

Transfer of Ownership in Private Businesses

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Emotional Ownership

the Critical Pathway between the
Next Generation and the
Family Firm

Åsa Björnberg, London School of Economics

Background – research on Emotional Ownership (EO)

2007: 8 family business cases

Interviews revealed a key theme:

A sense of ownership that goes beyond financial ownership – a strong tie between the NxG and the family business

2008: 600 NxG from 67 countries

Aim: to understand the causes and effects of this bond. What makes it stronger? What makes it weaker?

Report: Emotional Ownership – The Critical Pathway between the Next Generation and the Family Firm



Institute for
Family Business

Emotional Ownership
The Critical Pathway
Between the Next Generation
and the Family Firm

Åsa Björnberg and Nigel Nicholson



Lombard
Odier
Darier
Hentsch & Cie
Private Bankers since 1798



EO - what is it?

Two ingredients:

- Closeness/attachment: how close am I to the family business?
- Self-image /identity: is the family business part of me, of who I am?

EO – why is it important?

- The role of EO in family business leadership is essential: EO can save a family business
- A vital ingredient in company culture – its unique, inimitable competitive advantage
- Emotions exist in family firms – they are only dangerous if we do not recognise and manage them
- The dark side of EO may lead to hubris, arrogance and conflict
- EO enables stewardship: a link between the present, past and the future



