

FAMILY FIRM, AN ANTIQUE GOVERNANCE MODEL FOR SUSTAINABILITY

Sven-Olof Yrjö Collin

Professor of Corporate Governance

Free University of Scania

Affiliate Professor of Kharkiv University of Humanities

"People's Ukrainian Academy"

svencollin@yahoo.com

Free University of Scania

FREE UNIVERSITY
of SCANIA



SUSTAINABILITY AND ACADEMIC REPRESSION

“Kristianstad University is PRME Champions, which means that sustainability, coupled with the UN's 17 Global Sustainable Development Goals, is integrated into the education.”

“Neither the King, the Prime Minister, the Archbishop and the Rector together can give the minimum directive to an academic teacher, as long as it is firmly on the academic foundation”.



ACADEMIC FREEDOM AND RESPONSIBILITY

Teach about Sustainability: Phenomenon

Teach  Sustainability: Ideology

MODERNISM AND POSTMODERN CONSERVATISM

Modernism: Continuous upwards linear development of improvement

Postmodern conservatism: "Development that meets the needs of the present world without compromising the ability of future generations to meet their own needs". (Brundtland-commission)

DARK SIDE OF MODERNISM

Holodomor in Kharkiv, Ukraine, 1933



BRIGHT SIDE OF MODERNISM

Sweden 1960



- Welfare state
- Large international corporations
- Diminishing power of family capitalism

SWEDISH GIRL POWER



Strong girls bend linear development to circular

FAMILY FIRMS SURVIVED

**Everyone teach about sustainability (knowledge)
and many teach in sustainability (ideology)**

Who teach about family firms?

Zeitgeist

MODERN CAPITAL BUDGETING TECHNIQUE: NET PRESENT VALUE

Net present value: $NV = \text{Cost of Restoring} / (1 + \text{internal rate})^{\text{year}}$

Cost of restoring: 100, Internal rate: 0,10, Year: 20

Net Present Value: 14,9

It is less costly to consume the future

”How dare you” /Greta

Family firms: Net Future Value?

FAMILY FIRMS AS CHAMPION OF SUSTAINABILITY?

Do family firms have characteristics that makes them more or less prone to sustainability actions?

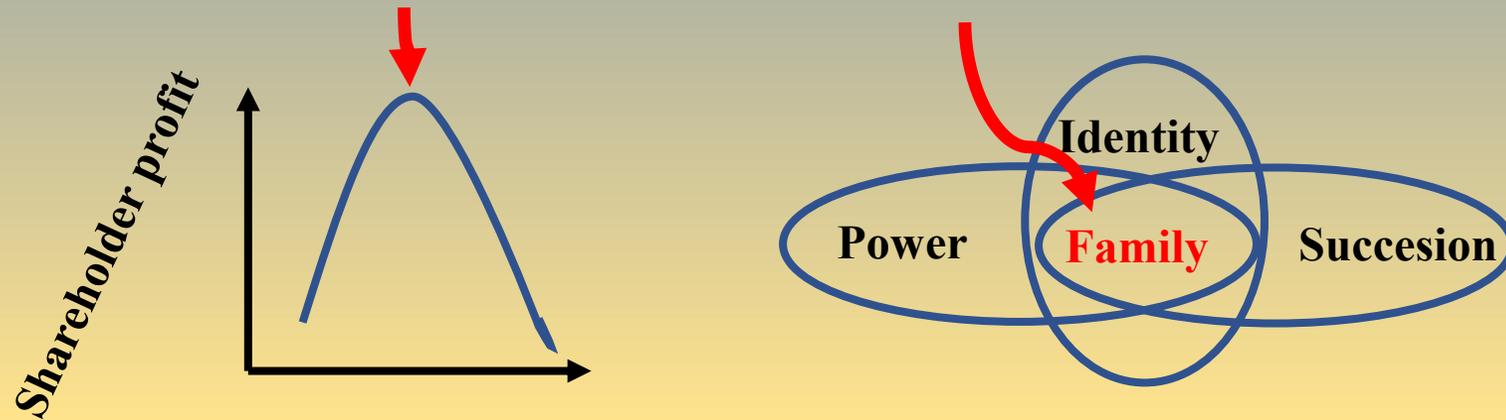
Socio-emotional wealth

Paternalism

Nepotism

SOCIO-EMOTIONAL WEALTH

Share holder value – socio-emotional wealth



PATERNALISM

Human Resource Management Strategy:

