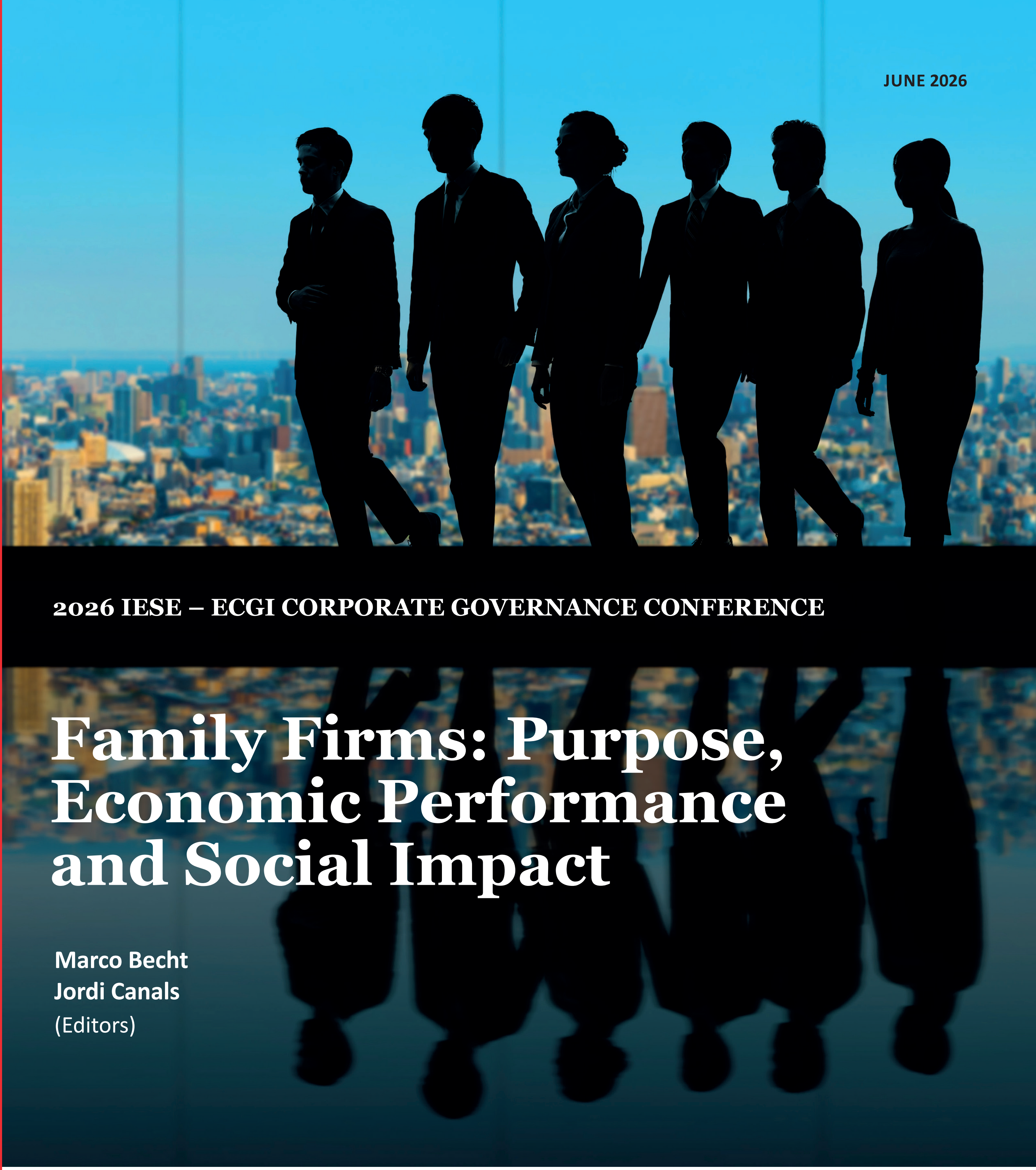

JUNE 2026

2026 IESE – ECGI CORPORATE GOVERNANCE CONFERENCE

Family Firms: Purpose, Economic Performance and Social Impact

Marco Becht
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(Editors)

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Center for Corporate Governance

ecgi
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Family Firms: Purpose, Economic Performance and Social Impact

By Jordi Canals

Family ownership is the dominant form of business ownership around the world. The economic and social progress of economies, individuals and communities depends on prosperity generated by family businesses.

Many studies argue that the persistence of family firms around the world is explained by the level of protection that national legal systems offer shareholders. The main hypothesis is that countries with higher levels of protection will experience the development of more efficient and sophisticated capital markets. As a result, companies will tend to depend more on capital markets to finance their operations and raise equity, the number of listed companies will increase and the number of family firms in those countries will decline. The sustained persistence of families as majority owners of companies around the world does not confirm this hypothesis. There may be other factors explaining family firms' persistence. Over the past few years, corporate purpose has generated great interest among companies, investors and regulators. Many family businesses have a purpose explicitly or implicitly defined by its founder. Corporate purpose may have an important role in family businesses. It may foster longer-term horizons for strategic decisions and investment, may promote certain values and a deeper engagement with local communities. Could purpose be a differentiating factor for family companies?

IESE and ECGI organized the 2026 Corporate Governance Conference at IESE, Madrid Campus, on March 16, 2026, with the collaboration of the Social Trends Institute and Instituto de la Empresa Familiar. The goal was to explore relevant issues on family firms' governance, including the role of corporate purpose in family firms and its impact on their performance. In particular, the conference examined the significance of corporate purpose for family businesses and the specific mechanisms through which purpose can have a positive impact on the firm's performance. Several questions warranted deep analysis and debate in the conference: How does corporate purpose contribute to family businesses, their activities and performance? How can purpose become a governance mechanism? To what extent does purpose promote innovation in family businesses and a concern for human, social, environmental and financial prosperity? What role do family offices play in the adoption and implementation of corporate purpose? How should ownership and governance of family businesses evolve as they grow and pass through multiple generations?

