

Legacy Matters

Researching for Meaning

A two-part series into the nature of research, how it works at sauder and business families centre, and its impact on society, business and business families.

The fruits of research are everywhere from H1N1 vaccines to your cell phone, from the car you drive to the biodegradable cup that holds your morning cup of coffee. While it's easy to list the myriad ways research touches our everyday lives, business research accomplishments rarely come to the fore. But despite its unassuming stature, research in the business field has a tremendous impact on our businesses, our families and our lives.

Look around you. Almost everything you see has its roots in research. In fact, it is not a stretch to state that almost all good ideas in business and society generally start with some fairly basic research, which is then transformed, built upon and adapted to create the things and ideas that make our world go around. But someone has to do the research first.

The same can be said of business research. Subjects such as competition policy, governance structures and free trade theory may not be top-of-mind, yet academic inquiry into these realms have shaped and remain critical to maintaining a vital business environment.

Being a part of one of the top research institutions in the world, the Sauder School of Business is at the forefront of new business discoveries and insights. "Sauder is a research business school," said Dr. Thomas Ross, Senior Associate Dean, Faculty and Research at Sauder. "We focus on that, and we're one of the best in the world at it."

RESEARCH 101: The Basics of Academic Research

Research is the lifeblood of a university. After all, before anything can be taught, there must be something to teach. So how do researchers go about their work? They start first and foremost by identifying the

right questions to ask, which tend to be general in nature so the results provide a greater public benefit.

"Universities are different places than consulting firms," explains Dr. Ross. "Unlike consulting firms, university research is curiosity driven. It isn't focused on the needs of a specific client or firm. Instead, academics identify interesting gaps in knowledge."

Academic research can be broken down into two varieties: theoretical and applied. Theoretical research is largely abstract. Researchers may not be sure how or if the knowledge they create make sense in the real world. However, theoretical knowledge forms the foundation of real-world applications.

For example, a researcher may investigate a certain element of international trade policy. Using the results, another research team identifies specific policy initiatives, which are eventually incorporated into a trade treaty between nations.

Applied researchers investigate a known issue in the business realm and with the aim of providing specific, practical recommendations. For instance, researchers from Sauder, UBC, and the BC Cancer Agency are currently collaborating to understand waits, capacity and other processes in the delivery of cancer care, with the goal of providing better access for patients.

Translating research into real-world action

It is one thing to have an Ivory Tower filled with knowledge. It is quite another to have those discoveries distributed to the community, where they can be investigated, incorporated and integrated into the wider world of business. This information dissemination happens through a variety of channels. Consultants, always looking to get an advantage on the competition, actively trawl research publications for new information they can bring to their clients. Professors, often consultants as well as researchers and educators, serve as a direct conduit to the business community. One of the greatest ways this information makes business better is through the efforts of students. As Sauder students graduate and move into the business world, they bring with them the very latest ideas gleaned from their studies.

Initiative is the first step

In establishing the Business Families Centre, the Sauder School of Business actively fosters research innovation in the emerging and vital field of business family studies. In part two, we will discuss the Centre's research goals, progress, and how the business families' community can make the most of the opportunities this research presents.





Message from the Executive Director Welcome to the Summer 2010 Edition of Legacy Matters

- JUDI CUNNINGHAM
EXECUTIVE DIRECTOR,
BUSINESS FAMILIES CENTRE AND CAFE VANCOUVER

Experiencing the Winter Olympics recently here in Vancouver was a powerful reminder of what we can accomplish when we come together toward a common goal. At the Business Families Centre, the common goal we share with families, advisors and research academics is to *Illuminate Families in Business*, revealing the unique character and contributions of the family and business both to each other, and our communities.

We accomplish this goal through *Research and Education, Being a Portal to People and Resources*, and *Guiding Families Along the Journey*. These efforts reflect the impact and influence the Centre can have on Business Families today and into the future. In this issue, we are focusing our attention on our Research efforts and its impact on the field.

Research is the beginning of all knowledge. Outside the university environment, it is often seen as elusive, but I assure you, it is necessary and fundamental to the burgeoning field of family enterprise.

The family business field has long been founded on our best ideas of what we think to be true, based on experiences. What we need is academic research to really understand what is actually happening. Without research, we continue to operate only on best guesses. As the number one research institution in Canada, and 15th in the world, the Sauder School of Business is committed to exploring the topics important to families in business and their advisors.

The Business Families Centre plays an important role bringing together the families, advisors and academics necessary to conduct research and disseminate it into practice. As we continue to build the resources for our academic researchers, we hope you will participate in our studies and share the wealth of information and experience that you hold to help all the business families around the world. The more we can all participate, the richer the results will be.