EO

I care about the family business

I feel as if I belong to the family business

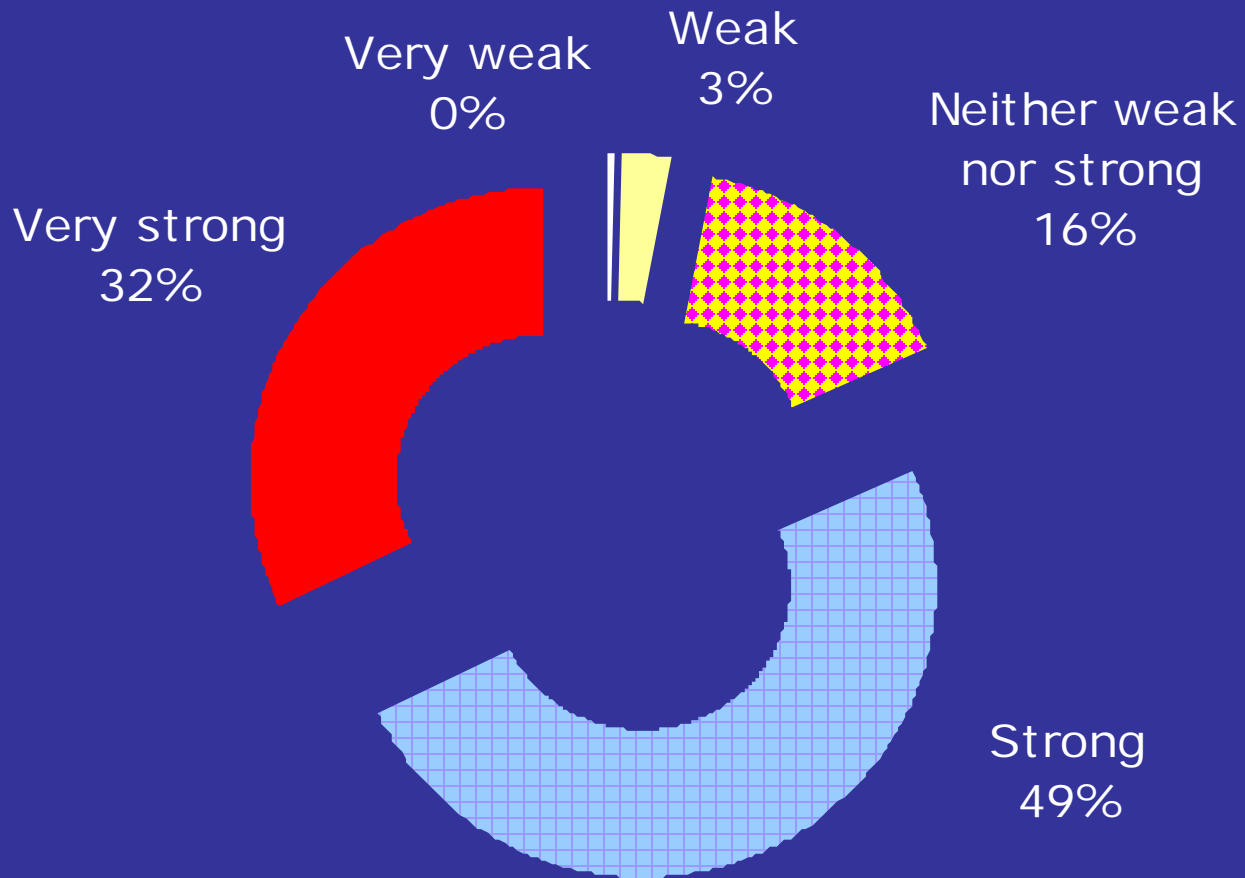
The FB is an important part of who I am

I identify with the family business

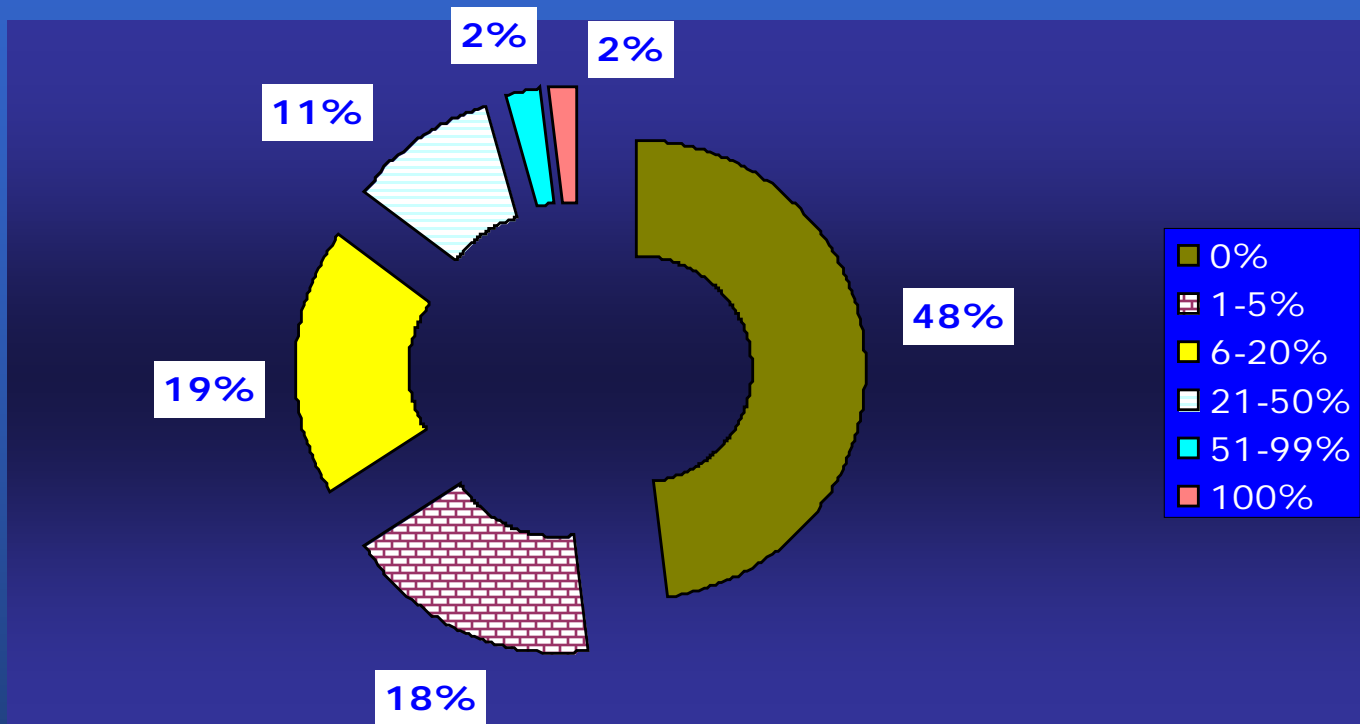
