Electronic Journal of Family Business Studies (EJFBS) Issue 2, Volume 1, 2007
ISSN: 1796-9360

ELECTRONIC JOURNAL OF FAMILY BUSINESS STUDIES

ISSN: 1796-9360

EDITOR OF THE ELECTRONIC JOURNAL OF FAMILY BUSINESS STUDIES (EJFBS)

Mr. Juha Kansikas (Editor) Kansikas@econ.jyu.fi
Ph.D. School of Business and Economics
University of Jyväskylä Finland
Tel. +358 (14) 260 3166

EDITORIAL BOARD OF THE EJFBS

Adjunct professor Annika Hall (Jönköping International Business School, Sweden)
Prof. Frank Hoy (University of Texas at El Paso, USA)
Prof. Sabine Klein (European Business School, Germany)
Prof. Matti Koiranen (University of Jyväskylä, Finland, Chairman of the Editorial Board)
Prof. Johan Lambrecht (EHSAL, Belgium)
Prof. Panikkos Poutziouris, (CIIM - Cyprus International Institute of Management, Cyprus)
Prof. Pramodita Sharma (Wilfrid Laurier University, Canada)
Prof. Jill Thomas (The University of Adelaide, Australia)
Director Lorraine Uhlaner (Erasmus University of Rotterdam, The Netherlands)
Prof. Alvaro Vilaseca (Universidad de Montevideo, Uruguay)

ISSN: 1796-9360

EDITORIAL NOTES

The aim of the EJFBS is to publish theoretical and empirical articles, case studies, and book reviews on family business topics. The EJFBS will be available with open access at the journal home page.

In this issue, we will have the following family business contributions:

Jill Thomas, Mark Coleman and Bryan Howieson: Perceptions about Boards in SME Sized Family Businesses (pages 97 -117)

Matti Koiranen
Family's Collective Motivation to Business Ownership: A Review of Alternative Theoretical Approaches (pages 118-136)

Francesco Chirico
The Value Creation Process in Family Firms. A Dynamic Capabilities Approach (pages 137-167) and

Jan Sten
What is a Business Family? (pages 168- 185).

Call for Papers (including information for authors and submission format) can be found at the end of the EJFBS.

7 December 2007

Juha Kansikas
Editor, Electronic Journal of Family Business Studies
Kansikas@econ.jyu.fi
Tel. +358 (14) 260 3166

ISSN: 1796-9360

PERCEPTIONS ABOUT BOARDS IN SME SIZED FAMILY BUSINESSES

Jill Thomas (Dr)*
Adelaide Graduate School of Business
University of Adelaide
South Australia, 5005

Email: jill.thomas@adelaide.edu.au
Corresponding author

Mark Coleman
Adelaide Graduate School of Business
University of Adelaide
South Australia, 5005

Bryan Howieson
School of Commerce
University of Adelaide
South Australia, 5005

Abstract

This paper reports on a study of the attitudes to the formation and roles of formalised active boards in Australian small to medium sized (SME) family businesses. While the literature on governance includes guidelines for effective boards, many family owned businesses perceive they are functioning adequately without formalising a board structure. This study employed a qualitative approach and explored the board functions of nine family business cases drawing on the Hilmer and Tricker (1994) framework. This framework summarises the roles of boards as: formulating strategy, setting policies, supervising executive management and providing accountability. Cases included those with and without active boards, some of which comprised solely non-independent (family) directors and others which included independent (non-family) membership. A review of the case studies identified perceived long-term advantages in formalising boards in the small to medium sized family businesses, as well as some perceived disadvantages by those SME family businesses which were reluctant to adopt active boards. Overall, the case studies suggest that active boards of directors with a mix of family and outside directors can bring a wide range of benefits to SME family businesses including improving strategy, managing family emotional and loyalty stresses, and providing expertise that would otherwise be unavailable or expensive.

Key words: family business governance, board structure and composition, small to medium enterprise sector.

Note: An earlier version of this paper was presented at the 2006 FERC roundtable in Niagara Falls.

ISSN: 1796-9360

INTRODUCTION

Corporate governance is an important characteristic of business entities because it involves the protection and enhancement of the wealth of shareholders by ensuring the accountability of management and the board. Over time, various corporate scandals around the world such as Enron and WorldCom in the USA, Parmalat in Italy, and HIH in Australia (to name a few) have prompted further reforms of the boards of directors of corporate entities. Some of these reforms have been legislative; for example, the Sarbanes-Oxley Act in the USA (AARW, 2007) and the Corporate Law Economic Reform Program in Australia. Other calls for improvements in corporate boards have been voluntary in nature; for instance, in the UK, the Cadbury Commission (1992) had developed a code of best practice for board directors as well as suggesting that boards contain a majority of independent directors and that the positions of Chairman and CEO be held by different people. In Australia, the Australian Stock Exchange has published a set of voluntary guidelines for corporate boards (ASX Corporate Governance Council, 2003) which contains 10 best practice principles and a series of corollary recommendations.

Research about large organisations' governance has focused on the composition and performance of boards with mixed support being found for a causal link between good company performance and board composition (Huse, 2000). According to Pettigrew (1992), prevalent studies of board composition need to be complemented by studies of processes inside and outside the board room. In general, large corporations have been encouraged to establish their boards with a majority of outside (i.e., independent non executive) directors (e.g., Zahra and Pearce, 1989), with the argument being that such composition will 'more effectively control the potential opportunism of executives, connect the firm with external constituencies and resources, and provide advice and counsel to top management.' (Fiegener et al., 2000a, p. 291).

Contrary to others' views (e.g., Bennett and Robson, 2004), Huse (2000) finds that there has also been considerable research on boards of small to medium enterprises (SMEs), with more than half of such studies using agency theory to model SME board structure. Most of the prior research has used surveys to collect data as the secondary data available for studying large organisations is not generally available for SMEs. The interest of researchers in boards in SMEs has been concentrated on the need to ensure that effective boards are in place to support the growth and professionalisation of the business (Dyer, 1986).

In the Australian legal system, similar to that of the USA, the UK, and other western systems, each incorporated entity is required to have a board of directors. Under corporate law and the constitution of the company, the board of directors is accountable for the operation of the company and it possesses the powers and authority to make decisions and run the organisation. While such legal requirements have been less stringent for SMEs, they have the potential to contribute to equally effective outcomes for such enterprises (Zahra and Pearce, 1989; Lorsch, 1995). This paper focuses on a major sector of SMEs, namely, family owned businesses. Data is gathered from case studies of nine SME family businesses to report upon the attitudes of these family businesses towards their experience with the board of directors that have existed in their own entity. The case studies review the roles the boards play, and their membership, in an effort to understand why some family owned SMEs do not choose to for-

malise their boards in terms of composition, reporting mechanisms, and meetings. Family owned SMEs that have an 'active' board are studied here along with those entities which did not have 'active' boards. The evidence obtained from these case studies suggests that although all of family owned SMEs reviewed here believed that they were 'successful', significant advantages were identified by those family owned SMEs that had adopted 'active' boards of governance. It is hoped that experiences of those family SMEs with boards will be useful in encouraging those without boards to formalise them.

BACKGROUND TO THE STUDY

Although there is no single agreed definition of a family business, there has been broad agreement that a business owned and managed by a family unit or their descendents is a family business (Chua et al., 1999). This study has used the following definition as it is recognised that in some family business cases, there may be no family member in a management role and yet there is considerable family control of the business:

> 'The family business is a business governed by and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.' (Chua et al., 1999, p. 25).

Consistent with the USA and Europe, Australian family-owned businesses are a significant proportion of the economy. It is estimated that they make up approximately two thirds of private companies, employ about half of the private sector workforce, and represent a wealth of approximately $A4.3 trillion (Smyrnios and Dana, 2006). The economic significance of SMEs suggests that an interest in the role of boards in larger corporations should be complemented by a similar investigation into the role of boards in SMEs and particularly family owned SMEs.

