



Beyond Growth Mapping the Future of Entrepreneurship

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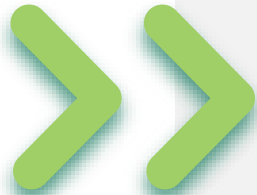
INSEAD



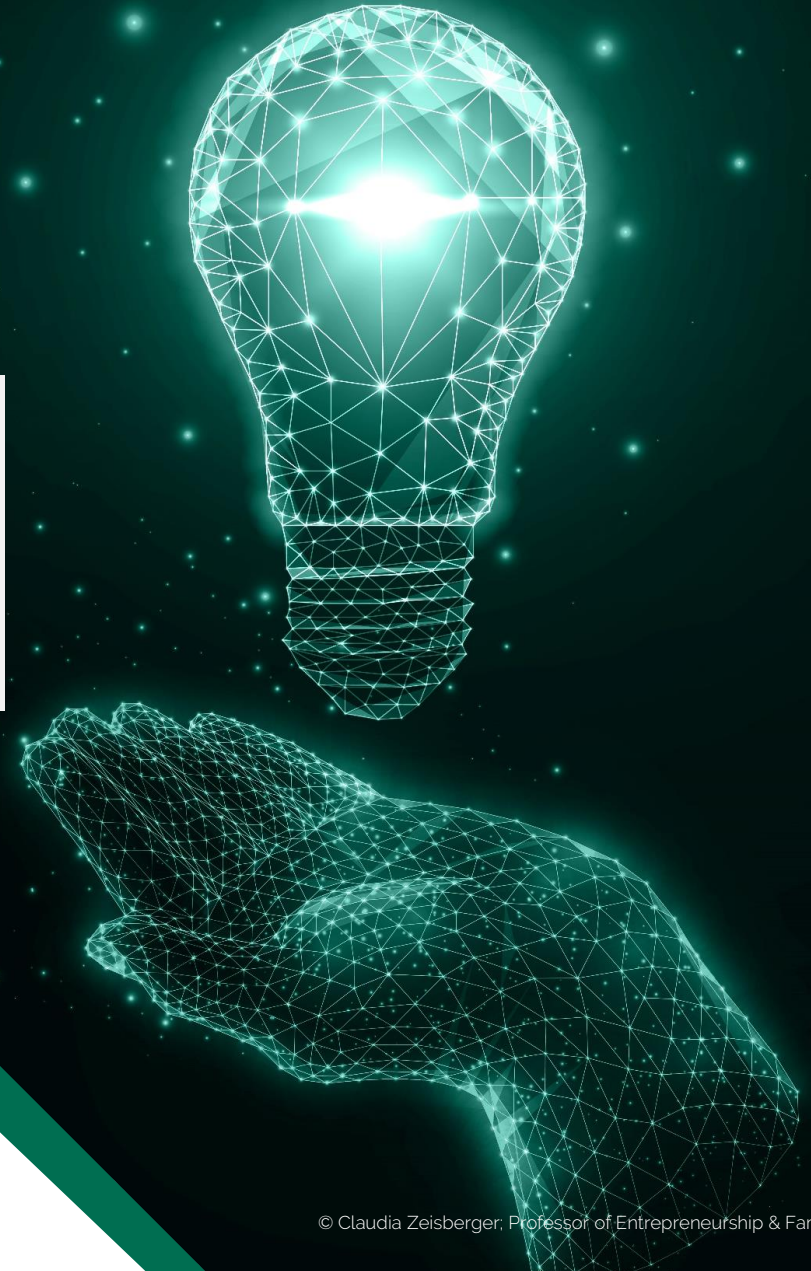
Innovation at Mach Speed

A Golden Age of Entrepreneurship?

... being an Entrepreneur is everyone's Dream



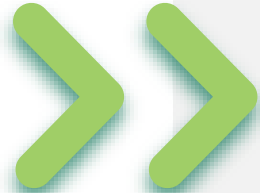
We are seeing
**the rise of the
Professional
Entrepreneur**



... being an Entrepreneur is everyone's Dream



We have seen
the rise of the
Professional
Entrepreneur



Technology
enables businesses today to
**experiment
cheaper, grow
faster, scale better.**

... being an Entrepreneur is everyone's Dream

We have seen
the rise of the Professional Entrepreneur

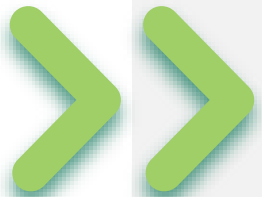
Technology
enables businesses today to
experiment cheaper, grow faster, scale better.

... ample supply of Capital or 'Dry Powder' ...

No longer a scarce asset.

A dollar for every idea—

Tier 2 & 3 ideas get funded too



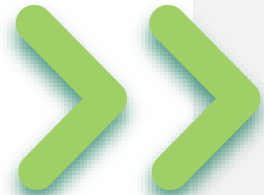
Seed Venture Capital Landscape in 2009 in the US



Seed Venture Capital Landscape in 2019 in the US



... add to the mix



A never before seen
**Maturation &
Convergence of
Technologies at the
same time!**

Biotech
IOT AI

... add to the mix

A never before seen
**Maturation &
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In the
**world of
tomorrow...**

... add to the mix

A never before seen
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In the
**world of
tomorrow...**

AI
**will accelerate
cancer research,
DNA sequencing**
etc ...

... Businesses have been put on notice



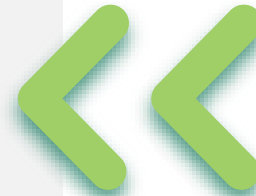
It's safe to say that the
**Fourth Industrial
Revolution**
is well on its way.



... Businesses have been put on notice

It's safe to say that the **Fourth Industrial Revolution** is well on its way.

For entrepreneurs,
**the World is flatter
than ever**



Businesses are told to change, innovate & be agile



**50
YEARS**

In 1960

the average time a company
could expect to spend on the

Fortune 500 list



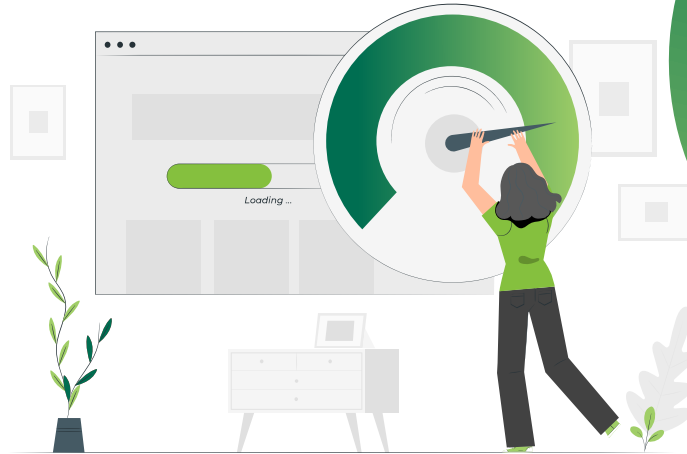
Businesses are told to change, innovate & be agile



Today ?

