

Can Family Firms be a Force for Good?

Morten Bennedsen

André and Rosalie Hoffmann Chaired Professor of Family Enterprise & Academic Director of the Wendel Center, INSEAD.

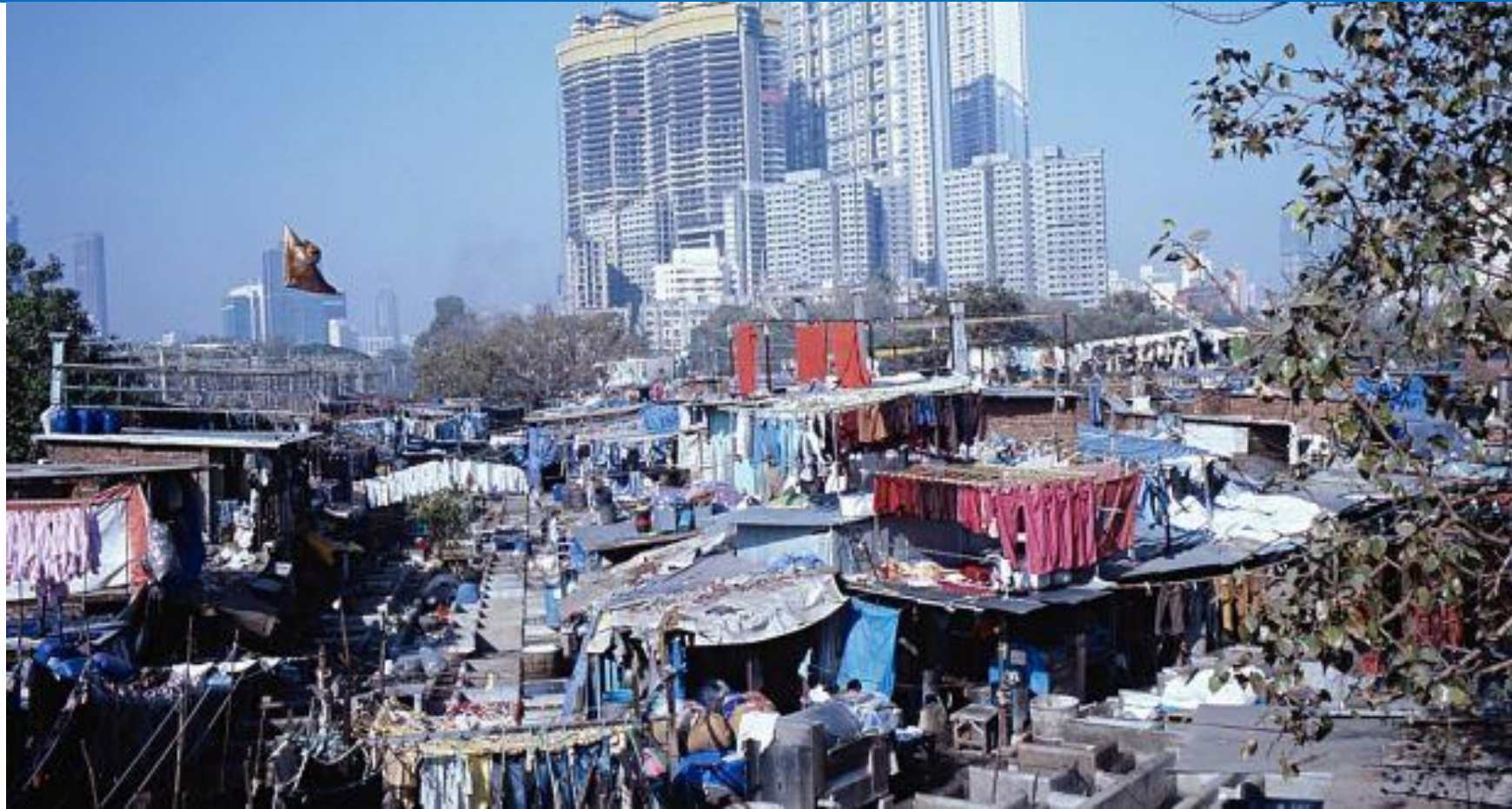
Niels Bohr Professor at University of Copenhagen



The World has Problems



The World has Problems



What are we talking about?