Models of group cohesion and individual developments etc

Versus

Paternalism:

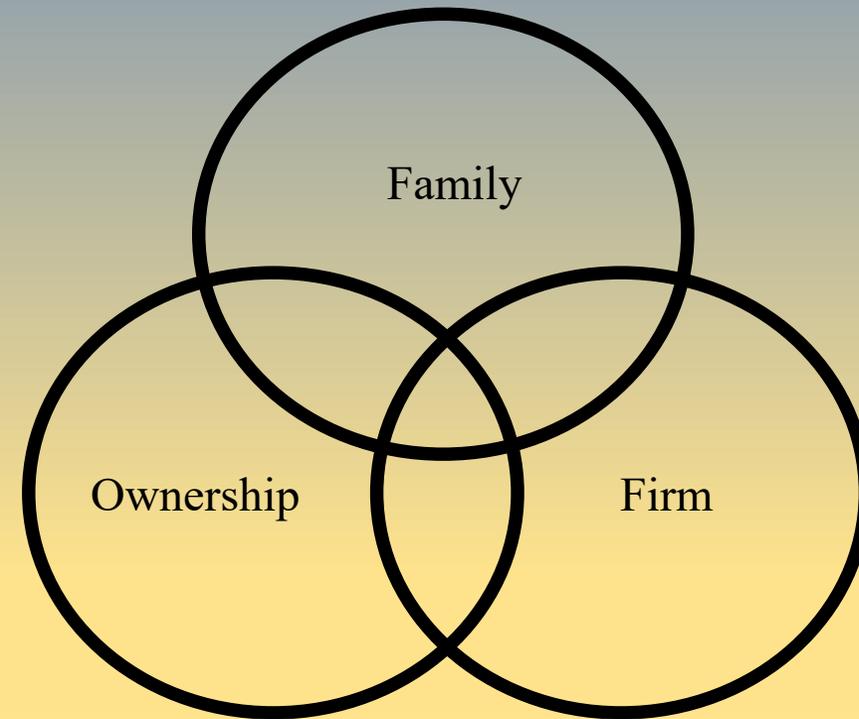
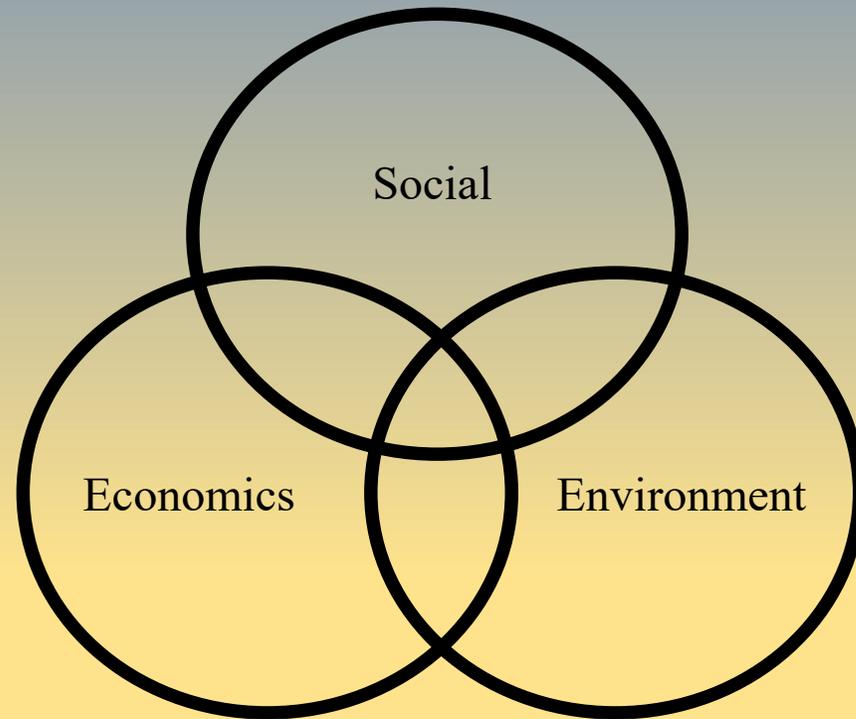
Extended care, beyond the receivers conscious demands and even needs

