for us is to be able to instill these behaviors in people quickly enough, because our growth requires that we hire a lot of people," Díaz says.

Behaviors aren't just taught to new employees, however. At Caffenio, workers get to rate their bosses through an annual company survey. "It's a great opportunity to improve," Díaz says. "Our goal is establishing a culture where people internalize these habits."

Staying true

Heluz: Building a strong family culture brick by brick

For a family business that was founded in 1876, it might seem strange that it wasn't until 11 years ago that the Heluz Company—a Czech manufacturer of masonry products—started embedding its name on every brick it sold. But for four decades, that decision was taken out of its hands. >

« It's important for them to understand why we're turning left instead of right. »

The company was nationalized in 1950 after its country fell under Communist rule, and it wasn't until 1990 that it got the chance to take it back. Vladimir Heluz was delivering a new color TV to his mother-in-law in Raspenava, close to the Polish border, and he happened to notice a letter sitting on the kitchen table. It was from the newly installed government, offering his family the opportunity to retake ownership of the company.

"It was a stroke of luck," says Vladimir's son, Roman, who runs the company today, along with his father and younger brother, Michal.

Luck has nothing to do with the company's success since then. Heluz has become one of the top three producers of masonry systems in the region. In addition to producing high-quality products, the company credits a strong culture that taps into its long history and family ownership.

For a long time, masons colloquially referred to the company's products under the nickname of "Heluzky." In 2010, the company's owners and management decided to make it official by stamping the family name on every brick block that leaves its factories. The goal was to share pride of ownership with its employees and send a strong message to its customers. "My father wanted everyone to know we as a family are proud of our products and responsible for them," Roman says.

Visibility is a theme that extends well beyond the company's brand. Like many global family businesses, Heluz stresses access to leadership as one of its key advantages. Before the COVID-19 pandemic struck, Roman and other members of the ownership group made a point to mingle with employees on a nearly daily basis at Heluz's headquarters in Dolni Bukovsko, and they typically visited at least one of the company's four production facilities each month. After it's over, Heluz will be looking to resume these interactions, as well as its annual "Boss on the Grill" cookout, where employees can ask Roman and his brother Michal questions as they tell them how they would like their steak prepared. "It's important for them to understand why we're turning left instead of right," Roman says. "They need to share our belief that every decision is the right one for the company."

Communication is a two-way street at Heluz. Many ideas for changes in direction come from production-floor employees and lower levels of management, supporting a culture of innovation. Members of the company's research and development group, after hearing of persistent delays on construction sites caused by lack of skilled labor, started working on a new product that would replace the need to make on-site mortar, a slow and laborious process. Heluz SIDI, a pre-prepared masonry mortar that can be rolled on like paint, was the result.

"Our customers love it because it speeds up construction and it gets rid of the risk that the job won't be done professionally," Roman says.

In addition to getting the opportunity to directly contribute to the company's success, employees know that the company will support them if they want to pursue a new interest or skill. If someone has the ability to take on a new role, Heluz often makes the switch rather than leave their competencies untapped. Often, positions left vacant by promotions are tweaked to suit available candidates' skills. "We try to find jobs for capable people rather than the other way around," says Chief Executive Officer Jan Smola. "It's about adaptability and ensuring each employee finds their natural place here."

Comfortable

King Living: A culture of talent development fuels fine furniture maker

The staff roster at Australia's King Living is proof of the company's commitment to nurturing promising talent regardless of experience or position. Many of the senior leaders at the manufacturer of living room furniture came from the lower ranks, benefactors of investments the business has made over the years in upskilling initiatives.

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« We want people to upskill, we want to encourage them, and we want them to excel. »

King Living Chief Executive Anna Carrabs says these investments have helped make King Living's employees as resilient as the pieces it makes.

"We want people to upskill, we want to encourage them, and we want them to excel," Carrabs says.

King Living began as a home-grown business. In the late 1970s, founder and chairman David King and his mother made foam seating, stretched fabric over cushions, and sold the designs from a stall at Paddy's Market, a local landmark in Sydney. The company introduced its patented steel-frame sofas shortly thereafter, and spent the following two decades opening domestic showrooms and expanding its manufacturing output, including its first metal factory in Shanghai in 1995.