The conference – organized by Marco Becht, Jordi Canals and Colin Mayer – was organized around five major themes coordinated by different researchers:

- The relevance of corporate purpose for family business, coordinated by Colin Mayer
- Family offices, corporate purpose and the governance of family business, coordinated by Anete Pajuste

- Enterprise foundations and the evolution of ownership in family business, coordinated by Steen Tomsen
- Innovation in family business in the presence of disruptive technologies, coordinated by Jordi Canals
- Social and environmental impact of family business, coordinated by Yupana Wiwattanakantang

In this report, we present 12 articles organized in two parts, prepared by leading academics who presented their papers and research at the 2026 IESE ECGI Conference. There is an emerging pattern in this stream of research. Family businesses with a clear purpose that helps define an effective corporate governance model show defining characteristics that can drive superior performance. These characteristics include:

- longer-term horizons, which foster innovation and capital spending
- high levels of commitment that mitigate agency problems
- better alignment of views and preferences of managers, workers, shareholders and other investors and third parties
- when coupled with good governance, a better alignment of boards of directors and senior managers to facilitate the CEO succession process while highlighting the role of meritocracy in internal promotions

Research presented at the conference also indicated potential threats to family firms' longevity, including a lack of meritocracy or controlling shareholders who abuse their power and harm the interests of minority shareholders. Nevertheless, the balance of evidence appears to favor family firms, in particular, when they implement effective governance structures and are led by a professional management team. Moreover, in a world defined by pervasive uncertainty and disruptive forces (technology, societal polarization and geopolitical conflict), family firms offer a long-term horizon and a commitment to the company that nurtures stability in the business world and society at large.

Agenda

MONDAY, MARCH 16, 2026

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Marco Becht, Université libre de Bruxelles and ECGI
José Luis Blanco, Instituto de la Empresa Familiar
Jordi Canals, IESE Business School
Colin Mayer, Oxford University

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THE RELEVANCE OF CORPORATE PURPOSE FOR FAMILY FIRMS

Chair: **Colin Mayer**, Oxford University
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Session 2

FAMILY FIRMS, SHAREHOLDERS AND FOUNDATIONS

Chair: **Steen Thomsen**, Copenhagen Business School
Speakers: **David Reeb**, National University of Singapore; **Anne Sanders**, University of Bielefeld; **Soren Staugaard Nielsen**, Ramboll Foundation

Session 3

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Chair: **Anete Pajuste**, Stockholm School of Economics in Riga
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Session 4

FAMILY FIRMS, INNOVATION AND PERFORMANCE

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Wrap-up

Marco Becht, Université libre de Bruxelles and ECGI
Jordi Canals, IESE Business School
Franz Heukamp, IESE Business School
Colin Mayer, Oxford University

Presentations and papers (when available) can be downloaded at the beginning of each section.

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Family Firms and Corporate Purpose

Colin Mayer, Oxford University
Dorothy Lund, Columbia University

Download Dorothy Lund's presentation

Radical Uncertainty, Purpose and Family Ownership

By Colin Mayer

That we are living in turbulent times is self-evident. That we are experiencing radical uncertainty is more insightful. The distinction is between what is risky but probabilistically predictable and what is unknowable and unpredictable – between Donald Rumsfeld's "known unknowns" and "unknown unknowns." The financial crisis and COVID-19 are examples of the latter: that financial crises and pandemics occur is known, but the advent of what, when and where were not predictable and not predicted.

What is the relevance of this for corporate purpose? To answer this, it is necessary to understand what a corporate purpose is. It is not a vision of where a business will be. It is not a mission statement of what it will do. It is not a strategy for how it will do it. It is why the business exists, why it is created, its reason for being.

That question is always important, but it gains particular significance after a major unpredictable and unpredicted dislocation like the financial crisis or the pandemic. The existence of the business is then called into question and therefore knowing why a business exists takes on special importance.

The previous vision of where the business is going, its mission of what it will be doing and its strategy of how it will do it may no longer be relevant after a profound shock. In contrast, the question of how a business can find new ways of generating financial value for itself and its investors from enhancing values for its customers, employees, suppliers, communities and governments is precisely the right one. How can it remain viable, relevant and solvent in the new world order?

The pandemic illustrates this well. During the pandemic, many businesses found themselves without customers, students or audiences. The successful ones were those that knew why they existed and pivoted to find novel ways of sustaining their existence through delivering, teaching and entertaining online.

This is particularly relevant to family businesses in contrast to individually, institutionally or publicly owned firms. The reason is not just that family businesses have concentrated, long-term and intergenerational ownership. While that is often the case, it is not always so, and family businesses are not entirely distinctive in that regard.

There may be a more insightful reason. Families cannot walk away and disappear into the ether when the world changes, as individuals, institutions, or public owners may be able to do. They are inherently intertwined with at least some of their stakeholders, especially their employees and local communities.

That will not be necessarily true of all family firms or all their stakeholders, but it is of some family businesses in relation to some of their stakeholders. For those firms, knowing how to pivot in the face of radical uncertainty will be critically important.

Family Firms and the Linking Benefits of Control and Corporate Purpose[1]

By Dorothy Lund

Family firms have a large presence in the United States, constituting approximately 33% of the S&P 500 and 45% of the S&P 1500. Their success intersects with a perennial debate about controlling shareholders and the risk of increased agency costs that they present. This concern is especially pronounced for dual-class companies that feature a wedge between ownership and control. However, empirical evidence reveals that investors in U.S. dual-class family-firms earn a high-risk premium and abnormal positive returns. This fact presents a puzzle – how do controlled family firms achieve these successes despite the prospect of agency costs?