I feel close to the family business

What happens to the family business matters to me

Degrees of emotional ownership



NxG ownership stake



Ownership => higher EO

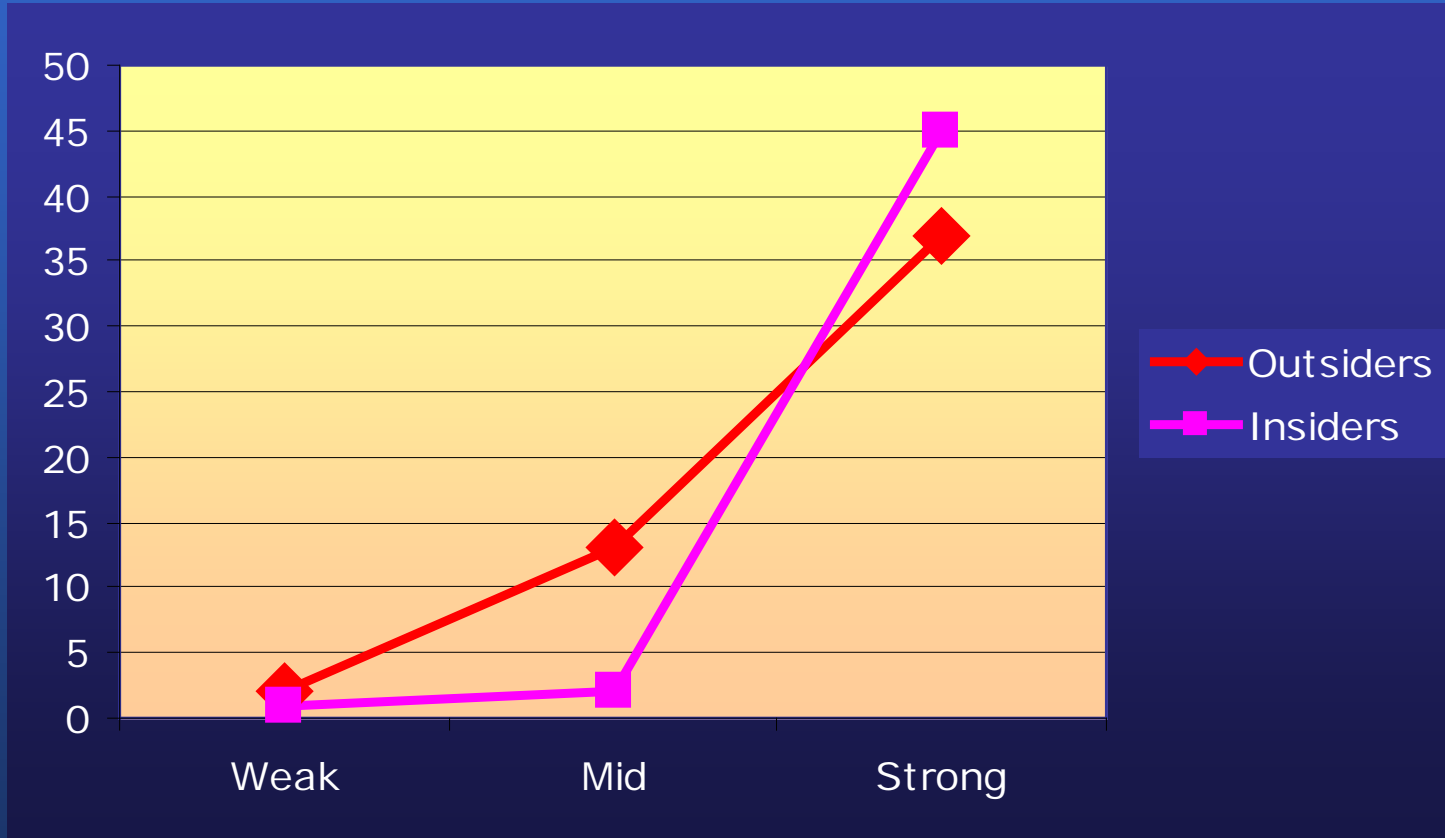
Number of family owners => not related to EO