Board roles

There are many views about the roles of boards of directors and their contribution to the governance of organisations. For example, Huse (2005) summarised board roles and theories that reflected both the external perspective (control roles) and the internal perspective (service roles). He found there to be six distinct board roles: behavioural control, advice/counsel, output control, networking/communication, strategic control, and strategic participation. The board's service provider role includes giving valuable advice and networking opportunities for the management team through its accumulated knowledge and skills. Board roles have also been described as ensuring legal and ethical conduct by the business and its employees (Lorsch, 1995; Conger et al., 1998) as well as the importance of ratification and monitoring of decisions (Gabrielsson and Winlund, 2000).

In their recent work about boards' crucial contribution to governance, LeBlanc and Gillies (2005) stress that the effectiveness of a board in carrying out the roles described above will depend on the integration of three factors: board structure, board membership and board process. They emphasise the need for boards to pay attention

to aspects such as 'the leadership qualities of the chair of the board, the nature of the relationship between the board and management, the operation of the board and its decision-making process, the "human factors" in board decision-making, and the "fit" among individual directors and how they relate to one another as a decision-making team.' (LeBlanc and Gillies, 2005, pp.138-139).

In this study, we have used the framework of board roles of Hilmer and Tricker (1994), who conceptualised boards as having four components: formulating strategy, setting policies, supervising executive management, and providing accountability. Figure 1 depicts these roles across two dimensions: a long term/short term focus and internal/external focus (the latter differentiating between a focus on internal operations and on the external influences from the environment in which the firm exists). This framework also enables the board's contribution to the company's performance through strategy formulation and policy making to be grouped on the right hand side, and its responsibility to ensure conformance to required results and maintenance of accountability to the shareholders and other interested parties, to be grouped on the left hand side. While these dimensions were not specifically developed for the SME sized business or for the family owned business, they provide a useful framework for this current study to explore how board roles are conceptualised in the family owned SME.

External	**Accountability** • Reporting to shareholders • Ensuring regulatory compliance • Reviewing audit reports	**Strategic thinking** • Reviewing and initiating strategic analysis • Formulating strategy • Setting corporate direction
Internal	**Supervision** • Reviewing key executive performance • Reviewing business results • Monitoring budgetary control and corrective actions	**Corporate policy** • Approving budgets • Determining compensation policy for senior executives • Creating corporate culture
	Short term	**Long term**

Figure 1: Range of Board Roles (Source: Adapted from Hilmer and Tricker, 1994, p. 28).

ISSN: 1796-9360

Boards in family owned SMEs

Drawing on agency theory, it has been suggested that for the SME sized family business, the board may make an even more important contribution than in larger businesses due to the wider information gap often prevalent between the owner/manager and other business stakeholders (Johannisson and Huse, 2000). This information asymmetry arises, for example, because there are less publicly available information sources about SME sized family businesses than for large publicly listed corporations. In addition, the board can be particularly useful in facilitating generational transitions in the family business: a time when the distribution of power needs clarifying and problem solving for the different generational groups is emotionally charged (Dyer, 1986).

Another view has been expressed by Salvato (1999) that in family firms two 'practices' have prevailed (i) the absence of a board and (ii) the formal board consisting of insiders and family. Hoy and Verser (1994) claim that while there is a case against having boards, there is more support in favour of formalised boards with two issues dominating the research studies: firstly, whether to include outside directors; and secondly, the scope of board authority.

The focus of research on boards in family businesses has been on the prevention of negative consequences of family ownership on business performance. Whether a family business is publicly listed or not, the complexities of the overlap between the family, ownership and the business inherent in the 'family business' entity, will be managed more effectively with a structured approach to governance, including the formation of a functioning board of directors. To optimise the performance of the family business, Dyer (1986) highlighted the need for effective boards as did Ward (1988). The effective family business board was viewed as one in which the advantages of family ownership were balanced with the development of independent and professional governance practices. Not surprisingly, the composition of the family business board has been viewed as crucial:

> "The (family business) board is elected by the shareholders and legally represents them in directing (the business). It typically comprises top management, family members, and, in the best cases, experienced business people from outside the company. Ideally, a board will have a majority of independent, outside directors and will elect its own chairperson." (Ward, 1988, p. 8).

Furthermore, Fiegener et al. (2000b) found that the balance of CEO-board power favoured the CEO in smaller family businesses as there was usually a concentration of ownership with the CEOs; hence they were able to recruit directors of their choice and overrule decisions if they wished. In another study, the same authors concluded that:

> "If outside boards are indeed beneficial to small private firms, as many advocates contend, then understanding the conditions under which firms do or do not adopt that board composition may eventually help to improve the practice of governance in small firms." (Fiegener et al., 2000a, p. 306).

According to these authors, the strongest of such conditions was that the ownership stake held by non related individuals influenced recruitment of independent directors;

followed by older CEOs presumably because their boards were perceived to be valuable in discussions of imminent successions; and finally that CEOs who intended to transfer the business to someone outside the family were more likely to have outside boards.

Johannisson and Huse (2000), similarly argue that the family business will be better served by incorporating external (non-family) members on their boards as they will facilitate awareness of a wider range of managerial issues. However, they take this further by exploring the challenges of the *family owned* SME to attract and select the 'right' outside appointee/s for the board (Johannisson and Huse, 2000). In their view the emotions and politics of the family business may cause some degree of irrationality which may adversely influence the nature of board member selection in these businesses. They surmised that traditional defensive family businesses might be hesitant to invite external members onto a board whereas genuinely entrepreneurial firms may consider access to governance competencies as just another resource to exploit when growth is aggressively promoted.

Effective family business boards have been viewed as those where directors, both family and non-family, have been appropriately prepared for the director roles (Ward, 2001). This will mean that family member shareholders, even though their ownership stakes may be inherited, need to pay attention to educating some of their group for director roles and responsibilities. Such education will usefully include mentoring and counselling those who may not have prior experience of board issues, including the family member CEO, senior family and non-family management, family employees and other family shareholders not involved in the day-to-day management of the business.

While board size, board activity, and the inclusion of independent directors has been suggested to lead to increased board performance in businesses generally, Corbetta and Salvato (2004a) take a contingency perspective and warn that boards in the family business will not lead to improved performance under all conditions because of the contingent situation created by various aspects of family involvement. In their view:

> "Family firms that explicitly take the extent and the quality of such involvement into consideration will develop boards of directors through which they will reap rewards by improving its effectiveness in providing both control and accountability, and resources which are vital to the firm's prospects for success and survival." (Corbetta and Salvato, 2004a, p. 6).

In summary, while there seems to be general agreement that formalising boards of directors rather than relying on kitchen table ad hoc discussions, will be helpful in some ways to SME family businesses, there is no single recommended composition, or agreement as to how boards will influence performance (including conformance) of the business. If research generally supports active board formation, why is it that not all family SMEs whole-heartedly embrace the notion of a formalised board? As noted previously, this paper addresses that question by exploring why some family SMEs do formalise their boards, what challenges have they experienced and what advantages do they perceive in having done so. Where boards had not been formalised, the means of undertaking the usual governance responsibilities were also explored. This study elicited from directors who participated on such boards, why they formalised the

boards and what value they perceive from having them. In addition, two CEO/directors of two businesses who had not formalised their boards were interviewed to ascertain their rationale for not doing so.

RESEARCH DESIGN

The study was qualitative, as the focus was on why (or why not) and how family businesses established and maintained formalised boards, i.e., functioning active boards of directors, rather than non-functioning entities which merely satisfied legal governance requirements.

A series of case studies was undertaken where the emphasis was on the family business participants' attitudes to board formation and their perception of how board roles were carried out in the business. The study was based on interviews with family executive and non-executive directors in SME sized family businesses. Family directors - executive or non-executive - are referred to as non-independent directors, while non-family directors are referred to as independent directors - again irrespective of whether they are executive or non-executive. A semi-structured interview guide was prepared to ensure interviews were consistent and yet flexible enough to probe specific aspects in the different cases. Interviews were transcribed and qualitative software was used to organise the data. Consistency of analysis was ensured by co-authors evaluating interviewees' responses and comparing interpretations.