- Family and Ownermanaged Businesses is the dominating ownership and management structure in all countries across the firms (except mainland China).
 - Dominates private held corporations
 - Majority of public traded firms in Asia
 - More than 1/3 of public traded firms in Europe and US

- What do we talk about:

[Bennedsen 2019: Definition and Categorization of Family Firms, WP]

- Ownership
- Control
- Involvement
- Succession

- SO CAN FAMILY FIRMS BE CHANGE MAKERS?



Can Family Firms be a Force for Good?

Family Firms
Think in Generations

Kongo Gumi

[Bennedsen and Henry: 16.000 years of leadership, HENOKIEN & INSEAD, 2019.]

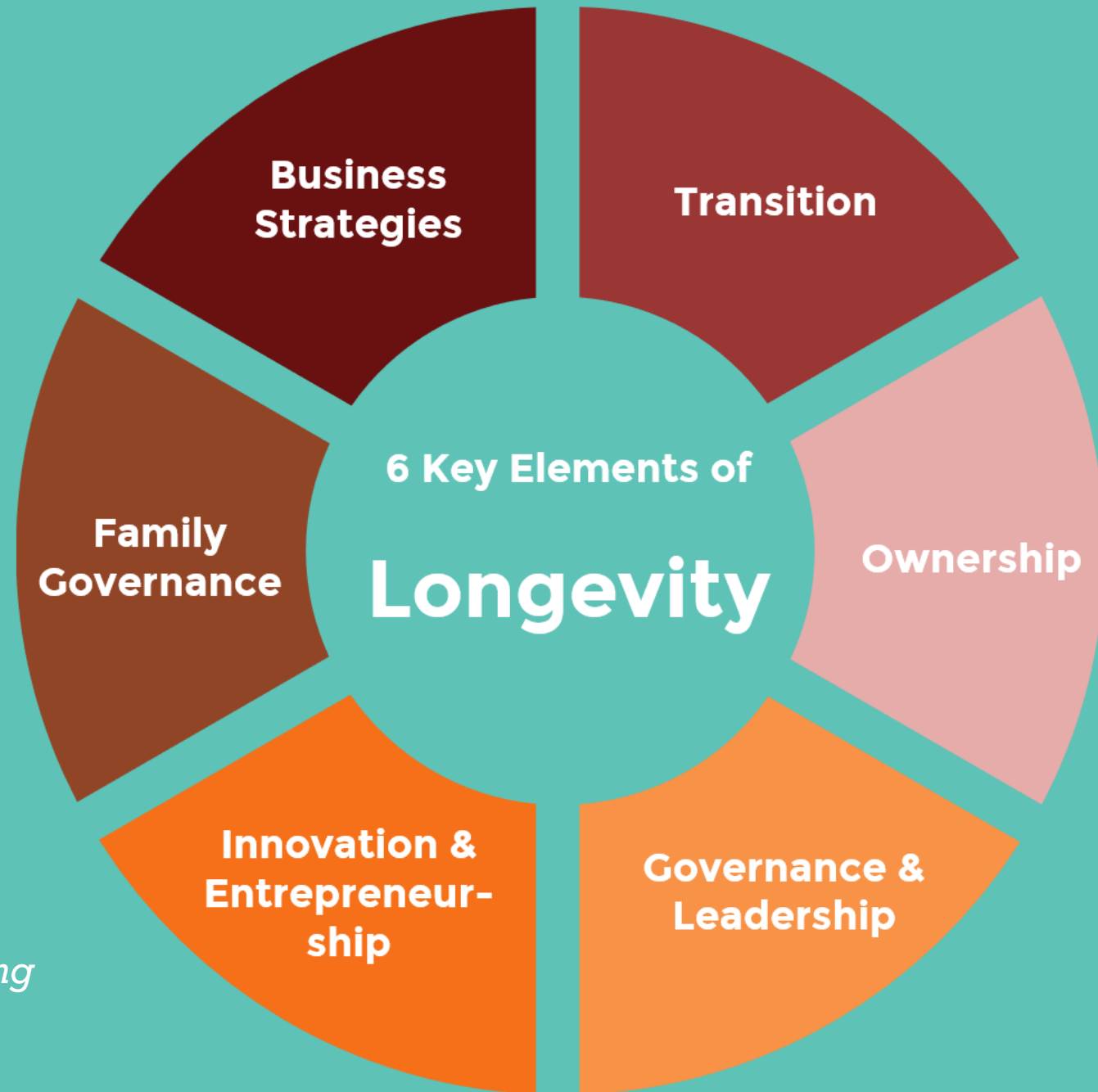


Long Term thinking creates LOYALTY

[Bennedsen and Henry: ROOTS: The secrets of long term leadership, book, forthcoming 2020]