THE TRINITY OF

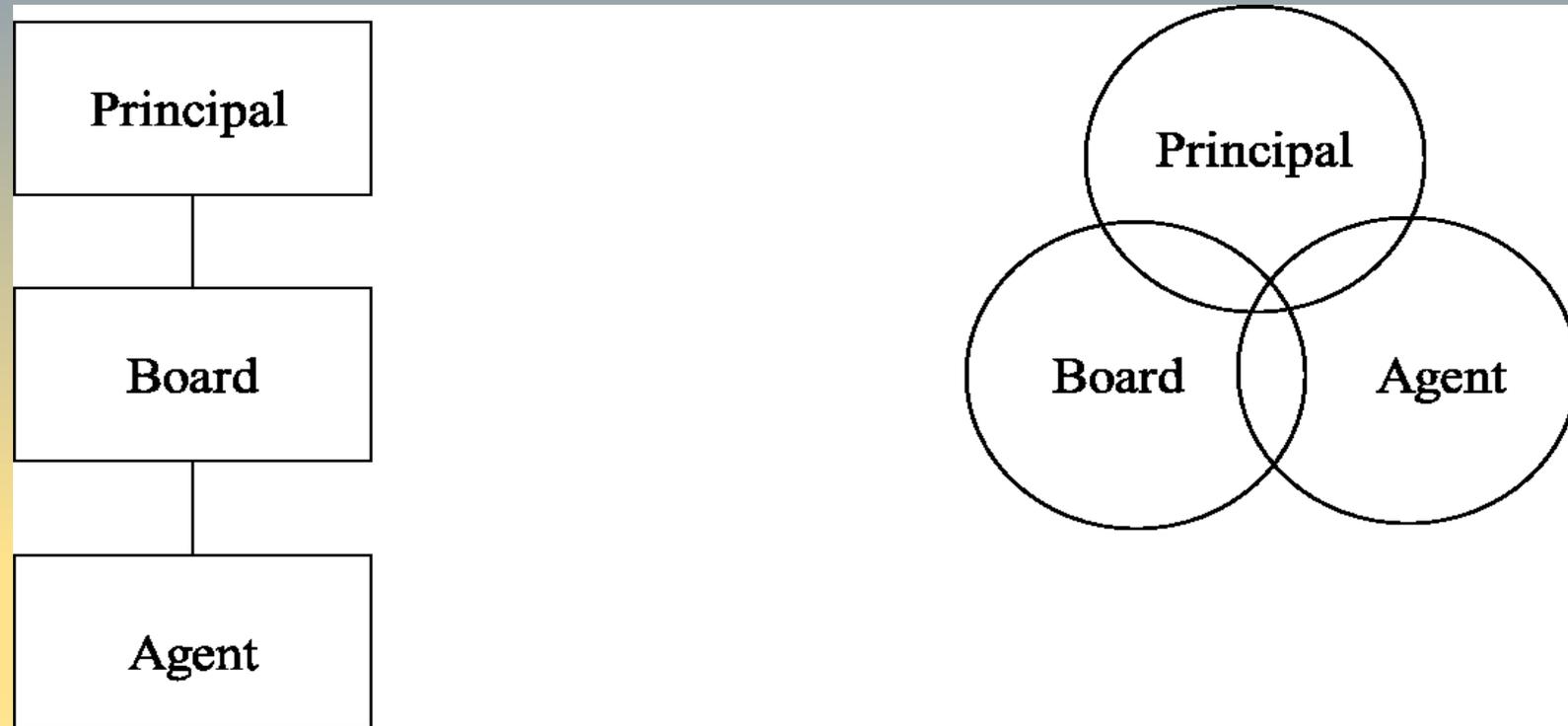
SUSTAINABILITY

AND

FAMILY FIRMS



THE LINEARITY OF NON-FAMILY FIRMS AND THE CIRCULARITY OF FAMILY FIRMS



SUSTAINABILITY INHERENT IN THE FAMILY FIRM CONSTITUTION?