The conventional view is that controlled family firms can benefit from their unique ownership structure, which gives them a long-term orientation that traditional firms may lack. In new co-authored research, I surface two additional explanations. The first builds work with Cathy Hwang and argues that under certain circumstances, an authentic and specific business purpose can mitigate agency costs. The second draws on forthcoming work with Eric Talley[2] that explores how controlled firms avoid voting pathologies.

As for the first explanation, there is evidence to suggest that family firms are more likely to establish authentic and specific purposes than non-family firms. And as Cathy and I explore in "Purpose and Nonprofit Enterprise[3]," business purpose can serve as a substitute for shareholder control and monitoring in at least three ways. First, purpose can help provide direction for management that is confronting tradeoffs, and it does this by inverting the purpose and profit relationship. In the typical for-profit business, profits drive purpose, and conventional wisdom states that profit is clearer to pursue than something amorphous like purpose. However, as I've explored in other work, shareholder value maximization doesn't necessarily provide clear guidance given that shareholders have different preferences and time horizons. Therefore, in companies where purpose drives profit, management may actually have clearer direction.

Second, and relatedly, management of purposeful enterprise that fails to advance the mission will be vulnerable to stakeholder enforcement. Indeed, the family's commitment to the mission can lead to internal enforcement that operates as a substitute for shareholder enforcement (and our paper contains several examples). Third and finally, purpose can motivate employees and encourage them to work hard and creatively to advance the mission. Not only that, shareholder control can crowd out this positive effect.

Stepping back, there is a second reason for investors to like controlled family firms: controlling shareholders can help the firm avoid pathologies associated with shareholder voting. As Eric and I explore in our forthcoming paper, "Shareholder Democracy and the Rise of the Controllers," as shareholder democracy has been given increasing importance in corporate law, it has paradoxically increased the benefits of having a controlling shareholder. Drawing on social choice theory, we show that voting is a less stable and clear preference aggregator than many have recognized. Therefore, as shareholder democracy has been romanticized by scholars and judges alike, it has increased the benefits to having a corporate dictator that brings coherence to corporate decision-making. In this way, therefore, controlled family firms (along with other controlled firms) may benefit from avoiding a panoply of voting pathologies.

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[1] This article summarizes a presentation delivered during Session 1, "The Relevance of Corporate Purpose for Family Firms," chaired by Colin Mayer.

[2] Lund, Dorothy S. and Talley, Eric L., "Should Corporate Law Go Private?" (September 26, 2025). European Corporate Governance Institute - Law Working Paper No. 877/2025.

[3] Hwang, Cathy and Lund, Dorothy S., "Purpose and Nonprofit Enterprise" (December 17, 2024). Virginia Public Law and Legal Theory Research Paper No. 2024-71, Virginia Law and Economics Research Paper No. 2024-35, European Corporate Governance Institute - Law Working Paper No. 819/2024, *Columbia Law Review.*

Organizing Ownership and Governance

Steen Thomsen, Copenhagen Business School Center for Corporate Governance

David Reeb, National University of Singapore

Anne Sanders, University of Bielefeld

Download David Reeb's presentation

Download Anne Sanders's presentation

Alternative Ownership Configurations for Purpose in Family Business

By Steen Thomsen

A central idea at the 2026 IESE-ECGI Corporate Governance Conference in Madrid was Colin Mayer's formulation of corporate purpose as creating "profitable solutions to the problems of people and planet." Session 2, on family firms, shareholders and foundations, explored how families can structure ownership and control so as to preserve long-term purpose while also sustaining economic performance.

The three speakers addressed this question from complementary perspectives. David Reeb of the National University of Singapore spoke from finance and corporate governance; Anne Sanders of the University of Bielefeld from family business law; and Søren Staugaard Nielsen of the Ramboll Foundation from practice. Together, they showed that alternative ownership arrangements are not merely technical deviations from standard governance models. They can be mechanisms through which families protect continuity, align control with mission and make purpose durable over time.

David Reeb focused on dual-class shares, a governance mechanism often viewed with suspicion. In public debate, such structures are associated with entrenchment, weak accountability and risks for minority investors. Reeb showed why this view is too simple in the context of family firms. His argument was not that dual-class structures are always desirable, but that their effects depend on who controls the company and under what conditions. In family-controlled firms, dual-class shares may preserve strategic continuity and protect the company from excessive short-term pressure. This can give families the space to invest in durable stakeholder relations rather than managing only for short-term market expectations. In that setting, family control can function as a credible commitment device, supporting both purposeful strategy and attractive shareholder outcomes.

Anne Sanders shifted the discussion from financial structure to legal architecture. Her presentation examined enterprise foundations as a means by which families can institutionalize purpose across generations. By placing control in a foundation, families can stabilize governance, protect the firm from ownership dispersion and embed a mission that extends beyond the preferences or lifespan of any individual owner. Her broader point was that purpose requires institutional support. Foundations are not costless, but they deserve attention as an ownership model for families seeking to combine continuity, responsibility, and purpose.

Søren Staugaard Nielsen concluded with a practical illustration of what such a model can look like in operation. Speaking from the Ramboll Foundation, which owns the engineering company Ramboll, he showed that foundation ownership is a core element of the company's identity and strategy. The Foundation holds 97% of Ramboll's shares and supports the company's long-term development for the benefit of the business, its employees, and the communities it serves. Most importantly, Nielsen explained how this ownership structure underpins a business strategy centered on sustainability. Ramboll's strategy is organized around four themes: decarbonization, resilient societies and livability, resource management and circular economy, and biodiversity and ecosystems. Ramboll thus offered a concrete example of Mayer's conception of purpose in practice.