I hope you enjoy this issue and we welcome your comments.



CIBC Delivers Research Benefits

The family business is one of the oldest institutions in the marketplace. But why do some business families enjoy long-term success, while others fail after just one or two generations? Even after thousands of years, the reasons why family firms prosper aren't always clear. What's more, with a changing economy, success can be a moving and elusive target. Research being done at the Sauder School of Business is uncovering new ideas, building theories, and helping business families find answers.

"Research is at the heart of new thinking" says Judi Cunningham, Executive Director of the Business Families Centre. As part of the CIBC Professorship in Business Families Studies Visiting Scholar Series, visiting scholars stimulate new thinking and create ideas that allow faculty, students, and advisors to benefit from exposure to different viewpoints. It's a rich learning environment, with business families, advisors, scholars, and students working together on important issues such as managing conflict, knowledge transfer across generations, organizational identity and succession planning."

Through a generous endowment by CIBC, the BFC is able to host five renowned family

business scholars from around the world. Throughout the 2009-10 academic year they work with UBC faculty and PhD candidates, researching and studying the factors for successful, long-lived family-owned businesses.

According to Cunningham, without CIBC's support, the benefits of the program would be hard to match. "We're seeing new ideas as a result of these high-level, two-way exchanges and collaborations. The knowledge is getting to the business families and their advisors more quickly. The only way it's possible is with the support of companies such as CIBC providing the funding to support the program."

The visiting professors have covered a wide range of business family-focused topics. Professor Pramodita Sharma of Concordia shared her research into why 'successor commitment' plays a vital role in determining the success of a family firm transitioning from one generation to the next. Professor Franz Kellermanns of Mississippi State University explained how family involvement can improve access to debt financing, while Professor Jess Chua of the University of Calgary contributed his work on ways to measure and link the business

families' perception of the company's financial value to the probability of future success.

Professor Thomas M. Zellweger from University of St. Gallen, Switzerland examined non-financial aspects of performance on family firms, acknowledging that family firms are not only driven by economic objectives, but also by emotional outcomes. Professor Pietro Mazzola, from IULM University, Milan Italy, will look at performance drivers of family firms, exploring both the opportunities and threats posed by family involvement in a firm.

Cunningham notes that, while the impact of research might not be instantaneous, it is very real. "It may take some time to see the effects, but research is the beginning of new knowledge. Not only do the lectures spread this knowledge, they help people better understand what scholars are studying and why. They come away with a greater appreciation for the importance of ongoing research, and the added insight into the nature and credibility of a business model that has been around for a very long time."

Families, Academics & Advisors – A Family Business Alliance

– THOMAS ZELLWEGER

Given that family firms represent the social and economic bedrock of many countries in the developed world, it is surprising that these firms have only recently begun to receive their due attention from the wider public. Even with the growth of Family Business Centres in leading Universities across North America and Europe, family business has been slow to gain recognition in the central role it plays in our economies.

There are three primary stakeholder groups invested in the success of family business: The Family Firms themselves, the Professionals who advise them, and the Academic Researchers who study them. Why, with such a deep pool of talent, backed by the best Universities, have these groups not been able to fully articulate the central role family business plays?

A deeper look at the systemic relationships between these groups, their motivations, needs, resources and constraints reveals a telling fact: Despite their alignment around the ultimate success of Family Business, their differences around these factors creates a fundamental misalignment that keeps the field as a whole fractured. How then, can these divergent groups be brought together to champion family business, delivering the level of credibility it deserves?

Family Firms need practical solutions.

Seeking primarily sound, relevant approaches to dealing with specific family business issues such as governance or succession, their demands differ dramatically depending on size, complexity and life-cycle of the family and the business. Nevertheless, despite their variety, open contact with a community of family firms is essential for the primacy of family business to be recognized, since these firms serve as a key resource for research through access to critical data, teaching (through the development of case studies) and funding. Family firms are also helpful in identifying practically relevant topics under scrutiny in research. However, privately held family firms are often not willing to open their doors to research. The goal of families in business, next to emphasizing their relevance for the economy, is most often to seek guidance from peers in other families, or to support an activity they deem to be a worthy social initiative.

Researchers need data to get tenure.