While the company earned accolades, it lacked the organizational structure necessary to grow as a global brand abroad. Carrabs, who had previously served as a consultant to the company, accepted David King's personal offer to become CEO in 2015. King gave Carrabs a mandate to change the company's culture to prepare it for global success. Outside of Australia, King Living operates showrooms in Canada, China, Malaysia, New Zealand, and Singapore. Carrabs says moves to flatten the company's reporting structure and introduce an open-door policy that encourages employees to actively engage with executives have consolidated the company's reputation as a place to create and grow.

"Recruiting for roles is easy because people are drawn to our brand," Carrabs says. The company's ranks are littered with success stories from this approach, including Jack Broughton, who began as a warehouse employee, became head of IT and was recently awarded by The CEO Magazine as "CIO of the Year" in 2020.

King Living's culture of relentless talent development extends to its international expansion activities. For its overseas showrooms, the company encouraged employees to relocate to work alongside local teams—and found many willing volunteers. "It ensures that they not only get the technical skills but also the DNA, because they're taking our culture with them and embedding it in these other countries," Carrabs says.

The COVID-19 pandemic has modified some of the company's activities, such as its periodic CEO lunches. The meetings continue, though they're now virtual, company-catered events in which employees have the opportunity to request additional support to do their jobs, share when systems aren't working, or give other feedback directly to Carrabs.

One new initiative Carrabs is excited about is yet another program to help identify up-and-coming talent. Senior leaders are able to nominate an emerging leader and make the case for them. If they are voted in by the other senior leaders, the candidates are exposed to management skills and put forward for promotion opportunities. "Once you've got the right people, it's about supporting and empowering them," Carrabs says.

Roots

McCain Foods: Making a large company feel like a small one

If you want to learn about what it takes to be resilient, try building a business around potatoes.

There are many serious threats to growing potatoes, including pests, diseases, and bad weather—an increasing norm we're seeing as a result of climate change.

As the world's largest manufacturer of frozen potato products and a global leader in appetizers and snacks, McCain Foods has turned managing crop volatility into a core competency.

"One year you might have a fantastic crop and business is a lot easier," says Alison DeMille, McCain's Chief Human Resources Officer. "In other years, there may be a major crop disruption due to poor weather conditions, which means resiliency is required by our farmers and McCain employees to ensure our customers and consumers receive the quantity and quality they expect of our products."

In 2018, farmers in the United Kingdom lost a quarter of their crop due to record-breaking drought, only to be beset by too much rain the following year. Potato yields shrank to their lowest levels in 40 years.

This is why McCain's family roots and values are so important. McCain was founded in 1957 in Florenceville, New Brunswick, Canada by four brothers, who all shared an entrepreneurial spirit and a dedication to keep the 'family feeling' no matter how big it became, and to work together and remain resilient when times were tough.

Today, the business employs 22,000 people, operates 51 production facilities on six continents and collaborates with 3,500 farmers globally. McCain has 200 employees at its headquarters in Toronto, Canada. The rest are located across the 160 countries McCain operates in around the world.

Across these regions, teams report into one of 555 directors who all work together to ensure the company's global reach remains productive. McCain is also careful not to impose too many organizational structures, systems, and processes to support workflows while preserving the family culture.

"We're proud to be a family-owned company. It's what makes us different from other global companies out there. We take care of our business and treat our employees, farmers, customers and communities like family. Why? Because we know that when we work and grow together, we succeed together." DeMille says.

It's an approach that proved its worth during the COVID-19 pandemic throughout 2020. Most of the company's employees were deemed essential, due to their work in food production. But McCain's business was impacted because of its focus on the food service industry, and selling products to restaurants in particular.

« When we work and grow together, we succeed together. »

One of the first things the company did to relieve employee uncertainty when COVID-19 first hit was host video calls where employees could raise any concerns and get their questions answered. They also planned virtual activities for teams to participate in. On one call, a psychologist spent the session talking about mental health and wellbeing. Teams became very creative in supporting one another, such as virtual yoga and mindfulness training sessions. These interactions were complemented by regular pulse surveys which allowed employees to provide a critique of the company's response to the COVID-19 crisis and propose recommended changes and improvement suggestions.