Taken together, the three presentations pointed to a common conclusion. Families do not necessarily need to choose between purpose, profitability and control. Under the right conditions, alternative ownership configurations such as dual-class shares and enterprise foundations can help align them. For family business owners, the message from Madrid was clear: ownership is one of the ways in which a family defines what the firm is for and how it intends to endure. For researchers, the session showed that these ownership forms should be treated not as anomalies, but as governance responses to the challenge of combining long-term profitability with social purpose.

The Wrong Comparison[1]

By David Reeb

Dual-class shares have become a governance villain. The argument is clear enough, founders retain disproportionate voting power and minority shareholders cannot discipline them. Index providers seek to exclude them. Prominent academics have called for bans. Yet, the structures keep spreading anyway. Dual-class IPOs went from around one percent of all new listings in 1980 to nearly half in recent years, which is not obviously what you would expect if they were straightforwardly harmful. Sophisticated institutional investors also hold most of the freely floated shares in dual-class firms (not less).

The standard finding is that these firms trade at valuation discounts and that minority shareholders are harmed. But harmed relative to what exactly? The typical comparison is dual-class firms against the broad single-class universe, which turns out to be mostly non-family firms. Family firms account for 89% of dual-class firms. So, this comparison is not isolating a share structure effect at all. In work with Anderson, Ottolenghi, and Savor[2], we think this methodological point changes how the debate should be read. Once you split the sample and compare dual-class family firms to single-class family firms directly, the premium associated specifically with the dual-class structure is no longer statistically significant. Single-class family firms earn a similar premium. The votes are not what is being priced.

Family firms underperform by 280 to 440 basis points during adverse industry shocks, the range depending on the shock measure. That is the pattern you need if the premium reflects systematic risk rather than mispricing, and it is not the kind of result that is easy to get by accident in a sample this size and over this time period. Nothing here rules out mispricing entirely. But the test is right.

Why would investors demand a premium for family control at all? The concentrated stake is the mechanism, or at least that is the most straightforward way to say what we think is going on. When a family's wealth and name are tied to a firm across decades, commitments to suppliers and employees become credible in a way dispersed ownership cannot replicate. That is a productive economic function, which is perhaps not the framing that dominates governance discussions.

The calls for restricting dual-class shares rest on the comparison group result rather than the mechanism. Markets have not eliminated these structures, and that is probably not an accident.

[1] This article summarizes a presentation delivered during Session 2, "Family Firms, Shareholders and Foundations," chaired by Steen Thomsen.

[2] Anderson, Ronald Craig and Ottolenghi, Ezgi and Reeb, David M. and Savor, Pavel G., "Dual Class Shares: Do Investors Suffer?"

Family Firms and Family Foundations[1]

By Anne Sanders

Many business families set up foundations for philanthropic purposes, giving back to society. However, as long-term owners of the family business, foundations can do much more than that. Typically, continuing the family legacy and maintaining family influence over the business forms part of a family business's transgenerational purpose. A foundation can act as an immortal successor by holding the shares of the family business, thereby potentially solving the problems of both a lack of competent and interested successors and too many shareholders in dispute.

A foundation that controls a business company is known as an enterprise foundation. This is more or less possible in most European legal systems, as demonstrated in the book *Enterprise Foundation Law in a Comparative Perspective*[2], edited by Steen Thomsen and myself. Steen Thomsen's[3] research on enterprise foundations such as Carlsberg, Maersk, Novo Nordisk, Inter IKEA, Bosch and Bertelsmann has demonstrated that foundations can be responsible, long-term business owners. Research also shows that businesses owned by foundations are usually economically successful, innovative and provide good jobs. Business decisions are made in the business company. The foundation can serve as a reliable, purpose-oriented shareholder. Depending on national foundation laws, founders and their family members may sit on the foundation's and/or business's board, thereby maintaining the family business's character. In some legal systems, however, such options are more limited, with requirements for board independence and supervision by a public agency.

In some European legal systems, such as those in Germany, Austria, Liechtenstein and Poland, it is possible to establish a foundation for the purpose of supporting family members financially during times of crisis, while they are studying or to establish a business. In Germany, well-known companies such as the retailers ALDI and Lidl, Bosch and Bertelsmann, are controlled by multiple legal entities, including foundations. This provides a stable structure in which some foundations may pursue philanthropic goals using the company's dividends, while others exercise control over the business. Such structures may in fact serve various purposes, including tax planning. However, there is much more to foundation ownership.

In an increasingly uncertain world, enterprise foundations can be an important building block for family businesses to secure long-term independence and stability. All legal systems should have the appropriate legal tools available, including fair tax laws that prevent tax avoidance. To facilitate discussion and potential reform, Steen Thomsen and I have prepared a European Enterprise Foundation Model Law[4] as a project of the European Law Institute[5] with more than 50 experts from all over Europe and beyond.

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[1] This article summarizes a presentation delivered during Session 2, "Family Firms, Shareholders and Foundations," chaired by Steen Thomsen.

[2] https://europeanlawinstitute.eu/fileadmin/user_upload/p_eli/Publications/ELI_European_Enterprise_Foundations_Model_Law.pdf.

[3] https://www.cbs.dk/en/research/departments/department-accounting/steen-thomsen.

[4] https://europeanlawinstitute.eu/fileadmin/user_upload/p_eli/Publications/ELI_European_Enterprise_Foundations_Model_Law.pdf.

[5] https://europeanlawinstitute.eu/.