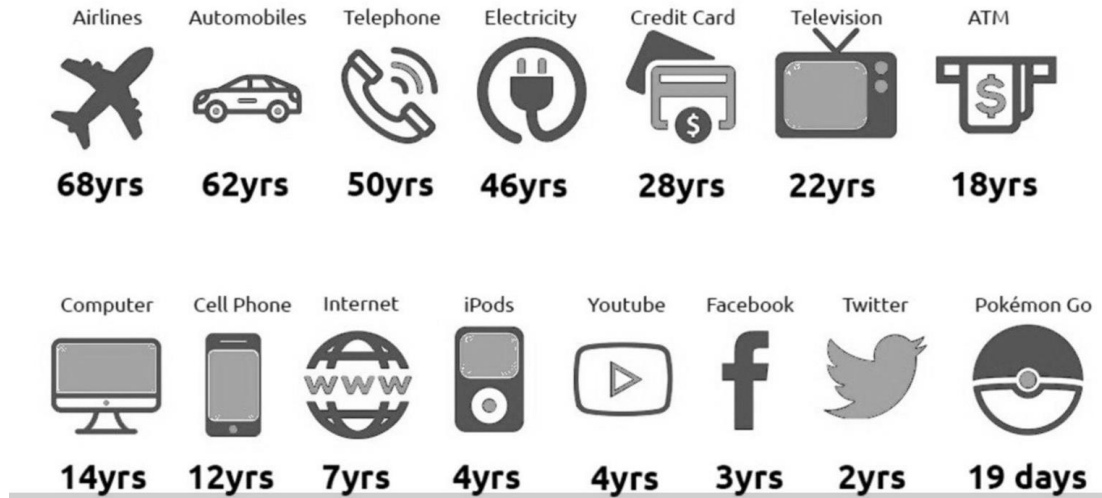


... and Scaling at Speed is a MUST



The time it takes for disruptive Innovation **to reach 50 million users** is shrinking rapidly

What does **this mean?**



It took the airline industry **68 years** to reach 50 million clients

... TVs **22 years**

... Computers **14 years**

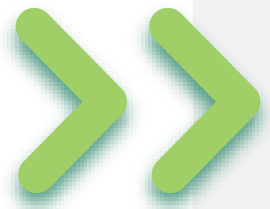
... and PokemonGo **19 days.**



Corporations
are not sitting idle!

How are they
Reacting?

Quest for an 'Unfair Advantage'



We see an increasing
**real willingness of
corporates
to innovate**



Quest for an 'Unfair Advantage'

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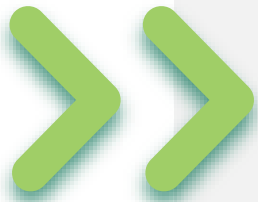
We see an increasing
**real willingness of
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**More start-ups
than ever**
are built in
**connection with
corporations**

Quest for an 'Unfair Advantage'

We see an increasing **real willingness of corporates to innovate**

More start-ups than ever are built in **connection with corporations**



With access to **non-financial resources** from the corporate parent, those start-ups **will be well-equipped to compete**



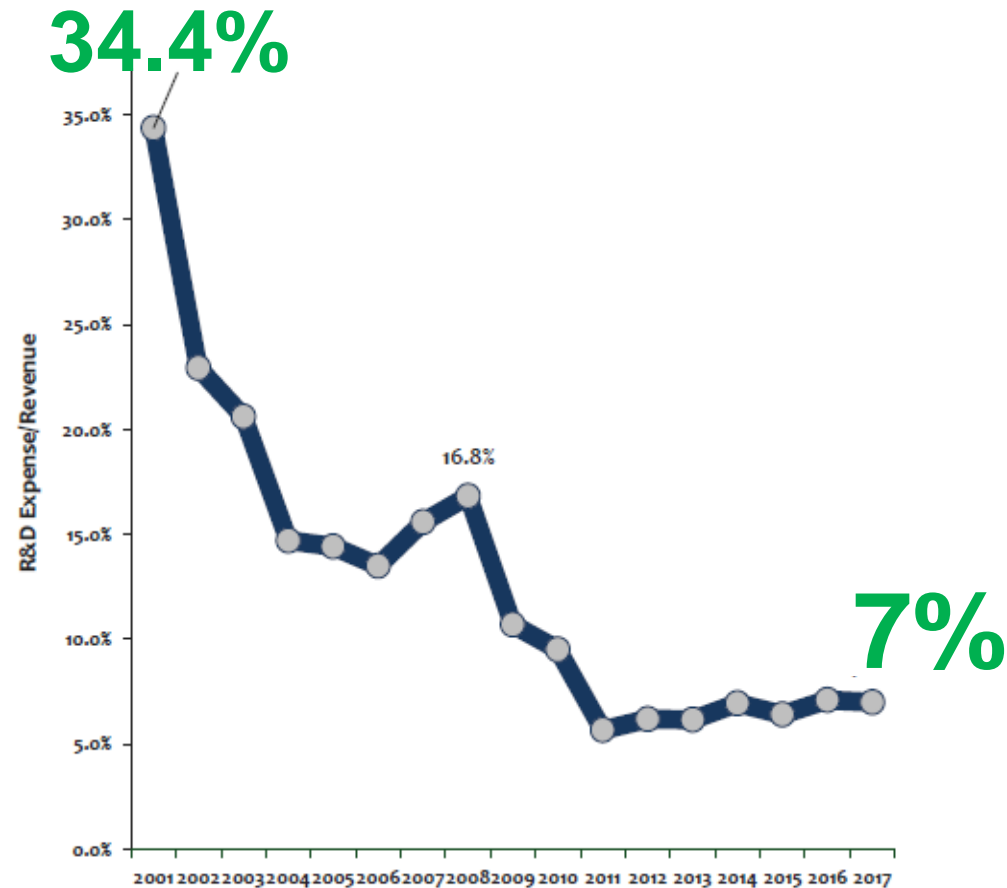
Quest for an 'Unfair Advantage'

Corporate innovation
strategies will include
more and more
CORPORATE VENTURING



CORPORATES – “outsourcing R&D” to Startups?