Research sample

Data was collected through in-depth one-to-one interviews of family business directors in nine small to medium sized Australian family business cases (i.e., businesses with up to 200 employees) ranging from the first to the fifth generation of ownership and management (see Table 1). A range of sampling strategies was considered in selecting the cases for the study namely, opportunistic, convenience, snowballing, theoretical, and extreme case selection methods (Miles and Huberman, 1994, p. 28). All involve an initial selection, then adding or modifying as opportunities arise. The cases for this study were identified through a combination of opportunistic and convenience sampling techniques, and recruited through direct contact with the researchers which was considered suitable as the study was exploratory in nature. This careful approach facilitated the development of the relationship of trust and confidentiality between the researchers and the interviewees.

Each of the participating cases had a board, as per legal requirements, with that board having the power and authority to make decisions and run the company. However, we wished to find out whether that board actually exercised those powers and decision-making capacities and if so, how this occurred, and if not, who undertook these roles in the company. Further, if the governance roles were *not* undertaken by an active formalised board, we were interested to know whether the approach adopted by the company was nevertheless perceived as effective.

The interviewees included eight family members who were the current CEOs of their related business and who were also directors and so they are classified as non-independent directors. The remaining interviewee was a non-independent, non-executive director (the Paul case).

ISSN: 1796-9360

The family ownership stake for the cases in this study was almost 100%; in all but one case there were family members in some of the key management positions and, in all but two cases, there were two generations involved in the business. These characteristics suggest there will be strong family influence in the governance and the management of the businesses reviewed in these cases (Shanker and Astrachan, 1996).

Of the nine cases, seven had formalised active boards of directors and all except one of these included independent non-executive directors. Of the formalised boards, all except one had an independent chairman of the board. Two cases did not have active, functioning boards; one which was owned and managed by an owner/founder/sole director (the Taylor case), and the other largely because of the third generation former CEO's refusal to contemplate formalisation of an active board: 'Dad's the majority shareholder and doesn't sort of believe in boards and meetings and having outside people involved in the company' (the Dawson case).

Table 1: Profile of cases

Case Company	*Type of Business*	*Generation of ownership/ Generations working in the business*	*Employee size (Full-time Equivalent)*
Anderson	Food and Beverage Production/Retailing	4&5 / 5	110
Boyd*	Printing	2&3 / 3&4	140
Conlon	Retailing and Distribution	3 / 3&4	200
Dawson**	Food Production and Retailing	3&4 / 4	120
Howson	Financial Services	2 / 2	170
Kleeman	Sales and Distribution (white goods)	2&3 / 3	45
Paul	Food & Beverage Production/Retailing	3&4 / 3&4	70
Smart	Media	1 1	4
Taylor**	PR and Marketing	1 / 1&2	12

Notes: * indicates that there was no independent director on board

** indicates that there was no formalised active board

FINDINGS AND DISCUSSION

From an analysis and evaluation of the interview transcripts, several themes emerged which portray the key challenges experienced in the family business cases: motivations for formalising active boards; roles undertaken by the boards; and perceptions of contributions to the board's effectiveness, including membership and structure.

ISSN: 1796-9360

1 Motivation for establishing formalised (active) boards in the small to medium sized family business.

While the need for family business boards to undertake roles such as those articulated by Hilmer and Tricker (see Figure 1) was generally recognised and appreciated by interviewees, several reasons were articulated for the board's existence other than carrying out those roles. These reasons were seen as particular foci for these family business boards, which are not identified in the literature as being significant for boards generally. The reasons included: the need to reassure shareholders and other stakeholders (e.g., future buyers) that the business was solid; to cope with a particular crisis (including external crises and internal issues relating to family dynamics); and to help alleviate risks associated with the business that come with succession considerations, particularly if that succession might involve a family member.

For example, in one case, the third generation interviewee commented that the motivation to form the board was when her sibling resigned from the business and took much business knowledge with him. To avoid similar gaps in experience and competency, the third generation CEO formed a board with an independent chairman and commented that the arrangement was working very well: 'Before we had a board we relied heavily on our external accountant to advise us to 'comply with what we had to comply with and that was it'' (the Kleeman case). In another case (Paul), several branches of family owners sought representation in key discussions and so the board was 'formalised' to give these stakeholders a voice.

On the more positive side of motivation for a board, the third-generation Conlon's CEO commented that his grandfather had established an active board - with outside membership - within several years of setting up the family business. In his view this set the pattern of operating a professional business and emulating larger business practice. In another case, an interviewee admitted that his motivation for forming the board was sparked by legal advisors who suggested that to comply with various corporate regulations, a committee be formed for this relatively new business. He went further than a 'committee' and formalised an active board with an independent chairman and he attributes the business's success largely to the board's input and decision making process.

Reasons given for not setting up boards, or expressed disadvantages in their operation included: that they would be (or were) costly in time and money; that they would create additional work; that family owner/managers (and simultaneously, non-independent directors) were fearful of being judged naïve or ignorant – either by the other directors or by shareholders – and that family owner/managers feared becoming bogged down in bureaucracy and losing the ability to respond quickly. In one case, while the CEO was cognisant of the advantages of a board of directors, and considered directors could augment the range of expertise available to him in running the business, he commented that 'as sole owner/director, I see no immediate need but with growth I think it will be essential' (the Taylor case).

Some interviewees expressed uncertainty about how to attract suitable (and willing) directors and were fearful of making a poor selection and of not knowing what capa-

bilities to look for or how to assess those capabilities. Fear was also expressed that independent directors might misuse sensitive company information.

2 Board roles

Observations about how these family businesses function according to the Hilmer/Tricker framework in Figure 1 are discussed under the four main headings: accountability, strategic thinking, supervision, and corporate policy.

Accountability

Rather than wanting accountability to stakeholders, the stated motivation for setting up boards revolved more around giving representation to stakeholders, or in some instances, preventing family dynamics from causing dysfunctionality. In this study, the formalised boards could be categorised as being more or less effective according to how they approached accountability. In the more effective boards, compliance monitoring and audit procedures were seen as being straightforward board roles. The board members were able to separate their roles from the day-to-day operating roles of the management team members. In the less effective boards, compliance monitoring was not a focus of the board. Instead there was reliance on external professional advisers (accounting, legal, OH&S) to ensure the companies operated appropriately in these areas and interaction and follow-up were otherwise dealt with by management.

Interviewees expressed some concern about enforcing the accountability of managers when they are closely related, such as an uncle who is a director, needing to encourage his nephew to be more accountable as a manager in the family business. It was thought that family dynamics were contributing to some blurring of executive management versus board of director accountabilities, which may prove to be particular to the family owned business. This is consistent with the view of Astrachan et al. (2006, p. 325) that 'accountability for the family firm involves making decisions that do not sacrifice the long term health for the short term personal or corporate gain.' They consider that much of the reluctance to formalise a board may be due to 'a desire to avoid accountability' (ibid.).

Those businesses without formal board structures were asked how they ensured that the company complied under the law (e.g., occupational health and safety, tax, and other rules and regulations applying to their industry). They responded that they trusted outside consultants and advisers to keep them compliant but agreed that there was the possibility of slippage. As Dawson's family CEO commented:

> "Up until now we basically get compliance accounting rather than advice. And because he's [the accountant] known the company for so long, he has a very good understanding of the company which helps us at least in the short-term".

This CEO recognised that outsourcing might however be costing the business as much as any additional expenses to set up a formal board structure.