- Loyal towards
 - Products
 - Employees
 - Local community
 - Countries





*[Bennedsen and Henry:
ROOTS: The secrets of long
term leadership, book,
forthcoming 2020]*

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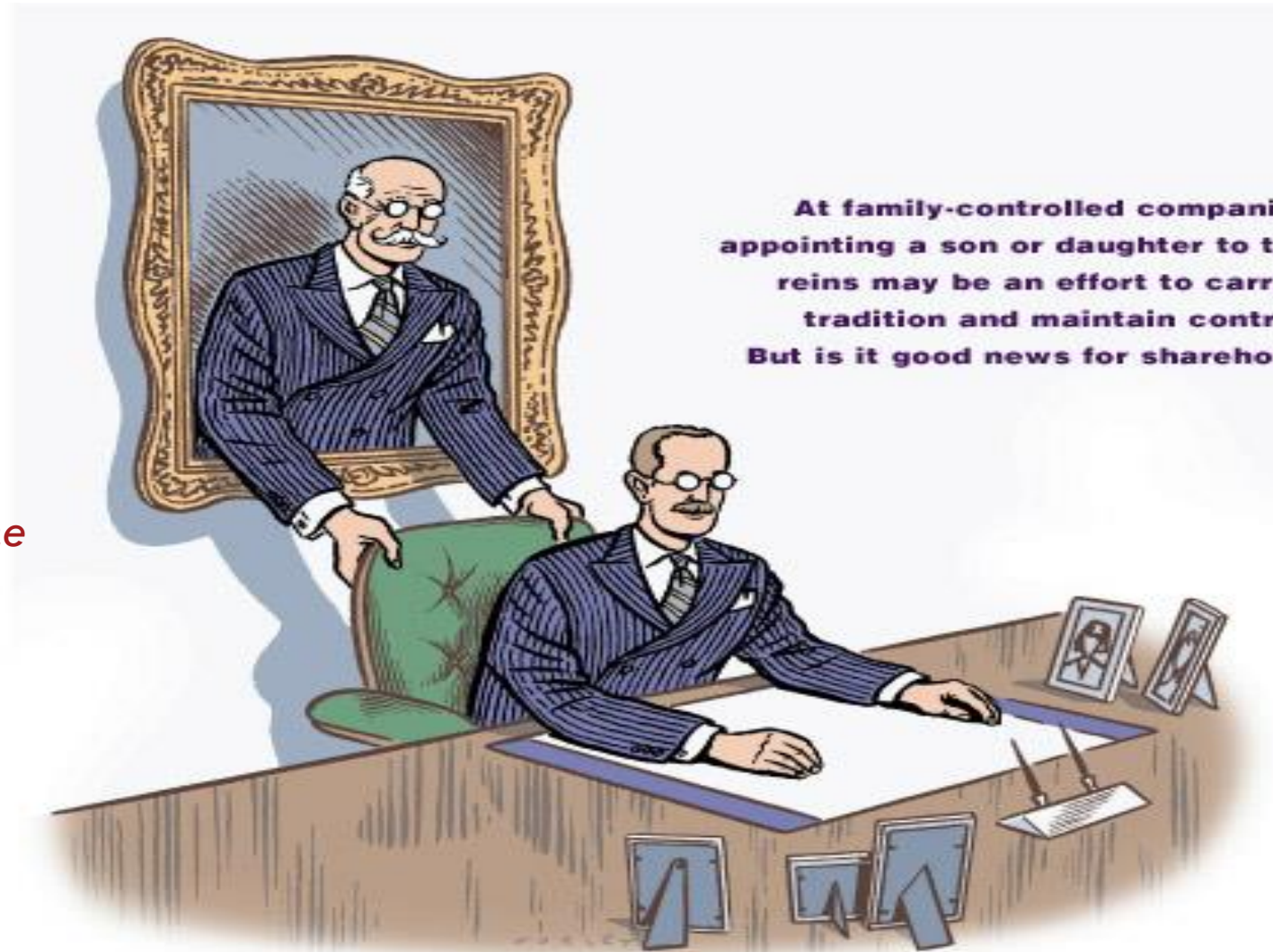
- Family Firms Think in Generations