Social sustainability: Paternalism

Low level of employee turnover

**No Post-Modern fashion of reporting:
Under-reporting due to essence of family business**

FAMILY FIRM IS AN ANTIQUE ORGANIZATIONAL FORM

Nepotism: Preference for family members

=>

Generation

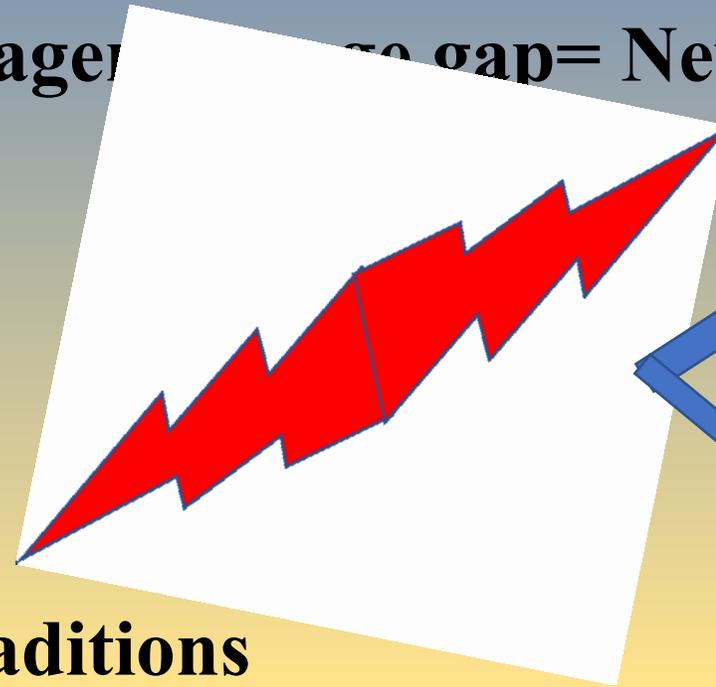
Gender

NEPOTISM: GENERATION I

Generation

Larger management gap = New ideas

Family traditions



MORE

Sustainability

LESS

NEPOTISM: GENERATION II

Sustainability



Crown Princess
Victoria

Princess
Estelle

King
Carl XVI Gustaf

... antique organizational form ...

