

NEW IDEAS IN FAMILY FIRMS: AN ACADEMIC/PRACTITIONER CONFERENCE

By [Patricia Angus](#)

CO-HOSTED BY COLUMBIA BUSINESS SCHOOL FAMILY BUSINESS PROGRAM AND
INSEAD WENDEL INTERNATIONAL CENTRE FOR FAMILY ENTERPRISE

Introduction: Family firms face complex issues – succession, role clarification, community engagement, and more. These issues require research approaches and consultant practices that are rigorous and span multiple disciplines. The New Ideas Conference brings together the world’s leading academic researchers and consulting practitioners to discuss what they can learn from each other and how to move theory and practice forward. Here’s an overview of the first two years.

On May 16, 2019, a select group of leading academic researchers and consultants gathered for the second annual New Ideas in Family Firms Conference to exchange ideas, experiences, and methodology, to further inform their work researching and advising family firms around the world. The conference was founded by Columbia Business School’s Family Business Program and INSEAD’s Wendel Centre for Family Enterprise in the spirit of collaboration – between institutions and across disciplines – in order to bridge theory and practice related to family firms. This conference was carefully designed to meet this goal in several ways. First, the small size (under 30 participants) fosters open dialogue and requires participation by all – this is not your typical “talking heads” conference. Second, presenters and participants are carefully chosen based on having already made meaningful contributions to the field and applying innovative approaches to their ongoing work. Finally, the group represented 19 countries, fostering cross-cultural exchange. The spirit of camaraderie was palpable, creating opportunities for meaningful exchange.

[The Risk of a Tug-Of-War](#)

The 2018 conference was held at Faculty House on the campus of Columbia University. The day began with an acknowledgment of the risk that putting academic researchers and practitioners in the same room for a day might present –that it could become a tug of war (likely between cries for relevance from practitioners and disdain for anecdotal evidence from academics). Noting this possibility, with humor and humility, the group agreed and collectively acted on their commitment to focus on weaving threads rather than pulling the rope against each other. By day’s end, all agreed that this goal had been accomplished, and in fact that it had been fun to do so. Some of the topics covered in the first year included:

The Shanxi Banks. Prof. Randall Morck, Stephen A. Jarislowsky Distinguished Chair in Finance, University of Alberta School of Business, set the stage for discussions of ownership and governance by recounting the findings of his seminal study on banks in the Shanxi region of China in the early 1800’s. These banks created unique dual ownership structures that may provide potential frameworks or models for some of the most vexing corporate governance challenges today. For

example, the banks used dual class shares that limited the frequency of voting on employment and compensation. Insider shares provided dividends comparable to others' shares but had the unique characteristic of converting into non-voting "dead class" shares before expiring after the death of the insider.

Columbia Business School Richard Paul Richman Professor of Business, Andrea Prat, presented findings from his acclaimed study: *CEO Behavior and Firm Performance*. The study closely examines how CEOs use their time, categorizing them into "leaders" or "managers" based on time use, and then correlates it to firm performance. One of the study's findings – indicating that family firm CEOs worked fewer hours than CEOs of non-family firms – naturally led to a lively discussion. Practitioners noted that much of the work done by family firm CEOs is done "off the clock" and they wondered how that might be captured in future studies.

Vikas Mehrotra, A.F. (Chip) Collins Professor of Finance, University of Alberta School of Finance, shared findings from his research on publicly traded Japanese corporations: *Adoptive Expectations: Rising Sons in Japanese Family Firms*. Turning the usual paradigm on its head, the study focused on companies with successive family management without family ownership. (Major brand names including Toyota have followed this unusual pattern.)

The final paper was presented by Margarita Tsoutsoura, John and Dyan Smith Professor of Management and Family Business, Cornell SC Johnson School of Business. *Drivers of Effort: Evidence from Employee Absenteeism* provides evidence that employees of family firms may show more loyalty than

their counterparts in non-family firms, for example by taking less time away for illnesses. Patricia Angus, Adjunct Professor and Managing Director, Columbia's Family Business Program and Daniel Wolfenzon, Stefan H. Robock Professor of Finance and Economics, Columbia Business School, walked the group through a discussion of the process, priorities, challenges and synergies between the research and consulting processes. Finally, Josh Baron, PhD, Adjunct Associate Professor, Columbia Business School, and Co-Founder, Partner Banyan Global, Fredda Herz Brown, PhD, Senior Consultant, Relative Solutions, and James E. Hughes, Jr., independent advisor and author, shed light on past and present trends in family enterprises, while providing insights on what to expect in the future. Ownership and governance are major areas to watch, as are demographic shifts that impact families and the firms they own.