R&D Expense as a Percent of Revenue

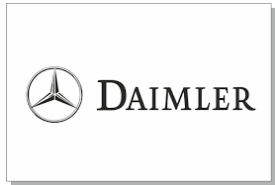


Foundation for sustained VC-backed M&A activity

Increasing relevance of STARTUPS to corporate acquirers



NON-Tech Corporate Buyers of VC-backed Companies



Munich RE



Sample of Fortune 500 Corporate Venture Arms



Today **77%** of **Fortune 100** companies invest in venture capital, and **52%** of **Fortune 100** companies have their own investment arm.



... But ultimately new Ideas & Ventures need to **SCALE & PAY**

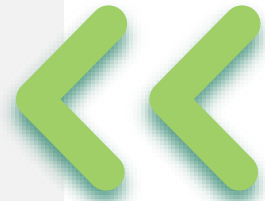
‘Move fast & break things’....
is so **yesterday**



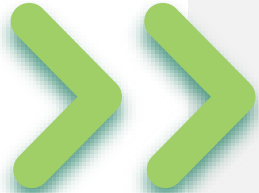
... But ultimately new Ideas & Ventures need to SCALE & PAY

'Move fast & break things'
is so yesterday

... "Path to Profitability"
became a talking point again in late 2019...
Post- WeWork Implosion



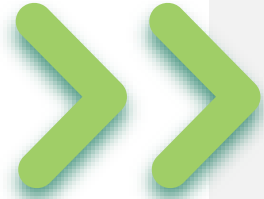
**Corporations know –
Burning cash to gain market
share is not sustainable**



Demand
**more capital
efficiency**

Corporations know – Burning cash to gain market share is not sustainable

Demand
more capital
efficiency



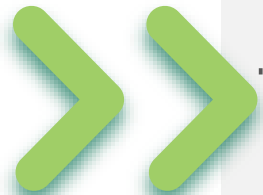
Seek
lower
loss rates

Corporations know – Burning cash to gain market share is not sustainable

Demand
more capital
efficiency

Seek
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Strong focus on
Execution leads to
...early institutionalization in their
**innovation
portfolio**



A silver telescope is mounted on a black tripod, positioned in front of a large window. The window looks out onto a cityscape. A diagonal graphic consisting of several overlapping green bands runs from the bottom left towards the top right, crossing behind the telescope.

The Importance of Governance

Why Organisational Structures matter
– especially in Fast-Growing Businesses

Why Governance Matters for any Business

Facilitating long-term value creation by introducing formal policies, processes & procedures

Institutionalize & Leverage Strengths

- History and heritage
- Political and business connections
- Values-based Leadership
- Concentrated ownership
- Long-term view of relationships, reputation and value creation
- Minimal agency risk

Identify & Mitigate Weaknesses

- Leadership Challenges
- Corporate Governance Deficiencies
- Decision-making inefficiencies and bottlenecks
- A thin talent pool
- Economic priorities are trumped by 'family-first' of 'founder' priorities

INSEAD took a closer look at the Value of Organizational structures & analyzed a dataset of global Businesses

Global Dataset

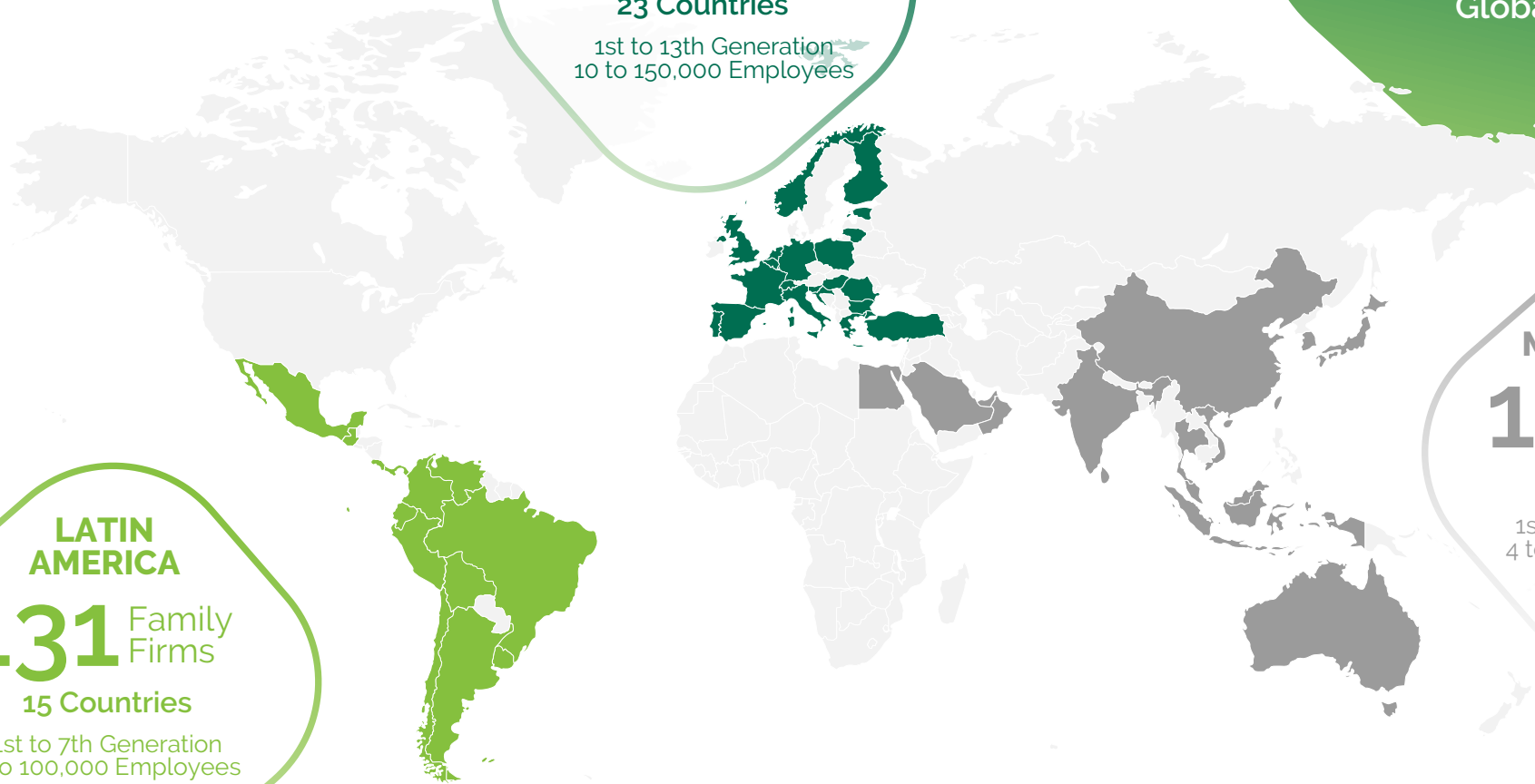


375
Privately controlled Firms
Globally

EUROPE
121 Family Firms
23 Countries
1st to 13th Generation
10 to 150,000 Employees