- Some should STOP being family firms

Weak Corporate Governance, lack of checks and balances



Family Firms have less checks and balances and nobody challenge charismatic family leaders.



**At family-controlled companies,
appointing a son or daughter to take the
reins may be an effort to carry on
tradition and maintain control.
But is it good news for shareholders?**

*[Bennedsen et al: Inside the
Family Firm....., QJE 2007]*

HEIR LOSS

Can Family Firms be a Force for Good?

- Family Leadership is
VALUE BASED

QUAKER values: Cadbury



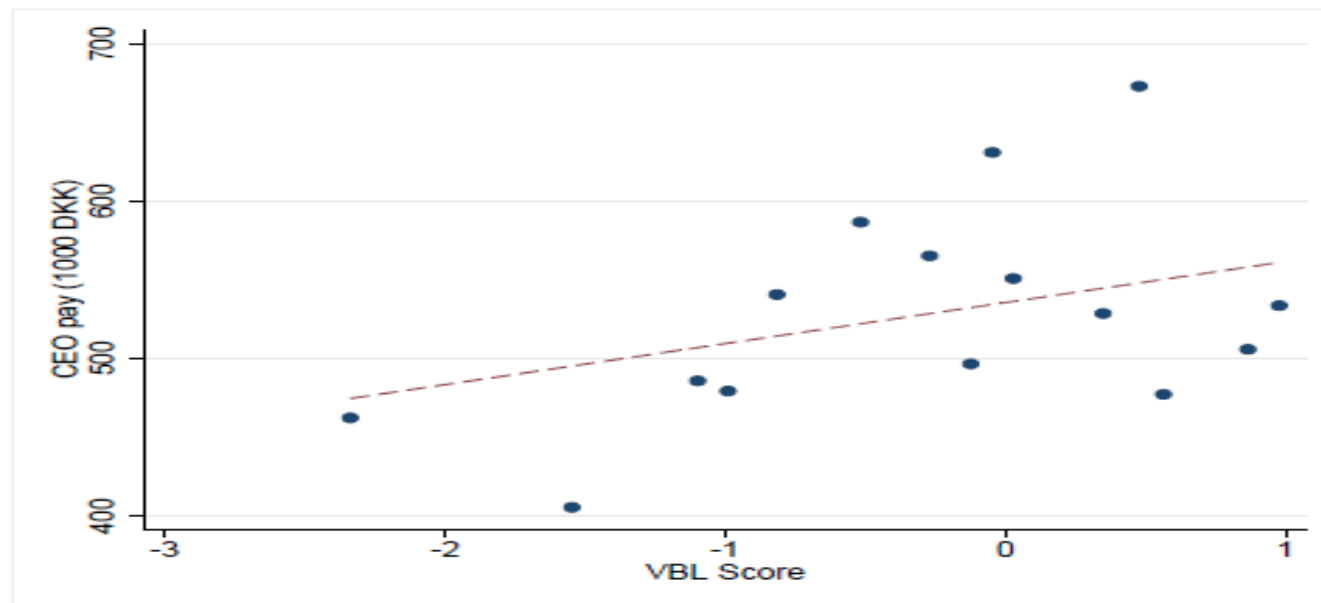
[Bennedsen and Cadbury: Cadbury - The Chocolate Factory: Principled Capitalism]

[Bennedsen and Cadbury: Cadbury - The Chocolate Factory: Sold for 20 p.]