Ownership conflict => lower EO

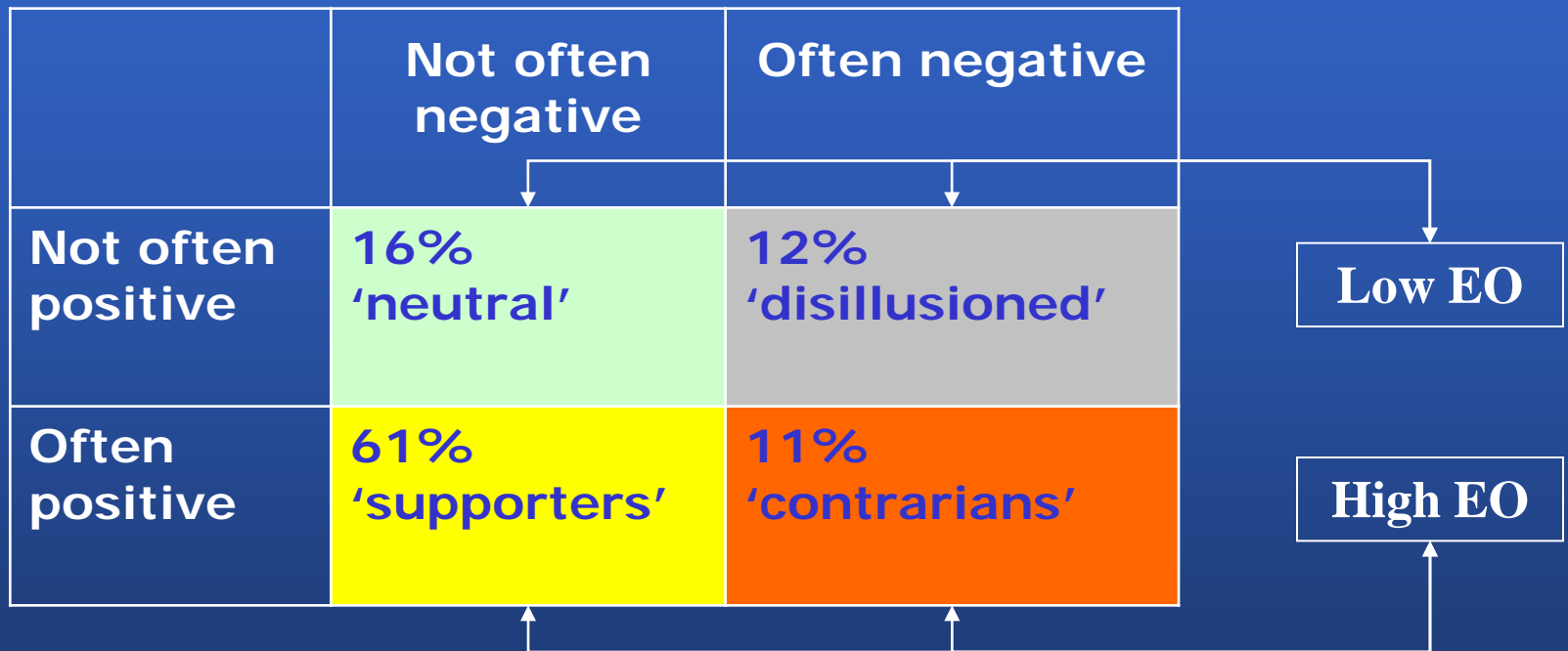
Who has EO? Demographic profile

- Equity ownership
- Any work experience
- Male NxG have higher EO
- MBA, not just any higher degree
- Lifestyle: stable relationship, children --- Age
- Regional differences – Latin factor
 - Higher in Spain, average in India, lower in Sweden
- Informal discussions about the business from an early age
- Larger firms, but not older
- Perceived firm performance - unrelated