Building on Success

The May 2019 conference built on the success of the first year and opened new avenues for discussion and collaboration.

The format of the first year was followed in the second; academic presentations by researchers followed by discussion of their process and initial findings; presentations on the goals, process, and challenges of researchers and advisors; and panels of practitioners sharing highlights of (anonymous) client cases and trends of note. Topics included the following:

Foundation Ownership and Longevity of Family Firms: Insights from Asia. Kevin Au, Associate Professor, The Chinese University of Hong Kong, presented research addressing whether and how foundation ownership might impact the longevity of family firms in

Taiwan. Using data over 20 years, the findings indicate that foundation ownership of a portion of a firm might help businesses last longer.

Thomas M. Zellweger, Professor of Management, University of St. Gallen, provided a glimpse into an ongoing study of the role of CEO mentoring. He discussed transitions in leadership and governance in family firms, looking specifically at behaviors that may support the performance of CEOs after transitions. Initial findings indicate that there may be a positive impact on performance when a CEO becomes board chair after leaving the CEO position. The key questions appear to revolve around behavior, and the group wondered what types of mentoring behavior will impact future performance of the firm.

Two academic researchers, Daniel Wolfenzon and Fabian Bernhard, Associate Professor of Family Business, EDHEC Business School, reviewed the research process to help practitioners understand what is, and often is not, possible in academic research of family firms. Challenges include the need to find reliable data, which is often not available for private companies and where available in public companies, raises questions of accuracy and appropriateness. The balance between having enough observations to make data reliable and having case-specific information was a challenge acknowledged by the presenters and the entire group. The key technique of a researcher – to find out the impact of a specific event, such as a change in legislation – helped all participants understand and potentially identify opportunities for future research opportunities. Bernhard highlighted results of his work on trans-generational guilt, a fascinating area indicating that an emotion such as guilt can be felt by

someone who did not commit the guilt-inducing actions (e.g., German family businesses that were active during WWII).

In keeping with the collaboration theme, the entire group participated in a session sharing moments of personal and professional “failure” – so easy to study in others but not always easy to acknowledge in one’s own work. Two themes arose quickly: time management in a world of 24/7 connectivity and the difficulty of managing relationships with clients who may push consultants beyond emotional and ethical boundaries.

Findings from The Uniplex Third: Enabling Single-domain Transitions in Multiplex Relationships was presented by Henning Piezunka, Assistant Professor of Entrepreneurship and Family Enterprise, INSEAD. Acknowledging that family firms by definition create “multiplex relationships,” this study examines how changes in relationship in one domain (e.g., business) might impact and be impacted by relationships in another (e.g., family). By studying transitions in Chinese family firms, the research sheds light on father-son successions in business management and the impact of whether the wife-mother has a role in both domains. Spoiler alert: in this research study, a wife-mother who had no role in the business helped allay anxiety and provide for a smoother transition in the work hierarchy.

In “Stories from the Front Lines,” panelists Steve Miller, Adjunct Assistant Professor of Organizational Behavior, UNC Kenan-Flagler Business School; Denise Kenyon-Rouvinez, then Wild Group Professor of Family Business, IMD; and Kevin Jiawei Ye, Lead of the Family Business Community at the World Economic Forum, covered the globe in their coverage of the process of finding, advising, and managing relationships with families and their firms. Key themes and trends included

the importance of trust, establishing credibility by understanding client context, and cultural differences. It was noted that Asian clients gravitate toward educational models, frameworks and case studies more than specifically tailored consultation. All agreed that complexity is on the rise, wealth is being re-generated, and no one feels especially secure these days. The practitioners put out a call for research to help ground their work, while the entire group agreed that cross-disciplinary research was critical to breaking down silos.

Family Comeback: The Effect of Professional-to-family CEO Successions on Firm Performance. Mario Amore, Associate Professor, Bocconi University, presented this study which turns the usual question about hiring a non-family CEO on its head. His research explores the impact on family firm performance when replacing a non-family

CEO with a family member. In certain circumstances, this strategy can be successful, especially in later generations and low-volatility industries.

At the end of the 2019 New Ideas conference, the group shared major takeaways with keywords, which included partnership, bridging, professionalizing, crossing borders, context specific inquiries, and an overall desire to convene again. The next New Ideas conference, will be held on Columbia's campus in May 2020.



Patricia Angus Esp.

is an adjunct professor and co-director of the Family Business Program at Columbia Business School.