"We kind of just leaned right into it," DeMille says. "And people really opened up. They wanted to bring their whole selves to work and so we strived to provide the flexibility and support they needed to succeed."

The company's collaborative culture is also supported by its unique approach to hiring. Two of the main traits McCain looks for in new additions are humility and authenticity.

"Our people want to see other people succeed here," DeMille says. "We also spend a great deal of time investing in our leaders to make sure they're not just great at general business but that they're also good at developing great people."

McCain also cares deeply about the communities in which they operate. Nearly all 49 plants worldwide are located in rural communities which is why the company is so committed to the long-term development, education and support of farmers and families in these local areas.

In India, McCain collaborated with non-profits to help empower women in four rural villages close to its plant in the Baliyasan area. The effort, called Project Shakti, teaches the women vocational and entrepreneurial skills. Another program in Argentina, called Sembrado Futuro, provides funding for technical training and socioemotional skills development for youth that are about to enter the workforce.

"Our goal is to challenge each of our locations around the world to develop their own community-based programs," DeMille says. "We like to think of it as organic inspiration. It's important to protect our communities and to build a more sustainable world for the next generation."

Governance and financials

Best managed companies do the basics well when it comes to governance and financials—using a very modern definition of what the basics entail. Increasingly these companies make use of formal advisory boards that help to elevate their game and broaden their horizons. They use data to drive decision making, have comprehensive reporting of what is relevant to management and stakeholders, use technology to underpin data management and financial reporting, use key performance indicators (KPIs) to manage their progress, maintain a strong balance sheet, and apply the financial discipline required to drive revenue growth, improve operating margin, and increase asset efficiency.

Healthy

AKESO holding: Empowered board and ubiquitous data spur quick decisions

« Many times we don't even make minutes from the meetings because they take more time and energy than it takes to come to a conclusion. »

In June 2020, a few months after the COVID-19 outbreak hit Eastern Europe, the board of directors of AKESO holding met in a conference room at the company's headquarters in Prague. The country's hospitals were on the cusp of being overwhelmed by a surge in cases.

Akeso owns and operates two hospitals in the Bohemia region, and the board was actively monitoring the situation at both facilities, including the efficacy of changes it had made to patient-intake protocols, staffing, and other safety measures necessitated by the crisis.

The discussion moved on to how the pandemic might impact the planned expansion of one of the hospitals, a project that would double its bed capacity. The executives saw a future in which a resurgence of COVID-19 or another pandemic might test the system in the future, and they wanted to get ahead of it.

"We reviewed the lessons we had learned from the spring phase of the pandemic and we wanted to take them into account with the project," says Frantisek Vlcek, an executive member of the board. The question was: Could they design the new hospital wing to be convertible, so that it could be turned into an infectious disease treatment ward at a moment's notice? "We were on the 15th or 16th version of the design for the project at that point, but it was immediately decided by the board to change it. Basically we were like, 'Let's go for it.'"

Three things were going in the board's favor. One, Akeso's founder and chairman of the board, a Greek entrepreneur named Sotirios Zavalianis, hated bureaucracy and had a long history of encouraging quick decisions at his companies. At Akeso's biweekly board meetings, he encourages non-director executives from the company's three main business units to join and observe, so that they understand the thinking behind the decisions made there. "Many times we don't even make minutes from the meetings because they take more time and energy than it takes to come to a conclusion," Vlcek says.

Two, the company is governed on a project basis, and it owns every facet of those projects. In addition to operating the two hospitals and an oncology center, AKESO holding owns a construction company, as well as healthcare logistics companies that help manage pharmacies and provide biomedical and diagnostics equipment.

When the decision was made to tweak the hospital design, the company's own architects were tasked with the job. In fact, one of the main reasons AKESO holding was formed in 2017 was to bring all of those businesses under the same banner, enabling better coordination and efficiency in matters such as negotiating with the country's seven healthcare insurance funds.