Strategic thinking

One of the first generation interviewees summed up the paradoxical nature of the value of the board's strategic function when he commented that:

ISSN: 1796-9360

> "…while I recognised that the board would add to the strategic approach of the business, I'm almost sorry I did because it really is making a whole lot more work now. However, no doubt it will make for less work and less risk later." (the Smart case)

In this study, the strategic function was perceived to be the most difficult to achieve. In one firm the board was acting as a *de facto* management committee and consequently has made little inroads into strategic issues. In this case, setting up the so-called 'board' was no doubt well-intentioned, but the internal management structure and family dynamics were not suitable to support an appropriately functioning board of directors:

> "Certainly the board does deal with the basic requirements of compliance and review of financials but even that, to a degree, I believe is compromised. I think our attention to risk management, to the organisational structure, to personnel, is all compromised." (the Paul case).

In other less effective boards strategic planning was not conducted, it was really just led by the CEOs and included short term planning identified by the management teams. There was a lack of formal board policy, but the CEOs interviewed did not see this as a problem in running the businesses. They did not recognise that these boards were failing to undertake true governance roles, other than financial oversight and deliberating on some specific expenditure proposals.

One of the reasons for the lack of apparent attention to strategic issues might be that these businesses had already expressed their intention to continue for the long term, ideally as family owned and managed but at least as family owned. Their focus might therefore have been more on current operations in their competitive markets rather than the future which they assumed would be taken care of later!

Where the boards were perceived as contributing more effectively to the strategic thinking role, they were doing so both formally (through annual structured planning sessions) and informally (through the encouragement of open discussion of scenarios and alternatives). Interviewees from the Anderson, Conlon and Kleeman cases commented that external directors were recruited partly because of their ability and willingness to challenge the status quo. It was viewed, for example, that the independent directors needed to be people who could be open and honest:

> "…And that's something, a bit of a risk in a private company given that we basically own the business, so we control it. If somebody comes in and feels they're subservient somehow, well that's not really going to help us, even though it's hard when someone really quizzes you on something you believe is right and you own the company. But that's the healthy way." (the Conlon case).

Supervision

The boards in these cases varied in the degree of their monitoring of general success measures (other than financial results). The less effective boards had set little in the way of formal board policy, and generally limited their monitoring role to that of financial results. While boards rightly delegate decisions to the CEO for employee mat-

ters and for day-to-day operational issues, it appears that in two cases, delegation of board powers to the CEO may have been too great – that is, delegation may indeed have become abrogation of responsibility. In such cases, the boards did not monitor what was happening sufficiently in order to retain proper oversight and accountability of results and methods. In these cases, the board roles of the Hilmer/Tricker framework cannot be assessed as being adequately discharged.

Those cases without formal boards were comfortable that they are able to undertake the monitoring and supervisory roles of the board, pointing to their good performance in the market place as evidence. While it is difficult to speculate on how much better they might perform with a board, there was some evidence of things 'falling through the cracks'. For example, one interviewee commented that a board may facilitate greater understanding of perspectives of owners (who were also managers) and help separate ownership and management objectives. He said that currently the non-family members 'just see a wealthy family with bottomless pockets and everything they want, they should get' (the Dawson case). In his view, a board may provide greater objectivity and deliberation of major decisions.

Corporate policy

In the more effective boards, members tried hard to ensure that they operated at policy level rather than being bogged down with the detail. As one interviewee commented:

> "The board needs to develop so that the things that come before it are the big picture issues and that members grapple with the industry trends. Inevitably you find yourself getting into some detail and sometimes you need to because like if it was a litigation issue or something like that, well the board members will want to talk about the ins and outs of it. But generally speaking our chairman is very good and very strong on: 'Well that's a management issue. Fix it, don't come to us with your problems, come to us with solutions or suggested alternatives for debate.'" (the Conlon case).

A valued role of the effective boards was perceived as their ability to deliver objective appraisals of remuneration levels for family executives and thus avoid another potential source of conflict between family members where relations may be already strained.

In summary, effective boards were those functioning in each of the required roles: setting direction, making policy and overseeing performance, with much of the decision-making and implementation appropriately having been delegated to the CEOs and management team. Four cases were perceived as being effective in this regard: Anderson, Conlon, Kleeman and Smart. The interviewees from these cases also perceived boards to be of value and stated that they would recommend to other family businesses that the time, effort and financial costs in establishing and maintaining boards was worthwhile.

In this study, those businesses without functioning boards (Dawson and Taylor) and those with less effective boards (Boyd, Howson and Paul) could not be deemed to be satisfying the strategic role of governance, nor adequately ensuring that the management team was monitoring the compliance of the company with laws and regulations,

both key responsibilities within the Hilmer and Tricker framework. In one case without an active board, the former CEO, now Chairman and majority owner, said that 'He would rather meet around the kitchen table with his son and daughter.' He feared loss of control with a formalised board and particularly doubted that any independent director would understand the business sufficiently to make a contribution that would be worth the money it would cost to recruit 'him' (sic). The current sibling partnership was keen to establish a board in due course. They perceived that they were able to undertake the monitoring and supervisory roles of the board but recognised that the business missed out on the strategic focus and discipline that might be offered by an active board.

Interestingly, none of the cases in this sample had formal family forums or family councils, although in two cases this option was being seriously explored. In one case a family 'conference' was held each year, which contributed informally to the board's strategic planning discussions.

3 Aspects contributing to the board's level of effectiveness

Several themes emerged from an analysis and evaluation of the interview transcripts about some key contributors to the level of effectiveness of the formalised boards, viz. freedom to work on the business; professionalisation of the business; board membership; and board structure.

Freedom to work on the business

Where boards were formalised, owner/managers were generally required to differentiate between their management roles and their director roles. The existence of a board was seen to provide the opportunity for them to take time out of the day-to-day operations and to take a bird's-eye-view of the business. Furthermore, the establishment of a board provided comfort or peace of mind for owner-managers that all aspects of the business were being actively addressed. Boards were seen to facilitate better decisions, because 'more heads' are thinking about and discussing the business. These activities enabled board members (who might also be executive managers) to be freed up to work on the business which in turn can be seen to contribute to a strategic orientation. However, 'strategy' was not seen as the driver.

Professionalisation of the business

Formalising family business boards was also perceived as promoting a more professional relationship between family owner-managers and non-family members of the management team - as identified in comments in relation to remuneration under the corporate policy function above.

In only one case was there mention of 'norms' of effective behaviour having emerged. As mentioned earlier, the Conlon board was formed by the owner/founder when the business was in its early stages and has been run since then almost as if it were a public company from its inception, paying attention to corporate governance requirements 'except for all the sub committees' (the Conlon case). Board membership included non-independent sibling managers, independent directors and an independent chairman, with equal numbers of non-independent and independent directors

> "This type of board brings accountability and a degree of scrutiny that I suppose a lot of family, private businesses don't have. The benefits for us in emulating the public structure include commercial benefits, because although the board is operating more rigorously than we need to be under the code we operate under, or that we could if we wanted to, as this is a family, private business. Independent directors bring a breadth of knowledge and experience. I think they help us avoid the thing we probably fear most, which is this groupthink. We [three brothers] are all pretty similar because we have a very similar value system, same upbringing, but we are totally different individuals. So having people come in with a totally different frame of mind I think gives us a bit of confidence that we won't become too parochial or too inbred." (the Conlon case).
> <

Recently, Conlon's board reconsidered its balance and agreed that it lacked an IT focus: it head-hunted a female director to partially re-dress the male dominance. That appointment was not successful as the appointee took too long to appreciate the particular business and industry environment to be able to make a meaningful contribution to the board's deliberations. However, the experience of that failed recruitment was significant in reviewing how the board behaved and how it approached decision-making.

In two other cases, Anderson and Howson, the boards were instrumental in establishing procedures and boundaries for managerial financial decision-making; for example, that proposals for capital expenditure above $50,000 require board consideration, as would any other 'significant' proposed financial commitments. While such process management is generally considered positive and indicative of professional management practices, in one case (Howson) this boundary setting seemed to be triggered by a lack of trust in the CEO sibling by the other non-executive siblings.