ASIA & MIDDLE EAST
123 Family Firms
19 Countries
1st to 15th Generation
4 to 60,000 Employees

LATIN AMERICA
131 Family Firms
15 Countries
1st to 7th Generation
1 to 100,000 Employees



Global Dataset

EUROPE

121 Family Firms

23 Countries

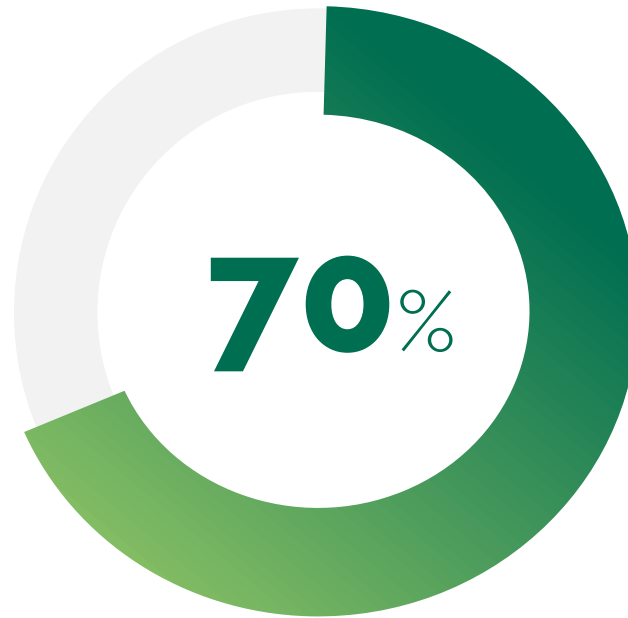
1st to 13th Generation
10 to 150,000 Employees



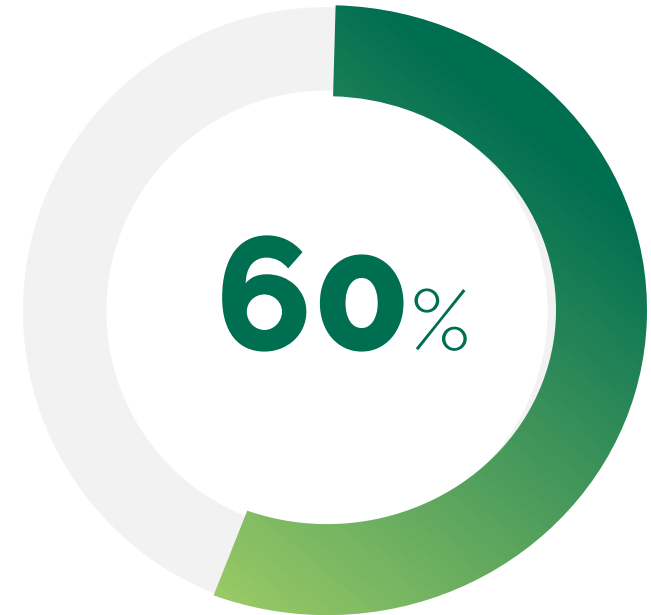
SMEs & Family-controlled Businesses matter



Global Business



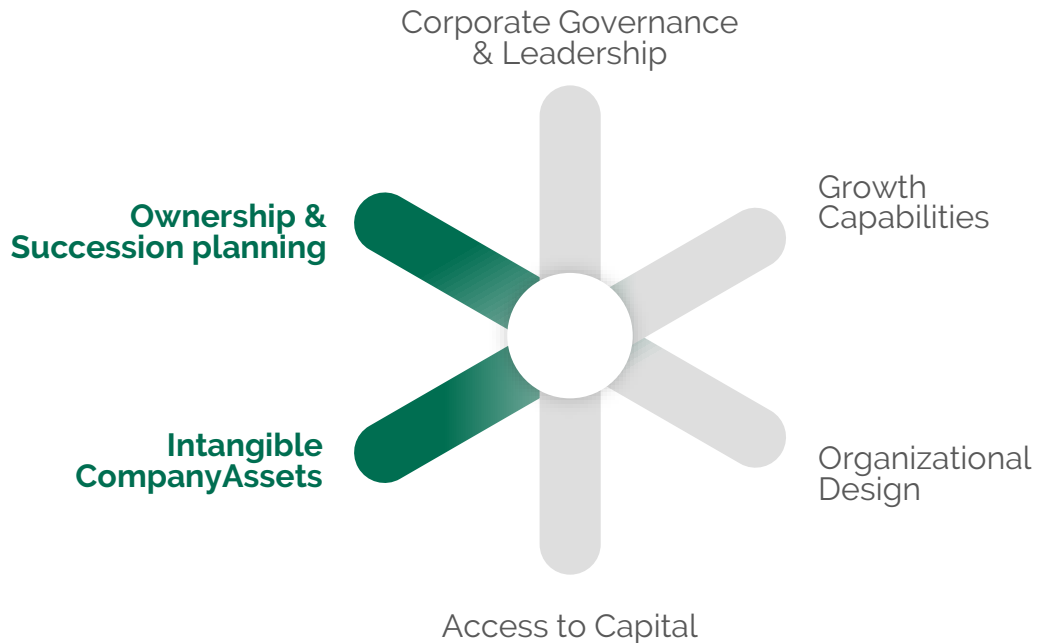
Global GDP



Global Employment

Can Governance structures mitigate Challenges faced by Firms today?

Inputs across six attributes generated our Score for a firm's Governance structure



1. Ownership & Succession planning: Assesses how the family engages with the firm as owners and leaders, and whether there is alignment regarding the future of the firm.

2. Intangible company Assets: Assesses the importance and strength of values, connections and heritage in the day-to-day operations of the firm.

3. Corporate Governance & Leadership: Assesses the composition and capabilities of the bodies and individuals that drive decision-making at the firm.

4. Growth Capabilities: Assesses the family firm's ability to identify and execute organic and inorganic growth strategies in the firm's specific geopolitical context.

5. Organizational Design: Assesses the existence and effectiveness of the systems and formal policies used to govern the day-to-day operating activity of the business.

6. Access to Capital: Assesses the family firm's ability to raise debt and equity capital to fund current and future business operations.

