

Family Enterprise Day, INSEAD Europe Campus, 18 June 2016

Innovation and Entrepreneurship in Family Businesses

More than 80 INSEAD MBA students and invited guests attended the INSEAD Family Enterprise Day, sponsored by the INSEAD Wendel International Centre for Family Enterprise, on Saturday 18 June 2016.

Opening the day's event, **Timothy Van Zandt**, Dean of Faculty and Research Professor of Economics, Schrodgers Chair in European Competitiveness and Reform, described the INSEAD approach to business as a force for good.

Introducing the speakers, **Morten Bennedsen**, The André and Rosalie Hoffmann Chaired Professor of Family Enterprise, the Academic Director, Wendel International Centre for Family Enterprise, Co-Director of the Hoffmann Research Funds and Professor of Economics and Political Science, thanked the Wendel family for having increased their contribution to the Wendel International Centre for Family Enterprise for the next five years. He also said the day's events were not only related to innovators of family business, but also academic since MBA students were required to attend the event as part of their course syllabus.

Academic Presentation: Family Assets and Liabilities in the Innovation Process, Morten Bennedsen, INSEAD

Professor Bennedsen gave the first academic presentation of the day, about innovation and family firms, putting the emphasis on the need to institutionalize the innovation process in family firms. He said the drivers of innovation were family assets, survival, next-generation members and family fights, which are described in his recently published paper on the subject, called *Family Assets and Liabilities in the Innovation Process*.¹

He cited two examples of family-owned companies that lead by innovation and entrepreneurship: Siemens, a German firm whose founding family is the largest single shareholder with a 6% shareholding. He said Werner von Siemens contributed the family assets of innovation to his firm when he invented the telegraph that used a needle to point to the right letter.

Professor Bennedsen also cited Formosa Plastics Group of Taiwan, which was founded by Y.C. Wang. He said Mr. Wang got into a family fight with his children which led to them starting their own very successful business. Professor Bennedsen said innovation was inherited, although he cautioned the MBA students present not to engage in family fights. In concluding the lecture, Professor Bennedsen said family firms tend to be too loyal, which is dangerous for innovation.

¹ *Family Assets and Liabilities in the Innovation Process*, by Morten Bennedsen and Nicolai Foss, California Management Review, Vol. 58, No. 1, pp. 65–81. 2015

Academic Presentation: The Story of 3M, Professor Randel Carlock, INSEAD

Giving the second academic lecture, Randel Carlock, Senior Affiliate Professor of Entrepreneurship and Family Enterprise, and The Berghmans Lhoist Chaired Professor of Entrepreneurial Leadership, said 3M started life as a family business and was so for the first 50 years of its existence. Founded 114 years ago, 3M is one of the most innovative companies in the world, according to the Economist. The invention of sandpaper got the company started, he said.

Professor Carlock compared 3M to Apple and to Google, two tech companies that are often cited as being innovative. He said Apple's reputation for innovation, for example, is based only on five products, whereas 3M makes 55,000 products in eight different product categories. One of 3M's most popular products is the Post-it Note, whose product line contains 600 different types.

Professor Carlock showed an excellent film about the history of 3M that was made in 2002, as part of the centenary celebrations of the company's founding.² Following the documentary, he said 3M had an 11th commandment, Thou Shall Not Kill an Idea. By following this prescriptive approach to innovation, 3M has always maintained and developed a culture of innovation.

Keynote Academic Presentation: Diagnosing Innovation Readiness in Family Firms, Daniel T. Holt and Joshua J. Daspit, Mississippi State University

Giving the keynote address was Daniel T. Holt, Associate Professor of Management, Department of Management & Information Systems, Mississippi State University. Accompanying him was Joshua J. Daspit, Assistant Professor of Management at Mississippi State University. In their lecture, Professor Holt said the successful navigation of the innovation process was not easily achieved among family firms. While most stages of the process presented difficulties, the initial adoption phase was among the most important. One key means of enhancing the success of innovation within family firms was to assess **readiness** prior to beginning the innovation process.

Professor Holt suggested that structural factors should be considered in assessing a firm's readiness for innovation. Structural factors to be taken into account are ownership control, family commitment, and alignment of existing knowledge, skills and abilities with regard to the new innovation.