Board Membership

Comments on membership focused on strategies to reduce dominance of one or more family members either by including a range of family appointees or by appointing non-family appointees to counteract the family dominance. All interviewees supported the inclusion of independent directors to ensure an external perspective is brought into the family business. However, these appointees were perceived to have other significant roles, which were necessitated because of the traditional strong family influence in decisions and direction. For example, independent directors were seen to be effective in minimising tensions between family members because in the family business many family members were appointed directors almost solely because of their (or their close relatives') shareholding and they often lacked the qualifications needed to be effective as directors.

In three of the cases there was a perceived lack of expertise in the management team which influenced potential board membership selection. For example, in one case the CEO wanted to supplement board membership with IT expertise, another CEO wanted financial expertise and another wanted legal expertise. Nevertheless each of these boards was evaluated by the authors as being valuable in challenging executive management to think about their issues and decisions, and being good at identifying and asking unexpected questions. From time to time the boards had helped a great deal in deciding what to do on the bigger issues, particularly where these related to family issues.

In addition to filling gaps in expertise for the business, independent directors were also advantageous for encouraging other board members to push the boundaries and to take greater, albeit calculated, risks. They were often recruited because the family knew them, trusted them and could therefore agree upon the appointment. In no case was a rigorous, objective selection process utilised. Most often the family members had known the appointees for some time; the *family* were comfortable with them as people and with their apparent potential to add value to the board's deliberations. Not having objective director selection processes in place at the time of a board's formalisation may be a weakness for family businesses. In particular, it could lead them into stalemates over decisions on suitable board members and fuel any existing mistrust between family board members.

Interviewees generally agreed in each case that independent directors, particularly those from outside the industry, added value (or would do so) by asking questions and forcing reflection on what might normally be taken for granted. However, several interviewees suggested that care should be taken in recruitment to ensure that appointees from outside the industry would not take too much time to 'come up to speed' with the needs of the family business and the industry in which it operates. These views are consistent with early research of Mace (1948 cited in Castaldi and Wortman, 1984), who claimed that the advice of members of boards was effective in widening the perspectives of managers of smaller firms and that outside directors with complementary experience and backgrounds could be helpful in augmenting management's business capabilities. Others have also demonstrated that the inclusion of independent directors has been important for the boards' monitoring responsibilities as they are governance bodies which need to combine the monitoring of management

(which may include non-independent family members) on behalf of shareholders with the provision of various resources to the business (Corbetta and Salvato, 2004b).

Those cases without formalised boards expressed some misgivings about attracting the right external director for their business, as expressed by a third generation family CEO:

> "Well to find the right person that fits the company and the culture and the family philosophy I think is difficult - someone who doesn't want to get big for the sake of it. And also from their side of it, I'm not too sure with the responsibilities nowadays, who would want to jump on board with a company that operates semi-formally at the moment." (the Dawson case).

On further exploration of this issue, there was a clear concern that the external director might expect more formal systems and processes which the family owners perceived to be time consuming and unnecessary in what were currently good performing businesses.

Board structure

This study suggests that boards in family businesses are sometimes set up for non-business reasons, such as to provide representation for family groups or to fix family related management problems, consistent with Hoy and Verser's (1994) finding that some owners will use boards to mediate family/business relations.

While most family businesses prefer to structure their boards to give appropriate recognition to branches of the family, they need to fill those branch directorships with appropriately qualified appointees. These may be family or non-family – and therefore non-independent or independent – however, they should be equipped to make a contribution to effective governance of the business. Bringing to the board table differing views and opinions from various branches of the family was recognised to contribute to healthy debate. However, it was thought crucial that decisions were ultimately made in the best interests of the family business as a whole. In one of the cases with a less effective board – which was, in fact, 'ideally' constituted (according to the literature) – there were significant communication issues to address. The non-independent non-executive directors considered that the non-independent executive director (and CEO) chose board members to suit his needs and they were not happy about the recent recruitment of the 'independent' chairman who, in their view was a personal appointee of the CEO, and not suitably qualified for the position.

In this study, it was clear that some of the boards, although 'formalised' in terms of reporting and meetings requirements, have operated for many years without paying attention to the skill requirements of the directors. The result was that those boards acted more as management boards, mediating between family managers and/or directors in the business. For example, in one case a board was constituted by the second-generation owner who bequeathed the business to his five children. They are all still alive and attend board meetings, although in the view of the current family member CEO, '…none are very productive or have anything of value to add to board deliberations' (the Boyd case). This CEO would like to encourage these now elderly directors to nominate qualified and knowledgeable representatives so that all the board members may make a worthwhile contribution to the family business operations. In his

ISSN: 1796-9360

view, the board is therefore only partly formalised and he is pushing for guidelines to be developed for 'appropriately qualified family members to be recruited to directorships'. This is consistent with Hoy and Verser's (1994) finding that boards where the family dominate, and particularly where family members are not qualified to be directors, may be detrimental to effective decision making processes.

In only two cases (Anderson and Conlon) was appropriate training as a director an expectation for ongoing board involvement. In no case was such training a formal requirement, although in two cases shareholders' agreements were being drafted to make it so.

In summary, assessments of the value of the board and its contribution to governance were not easy to ascertain. The interviewees had spent a great deal of time on board issues, debates and arguments and consequently would be loathe to comment that such time had not been valuably spent. The main value was perceived in the level of objectivity that the board added to the business' reputation. Overall, from this study, it appears that those family owned SMEs that have set up functioning active boards with appropriate practices, appointed 'qualified' independent directors, and have been serious about making the board function professionally, have found that those boards make a valuable contribution to the business. Participants in such successful boards wholeheartedly considered that the advantages outweighed any disadvantages (and costs) of establishing and maintaining the boards.

CONCLUSION

While appropriately operating boards were perceived to make a valuable contribution to the businesses, the experiences of these family businesses did not suggest any one best way to constitute the board which is consistent with Corbetta and Salvato's (2004b) claim that 'one size does not fit all'. Family members play both management and governance roles in the family business which, if not properly defined, may contribute to some blurring of governance responsibilities and relationships (Tagiuri and Davis, 1996).

In these cases, there were perceived to be long-term advantages in formalising boards in the small to medium sized family businesses similar to those articulated in the literature for the corporate sector, viz.: enhanced performance and compliance; reassurance to shareholders of an objective and professional approach to the business and their assets; and augmentation of management expertise by recruiting directors with complementary skills. Disadvantages of formalised boards in these family business cases included: that they act as *de facto* management committees and as mediating bodies to minimise tensions between family members; that owner/managers perceive that if a board exists, they will lose control of the business and flexibility of approach; and that the board function is considered a waste of time and money, especially where people – usually family members – are appointed without appropriate director skills. In cases without established functioning boards, interviewees did not perceive that there were gaps in meeting their corporate responsibilities in terms of accountability to shareholders, setting strategic direction, monitoring of results or setting policy, although observations and probing questions indicated that this perception may be incorrect.

ISSN: 1796-9360

This study was exploratory in nature, and while the small sample is not considered to have produced biased results, further research is needed before the findings can be generalised. The experiences of these cases suggest that the *motivation to creating a functional board,* the *way it operates* and how it *ensures the competence of its members* should be important foci for advisors and trainers in the corporate governance field and particularly for those advising family owned businesses. Nevertheless, several views emerged which might be used to encourage other SME family business to formalise boards including: the value from having the discipline and another layer of governance that the board provides; the value of independent director input; and the value of appropriately qualified director appointments. Setting up a board for the wrong reasons (such as to act as a mediating body for dysfunctional family dynamics), and without directors who are qualified to act as such, has generally led to unsatisfactory results.

While *formal* governance arrangements including the strategic planning, accountability, supervisory and monitoring roles undertaken by boards of directors have received considerable attention in the research literature, *informal* governance mechanisms, including social interactions, family institutions, and shared visions, have received less attention (Mustakallio et al., 2002, p. 219). As has been demonstrated in this study, it is the combination of such formal arrangements with the more informal mechanisms that are particularly important for family owned small to medium enterprises.

