

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

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Putting family business on the radar

By Lesa Sawahata

Although family business is a driver of the global economy, the field has lagged behind in terms of research interest. With the upcoming November launch of the Erasmus Centre for Family Business (ECFB), however, RSM is aiming for international recognition in the field.



The statistics are surprising: one third of Fortune 500 companies are family controlled. In the US, family firms are responsible for more than 60 per cent of the GDP and 85 per cent of all jobs. In the EU, 80 per cent of companies are family firms, accounting for 75 per cent employment. In the Netherlands, 69 per cent of firms are family owned (and that is excluding self-employed entrepreneurs), and they are estimated to contribute over half of the Dutch national product each year.

With this kind of global power, the family firm should be a hot topic in the world of management research. But the insular nature of family firms and the lack of foundational data

about the sector has made it easy for management scientists to overlook the impact of family business.

With the launch of the Erasmus Centre for Family Business (ECFB) on 30 November 2012, RSM will seek to redress the 'not very sexy' image of family business research, and to make the school an internationally recognised centre for trailblazing research in the field.

A confluence of strengths

The ECFB has some unique advantages in this regard. One is Scientific Director Vanessa Strike, whose entry into RSM in January 2009 was a precipitating factor in the rising

awareness of family business within the school. The Canadian scholar's research has been honoured with such awards as the International Family Enterprise Research Academy Award (in 2011), and the Outstanding Discipline Award for Entrepreneurship from Ivey Publishing for her case study on Ganong Bros. Limited.

Strike credits two key players – one within and one external to RSM – for support, energy, and drive towards creating the ECFB, which will become part of RSM's Strategy & Entrepreneurship Department.

'I am really pleased that Hans van Oosterhout has believed in my vision for the Centre,' she says. If Prof. van Oosterhout (the Vice Chair of the ECFB Advisory Board) needed convincing of the relevance of family business to RSM's business, the launch of Strike's MSc course 'Governance and Strategic Challenges of Family Firms' in 2010 must have turned the trick.

Consistently rated 5 out of 5 by students in the course (about half of whom are themselves the scions of family firms) the enthusiastic feedback indicates that 'there is a recognised need for this kind of research,' says Strike. The strong response was a signal to Prof. van Oosterhout that there was real potential for RSM to distinguish itself with family business research expertise. ▶

Putting family business on the radar (continued)

By Lesa Sawahata

‘Family business research is an interesting proposition, and my objective is that the ECFB will make a real difference in terms of the acquisition and dissemination of knowledge about the topic,’ says Prof. van Oosterhout. ‘Our intention is that setting up the Centre will help spark off research in an area in which relatively little is known,’ he continues.

In fact, as a long-term researcher in the field of corporate governance, Prof. van Oosterhout’s own studies have resulted in a cache of data that forms a foundation for deeper research into family business. And, as Vice Chair of the ECFB Advisory Board, Prof. van Oosterhout’s job includes the delicate work of developing relationships with a network of family firms. ‘My challenge is to build mutually-rewarding partnerships with family firms,’ he says, ‘which may develop into sponsorship in the future.’ The Centre has funding for the coming three years, and the hope is that more family businesses will offer research support for new knowledge that will benefit their future generations.

External champion

The second ‘key player’ credited by Strike with the realisation of the ECFB is the Chairman of its Advisory Board, Robert de Kuyper, who headed his family’s eponymous distillery business (in operation since 1695) for 32 years.

De Kuyper is the crucial ‘external champion’ who – as an alumnus of RSM – had been waiting, albeit none too patiently, for family business to find its way onto the research radar of the school.

‘For the last ten years I’ve been actively working with academics from schools like Harvard and Insead

passionate and committed Advisory Board members,’ says Vanessa. ‘One of the things that differentiates our family business Centre is that it is founded by family business for family business – and this is an active board. They will be working with students to help them develop ideas for their Master theses, for example.’

“One of the things that differentiates our Centre is that it is founded by family business for family business.” Vanessa Strike, Scientific Director, ECFB

and IMD, and they are very keen on research and education in the field of family business. When I heard that Vanessa started at RSM, I was happy that something was finally going on,’ he says. What began as a discussion about the possibility of a Chair of Family Business at RSM quickly transformed into the idea of a Centre of Expertise.

De Kuyper’s reputation and his active engagement in international family business organisations lent momentum to the formation of the Centre; he was instrumental in assembling an Advisory Board and in finding sponsors who contributed the seed money to begin the ECFB. ‘Bob de Kuyper has been able to secure other

Shining a light on family secrets

The very private, almost hermetic nature of families in business has been an impediment to management research in the field, says Prof. van Oosterhout. ‘We know family firms are an important source of value creation, but we don’t have a lot of data because of the lack of disclosure,’ he says.

What is clear is that family firms face specific challenges, including introspection, succession issues, nepotism, and managerial entrenchment. Then there is the special – and not always comfortable – nature of family relationships. ‘Think about the emotions that get carried into

the boardroom,' says Vanessa. There's a tendency to remember ancient slights, such as a sibling's taunting. 'Families need to learn how to deal with those conflicts and emotions; that is one of the bigger challenges within these firms,' she says.

Family firms have unique advantages, as well, she believes. 'They tend to have deeply rooted values, a longer-term focus, and a commitment to employees and the community and if they're not public, they don't have to report to shareholders, so decision-making can be faster.'

Research streams

The ECFB research teams will be building knowledge across a variety of themes. Decision-making within the family firm is one intriguing area; another is how the financial crisis impacted family firms in Europe, with an underlying question of whether family firms approach crises differently.

Strike's own research specialty is fairly novel in the field: the role of advisors within family firms. 'My dissertation was on advising family firms. I'm actually one of the very few academics who has looked at the role of the advisor from a theoretical standpoint,' she says. She notes that this is an area of growing research interest. 'There will be a special issue

of *Family Business Review* coming out next year on the topic,' she says. Her own article *Advising the Family Firm: Reviewing the Past to Build the Future* was published in that journal last January.

One area of recognised need in the family firm is research into next-generation leadership. While the rare family business may last ten generations – like De Kuyper – statistics indicate that few family firms last beyond a 3rd generation. So issues of succession, renewal, strategy and innovation within the unique context of family firms is essential. Prof. van Oosterhout sees this next-generation leadership research as a means to build recognition of ECFB's research, and a basis for building relevant educational programmes.

'As the Vice Chair, I have a number of objectives for ECFB. The most important is to do research that would otherwise not be carried out,' he says. 'We hope to put the ECFB on the map. We want to have the gravitational pull that will attract scholars and businesses, and perhaps be the top such Centre in the world.'

With a new website, fresh publications, several successful educational initiatives and an active advisory board, the ECFB will launch officially on 30 November 2012. An academic

symposium will precede the launch itself, which will feature keynote speakers with expertise in family firms. www.irim.nl/familybusiness (live as of 1 August) ■

► Mission and Vision

Mission: to contribute to the development and long-term viability of family businesses around the world through the provision of research on family business, the development of family business leaders, and outreach activities.

Vision: to be recognised as one of the leading Centres in the development of research and intellectual capital on family business. As a leader in international family business scholarship, the ECFB will develop, disseminate and share knowledge on the challenges involved in family, business, and responsible ownership, through teaching, development of educational materials, and outreach activities, in order to ensure the long-term viability of family businesses around the world.