Values and Leadership: Research Findings

[Bennedsen and Chevrot-Bianco, 2019, WP]

- Asked 1.500 CEOs and ownermanagers about their values: Personal, social, religious, political-----constructed a value based leadership measure (VBL).
- VBL is correlated with honesty, altruism, trust and political interest.
- VBL is higher in family firms
- High VBL reduces conflicts and provide more organizational efficiency.
- High VBL increase performance in familv firms and for larger firms.

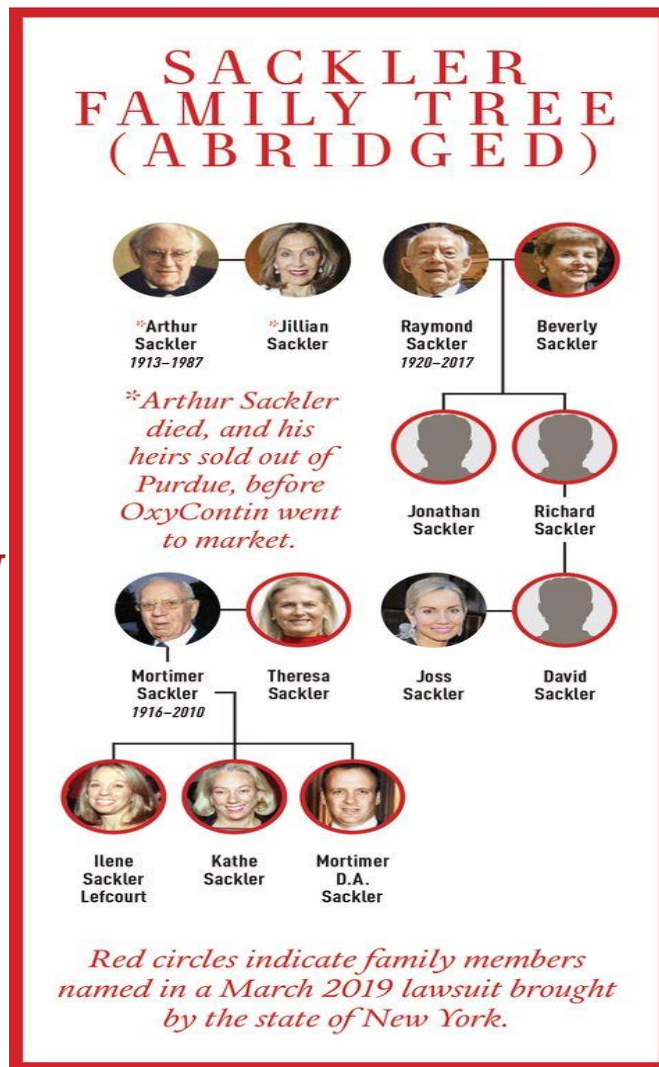


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- Family Leadership is
VALUE BASED

- Not all values are a force for good!

Rotten Values



[Bennedsen and Henry: ROOTS: The secrets of long term leadership, book, forthcoming 2020]

Dangerous when family members stop being accountable

Bakrie Family Indonesia: Man made gas explosion



[East Meets West: Rothschild's Investment in Indonesian Mining Sector. Morten Bennedsen, Emir Hrnjic, Yupana Wiwatannakantang. INSEAD SPRING 2014]

Can Family Firms be a Force for Good?

- Families in business are wealthy:

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Families in business
are wealthy:

- Philanthropy

- Cholera (Gates Foundation)
- WWF (Hoffmann)
- Universities and Business Schools (everywhere)
- Culture (Everywhere...)
- Chinese Wall (Merck)



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- Aggressive tax avoidance
- Quid Per Pro: Policy Influence



Leaders of CJ Group, LG Group, Hanhwa Group, SK Group, Samsung, Lotte Group, Hanjin Group and Hyundai Motor Group take oaths before being questioned on Tuesday © EPA

Can Family Firms be a Force for Good?

The drivers of *good* in family firms and business families:

- Long term vision
- Value based leadership
- Loyalty
- Wealth can be given back

The challenges towards being *good*:

- Weaker governance system implies less checks and balances on families with rotten or no values
- Over time engagement becomes entitlement: disentanglement from the corporate wealth generation is risky
- Powerful families shape politics to their own interest, who shall determine our social, educational and cultural policy?
- Incentives to aggressive tax avoidance on corporate and family sides