The effectiveness of the board in the family business largely depends on the effectiveness with which the family members are able to communicate with the business's governing body (i.e., the board). Although not explored in this study, our experience from working with family SMEs is that some family businesses – often, but not always, those with larger family shareholder numbers – have found that a separate family forum is an effective interface between the family and the business.

Further research should explore how best to encourage more family owned SMEs to establish a properly constituted effective board for the right reasons and to believe that the board will be a worthwhile investment, rather than a wasted expense. Research could usefully consider the conditions under which – and the means by which – formal (boards) and informal (family forums or councils) governance structures could add further value to the family owned SME. These conditions may include situations where trust is low between family members; the number of shareholders has increased with generational transfer; and/or information sharing is rare.

REFERENCES

AARW. (2007) Corporate Governance, Allens Authur Robinson Website, http://www.aar.com.au/corpgov/clerp/index.htm

Astrachan, J., Keyt, A., Lane, S., and McMillan, K. 2006. Generic Models for Family Business Boards, in Poutziouris, Smyrnios and Klein (Eds.), Handbook of Research on Family Business. Cheltenham, UK: Edward Elgar, pp. 317-342.

Australian Stock Exchange Corporate Governance Council. 2003. Principles of Good Corporate Governance and Best Practice Recommendations, Sydney: ASX, March.

Bennett, R.J., and Robson, P.J.A. 2004. The Role of Boards of Directors in Small and Medium-sized Firms, Journal of Small Business and Enterprise Development, Vol.11, No. 1, pp 95-113.

Cadbury Commission. 1992. Report of the Committee on the Financial Aspects of Corporate Governance, December, London: Gee & Co. Ltd.

Castaldi, R., and Wortman, Jr. M. S. 1984. Boards of Directors in Small Corporations: An Untapped Resource, American Journal of Small Business, Vol. 9, No. 2, pp. 1-10.

Chua, J.H., Chrisman, J.J., and Sharma, P. 1999. Defining the Family Business by Behavior, Entrepreneurship Theory & Practice, Vol. 23, No. 4, pp. 19-39.

Conger, J.A., Finegold, D., and Lawler, E.E. 1998. Appraising Boardroom Performance, Harvard Business Review, Vol. 76, No. 1, pp. 136-148.

Corbetta, G., and Salvato, C. 2004a. The Board of Directors in Family Firms: A Contingency Perspective, Academy of Management Best Conference Paper, D1-D6.

Corbetta, G., and Salvato, C. 2004b. The Board of Directors in Family Firms: One Size Fits All? Family Business Review, Vol. 17, No. 2, pp. 119-134.

Dyer, W. Gibb, Jr. 1986. Cultural Change in Family Firms: Anticipating and Managing Business and Family Transitions. San Francisco: Jossey-Bass Publishers.

Fiegener, M.K., Brown, B.M., Dreux IV, D. R., and Dennis Jr, W.J. 2000a. The Adoption of Outside Boards by Small Private US Firms, Entrepreneurship & Regional Development, Vol. 12, No. 4, pp. 291-309.

Fiegener, M.K., Brown, B.M., Dreux IV, D. R., and Dennis Jr, W.J. 2000b. CEO Stakes and Board Composition in Small Private Firms, Entrepreneurship Theory and Practice, Vol. 24, No. 4, pp. 1-24.

Gabrielsson, J., and Winlund, H. 2000. Boards of Directors in Small and Medium-Sized Industrial Firms: Examining the Effects of the Board's Working Style on Board Task Performance. Entrepreneurship & Regional Development, Vol.12, pp. 311-330.

Hilmer, F.G., and Tricker, R.I. 1994. An Effective Board. In R.I.Tricker, International Corporate Governance: Text Readings and Cases (pp. 285-296). Singapore: Prentice Hall.

Hoy, F., and Verser, T G. 1994. Emerging Business, Emerging Field: Entrepreneurship and the Family Firm. Entrepreneurship: Theory & Practice, Vol. 19, No. 1, pp. 9-13.

Huse, M. 2000. Boards of Directors in SMEs: A Review and Research Agenda. Entrepreneurship & Regional Development, Vol.12, pp. 271-290.

Huse, M. 2005. Accountability and Creating Accountability: A Framework for Exploring Behavioural Perspectives of Corporate Governance. British Journal of Management, Vol.16, pp. 65-79.

Johannisson, B., and Huse, M. 2000. Recruiting Outside Board Members in the Small Family Business: an Ideological Challenge. Entrepreneurship & Regional Development, Vol.12, pp. 353-378.

LeBlanc, R., and Gillies, J. 2005. Inside the Boardroom: How Boards Really Work and the Coming Revolution in Corporate Governance. Canada: John Wiley & Sons, Ltd.

Lorsch, J.W. 1995. Empowering the Board. Harvard Business Review, Vol. 73, No. 1, pp. 107-117.

Mustakallio, M., Autio, E., and Zahra, S.A. 2002. Relational and Contractual Governance in Family Firms: Effects on Strategic Decision-making. Family Business Review, Vol. 15, No. 3, pp. 205-222.

Miles, M.B., and Huberman, A.M. 1994. Qualitative Data Analysis (2nd ed). Thousand Oaks, California: Sage Publications, Inc.

Pettigrew, A.M. 1992. On Studying Managerial Elites. Strategic Management Journal, Vol. 13, pp. 163-182.

Salvato, C. 1999. The Influence of Institutional and Resource Dependence Relationships on Family Firms' Board Practices: An Integrated, Theoretical Perspective. USASBE Conference, San Diego, California 14-17 January.

Shanker, M.C., and Astrachan, J.H. 1996. Myths and Realities: Family businesses' Contribution to the US Economy - A Framework for Assessing Family Business Statistics. Family Business Review, Vol. 9, No. 2, pp. 107-119.

Smyrnios, K.X., and Dana, L. 2006. The MGI Family and Private Business Survey. Melbourne: RMIT University.

Tagiuri R., and Davis, J.A. 1996. Bivalent Attributes of the Family Firms. Family Business Review, Vol. 9, No. 2, pp.199-208.

Ward, J.L. 1988. The Active Board with Outside Directors and the Family Firm. Family Business Review, Vol. 1, No. 3, pp. 223-229.

Ward, J.L. 2001. Developing Effective Ownership in the Family-controlled Business. Director's Monthly, Vol. 25, No. 7, pp. 1-9.

Zahra, S.A., and Pearce, J.A. 1989. Board of Directors and Corporate Financial Performance: A Review Integrative Model. Journal of Management, Vol. 15, pp. 291-334.

ISSN: 1796-9360

FAMILY'S COLLECTIVE MOTIVATION TO BUSINESS OWNERSHIP: A Review of Alternative Theoretical Approaches

Matti Koiranen[1]
University of Jyväskylä
School of Business and Economics
Finland
matti.koiranen@econ.jyu.fi

INTRODUCTION

This article sets out to explore alternative theoretical approaches to discover the nature of family's *collective motivation to co-own* their (family) business. The concept of collective motivation will be first elaborated at a general level and then more specifically in the family context. Ownership will be interpreted and defined as a relationship between the subject called an owner and the owned object, and ownership will be discussed in the forms of legal-economic, psychological, and socio-symbolic ownership. Thus, attention is paid both on 'perceived or emotional ownership' as well as on what could be called as 'actual or more formal' ownership. (Mackin, 2005, 2). The meaning of ownership can also be created through social processes in which cases it is socio-symbolic. (Nordqvist, 2005).

The earliest motivation theories have dealt with a human's motivation mainly at an individual level as opposed to group or collective. However, recently writers, such as Swanson (1989, 173-176), have widened our thinking by stating: "Values, motives, and motivation can be collective in origin and reference" and "…collective motivations are what, for simplicity I call for collective purposes." This view has subsequently been supported by psychological and educational scientists who have discovered a more collective phenomenon especially in group learning situations (e.g. Bandura, 2001, 12; Susimetsä, 2006, 68-71).