In addition, Professor Holt said psychological factors are also important as they reflect the extent to which members of the family and firm are cognitively and emotionally inclined to accept, embrace, and adopt an innovation. Among these factors are innovation appropriateness (acceptance among the family that a specific innovation is correct for the situation) and innovation benefits (shared belief that the innovation aligns with the family's overall goals and aspirations).

² <http://multimedia.3m.com/mws/media/1712400/3m-coi-book-tif.pdf>, this is a link to the book that celebrates the company's 100th anniversary in 2002, accessed 20 June 2016

In the initiation phase, family leaders must first recognize the need and importance of innovation. During the decision-making phase, structural factors related to the family and firm should be considered in addition to the psychological factors related to the family. Foremost, family owners' control and established direction are key structural factors. Other details, like ownership, managerial involvement, and board representation should be decided at this stage. The final stage of innovation adoption, the experimentation phase, is contingent on psychological factors that should start to examine non-family members and the firm as a whole.

MBA Roundtable: A Next Generation Perspective on Innovation

Moderated by **Randel Carlock**, four INSEAD MBAs (2016 J) students, including **Javier Arellano, Emil Minzat, Tatiana Nikiforova and Karim Tajdin**, discussed innovation from the next-generation perspective. Karim Tajdin, for example, shared an innovation that occurred in his business, a medical centre in Kinshasa, DR Congo. He said the use of technology in the patient flow and administration of the medical center had achieved four objectives:

- Improving the image of the medical center as for example having computer tablets for patients to sign in;
- Upgrading the quality of healthcare such as installing a system of alerts for patients to avoid their having to wait too long for medical attention;
- Dealing with the corruption including employee theft, cash missing, under the table payments;
- Developing management decision making via use of reports.

Family Business Presentation: The Benefit Corporation: Benefitting Society as well as Shareholders, Andreas von Specht, AvS – International Trusted Advisors

Andreas von Specht is a native of Hamburg, Germany, where his extended family is the largest shareholder of Germany's oldest private bank, Berenberg. After a career advising large European family businesses, Andreas von Specht founded in 2011 AvS – International Trusted Advisors, a consultancy which is focused on family governance and strategies.

In his talk, Andreas von Specht encouraged MBA students and the invited guests to consider the added value of the so-called Benefit Corporations, which are referred to as B Corps. Referring back to Professor Timothy Van Zandt's remarks, Andreas von Specht said B Corps did not see a contradiction between doing well and doing good as they pursue a dual purpose of making money for their owners and making the world a better place. Taking advantage of a video link, Andreas von Specht showed three videos about B Corps:

- https://www.youtube.com/watch?time_continue=1&v=V-VFZUFJwt4 This video explains what B Corps are;
- <https://www.youtube.com/watch?v=yJQhkHCjkqE> This features the CEO of Unilever Paul Polman who speaks about the role of B Corps;
- <https://www.youtube.com/watch?v=fsOUbMpdma4> This shows employees explaining why they enjoy working for of B Corps.

He concluded his lecture by saying that young executives should consider themselves as agents for change. To this end, he showed a video of his niece Verena Pausder, a CEO of a German app company who is shown giving a presentation at TEDX in Berlin on how to push a company out of the comfort zone at <https://www.youtube.com/watch?v=2V7Sc2tORrk>

Family Business Roundtable: A Practitioner Perspective on Entrepreneurship and Innovation In The Family Business

Moderated by **Christine Blondel**, Adjunct Professor of Entrepreneurship & Family Enterprise, INSEAD, three family business owners gave their perspectives. They were:

- **Hélène Bostoën**, Owner, Fenixco NV
- **Tomaso Moreno**, Board member, Fratelli Cosulich Group
- **Andreas von Specht**, founder AvS – International Trusted Advisors Moderator

As an example of the discussion, Hélène Bostoën discussed the spirit of innovation and entrepreneurship in her family. For the past three generations, her family have encouraged members to create new businesses. She cited 50 direct cousins among which a vast majority are entrepreneurs and several very successful.

SAVE THE DATE: The next Family Enterprise Day will take place at the INSEAD Europe campus on 24 September 2016. This event will be a jointly sponsored by the INSEAD Wendel International Centre for Family Enterprise and the Henokiens, a French-based association the numbers 47 family-owned firms that are more than 200 years old.