Family Attributes

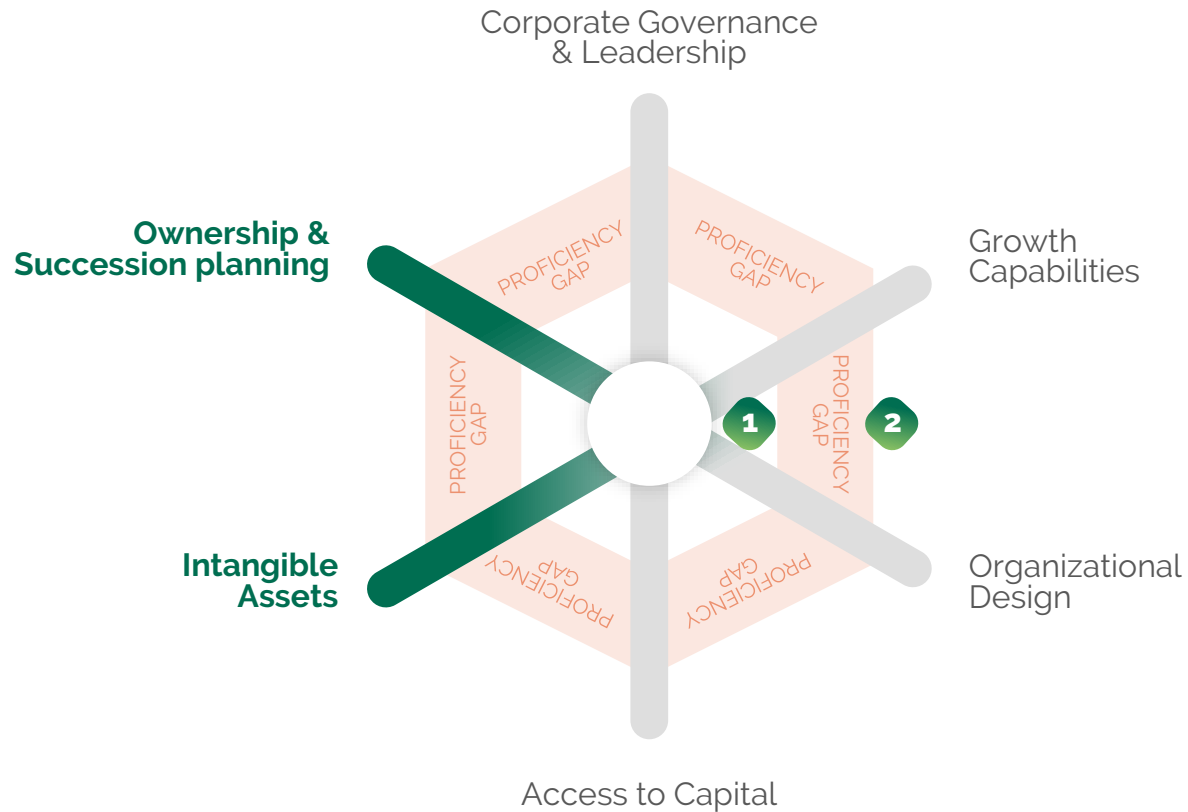
Measure the sophistication of engagement between the family and the business and the family's unique strengths.

Business Attributes

Measure the strength of a family firm's operating model and its ability to sustain competitive advantage.

Survey Findings - EUROPE: Champions & Ascendants

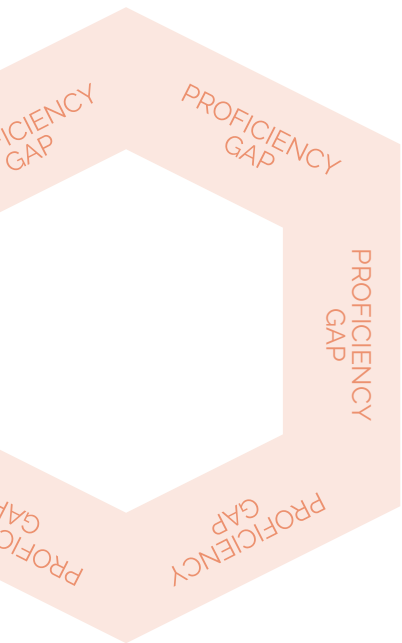
We identify two archetypes of firms



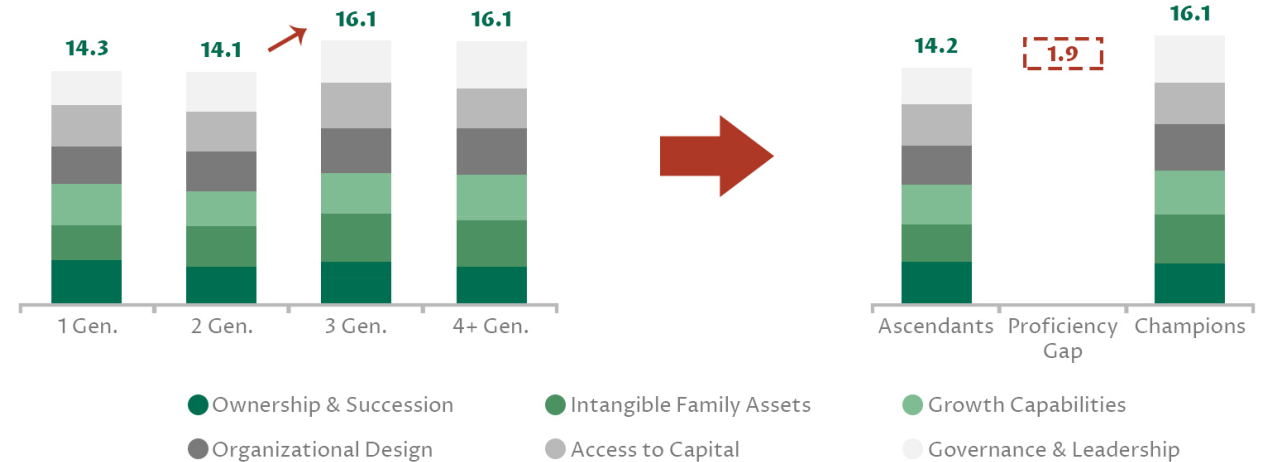
- 1. Ascendants:** Firms with low levels of institutionalization which constrains their ability to capitalize on opportunities, leading to suboptimal performance. Such firms can improve specific attributes in order to unlock their full potential.

- 2. Champions:** Firms with a high level of corporate governance that can efficiently capitalize on their opportunity sets and, in doing so, achieve higher performance.