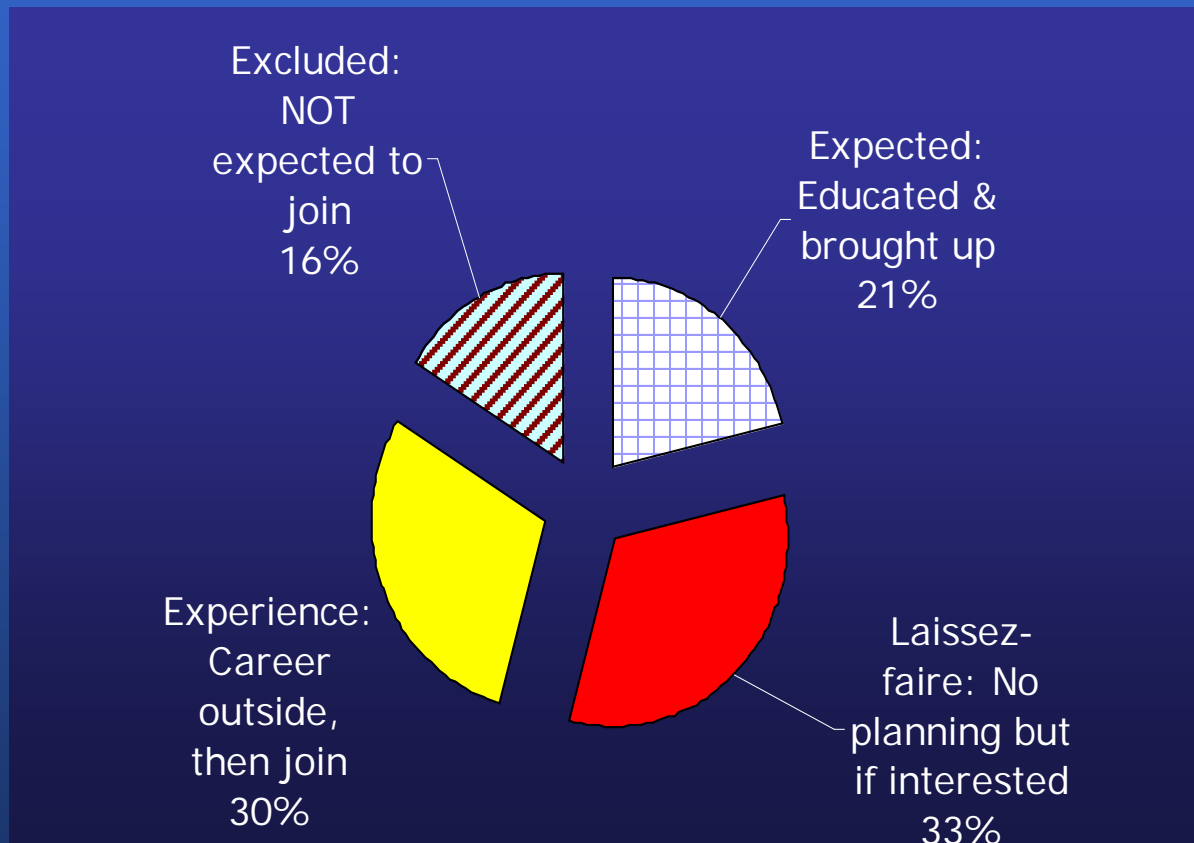
EO split between insiders (working in the family business) and outsiders (not working in the family business)