Family Firms, Family Offices, Purpose and Governance

Anete Pajuste, Stockholm School of Economics in Riga

Josh Baron, Harvard Business School

Download Josh Baron's presentation

Some Reflections on Family Offices and Governance

By Anete Pajuste

How can families sustain alignment, purpose and performance across generations?

Josh Baron (Harvard Business School) began this session by reframing the idea of a family office. Rather than a narrow investment vehicle, he described family enterprises as evolving systems — spanning operating companies, investments and foundations. The key challenge is not simply managing wealth, but organizing ownership, governance and purpose as families grow and diversify.

A central theme of the session was the role of purpose. Professor Baron argued that purpose is not a soft concept, but a strategic asset. Purpose operates through three key channels: it shapes continuity choices (the “power to sustain”), enables competitive advantage (the “power to win”) and helps mitigate conflict (the “power to destroy”). It aligns family members around shared goals, sets boundaries for decision-making and provides a framework for balancing growth, liquidity and control. Without it, even well-structured governance systems can struggle.

The discussion gained additional depth through the perspective of Fabian and Tor Bonnier, representing the sixth and seventh generations of a 200-year-old family business. Their story illustrated how purpose evolves over time. Originally rooted in publishing and cultural development, the Bonnier family today emphasizes both financial discipline and a broader mission: safeguarding freedom of expression and building “cultural capital” alongside financial returns.

One of the most striking insights was how purpose is actively maintained — not assumed. As families expand, informal traditions give way to formal governance: shareholder agreements, family councils and clearly articulated owner directives. The Bonnier example shows how purpose is embedded not only in values, but in structures, processes and regular communication. Their governance model separates family and corporate systems while ensuring transparency and alignment between them.

Another key takeaway was the importance of engagement. Strong governance is not just about rules — it is about participation. When family members choose to be involved, attend meetings and contribute to discussions, it signals a healthy system. Conversely, disengagement can be an early warning sign of deeper issues.

Finally, the session addressed a less comfortable reality: purpose naturally declines over generations if left unattended. As emotional ties to the founding business weaken, families must actively reinvest in shared identity and long-term vision. This requires deliberate effort — through education, communication and opportunities for involvement across generations.

In sum, governance structures provide discipline, but it is purpose — clearly defined and collectively embraced — that drives alignment and long-term continuity.

Purpose in Family Offices[1]

By Josh Baron

Family offices have been around for decades, but their number has exploded in recent years. According to research by Deloitte[2], "There are an estimated 8,030 single family offices in the world today — a 31% increase from 6,130 in 2019." The term is broad and used in many different ways, so much so that there is an industry maxim: "If you have seen one family office, you have seen one family office." Despite this variance in form and function, a significant number of family offices have been created to address a specific type of situation, which is to help families to invest the wealth generated by a liquidity event (e.g., sale of a company).

At the foundation of success for this burgeoning form of organization is a clear and compelling purpose. Purpose answers the "why" question, as in, "why does this organization exist?" All family enterprises – really, all enterprises – need a strong sense of purpose to be successful. Even asking the question about why a family enterprise exists is important, since it focuses on the importance of choice. Families should only own assets together if there is a convincing reason to do so, not because of a sense of obligation to previous generations. Purpose provides a north star, one that helps define what success means for the family. It can also help to attract, retain and engage the family and non-family talent an enterprise needs to thrive. Finally, purpose is vital to managing conflict. There is always a tension between the value of collective endeavors and each person's emphasis on "what's in it for me?" Absent effort to reinvigorate it, the rationale for making the compromises and sacrifices that joint ownership requires tends to decline over time.

When the center of gravity of a family enterprise migrates from operating companies to investing in them, purpose takes on a distinct form. In some ways, it's easier. There are multiple potential touch points for family members to connect to. Some may be passionate about real estate, others about impact investing or private equity. There is also less need for cohesion, since portfolios can be customized and fewer collective decisions need to be made. On the other hand, sustaining purpose can become more challenging. Ownership can become more abstract, captured on spreadsheets rather than factories and stores. The family may not have any emotional attachment to those investments. Meanwhile, there is always the credible alternative that individuals or branches can take their assets to the myriad of wealth managers and multi-family offices.

Building a family office to last takes effort and planning (see this article[3] for more on how). A strong sense of purpose is a vital part of positioning it to endure.

[1] This article summarizes a presentation delivered during Session 3, "Family offices, purpose and governance," chaired by Anete Pajuste.

[2] https://www.deloitte.com/global/en/about/press-room/global-edition-explores-the-rapid-expansion-family-offices-and-ffers-vision-of-the-future-landscape.html.

[3] https://hbr.org/2022/09/is-your-family-office-built-for-the-future.

Family Firms, Innovation, Investment and Talent

Bruno Cassiman, IESE Business School and University of Leuven

Giovanni Valentini & David Wehrheim, IESE Business School

Margarita Tsoutsoura, Olin Business School

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Family Firms Aren't Less Innovative — They Innovate Differently[1]

By Bruno Cassiman, Giovanni Valentini & David Wehrheim

The conventional wisdom about family businesses is easy to summarize: they are conservative, risk-averse and less innovative than non-family firms. It is also incomplete.

The problem starts with the metric. In most boardrooms and many academic studies, innovation is treated as synonymous with R&D spending. By that definition, family firms often appear to lag. But that lens misses a broader strategic reality: innovation is not just about laboratories, patents and intangible assets. It is also about how firms commit resources, redesign business models and build capabilities that compound over time.

That distinction matters. Some of the most influential companies of the past half-century did not create advantage through a single breakthrough invention. They built it gradually. Walmart, Ryanair, Cirque du Soleil and Patagonia each took years — in some cases, decades — to refine a distinctive model and scale it successfully. Their stories suggest that enduring innovation often looks less like a dramatic leap and more like disciplined strategic evolution.