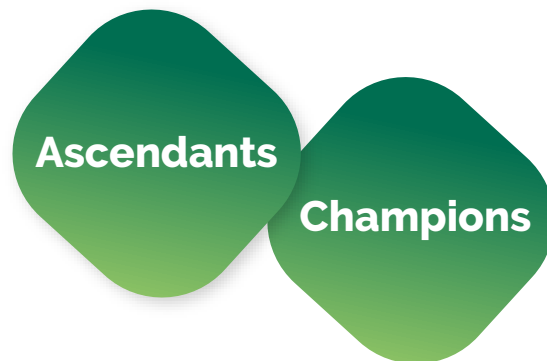
GOVERNANCE SCORE- EUROPE: *Champions & Ascendants*



We found a significant increase in the Governance score between firms led by the 2nd generation family members and those in their 3rd gen. and older...
i.e. the **PROFICIENCY GAP**



firms led by 1st or 2nd generation family members and

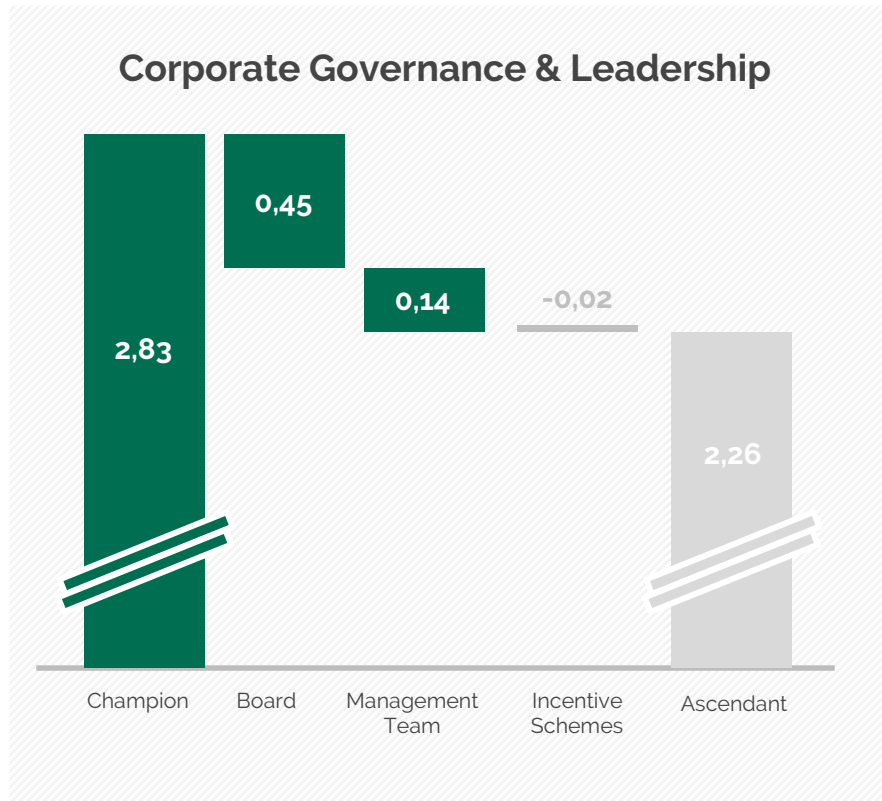


family firms led by the 3rd generation or older.

Proficiency Gap (1)

Between European business Champions & Ascendants

Primarily driven by Board composition & Professionalization (>30%) ...



Board of Directors: 82% of Champions vs. 63% of Ascendants had a professional board. A higher percentage of Champions had independent directors and appropriate sub-committees.

Management Team: More Champions were led by a CEO who was not a family member (39% of Champions vs 10% for Ascendants). However, Champions had a slightly lower diversity score for their management teams.

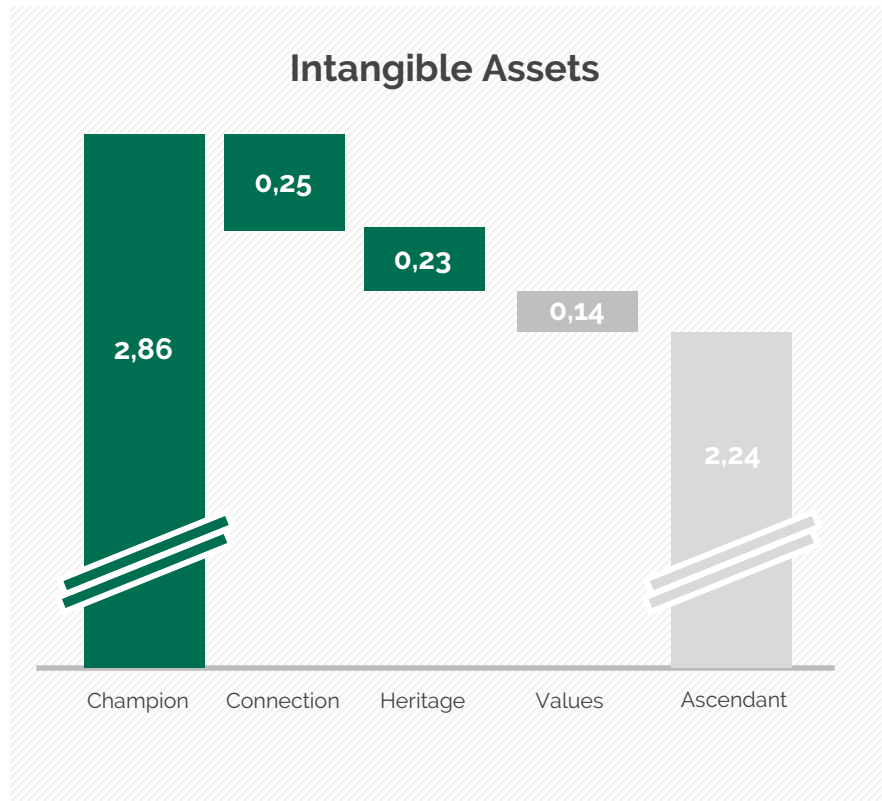
Incentive Schemes: Ascendants and Champions had comparable scores for their incentive schemes. Around a third of both groups had an employee stock ownership plan (ESOP) for non-family managers.



Proficiency Gap (2)

Between European business Champions & Ascendants

... driven by leveraging Intangibles (32%)



Connections: Champions had deeper connections with other business peers as well as stronger relationships with central and local government officials, their customers and suppliers.

Heritage: More Champions had their family name in their products. They were also more likely to benefit from the good reputation and rich history they inherited from previous generations. A Champion's heritage formed a crucial element of its business strategy.

