

# The emergence of family enterprise as a global, multidisciplinary field

BY NANCY DROZDOW

Since the beginning of commerce, families have pooled their capital and ideas to create value through economic exchange. Yet curiously, the field of family enterprise research and advising is only between 50 and 60 years old, depending on which point is counted as the beginning.

In my own lifetime, the field has grown from a solitary program in Cleveland at a Center for Family Business begun by Léon Danco in 1962 to hundreds of academically affiliated centers around the globe, supporting research and bringing groups of families together. These are part of a constellation of services to families who are bound not only by familial relationships but also by economics.

Over time, the field has become more rigorous in research and more specialized in services within and across disciplines, including law, wealth management, accounting, mental health and consulting. Even as things have changed, practitioners have continually aimed to identify the tacit behaviors that get in families' way and encouraged them to establish practices that help. This can involve creation of legal documents and family meetings; implementation of methods, tools and techniques; and attendance at family business conferences and educational programs.

We're still trying to figure out what it takes to intentionally, beneficially navigate the most central relationships of life — the family — in the context of the business that sustains their livelihood, or the resources they need to manage their households and contribute to the world. The issues are complicated, and the stakes are high. We've made substantial headway, but there's still a distance to go.

From a slow start, there is now recognition and documentation that family enter-

prises can perform better than their non-family counterparts in terms of both employee satisfaction and profitability, including return of capital. That is to say, family enterprises can perform better, but they don't always.

## Pioneering thinkers

In the 1980s, a critical mass of people in various academic institutions, mostly in business schools, completed dissertations on family businesses and started teaching programs focused on the topic. This was no small endeavor. At the time, the study of family business was not an established academic discipline, and a path to success was not assured. Still, Harvard, Loyola, Yale, the University of Southern California, Wharton and others developed pockets of research and teaching. These like-minded thinkers convened often in an effort to understand what makes family businesses special and different. This may seem obvious: duh, it's the family. But digging deeper, important questions needed to be answered: How, why and when do thorny family issues complicate the business?

Beginning in the late 1970s, the study of social systems came into increasing prominence, with new research and new application. By "social systems," I mean a focus on the *interaction of parts of a group*, often a group with a shared set of norms and culture. Prior to systems thinking, research centered on individuals or individual phenomena — a person, a leader, a problem child or an economic asset. A principle of systems thinking, for example, is that a family as a group of individuals has particular characteristics as a result of *how the individuals interact* with each other and the family's history. Family systems theory, organizational or management systems theory and economic systems theory all received some fresh attention and, taken together, gave us a new way to make sense of families in business. We had a way to think about the whole, and then offer insight from that thinking.

In 1985, the first conference for people who study and work with family businesses was organized at USC by John Davis and attracted roughly 25 people. It was an exciting convening of a disparate group of researchers and practitioners with a lot of questions across the spectrum of domains that touch the family enterprise. Differences in perspectives were part of that mix and



**Nancy Drozdow**, based in Philadelphia, is principal and co-founder of CFAR ([www.cfar.com](http://www.cfar.com)) and a founding member of the Family Firm Institute.

made clear the aspiration that the developing field could foster more collaboration than competition.

Annual conferences, attracting thinkers mostly from across the United States, became the norm after that meeting at USC. As a new professional, I volunteered to host the second conference at Wharton, in 1986. Attendance had to be limited to 75 — the capacity of the conference facility — though many more expressed interest.

The Family Firm Institute was launched in 1986, bringing to fruition the idea of an independent, multi-disciplinary institution that could encourage research, teaching and improved practice. The founding of FFI was further evidence of a field on the verge of explosion.

### An evolving field

The evolution of a field has many identifiable highlights, but two in particular come to mind with regard to family enterprise:

1. The globalization of thinking, including concepts that are commonly held and those that are particular to culture and geography.

2. The specialization of knowledge, with deep expertise in each of the disciplines that make up a truly multidisciplinary field.

Obviously, family enterprise occurs around the globe. In the 1980s, just as FFI got its footing in the United States, the rest of the world was simultaneously developing centers of influence and learning from families who had been in business for many hundreds of years. FFI's journal, *Family Business Review*, established in 1988, publishes family enterprise research from contributors worldwide.

Today there are thousands of practitioners working with family businesses. These professionals help families manage their wealth (both growing it and using it for philanthropy) and their relationships. They take into account the political and social climates in which the families operate, while bringing all that has been learned from a systems perspective into their work.

As our field has matured, so has the interest in “going deeper” into what we know and can learn through spe-

cialization of knowledge and practice. Family organizations themselves are more savvy; families want assurance that their advisers know what they're doing. This deepening of specialization necessarily calls out the need for collaboration, so that *the whole* of families and their economics is not lost.

Just as FFI and its journal have served advisers and researchers, *Family Business Magazine* and its conferences have served enterprising families, providing them with a safe and supportive environment to share their experiences.

The field of family enterprise will continue to evolve as long as families choose to pool resources for their common benefit. Practitioners will help them increase their capacity to deal with differences of view and perspective. This is a field where one kind of expertise may be necessary but is rarely sufficient. Over the years, rich research has been put into practice and then evaluated and adapted through a feedback loop across these and other disciplines:

*Law:* Not just corporate law but also estate and tax planning as well as evolving definitions of lineage.

*Accounting:* Personal and corporate accounting as well as management of wealth from diverse sources in ways that enable continuity.

*Strategy:* Taking a long-term perspective, unearthing the economic rationale for continuing a business or liquidating to create something new, establishing links across differences when the hope is to retain liquid wealth collectively, establishing a common purpose and philosophy for the family's philanthropic activities.

*Therapy:* Making connections between both individuals and groups, when groups grow (family branches, generations), to find meaning and development.

The depth of research in each discipline is stunning. And yet as conclusions are drawn, their application demands adaptation once the research is applied in real life. Our field has produced modes of mutual learning across these domains of expertise — even with the complexity we encounter — because fundamentally we're all in it to help as much as we can, in the best ways we can. FB