Family firms are especially likely to follow that path. Because family wealth is often concentrated in the firm, owners tend to be more cautious about uncertain bets. That usually reduces appetite for high-risk R&D (Anderson, Duru & Reeb, 2012[2]). But it does not eliminate innovation. It changes where innovation shows up.

The central finding of Cassiman, Valentini & Wehrheim[3] (2026) is that successful family firms allocate resources differently from successful non-family firms. In this context, "successful" refers to firms whose average return on assets (ROA) in 2020–2024 matched or exceeded their average ROA in 2017–2019 — that is, firms that maintained or improved profitability through and after the COVID shock. Across a sample of 420 publicly listed industrial firms in Spain and Germany, family firms that met this benchmark invested more heavily in capital expenditures and less in R&D and SG&A than both unsuccessful family firms and successful non-family peers. Non-family firms, by contrast, were more likely to follow the opposite pattern. The implication is straightforward: family firms are often judged as "less innovative" because observers are looking for the wrong signals.

A better way to think about family-firm innovation is through strategic transformation. Hilti is a telling example. The family-controlled company did not merely improve its power tools; it gradually transformed itself into a fleet management service business. That shift took roughly 15 years and required much more than product development. It meant rethinking pricing, contracts, inventory management, repair services, sales incentives, working capital and customer education. In other words, the innovation was systemic. It was embedded in the business model itself.

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[1] This article summarizes a presentation delivered during Session 4, "Family Firms, Innovation and Performance," chaired by Jordi Canals

[2] Anderson, R.C, Duru, A. & D.M. Reeb. 2012. "Investment Policy in Family-controlled Firms." Journal of Banking & Finance 36 (2012) 1744–1758.

[3] Cassiman, B., Valentini, G., and D. Wehrheim. 2026. "Innovation at Family and Non-Family Owned Firms: The Case of Germany and Spain." Working paper. Mimeo.

This is where family firms may hold an advantage. Strategic transformation requires patience, control, and liquidity. The evidence in Cassiman, Valentini & Wehrheim (2026) suggests that successful family firms pair relatively strong cash reserves with higher leverage, giving them both resources and control when uncertainty rises. They also show greater consistency in resource allocation over time — the kind of strategic steadiness that allows a firm to stay the course during disruption rather than lurch from one priority to the next.

For executives, investors and family owners, the lesson is clear: stop equating innovation with R&D intensity alone. The more important question is whether a firm is making coherent long-term bets that can reshape its competitive position. In many family businesses, innovation is not missing. It is simply less visible, more operational and more tightly linked to survival. That may be the real challenge for family firms today. Not learning how to innovate like everyone else — but learning how to explain the kind of innovation they already do best.

Family Firms and the Employee Talent Gap[1]

By Margarita Tsoutsoura

Family firms represent the dominant form of business organization across the world. They are celebrated for long-term commitment, resilience and the ability to embed purpose across generations. Yet a new paper[2] by Morten Bennedsen (University of Copenhagen), Margarita Tsoutsoura (Washington University in St. Louis), and Daniel Wolfenzon (Columbia University) documents a largely overlooked cost of family control: family firms systematically attract less talented employees than their non-family counterparts.

What the Data Show

Using detailed Danish administrative data, including IQ scores from mandatory military draft examinations and high school grades, the researchers tracked the cognitive ability and educational achievement of workers across thousands of firms. Their central finding is striking: employees at family firms score roughly 2 points lower on IQ tests on average — about 5% below the population mean — and are 17 percentage points less likely to have completed high school compared to workers at otherwise similar non-family firms.

Crucially, the gap is *largest at the top of the organizational hierarchy* — among senior managers and in high-skill occupations — precisely where cognitive ability is most consequential for firm performance.

Is Family Control the Cause?

To address concerns that unobserved firm characteristics might drive both family control and the talent composition of employees, the authors employ three complementary strategies. First, an event-study design around CEO successions shows that replacing a family CEO with an outsider is followed by improvements in average employee IQ relative to firms that remain within the family. Second, the authors instrument for family succession using the gender composition of the departing CEO's children. Third, a randomized survey experiment with University of Copenhagen students provides experimental variation: high-achieving students express significantly lower interest in applying to family-controlled firms even when wages and job attributes are held constant. Talented workers are, in part, self-selecting away.

Two Underlying Mechanisms

The paper identifies two mechanisms. The first is nepotism. Using a random forest trained on non-family firm data to build counterfactual predictions of where employees would sit in a hierarchy based on observable qualifications, the authors show that relatives of the controlling family occupy positions above what their qualifications would predict, while non-family employees are systematically placed below their predicted rank. Nepotism extends throughout the entire organization.

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[1] This article summarizes a presentation delivered during Session 4, “Family Firms, Innovation and Performance,” chaired by Jordi Canals.

[2] Bennedsen, M., Tsoutsoura, M., and D. Wolfenzon. 2026. The Talent Gap in Family Firms.

The second mechanism is compensation. Using the Abowd, Kramarz and Margolis (AKM) wage decomposition, the authors confirm that family firms pay lower wages for equivalent talent. This wage penalty is particularly pronounced for high-ability workers — precisely those family firms most need to attract.

Conclusion

This is the first large-scale study to examine talent allocation across the full workforce of family and non-family firms using direct measures of cognitive ability. It shows that the costs of nepotism extend well beyond the CEO appointment — a finding with significant implications for the aggregate effects of family governance.

Several questions remain open. First, estimating the productivity costs of the talent gap would provide crucial insights into the economic magnitude of these effects. Second, understanding whether and how family firms might mitigate these disadvantages while preserving family involvement represents an important practical question.