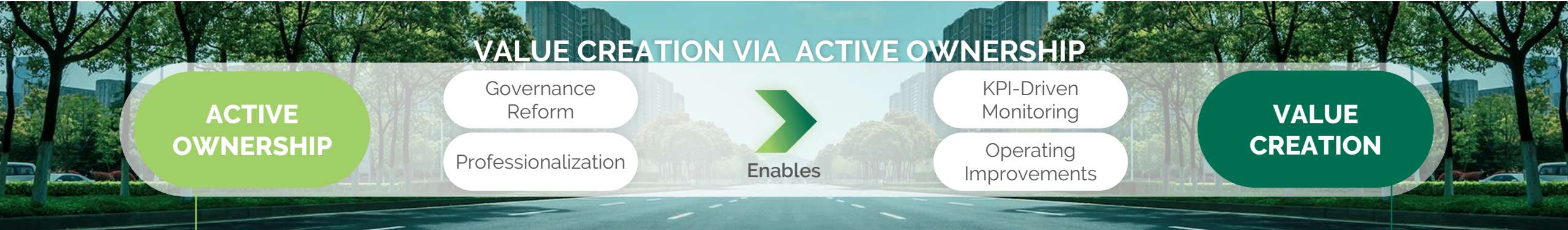
Values: A Champion's CEO was more likely to share the family's values than an Ascendant CEO. Champions also scored higher on the extent to which ethical values and mutual core values governed their activities.



Governance Principles

Road to long-term Value Creation

Driving professionalization & strong governance principles
through Active Ownership



ACTIVE OWNERSHIP

- Governance Reform
- Professionalization



- KPI-Driven Monitoring
- Operating Improvements

VALUE CREATION

Gradual approach to influencing and reshaping the business

Strengthening and professionalizing management teams

Aligning remuneration practices to incentivize non-family managers

Identifying what made a family firm successful and institutionalizing the business based on strengths

Helping execute M&A and roll-up strategies

Enables innovation, digitization and Intra-preneurship

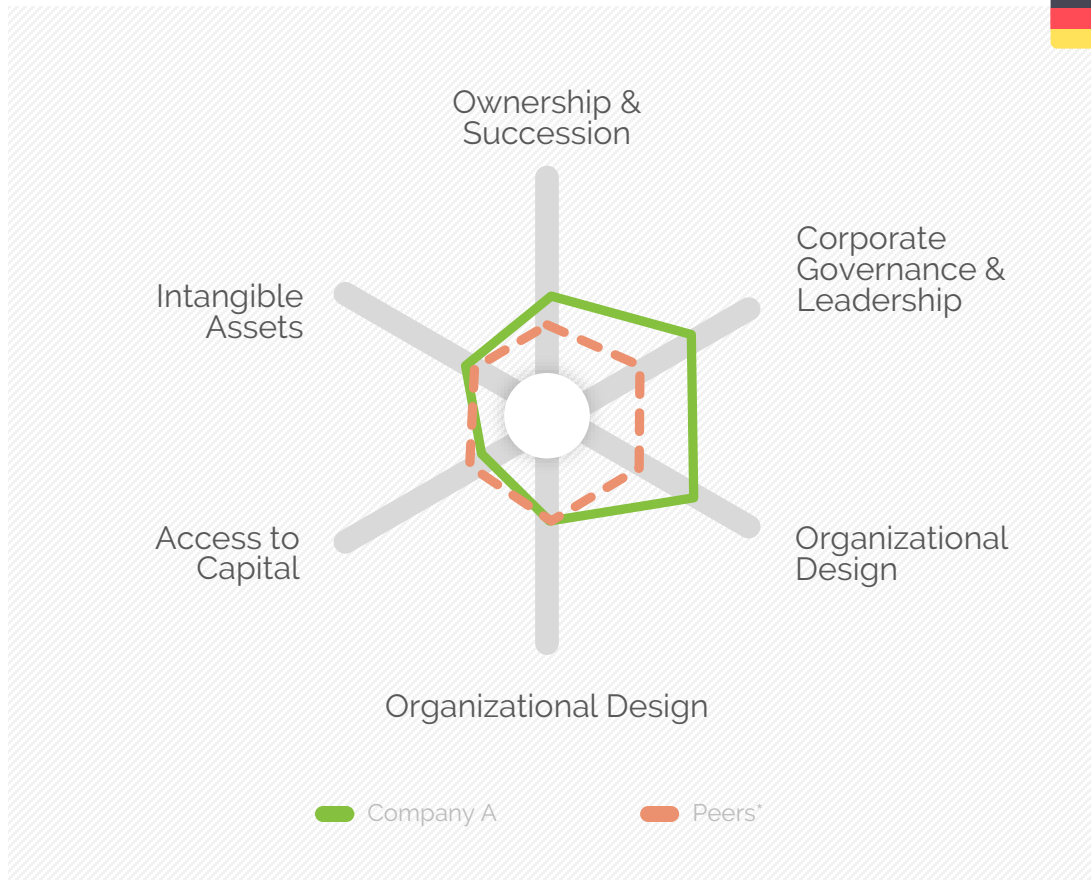
A close-up photograph of a dandelion seed head, with several seeds blowing away in the air. The background is a soft, out-of-focus sky with a gradient from light to dark.

Businesses Benchmarks

Case studies from
European Businesses

Strong Governance Matters - for over 260 years

9th generation



Non-Family members have run the business for over 100 years

- Fully professionalized business
- Family members only represented on the firms supervisory & advisory board
- >700 family members – none employed by the company