Finally, the board is armed with reams of real-time data, thanks to a project Corporate Chief Executive Officer Milan Rufer took on in 2017 to harmonize and customize Akeso's data collection using a popular business intelligence platform. At each board meeting, Rufer is constantly turning to his iPad to reveal information as diverse as how many people have been vaccinated for COVID-19 at its facilities, how each room in the hospitals are used, and how many procedures each physician is conducting each day in each minute. "Analysis comes first in every decision we make, and this capability allows us to make very quick decisions because we have all of the information we need right at our fingertips," Rufer says.

Cool ideas

Epta: Commercial refrigeration provider evaluates itself on accountability measures

« We do this exercise every year, because every year we have different risks. »

Refrigeration devours 40% of the energy use at a typical supermarket.

The price of keeping meat, frozen foods, and produce at the right temperature and appearance for sale is the single-biggest utility expenditure for many grocery and convenience stores. These businesses rely on refrigeration suppliers who install and maintain the systems, and are increasingly looking for energy-efficient options to maximize profits in an industry with notoriously thin margins.

Milan, Italy-based Epta is responding to these pressures while undertaking a systematic review of its own governance. The privately held company's financial and governance priorities include continual risk modeling, a code of practice with reporting and enforcement mechanisms in case of ethical breaches, and highly coordinated monthly reviews that involve managers from its subsidiaries operating in more than 80 countries.

One initiative that has allowed the 18-year-old company to sharpen its financial and governance performance is its risk assessment process, launched in 2018 and updated annually. The company's board identifies potential problems such as work interruptions at factories, assigning the risk to a specific party and identifying the mitigation actions needed to reduce the hazard. Risks to the business are categorized on a heat map ranging from low to critical in terms of impact, and from low to high in terms of probability. As a result of this examination, for instance, the company now splits responsibility for cyber risk with an external insurer. "Now we have a good financial evaluation of the risks," says Mauro Ferrari, Epta's Internal Audit Director. "We do this exercise every year, because every year we have different risks."

Though Epta is family controlled, non-family members make up one-third of the company's board, including specialists from risk management, strategic planning, and entrepreneurial backgrounds. In 2008, the board appointed a committee to oversee implementation of a wide-ranging code of practice covering areas such corporate governance, reduction of reliance on fossil fuels for refrigeration, and the company's relationships with its suppliers. "The ethical code is the first document that we share with our colleagues when we acquire a new company," Ferrari says.

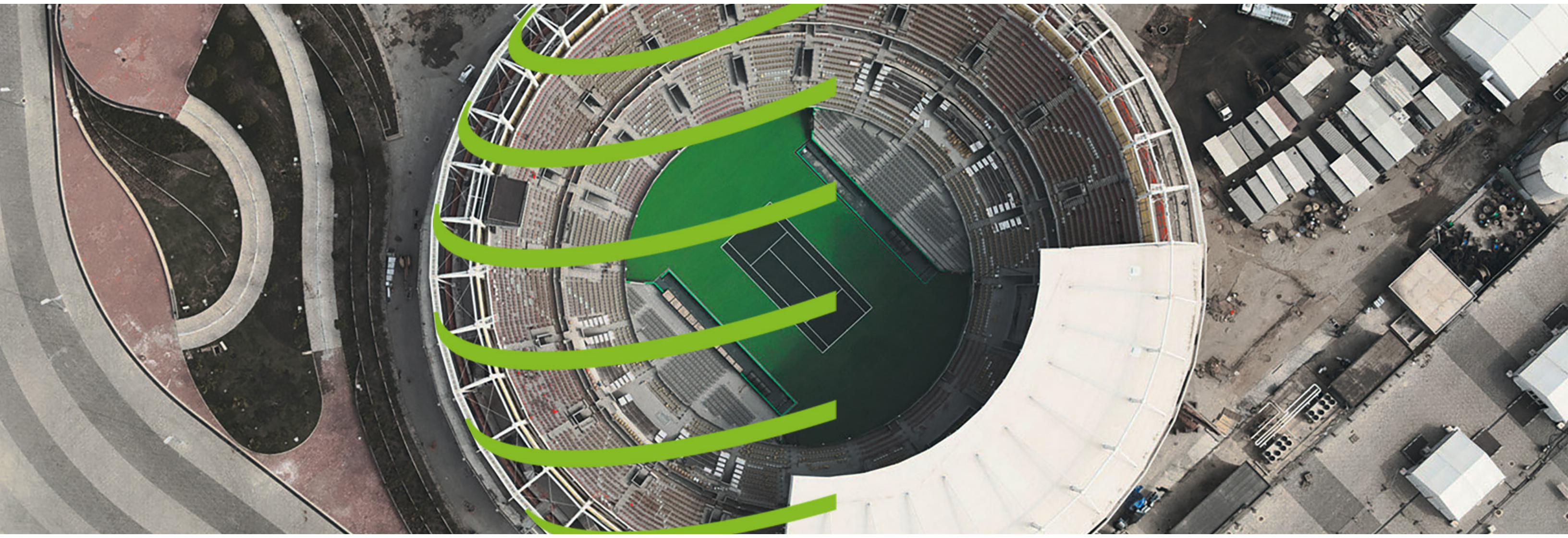
The code has strict rules about government contracting as well as guidelines to protect whistleblowers against retaliation and allow for disciplinary action for alleged violations.