Family Firms, Sustainability and Impact

Yupana Wiwattanakantang, National University of Singapore
Marco Pagano, University of Naples
Randall Morck, University of Alberta

Download Marco Pagano's presentation

Download Randall Morck's presentation

Family firms and sustainability

By Yupana Wiwattanakantang

Sustaining a family business across generations is not easy. While many family firms start with strong entrepreneurial drive and shared commitment, maintaining both business success and family harmony over time presents a fundamental challenge. At the heart of this challenge lies a dilemma that many family businesses inevitably face.

On the one hand, the family acts as business owners. In this role, they aim to grow the company, remain competitive and maximize profits. Making sound business decisions —such as hiring the most capable leaders, investing and strengthening governance — is essential for long-term success. From this perspective, the family must focus on enhancing firm value.

On the other hand, the family is also a family. Family members often expect the business to provide employment opportunities, financial support and security. In addition, controlling the family firm can bring social status and influence. For many families, the business represents not only a source of income but also identity and legacy. These motivations are often referred to as private interests.

The challenge arises when these two objectives conflict. For example, prioritizing dividends for family members may reduce resources needed for reinvestment and growth. Similarly, appointing a family member to a leadership role may strengthen family ties but may not always benefit the firm if the person lacks the required expertise. This situation may also create the glass ceiling, making it challenging to recruit talented individuals. When private interests consistently take precedence, the firm may struggle to remain competitive.

Ultimately, sustaining a family business requires balancing these competing goals. Successful family firms recognize this tension and develop governance structures, clear roles and rules, and shared values that align family and business interests. Some families demonstrate exceptional commitment by consistently prioritizing the firm's interests. By doing so, they improve their chances of preserving both the business and the family legacy for generations to come.

How Do Family Firms Treat Workers?[1]

By Marco Pagano

Marco Pagano examines how family firms manage and reward employees, highlighting a fundamental tension between relational strengths and organizational inefficiencies. Family firms are often portrayed as more humane workplaces — places where loyalty, long-term relationships, and a sense of belonging shape how employees are treated. But recent research suggests a more nuanced reality, where the "bright side" of family ownership coexists with important drawbacks.

On the positive side, family firms tend to foster stronger emotional ties between owners and employees. This can translate into a more paternalistic approach to management, where workers benefit from job stability and long-term implicit contracts. Employees may experience less confrontational labor relations and greater protection during economic downturns. In fact, this stability often comes at a cost: wages in family firms are typically lower, partly reflecting an implicit trade-off between pay and job security.

However, beneath this stability lies a "dark side" that has gained increasing attention, as recent research has investigated very granular employer-employee matched data drawn from administrative sources. Evidence from Italy, based on such data, shows that employees in family firms not only earn less — even after accounting for productivity and worker quality — but also experience slower and less rewarding career progression. Promotions are fewer, and wage increases tied to advancement are smaller. A "glass ceiling" often emerges, as top managerial roles are reserved for family members.

The issue becomes even more pronounced when looking at talent allocation. Administrative data from Denmark[2] reveal that family firms tend to employ less talented workers on average, particularly in high-skill and managerial roles. Nepotism — favoring relatives over more qualified candidates — appears across all levels of the organization, limiting opportunities for non-family employees and reducing the firm's ability to attract top talent.

These dynamics have important implications for productivity. A large body of research shows that matching the right people to the right jobs is crucial for firm performance. When promotions and hiring decisions are not merit-based, firms risk misallocating talent, discouraging investment in skills, and ultimately reducing productivity. Cross-country evidence even suggests that economies with a higher prevalence of family-controlled firms tend to exhibit lower levels of meritocracy.

In short, while family firms may offer stability and foster loyalty, they can also struggle with meritocracy and talent management. The challenge for these firms — and for policymakers — is to preserve their long-term orientation and relational strengths while addressing governance issues that hinder performance and growth.

[1] This article summarizes a presentation delivered during Session 5, "Family firms and sustainability," chaired by Yupana Wiwattanakantang.

[2] Bennedsen, M., Tsoutsoura, M., and D. Wolfenzon.(2026). The Talent Gap in Family Firms.

Successions[1]

By Randall Morck

Succession — the passing of control to the next generation — is the defining feature of a family business. Successions are their most momentous decision and perhaps their greatest source of conflict. Should the next generation take charge, or cash in by selling their shares in the family firm and investing in a diversified portfolio?

A prime consideration is who, exactly, in the next generation should take over. Sometimes a highly qualified heir stands ready to lift the firm to new levels of success. Sometimes no one stands out, and the firm might be better run by professional managers with top-tier MBAs after the family cashes out. Sometimes an ill-qualified heir covets control, and cashing in averts catastrophe.

Character traits associated with business success are likely unreliably inherited, and Andrew Carnegie's contention that inherited wealth "deadens the talents and energies" and leads to a "less useful and less worthy life" challenges all business families. For the sake of his children, Carnegie gave away most of his wealth to fund public libraries, the arts, and universities. Bill Gates, Warren Buffett and others have endorsed this idea.

Another issue is appetite for risk. Diversification massively reduces risk: having all their wealth concentrated in one firm risks disaster if that firm fails. A diversified portfolio barely moves if one firm fails. An internationally diversified portfolio can move even less. If one firm in one country collapses, another firm in another country soars, and the effects cancel out on average in the portfolio's return.

A third issue is status. Cashing in severs the family's link to the social status, political influence, and economic power vested in the family firm. Those connections matter more in economies where personal connections matter more, so cashing in is less common in Latin America, Asia and other regions where money alone carries less cachet. Cashing in is also less common in economies where professional corporate governance is less reliable, and diffuse investors consequently pay less for ex-family firms.