High Score on Corporate Governance

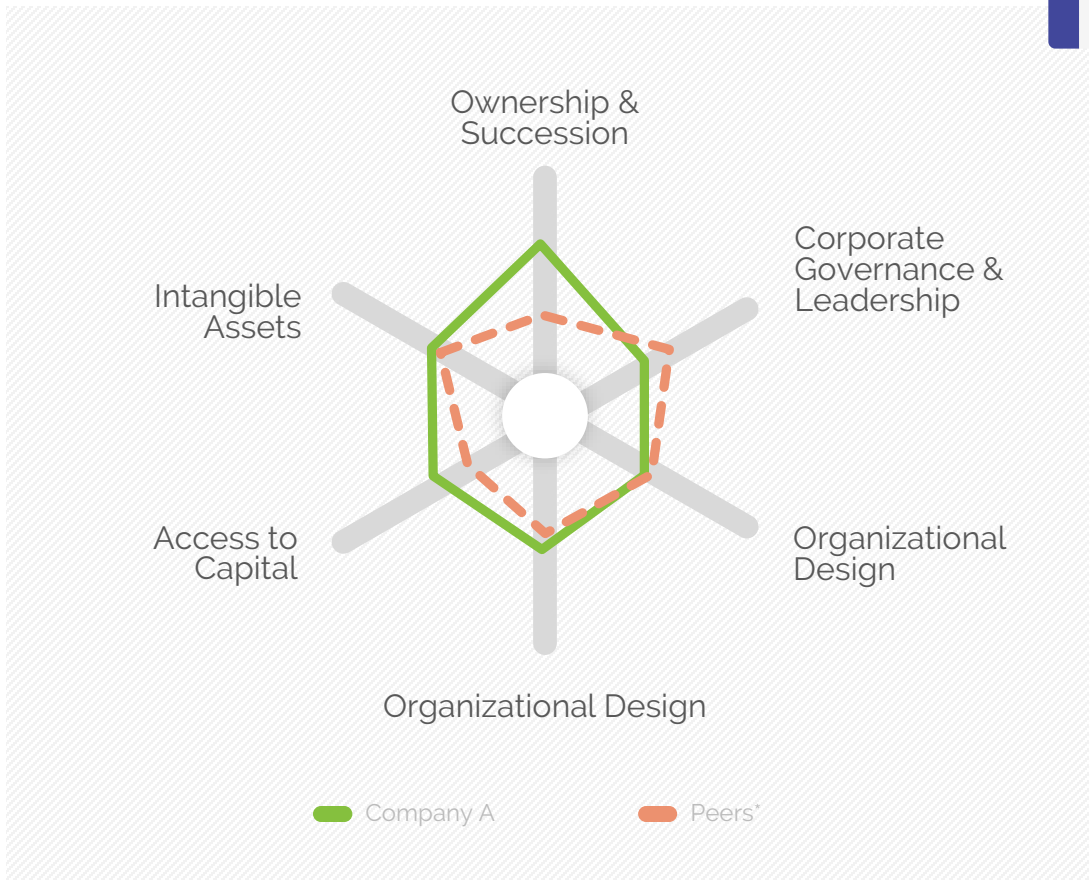
- Clearly defined roles for Family members & professional Managers
- Strict separation of management control
- Family members on both boards elected for a 5-year period

Secret Sauce to Success?

- Staying Nimble & Entrepreneurial has served us well
- Only invest in high potential businesses where we can gain leadership
- Rigorous portfolio management: "Are we still the best Owners for the business?"

Thriving – in Manufacturing

Despite many crises in in their 180-year history



180-year History

- Two family branches since the founder’s 2 sons took over in 1830
- Each selects one member to become a shareholder & work at the firm
- Two family shareholders (nowadays cousins) have clear roles & a close relationship with the professional management

Intangible Assets – Being entrepreneurial

- Well-defined culture & rich history
- Being humble
- Continuously embrace Entrepreneurship
- Proud of our longterm relations with customers, suppliers and not least employees.

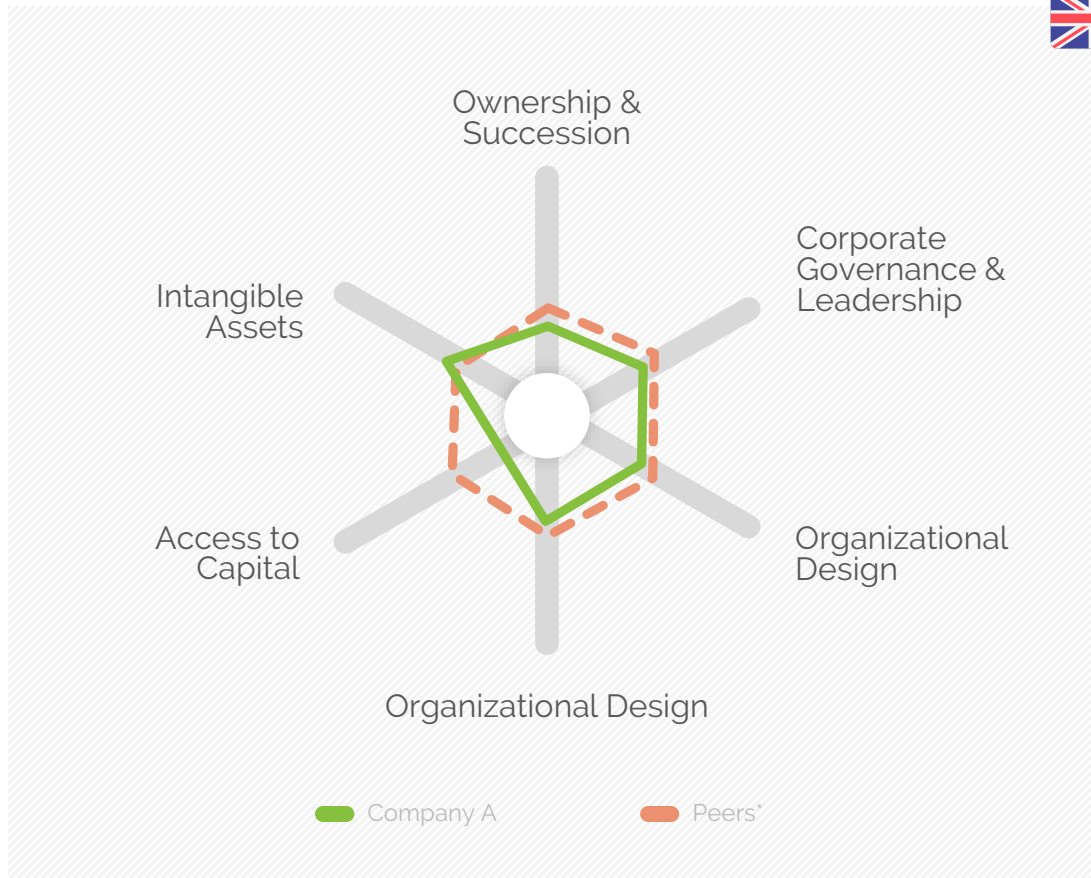
Secret Sauce to Success?

Dare to Open Up !

During the GFC, we invited an external investor to take a minority stake Partnership with clearly defined boundaries has worked well for 10 years

Control & strong Relationships

2nd generation



Stakeholder Relationships

- Owner-Operator family
- One of the co-founders still a strong presence in the company
- Very visible family owners: close relations with our colleagues, customers & suppliers

Growth & Scale - through Acquisitions

- Funded strong in-organic growth by limiting dividend pay-outs to the family
- Focus on profit & reinvest the returns

Secret Sauce to Success?

Focus on operations – involve a strong team
 Build your talent pool - always
 Complemented by six experienced NEDs



INSEAD

Thank You

Professor Claudia Zeisberger

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For further discussions, reach out via email Claudia.zeisberger@insead.edu