Full-time faculty members teaching and researching family business are possibly the least understood of the three key stakeholder groups. Here, it is important to understand the goal structures and incentives systems of faculty promotion and pay. Faculty members at top tier business schools are rated and remunerated in relation to their research output in leading academic journals. Striving for top-tier journal publications is heightened by the personal motivation of researchers to be recognized as respected scholars in their fields. Such incentives reduce the scope of possible subjects researchers work on: they will focus their attention, time and resources to topics that are publishable in these leading academic journals. These journals, however, publish only a very limited number of family business related research—the topic is still seen as too marginal and not sufficiently promising to contribute to general organizational theory. Finally, research is an inherently slow process, with projects easily taking five years before being published in a well-ranked journal. Yet it is only through these research practices that family business will gain the legitimacy it deserves. Finally, researchers can publish no work without data. Access to the data provided by public companies has for decades been the foundation of leading business research. The private nature of family business data, locked up by both family firms and their advisors, makes valid research essentially impossible.

Advisors need proven strategies.

Though motivated in their interaction with family firms primarily for economic ends—selling their services—these service providers have more to offer: they often exhibit deep and varied knowledge in specific areas of relevance to family firms such as estate and tax planning. And unlike members of a family firm, advisors see repeated versions of typical scenarios, gaining generalized expertise and more importantly, useable research data. To be effective, however, advisors must have access to proven methods. Lacking academic research, they can either conduct their own, or rely on trial and error. Unfortunately, their structure as commercial

entities makes them poorly placed or trained to execute research and their confidentiality clauses prohibit academic researchers to access to their data.

How then, can these divergent interests and needs be reconciled to form a cohesive family business field? While it is the mutual understanding among these broad stakeholder groups, and their balanced involvement that bring out the best in family business, their underlying misalignments demand an additional element. It is here that Family Business Centres play a critical central role: To encourage Families to support the work of Researchers, Advisors to open their networks, and Researchers to listen and craft the best research. To facilitate and motivate these three stakeholders around creating knowledge that is practically relevant, can ultimately be commercialized and adds to a theoretical debate. Any attempt in creating knowledge that satisfies these three criteria will bring all parties to the table, and will build the cornerstone for a unique and valuable family business center and ultimately credibility and recognition for the family business model and its importance in our communities.

THOMAS ZELLWEGER GRADUATED FROM UNIVERSITY OF ST.GALLEN, SWITZERLAND, AND UNIVERSITÉ CATHOLIQUE DE LOUVAIN, BELGIUM. AFTER COMPLETION OF HIS MBA HE WORKED 2



YEARS IN INVESTMENT BANKING IN BRUSSELS BEFORE STARTING HIS PHD ON "RISK RETURN AND VALUE IN THE FAMILY FIRM". FOR HIS PUBLICATIONS HE WAS AWARDED THE PETER WEHRHAHN PRIZE 2006

AT THE UNIVERSITY OF ST.GALLEN AND THE HONORABLE MENTION AWARD AT THE BEST DISSERTATION AWARD 2006 BY THE FAMILY FIRM INSTITUTE, BOSTON (MA). HE IS A RESEARCH FELLOW AT BABSON COLLEGE, BOSTON. THOMAS IS ASSISTANT PROFESSOR AT THE UNIVERSITY OF ST. GALLEN AND TEACHES ENTREPRENEURSHIP AND MANAGEMENT OF FAMILY FIRMS. HE ALSO DIRECTS THE CENTER FOR FAMILY BUSINESS AT THE UNIVERSITY OF ST.GALLEN. HE IS A VISITING PROFESSOR AT UNIVERSITY OF BRITISH COLUMBIA FROM SPRING TO SUMMER 2010.

Business Families Centre Programs

FAMILY LEADERSHIP

The Business Families Centre supports and advances both your business and the family in the business. Our programs for families are practical and powerful, utilizing interactive formats and case studies to maximize learning—all delivered by some of the leading experts in the world on business families.

Road Map: Part I

Establish a plan for your family's growth and prosperity, for now and in the future.

Oct. 1 - 3, 2010

Accelerated Leadership Program

Hasten the development of the next generation of family and business leaders.

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PROFESSIONAL DEVELOPMENT

The Business Families Centre helps you put your business family clients first by offering programs that give advisors the inside knowledge required to deal with the technical and interpersonal challenges inherent in the business family dynamic.

Business Family Dynamics

If you think you know everything you need to about business families, think again. Grasp the broader framework and seize bigger opportunities.

Nov. 1 - 2, 2010
Jan. 24 - 25, 2011

Business Family Facilitation and Communication Skills

Ever had a client meeting get out of hand? Learn the essentials needed to manage conflict, ask the right questions and diffuse tense situations with your family business clients.

Oct. 5 - 6, 2010

Business Family Consulting

Learn the intricacies of consulting to the business family that can make or break your client relationships.