Theoretical alternatives will be reviewed across the areas of many disciplines. This comparative and complementary approach allows us to adopt a multidisciplinary, if not interdisciplinary, perspective to the subject. The main research idea is to elaborate collective ownership motivation of the family in the light of several alternative

[1] Professor at the University of Jyväskylä, School of Business and Economics, (Finland).

ISSN: 1796-9360

theories. Methodologically, this article is a conceptual literature analysis, and its main results are descriptive and tentative categorizations as well as a set of research proposals that can be tested empirically in a later stage of the study.

Although ownership is one of the key concepts of culture, economy, and legislation, family ownership is the most prevalent form of business ownership in most parts of the world. Although Kao et al. (2005, 38) argue that "ownership is the strongest motivation of human action", the topic of family's collective motivation to ownership has been insufficiently studied. This paper tries to address this gap to some extent by searching and re-searching related literature. Thus the method used could also be described as "abductive" moving from one discipline to another, as the theme unfolds little by little. The findings of the literature review and my research will be reflected in the contexts of family business and business-owning family.

Like families, business firms are social organizations. Business organizations, unlike some other social organizations (such as clubs for example) constantly meet the pressures of the competitive marketplace and normally engage in risk taking in the pursuit of profit. However, family businesses are not just profit machines, as they are also imbued with many complexities and emotional concerns. (Astrachan and Jaskiewicz, 2007).

The implications of family business ownership are multifold. (cf. Hall and Koiranen, 2006). It is challenging to explore what motivates family members to co-own their business and, consequently, to share the rights and responsibilities together as a family, as well as to take the risks and enjoy the rewards ownership together.

KEY DEFINITIONS

In this section, the following concepts are defined and discussed briefly: motivation, collective motivation, family's collective motivation, and ownership. The discussion then evolves from the "general" to the "specific", namely from the definition of motivation (in general) to the definition of family's collective motivation (in particular).

Defining Motivation

A review of literature shows that there are many possible ways to define the word 'motivation'. The Latin origin of the word refers to a mobilizing force (motus, movere = to move). The following quotations of earlier definitions can be used as a starting point for this explorative journey:

Table 1: Definitions of Motivation

Definition	Author
"a concept that explains why people think and behave as they do"	Wlodkowski (1991, 1)
"the inner drive that, from birth, causes us all to act"	Cantor (1992, 147)
"those processes that influence the arousal, strength and direction of behavior"	Arkes and Garske (1982, 3)
"a person's tendency to find (learning) activities meaningful and to benefit from them"	Wlodkowski (1994, 4)
"the actual commitment to the activity entailed in motives and the guidance by motives of the performance of that activity."	Swanson (1968, 176)

The above quotations have a lot of similarities. The main commonality between the definitions is that motivation refers to a goal-driven, purposeful action and behavior. Motivation seems to mean inner strivings that direct and activate behavior; it is the internal state, condition, or process resulting in behavior directed toward a specific goal. The concept of motivation seems to offer at least one answer to the question: "What makes us do things we do?" We have a tendency to do what we find as meaningful and beneficial.

For the present paper the following definition will be adopted which incorporates the key ideas of definitions in Table 1:

> ***Def. 1: Motivation is the internal state, condition or the process that influences the arousal, strength and direction of human and collective behavior towards goals and activities which are regarded as meaningful and beneficial.***

Defining Collective Motivation

The word 'collective' (rooting from the Latin: collectivus) can be used as an adjective or a noun. In the Longman Dictionary of Contemporary English, 1991, the adjective 'collective' is "[something] of or shared by a number of people considered as one or acting as one." The adjective can be used as an attribute to the expressions meaning that something constitutes a group or an aggregate. Common expressions of this kind are present in everyday language, such as: collective action (meaning united action); collective agreement (meaning shared agreement). If a family has a collective motivation to business ownership, by definition, they agree to unite and share their actions towards the same motive. It is known, however, that different family members often have different motives, and therefore the ideal of united, shared collective motivation is not always shared between family members.

According to the Longman dictionary; the noun 'collective' refers to "a group of people working together for their shared advantage, especially a business owned and controlled by the people who work in it." This sounds like an appropriate definition to apply to the business-owning family as an aggregate. In this definition the idea of shared advantage is very explicit. 'Collective' refers to a number of persons which can be considered as a jointly-working unit. Certain words, like a family, a flock, a herd, a society, a nation are, as such, collective words.

ISSN: 1796-9360

If this attribute is incorporated in our previous definition of motivation it is possible to move from the individual level to the group level, and extend the definition of collective motivation to:

> ***Def. 2: Collective motivation is the shared internal state, condition or the process that influence the arousal, strength, and direction of joint behavior towards the goal and activities which are regarded as meaningful and beneficial.***

This definition is parallel with Swanson's definition of "Collective Motivation". Swanson (1989, 176) stated: "Collective motivation is the commitment to the collective action entailed in collective motives and the guidance of that action by these motives."

Defining Family's Collective Motivation

As a definition of collective motivation has been proposed, I would like adapt the definition to suit it's context: the family. (Earlier) Definitions of the family are numerous, and it appears that the definition of family is very much time- and culture-related. Below are listed some alternative definitions, out of which some are more traditional and some more modern views of family. A family has been described as follows:

1) ***A fundamental social group in society typically consisting of one or two parents and their children.***
2) ***Two or more people who share the same goals and values, have long-term commitments to one another, and reside usually in the same dwelling place.***
3) ***All the members of a household under one roof.***
4) ***A group of persons sharing common ancestry.***

For statistical purposes and legislation authorities have developed clear definitions of family. In the (post-) modern world, these definitions can be considered be old-fashioned. Some definitions refer more to the concept of a 'core family' whereas others emphasize wider kinship and 'extended family'. The word 'family' can be used both as a noun and an adjective, cf. the expressions such as: family car, family history, family planning, and family business. The concept of the 'family' has changed over the years, but still it is regarded as a basic unit for childcare, socialization, as well as a pattern of the intimacy between a man and woman as a couple and the care between the generations. Referring to the family's collective motivation, Hall (2007) has suggested that a family can be seen as a system, as an institution, as a process and as a bundle of genuine relations (see table 2).

Table 2

(a) Family as a *system*: "The family is a complex integrated whole, wherein individual family members and family relationships are necessarily interdependent, exerting a continuous and reciprocal effect on one another";
(b) Family as an *institution*: "…logic based on community and motivation of activity by loyalty to members";
(c) Family as a *process*: "… collaborative engagement";
(d) Family as *genuine relations*: "Relations are emotional and seek establishment of confidence and trust. Interaction has meaning over the actual transactions. Emotional bonds and affectionate ties that develop between and among its members as well as a sense of responsibility and loyalty to the family as a system." (Hall, 2007; cf. also Kepner, 1994, 448).

There are several family theories from which different family definitions can be derived. To name a few of them: a functionalistic family theory; a familistic family theory; an individualistic family theory; and a feministic family theory (see Notko 2000 for further discussion of these theories). Some of these theories, like the feministic family theory, to some extent challenge the above definitions. Additional views are given by a group of researchers representing biosocial family theory such as Erik Richard Dawkins (1989), and Edward Westermarck (1921) (see Sarmaja, 2003, 223-243 for a wider discussion). For most family and family business researchers, the theory which is most widely used and known is Family Systems Theory associated with its well-known advocate Murray Bowen, a famous psychiatrist (Bowen, 1978; Bowen and Kerr, 1988.)

These examples show how difficult it is to find a definition of the family that is broad and can be adapted for many purposes. In order to not complicate the discussion any further, the following definitions are given:

Def. 3: [A core family is] a fundamental social group consisting one or two parents and their children. These people typically share similar goals and values and have long-term commitments to each other.

Def. 4: [An extended family is] a social group based on kinship or marriage that surrounds the core family. In certain cultures this means all the people living in the same household and under the same roof. Genetically, an extended family means also a group of persons sharing common ancestry. An extended family with cousins and in-laws, for example, typically have more variety in goals and values than a core family and less long-term commitments to one another.