Testimonials from INSEAD Guests and MBA Students



Emilie Bonamy, Coach and Consultant, Wendel Family Member

It has been some time since I wanted to come to an INSEAD Family Enterprise Day, and I finally made it! I think innovation and creativity are vital, especially with digitalization and internationalization. I was also eager to discover from Morten Bennesen and Randel Carlock some practical examples. As a member of the Wendel family firm, I know that we completely changed our business model after an economic crisis in the 1970s. Hence, I am convinced that family businesses can have a lot of potential. But change is not easy since family members expect you to be loyal to the business, which may not really fit in with innovation. As Randel said, innovators challenge family authority and are hard to control. And as Morten said, paradoxically crisis or even conflicts between family members can sometimes lead to good innovations. Fortunately, giving entrepreneurship opportunities and supporting structures inside a family firm is another key. It was also interesting to learn from Randel the story of 3M starting in 1902, thanks to a bookkeeper who insisted for years to innovate and finally bought enough shares to impose his view. The 11th commandment of 3M, “Thou shall not kill an idea” was my favorite take-home. It appeared that innovation can be greatly helped by a supporting culture and can be shaped in a family

as well as in a firm as a welcomed behavior. Danny Holt and Joshua Daspit of Mississippi State University were right to focus on the implementation of innovation in a family business. They emphasized the importance of measuring how a family is psychologically ready to adopt innovation. This rang a bell in my family business where, at one point in time, some of the decisions we took did not really fit in with the family culture and it probably should have been better anticipated. As a consultant and coach in change management and governance co-construction, I am totally convinced that this is a decisive factor. It was also very nice to share ideas with the many MBA students from all over the world who spoke about their experiences in real life, and the relationship with their parents and family appeared again to be very important. It certainly was an inspiring day!



Karim Tajdin, Panelist and INSEAD MBA Student '16J

It was very inspiring to hear that challenges that I see in my family business are also challenges that most other family businesses live through as well. It was great to hear how some of the families that were invited to the event have been dealing with these issues during the last panel of the day.



Andreas Von Specht, Speaker and Panelist

I enjoyed the insights from the academics, the entrepreneurs, the family business owners and shareholders at the Family Enterprise Day. The takeaways from the panel of MBA students were especially interesting – the MBA students were very impressive. I also liked the truly global, multi-cultural feel of the event.



Emil Minzat, Panelist and INSEAD MBA Student '16J

The INSEAD Family Enterprise Day created an environment where we could listen and share our own experiences. It also offered great networking opportunities by bringing together people from around the world, academics, MBA students, family advisors and family business members. Throughout the event, theory was combined with practice and real life examples through thought-provoking panels where participants learned about the challenges facing family businesses. Overall it was a great learning experience and I warmly recommend it.



Hélène Bostoën, Panelist and INSEAD MBA graduate

With every year of additional professional experience I realize that all the war stories heard at the family table since I was a child is the greatest education I could receive – along with my MBA from INSEAD, off course! It helps me tremendously, on a daily basis, to make the right decisions or bounce back rapidly. This event is a great way of replicating these dinner table discussions where I was able to share my experiences with members of other family businesses and advisors.



Tatiana Nikiforova, Panelist and INSEAD MBA Student '16J

The Family Enterprise Day was an excellent opportunity to meet people working across a diverse range of industries and regions. It was a forum to discuss best practice and unique strategies for ensuring that family companies stay competitive and successful in the long run in a changing environment. As an MBA student from Australia, the panels and presentations facilitated an environment to think about how to better influence and have impact in our own businesses, whether we intend to go back to our family company or gain skills and experience elsewhere. The experience across the speakers' panel was extensive and it was inspiring to hear how our classmates have overcome obstacles within their own family companies.



Dapo Ladimeji, Invited Guest, Chartered Accountant, INSEAD MBA graduate

The mix of academic, professional and personal experience was very engaging. The stories from Andreas von Specht were powerful. His comments brought back to me the emotional trauma experienced by family members and by the end of the day I came to an acceptance that this is just how families are. It was also clear that dealing with these issues required a non-judgmental, forgiving and accepting personality in the intervenor. I was impressed by Randel Carlock's speed in identifying 'elephants in the room' that people were occasionally avoiding. Who owns the equity! Morten Bennesen has a very good balance between academic and personal understanding – his family background in pastoral care probably did not do anything to stifle. I was also intrigued by the development of the idea of the family as an incubator and an umbrella. I can see the tangle of hidden and open motives, the potential for misunderstanding and the mix of different personalities and power plays. No. I do not have the answers. Life goes on just the same.