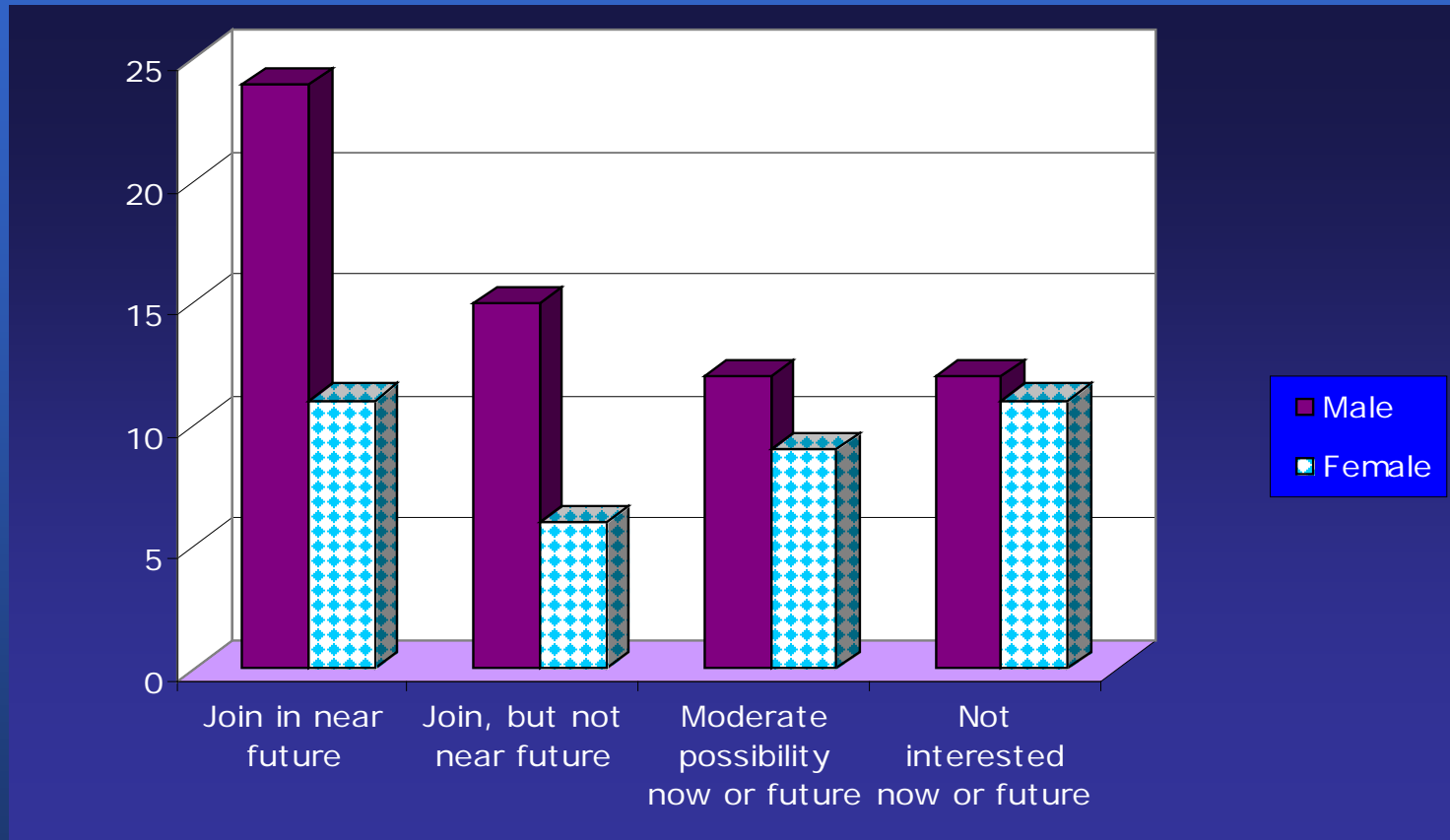
Positive and negative emotions about the business



Expectations for joining



NxG interest in joining



What supports/undermines EO?

What supports EO in the NxG? –

- Adaptive family climate
- Proactive, informal involvement
- Work experience in the business
- Fair process in joining

What undermines EO in the NxG? –

- Poor parenting
 - Uncontrolled conflict
 - Exclusion & isolation
 - Overly formal approach
-

What can seniors do to stimulate healthy EO?

- Communicate openly – listen, answer and ask questions.
- Involve younger family members in discussions – but paint a realistic picture
- Make sure your governance system is based on fair process, is inclusive and can deal with potential ownership conflict

What can the NxG do to stimulate healthy EO?

- **Activities for young members: away-days or charity initiatives**
- **Get to know your business and understand your role in it – ask questions!**
- **Obtain a clear view of your career - create competitive CV and use help in your career from mentors or coaches**

The knowledge that it is OK to make mistakes.

Absence of suffocation by older family members.

Having back-up and support from senior family leaders.

Information about the business and the possibilities to get involved.

The understanding that just because you join the family business you don't have to stay there for the rest of your life.

An invitation to join and take part in meetings from an early age.

Education seminars on family business dynamics and leadership development.

A clear communication to the employees about the position and roles of the next generation.

THANK YOU!