Nov. 3 - 4, 2010

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Advisors to families in business need to know more; applying sound technical advice is not enough. To create durable plans for families, Advisors need to bridge the gap between multiple practice disciplines, integrating their advice into a cohesive plan. Using techniques to manage interpersonal and intergenerational conflicts, Advisors need to incorporate the family dynamic into an effective plan.

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www.sauder.ubc.ca/bfc/certificate



The Ten Subtle Secrets of Successful Family Businesses

- JOHN WARD

ONLY 20 PERCENT OF FAMILY BUSINESSES MAKE IT TO THE THIRD GENERATION AND ONLY 13 PERCENT PAST THAT. YET MOUNTING RESEARCH DOCUMENTS THE SUPERIOR PROFITABILITY OF FAMILY FIRMS, EVEN OVER WIDELY HELD PUBLIC FIRMS. MY RESEARCH OF THE 1,000 LARGEST PUBLIC FIRMS WORLDWIDE SUGGESTS THOSE CONTROLLED BY FAMILIES EARN A 30+ PERCENT HIGHER RETURN ON CAPITAL.

What helps these firms thrive?

Beyond an independent board of directors, regular family meetings, and a family constitution, I have observed ten subtler capabilities and lessons for continuity.

1. Skill at Resolving Paradoxes.

Successful families recognize and discuss paradox-based dilemmas such as balancing individual freedom with collective commitment. They make difficult compromises to resolve these, always with a long-term perspective.

2. Focus on Process.

Successful families constantly focus on family communications, problem-solving, and decision-making, giving themselves stress tests and putting challenging questions on the table.

3. Human Resources Committee.

Family human resource committees, which may include the HR head, an industrial psychologist, and/or an independent director, assess and counsel next-generation family members to match roles and responsibilities with qualifications and interests, promoting harmony and smooth transitions.

4. Succession Task Force.

This ad hoc group supports the transition between generational leaders by managing the timing of succession and dealing with succession-related issues including compensation, titles, and career-path impacts.

5. Students of Family Business.

Successful families seek outside education and counsel, along with input from other high-performing business families, to

benchmark, identify best practices, and avoid previous generations' problems.

6. Facilitate Pruning the Family Tree.

Continuity-minded families recognize that not every member is best served joining or staying in the business. They also use generational harvest to provide the senior generation with funds for philanthropic purposes, while passing much of their ownership to their heirs.

7. Wealth Is Neutral.

Successful families steward the wealth for future generations, maintain their drive for achievement, and live life not feeling guilty about their privilege, never allowing money to define them.

8. Education for Decision-Making.

Successful families recognize that consensus-based decision-making is not always best, and that all decision-making processes must include genuine respect for each member and no covert personal agendas. They carefully manage the distribution of voice among generations.

9. More Than Business Is Key.

Long-lasting families know that members must have access to highly valued roles and activities outside the core business—among these are philanthropy and roles with the family council or family office.

10. Family Philanthropy Is Not Easy.

Taking time to think strategically about philanthropy is crucial, helping successful families avoid inter-generational conflicts about donor's intent and allowing them to use giving as a means of generating greater comfort with inherited wealth.

MBA's Study Family Business

- DAVID C. BENTALL
ADJUNCT PROFESSOR,
SAUDER SCHOOL OF BUSINESS

For the past 3 years, the Business Families Center has been offering a course to MBA's entitled Working in the Family Business. Given the broad international appeal of Sauder's MBA program, students in the course come from around the world. Interestingly, the issues families deal with, regardless of their country of origin, are essentially the same. For example, earning the respect and confidence of the elder generation is always a challenge. Similarly, 'letting go' and trusting younger members of the family with management responsibilities is a difficult thing to do, no matter what culture you are from.

The course is open to all MBA students, whether or not they come from a family business. Typically, one third of the students will have a family business background, and they want to be prepared to join the family business in the future. The balance of their class mates expect either to work in a family business, or hope to be effective when consulting to families in business.

In their course evaluations, students often express appreciation for the value obtained from the class discussions. Some even suggest the course is so valuable, that it should be "mandatory for all MBA students". In particular, many students appreciate the real life examples brought to the course, both from the faculty and through guest lecturers. In recent years, the students have benefited from several excellent guest presenters including Jane Tidball (Thunderbird Show Park), Jason and Sasha McLean (Blackcomb Helicopters), Brian Hill (Aritzia), Peter Armstrong (Rocky Mountaineer Vacations), and Samantha and Rebecca Legge (Canada Wide Media).

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Business Families Centre

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- KEN FINCH, KAL TIRE



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