A family, its inherited wealth committed to one firm, or even a few firms, logically favors conservative strategies to extend corporate longevity. However, corporate longevity is not always laudable. Economic growth depends on productivity growth powered by rapidly up-scaling new firms bringing new technologies into use. Economic growth itself puts old, conservatively run firms at risk. The advent of word processing was the death knell of venerable typewriter manufacturers. The business media are currently looking for likely corporate casualties of generative artificial intelligence. In retrospect, cashing in and diversifying would have been wise for typewriter company business families.

[1] This article summarizes a presentation delivered during Session 5, "Family firms and sustainability," chaired by Yupana Wiwattanakantang..

Cashing in or not also raises corporate social responsibility issues. Business families may feel a responsibility to employees, communities and other stakeholders. They may feel they can exert more influence over environmental and social issues by retaining control of their family firm than by merely donating money to NGOs. That balance also depends on how effectively the government protects employees, communities, the environment and society in general. This too can evoke conflict, for — like voters and government officials — members of a family often disagree about social and environmental issues. Cashing in lets relatives disagree on such matters without pulling their firm's governance left or right. Holding onto the reins of the family firm empowers whoever runs it, but concentrates that disagreement.

These pros and cons add up differently for different families, of different generations, in different countries, and with differently talented family members. Carrying on a family business can be a magnificent adventure. But if not, a diversified portfolio is nothing to be ashamed of.

Closing Remarks

Marco Becht, ECGI

Reflections from the 2026 IESE ECGI Corporate Governance Conference

By Marco Becht

The 2026 IESE ECGI Corporate Governance Conference brought academics, owners and advisers to Madrid on March 16, 2026, to ask whether corporate purpose can serve as a unifying frame for family firms. After a long day of presentations and discussion, Jordi Canals asked me to sum up. My answer, in short, is that purpose can help us see through the heterogeneity of family firms, but only when it is paired with responsibility. Purpose answers why a firm exists. Responsibility constrains how the firm pursues that purpose, by avoiding harm to people and planet.

Let me start where Josh Baron started, with my quote of the day. He observed that when you have seen one family office, you have seen one family office. The same is true of family firms more broadly. Heterogeneity is the empirical norm, not the exception. That is what makes statistical research on family firms hard, and it is what we heard from the empirical contributors. When Belén Villalonga, David Reeb, Margarita Tsoutsoura, Randall Morck and Marco Pagano ran the numbers, they found saints and sinners, winners and losers. Family firms can compound advantages over generations. They can also entrench nepotism, slow career progression and pay lower wages to talented outsiders.

Conferences like ours are not immune to selection bias. As Marco Pagano articulated so well, we tend to invite the saints and the winners. The champions of family capitalism are the natural friends of an event designed to celebrate purposeful ownership. That is worth keeping in mind when reading any takeaway from a day like this, including this one.

Is purpose, then, the unifying structure that allows us to make sense of this heterogeneity? The presentations in Madrid argued that it can be, and I think they argued it successfully. Colin Mayer's framing of purpose as profitable solutions to the problems of people and planet provides a discipline that boards, owners and managers can act on. Anne Sanders and Steen Thomsen showed how enterprise foundations can institutionalize purpose across generations. Søren Staugaard Nielsen, speaking from the Ramboll Foundation, gave us a concrete demonstration of what that looks like in operation. Bruno Cassiman, Giovanni Valentini and David Wehrheim reminded us that family firms innovate differently rather than less. Josh Baron, speaking on family offices, showed that even when ownership becomes abstract, purpose remains the structural support. The case for purpose as a governance device is strong.

But Tor Bonnier's mention of the television series “Succession” gave me pause. Think of the Murdochs. In her 2012 MacTaggart Lecture, delivered in the aftermath of the News of the World phone hacking scandal, Elisabeth Murdoch argued that her family's business had no purpose beyond profit, and that profit without purpose is a recipe for disaster. Rupert and Lachlan Murdoch would dispute the diagnosis. They can point to a clearly defined purpose, something like building, sustaining and growing a global and influential media empire that generates profits while promoting a conservative and nationalist editorial agenda, for the benefit of society as they understand it. Purpose, in other words, is contested even within the same family. Without an external anchor, it can become whatever the controlling owner says it is.

That is why the organizing theme of ECGI over the past few years has been responsible capitalism. A clearly defined purpose is not in itself a guarantee that the firm does no harm. Consider the Adani Group, a family controlled Indian conglomerate. Its stated vision is Growth with Goodness, and its mission is to drive sustainable growth and create value for all stakeholders through innovation, collaboration and responsible business practices. Few corporate purpose statements sound more aligned with people and planet. Yet Adani is one of the largest coal mine operators in the world, and on that basis sits on the exclusion list of many institutional investors. Acting responsibly would mean reconciling the stated purpose with what the firm actually does to the climate. Corporate responsibility is the discipline of avoiding harm to employees, communities, the environment and minority shareholders, even where the conduct in question is not illegal. That is the external anchor that purpose alone does not provide.

Randall Morck reached for Tolstoy and reminded us that all happy families are alike, and each unhappy family is unhappy in its own way. The family business analogue needs qualification. Families with a responsible purpose may well be rich and happy. But profit- only sinners can look perfectly happy too, sometimes spectacularly so. The unhappiness they generate is absorbed elsewhere, by employees, communities, ecosystems and future generations. The hypothesis worth testing is therefore not whether responsible families are happier in themselves, but whether they leave less unhappiness around them.

If there is a single phrase to take from the day, it is responsible purpose. That, in my view, is where the research and policy agenda on family firms now needs to head.