Greetings, Friends of the Koch Center!

What does it mean to own an asset like a family business responsibly? What is competent and strategic ownership, and what enables this in closely held firms?

Over the last few weeks, this is a big part of what I have been spending my own time thinking through. It started in preparation for the formal installation event for my professorship and directorship, in which I was trying to think through the concept of ownership in a moralized market. This thread continued in recent conversations with the leadership of a prominent family and corresponding investment group and how they have wrestled through their development of a sports franchise, in this case with an eye toward economic and civic development. This idea was echoed again in a recent conference of privately held business leaders from across the country as they discussed their responsibility to grow at a cadence that allows sustainability of purpose.

These questions pull me in, again and again, to the space of family and closely held businesses. By virtue of the fact you are reading this newsletter, I would guess that you feel the same way. You will see us wrestling through those same issues in the sections below. In the "Insights from the Field" section, Susan Fitzpatrick will walk us through how to think about family philanthropy from a more strategic posture. In the Family Enterprise in the news space, you will find examples of families and their leaders organizing decision-making to maintain purpose over time. And finally, in our newest section focused on relevant academic scholarship, you will find a piece by my former colleague Todd Zenger on "competent ownership" that I keep coming back to as I understand this space.

We are excited about the year ahead. We have an excellent team, with Sara Serkes on board as our program manager. We are working hard to align our second annual Family Office Series on Impact and Investment for the coming winter. And we have a date secured for the live on-campus Olin Family Business Symposium (October
19) and a unique opportunity to learn about family enterprise and agriculture innovation through the work of Continental Grain. When you add to all this a robust research agenda focusing on family office and venture capital, opportunities and consequences of different ownership alternatives for a privately held business, and emerging work on BIPOC-led family businesses across the region and beyond, we think you will find no shortage of exciting opportunities to engage with our work.

We look forward to sharing the journey!

Peter Boumgarden, PhD
Koch Center Director

INSIGHTS FROM THE FIELD

“What is one way families can be more strategic with their philanthropy?”

A discussion with Susan M. Fitzpatrick, PhD

Susan is the president of the James S. McDonnell Foundation in St. Louis. The McDonnell Foundation is one of a limited number of international grant-makers supporting university-based research in biological, behavioral and complex systems sciences through foundation-initiated programs.
One way for families to think more strategically about their giving is to have frank discussions about what it is that distinguishes giving as a family, as a collective, from giving as a collection of individuals. The lens through which we view charitable giving changes when we agree to share decision-making and control and not be guided solely by our own preferences. The fundamental values that inform our individual charitable giving should, of course, travel with us as we move along the scale of family organization, but the locus of those core values and how they manifest as decisions alter as perspectives from “me” to “we.”

Open and frank conversations about the motivations for giving and the outcome goals held in common can open up entirely new opportunities and giving mechanisms that are reflective of but transcend individual habits and preferences. The saying “show me your checkbook, and I’ll know what matters to you” is as true of families as it is of individuals. Your commonly held philanthropy checkbook should send a strong signal of what matters to you as a family.

RELEVANT SCHOLARSHIP

Ownership Competence
by Nicolai J. Foss, Peter G. Klein, Lasse B. Lien, Thomas Zellweger, Todd Zenger (2020)

One of my coauthor and mentors in my doctoral work at Olin was Todd Zenger. While Todd is now based out of the University of Utah, I keep my eyes attuned to his work as I deeply respect his scholarly ability and critical thinking about strategic issues. And so it was with great interest that I recently found his work on competent ownership. Here is their summary of this work:
Business owners own with different levels of competence, and differences in ownership competence matter for value creation. We argue that ownership competence consists of competence about what to own (matching competence), competence about how to own (governance competence), and competence about when to own (timing competence).

I love this framing around what, how and when, because it really helps a family enterprise leader determine where they might be going astray. Imagine, for example, a discussion around a recent strategic acquisition (or family office investment) that is not going well. Knowing the wisdom and blind spots of owners around questions of what, when and how can be a big part of developing greater ownership competence.

In much of our work this year, you will hear us thinking through Todd’s guidance to think more critically and creatively about these kinds of challenges and the positive implications for business and broader society when it is done well.

Many thanks to our executive in residence, Spencer Burke, for continuing to track interesting examples of family business and family office within the news.

- Will this dispute among the Spanos family heirs for the ownership of the San Diego Chargers lead to the sale of the franchise? Only time will tell.
- Rob Walton's family is buying the Denver Broncos. This ends the dysfunctional ownership era of the Bowlen family after Pat Bowlen's long bout with Alzheimer's and his recent death. Family ownership is de rigueur in the NFL (and most professional sports franchises), but when there is no qualified
successor to step up and run the franchise (who is acceptable to the other NFL owners), it is time to move on.

- Ownership matters! Fascinating story about Vanguard Funds and its iconic founder, Jack Bogle.

**Save the Date**

October 19, 2022

**Family Business Symposium**

Join us as we explore family enterprise, innovation and investment within the agricultural space with our colleagues at Continental Grain.

More information coming soon!

Sign up for our newsletter to receive the latest updates.