NEPOTISM II

Gender

**Family is the pool for higher management
48% probability to have a female child**

More females in family firms

Females are more green = more sustainability

FAMILY FIRM CHARACTERISTICS: MARX and the antique firm

SUCCESSION

Risk averse

Low business risk: Low level of innovation

Low financial risk: high liquidity, low debt/equity ratio

CONSERVATISM

Tradition

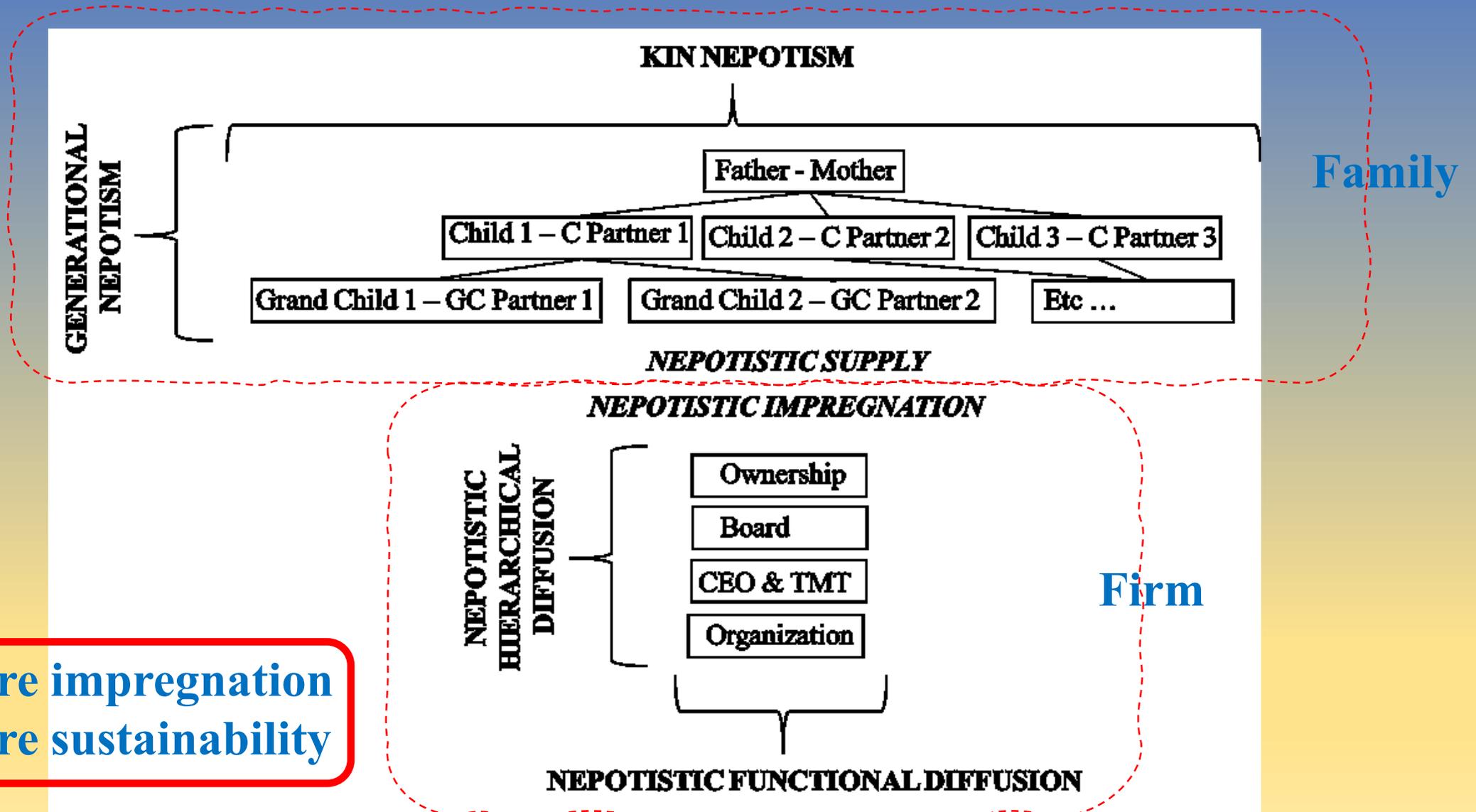
The prison of success

PATERNALISM

Low level of employee turnover, old staff, more conservative

=> Slow process to sustainability

THE FAMILINESS OF THE FAMILY FIRM



SUSTAINABILITY and THE FAMILY FIRM

**Family firm is an antique model of governance,
with characteristics that – overall -foster
the conservative sustainability**

SUSTAINABILITY AS A METHOD TO DEVELOP THE FAMILY CHARACTER OF THE FAMILY FIRM

**If sustainability characteristics have an overall fit with
family firm characteristics,
what could be the causality?**

A.) Family firm promotes sustainability actions

B.) Sustainability actions promote family firm



**B.) implies that family firms can use sustainability as
a method of developing/sustaining
the family characteristics of the family firm**

CONCLUSION

Family firms could be the governance model of post post-modern capitalism that – overall – foster sustainability.

- Not because the family firm is a modern form**
- Not because it is post-modern**

 **But because it is an antique form.**