Monthly business meetings coordinated between local offices and headquarters keep these processes aligned, says Massimo Albertario, the company's Chief Financial Officer. Albertario says the company uses what it calls "W-shaped" planning to mimic natural back-and-forth communication. With this top-down, bottom-up framework, communication moves from top management to local countries, back up to headquarters, then down again to clarify plans before returning to senior leadership.

Albertario says the company has been preparing for times when systems break down—from equipment such as walk-in cold rooms to crises such as the global business interruptions caused by the COVID-19 pandemic. For instance, Epta was the first privately held company in Italy to adopt a self-regulatory code promoted by Bocconi University and Italian Association of Family Companies (AIDAF) that typically governs publicly traded firms. "We're not listed, but on voluntary basis we follow the practices of the corporate governance rules," Ferrari says.

Epta leaders say they're seeing the results of many years of reporting and measurement efforts that have created uniform standards despite the diverse geographies in which the company operates. Albertario says: "We measure the business in the same way with the same metrics and this culture is shared across the group."

Location, location, location



Longfor: A two-tier approach to managing a growing business portfolio

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« We empower our regional companies to make rapid and flexible decisions because they're the ones on the front lines. »

Property owners and developers the world over know that "real estate is local." The expression refers to the fact that, unlike other assets, land and the fixed property that sits on it cannot be relocated.

That means its value is captive to the supply and demand factors that influence its immediate surroundings. So how does a real estate company with growth ambitions assure that its properties in every locality are meeting its high standards?

Ask Longfor Group Holdings Ltd. (Longfor), one of China's biggest real estate holding companies and a recent addition to the Hang Seng Index. Since its establishment in 1993, Longfor has developed its business nationwide, with a presence in more than 60 cities and properties spanning sectors as diverse as residential, shopping malls, and rental apartments. On a day-to-day basis, its headquarters in Beijing must oversee six core business units covering property development, commercial property, rental housing, property management, housing agency service, and housing decoration.

To effectively manage its sprawling operations, Longfor deploys a two-tier approach that splits decisions between its headquarters and more than 20 regional companies. The headquarters delegates substantial power to the regional management teams in making project-specific and city-level operational decisions, while retaining decision-making rights with respect to strategy, risk control, financing, investments, and brand control, among other functions.

"We empower our regional companies to make rapid and flexible decisions because they're the ones on the front lines, getting close to customers and the markets in which we compete in," says Longfor executive director and Chief Financial Officer Yi Zhao. "The purpose is to shorten the span of control, reduce costs, speed up decision-making, and thereby improve our operational efficiency."

Take the company's land acquisition process as an example. It is up to the regional companies to identify and analyze opportunities in their local markets, but headquarters arms them with research resources such as data-fueled city maps that help them focus on high-quality subdivisions and other sections of the target city. Once an opportunity is identified and submitted to headquarters, the group's investment committee meets regularly to assure that the property meets its affordability and other financial targets, and aligns with its long-term views on the outlook for the area. It's an approach that has become increasingly valuable to Longfor at a time when the Chinese government is instituting steps to slow the nation's red-hot real estate development market and arrive at a more sustainable pace of growth.

"The governance structure continues to ensure the supply of better land reserves with high quality and low cost, which is an important driving force for the company's future growth in terms of both scale and profit," says Zhao. "This mechanism also enables us to acquire land irrespective of some negative influence of individual markets and fluctuating short-term policies."

Technology plays a vital part in assuring information is shared and consensus-building happens quickly. A sophisticated operating system and the resource and business platforms help headquarters and the regional companies interact in real time in a controlled and transparent way. It has also helped Longfor rein in costs. Since the launch of four finance shared service centers, the company's financial system has been able to eliminate some basic financial positions such as cashiers. Today, all receipts, payments, and basic accounting processes have migrated to the sharing platforms, and reimbursement between headquarters and the regional companies often occurs within a single day.

Finally, to make the company healthier and stronger, Longfor has implemented institutionalized management with an industry-leading corporate management system and a professional management team. It hired professional managers to manage the company instead of members of the founder's family to ensure that the company's culture remains fresh amid organizational expansion.

Empowered

Southwire: Close to home and wired to stay that way

The idea for the business came to Roy Richards in 1937, when the recent college graduate first started trying to figure out how to bring electricity to his grandmother's home in rural Carrollton, Georgia.

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« They want to make sure that their reputation remains fully intact and supported. »

At first, the company was called Richards & Associates and its business was erecting power poles. It strung 3,500 miles of cable before World War II, when Richards was called into service. He later returned home to find many of his power poles stood wireless, a reflection of wire shortages caused by the war.

Southwire was born.

Today, the company has grown from just 12 employees to more than 7,000, but 70 years later its core business remains wire and cable. And it's still family owned. Roy passed away in 1985, but his son, Roy Jr., took over. After a planned initial public offering in 1987 was pulled back after the Black Monday stock market correction, Roy decided to maintain and expand many of the governance practices put in place in preparation for the initial public offering, while preserving the company's family ownership. To this day, only direct descendants of Roy Sr. can be shareholders—not even spouses are eligible.

"You basically have to have Richards blood running through your veins," says Chief Financial Officer Guyton Cochran. "But it was important to Roy, Jr., and continues to be important to the rest of the Richards family, that Southwire is a privately owned but professionally managed company."

What does that mean? Southwire isn't a public company but it acts like one. It has an independent board, with only three family directors. It split the role of chairman and chief executive officer, and has a separate independent lead director, all with unique roles and responsibilities. The company consistently benchmarks itself against public companies, not just for financial measures such as return on investment, dividend ratios, and earnings growth, but also by ethical and sustainability standards. For instance, it adheres to public company standards for the use of conflict minerals, such as gold and tungsten, that are sourced from high-risk areas.

"That's not a requirement for us to satisfy but we want to make sure we're in compliance," says Burt Fealing, Southwire's general counsel and head of compliance and sustainability. "Our family ownership is going to be there for decades, and they want to make sure that their reputation remains fully intact and supported."

The family also wants to ensure it stays involved in the business. The family home still sits on the same property as the original manufacturing plant. As the company gets ready to transition from the second generation to the third in the coming years, it's important that they continue to play a role. For this reason, their family office has enhanced its governance practices in recent years. Each of the three family directors is voted on by shareholder proxy every three years. There's a family office committee focused on educating younger family members on the basics of the business, such as electricity and its production. A few years ago, two family members accompanied Fealing and the company's CEO, Rich Stinson, to a family enterprise governance program at the Kellogg School of Management at Northwestern University in Chicago.

"These kids literally grew up here, right next to the company," Cochran says. "They share not only that closeness but a belief in how the business should be run."

In return, Cochran and the rest of the management team work to ensure their invested capital earns a handsome return. While many family businesses suffer from competing personal demands on the money their companies generate, Southwire isn't one of them. Cochran says it enjoys a very stable capital base due to the family's commitment. He knows that they need to earn a better financial return than the shareholders might otherwise achieve in public markets, with far greater liquidity, and that's one of the key reasons the family brought in professional managers so long ago. "Our number one goal is to be good stewards of the Richards family capital," Cochran says. "We feel like we're on top of the mountain and we want to stay there."