After these ambiguous thoughts it is quite venturesome to propose a definition of 'Family's Collective Motivation'.

Def. 5: [A family's collective motivation is] the shared internal state, condition or the process which influence the arousal, strength and direction of family's behavior toward the goal and activity that are regarded as meaningful and beneficial by core family and/or external family members.

ISSN: 1796-9360

Defining ownership

Grunebaum (1987, 3) has suggested that ownership is the relationship between the subject (called an owner) and the object (called the target of ownership). In this paper, the subject is the business-owning family and the object is the family business in which they are co-owners.

As ownership creates legal right of possession or proprietorship it is typical to think that ownership is just a legal or economical concept. This is natural, as (legal) ownership makes it possible for the owner to use, control, and even sell the object. In colloquial language, we often relate to ownership with such adjacent concepts as holdings, assets, capital, property, and wealth. In doing so, we mix the relationship with the object. This kind of every-day speech, however, reveals that the legal-economic dimension of ownership is dominating in our thinking of ownership.

However, there are also other forms of ownership, such as psychological, social-psychological, and socio-symbolic ownership. These concepts can be illustrated as follows (cf. Hall and Koiranen, 2007):

1)	*LEGAL: Mine or ours by legal possession.*
2)	*ECONOMIC: Connected with legal. Mine or ours with economic implications.*
3)	*PSYCHOLOGICAL: Mine by emotions and feelings (affective and individualistic).*
4)	*SOCIO-PSYCHOLOGICAL: Ours by emotions (affective and collectivistic).*
5)	*SOCIO-SYMBOLIC: Mine or ours, typically as a status, a role or identity that is constructed by possessions: "To have is to be".*

Psychological, socio-psychological and socio-symbolic ownership can exist even without legal-economic ownership. They are based on emotions and/or interpretations. Pierce et al. (2001, 301-302) have commented that: "As a state of mind, psychological ownership is that state in which individuals feel as though the target of ownership (material or immaterial in nature) or a piece of it is theirs… The core of psychological ownership is the feeling of possessiveness and of being psychologically tied on an object."

In socio-psychological and socio-symbolic ownership, one's possessions are felt as extensions of the self. (Dittmar, 1992). Ownership is based on social interaction. It is a social creation existing in symbolic relationships as well as in the interpretations that actors give to it, as they act in every-day life. (Nordqvist, 2005). These forms of ownership are constructed in inter-individual processes and they often bring about self-expressive aspects like social position or status. This is illustrated by Dittmar (1992, 65-76) in his book: "To have is to be". In the following quotation the author clearly refers to the collective symbolic nature of ownership: "…possessions symbolize not only the personal qualities of individuals but also the groups they belong to." (Dittmar 1992, 10-11).

The idea of extending ownership from legal-economic to the more emotional and behavioral side (psychological, socio-psychological, and socio-symbolic) is supported by Etzioni (1991, 466), who wrote: "Ownership is a dual creation. Part attitude, part

object. Part in mind, part real". Etzioni (1991), refers more to the target of ownership (the object) than to the relationship between the subject and the object.

Pierce et al. (2001) recognize three routes or paths leading to psychological ownership, which are all bond-creating, inter-connected and mutually reinforcing: (a) Control over target i.e. Power; (b) Self-investments into target (like time used and efforts made, i.e. personal "sacrifices"); (c) Intimate knowing of the target. Obviously all these paths are very evident in the family business context, and if these feelings are collectively shared it creates strong bonds to the collective motivation of ownership between the family members.

It is now possible to define ownership and co-ownership as follows:

Def. 6 a: Ownership is the relationship between the subject, called an owner, and the object, called the target of ownership. This relationship is an interplay, as the subject has an impact on the object and vice versa. The nature of ownership can be legal, economic, psychological, socio-psychological, and socio-symbolic.

Def. 6 b: Co-ownership is a possessive relationship where the owning subject is a collective, such as a couple, a team, or a family.

By focusing on the implications of ownership (cf. Hall and Koiranen, 2006) we can conclude by saying:

Def.7: Ownership creates a status, a role and a task. It includes responsibilities, risks, duties and worries. On the other hand, ownership creates the legitimate right to use power, to grow wealth, and to feel joy.

Monks and Minow (2004, 98-99) hold the view that ownership is a combination of rights and responsibilities. These rights are: (a) an owner can use the owned object; (b) an owner can control, how others use it; and (c) an owner can transfer these rights. On the other hand, the responsibilities related to ownership are: (d) an owner is legally responsible for making sure that the owned object does not cause damage to anybody; and (e) an owner is morally responsible for enhancing common good.

After defining the key concepts it is possible to explore how different theoretical alternatives could be adapted as approaches to understand family's collective motivation to co-own their family business.

THEORETICAL APPROACHES TO EXPLORING FAMILY'S COLLECTIVE MOTIVATION TO BUSINESS OWNERSHIP

Cultural motivation theories

Human beings are a part of and are affected by the culture in which they live. It is therefore natural to suggest that culture and motivation are also related. Wlodkowski (1999) writes: "We know that culture that deeply learned mix of language, values, beliefs, and behaviors that pervades every aspect of a person's life, significantly influences our motivation." If a family has a strong and collective family culture it can be assumed that this collective culture is reflected in their motivation to own as a family. Wlodkowsk (1999, 2) also commented that "The language we use to think, the way

we travel through our thoughts, and how we communicate cannot be separated from cultural practices and cultural context… If we keep culture in mind, a useful functional definition of motivation is to understand it as a natural human process directing energy to accomplish a goal."

An aspect of culture is belonging to a group. Different cultures are referred to such as rural or city culture, organizational culture, workplace culture, classroom culture, and so on. Groups may motivate individuals to engage in social facilitation or social loafing. A family is the fundamental social unit and the primary group in which we, as individuals belong to. Therefore it is appropriate to suggest that also a family has a cultural impact on its members' ownership thinking. This notion takes us to a new alternative called Social Motivation.

Social Motivation Theories

An overriding principle in social motivation theories is the need of social order. Social motivation is related to the need to be rewarded socially with acceptance and/or admiration from others and, thus, it is an externally driven force. Miller et al. (1999, 105) defined social motivation "as the degree to which an individual needs or is driven to satisfy the opinion of and gain recognition from others." Among family members there is a lot of reciprocal behavior where people are in social exchange with each other. As family members, we are motivated to behave in the manner that other family members would consider right. Economic and psychological motives of ownership may be part of the social exchange processes through which we fulfill our need to be rewarded or socially accepted in a business-owning family.

Miller et al. (1999) build strongly their view of social exchange in the idea of reciprocity. They have developed a scale to measure some key variables of moral, social and economic motivation, but the scale has not been developed to measure ownership motivation. However, in a family business context, there often exists similar types of motives for ownership, namely moral, social and economic. Social motivation in a family business context could be considered a precursor to intrinsic motivation as family members have a need to behave so that performance pleases other family members. (Miller et al. 1999, 104).

In the context of the business-owning family, the achievement motivation may be intertwined with social motivation. This can be illustrated by the following example: "Now that I have seen how my parents have started the business and been successful in it, I have decided to join their business as a next-generation owner and make it grow."

In the forward of the book "Social Motivation" (Juvonen and Wentzel, 1997), the "Father of the social motivation theory" professor Bernard Weiner writes that the book offers "affiliate motivation its proper role and respect" and signals the "potential for a general theory of motivation". The book itself is a valuable and coherent collection of writings which break the ground in the area of psychology of social motivation. Many of its ideas can be shared in the studies of family's collective motivation. It gives thoughts to study social motivation in relation to one's self and to relationships with others (like other family members).

Expectancy-Value Theory of Motivation

This motivational theory suggests that if a person wants to be motivated to do something, s/he must perceive that the matter is important i.e. it must have some *value* and s/he must expect that it is possible to accomplish the task i.e. s/he must *expect success.* One of the best known examples based on this logic is Vroom's Expectancy-Value theory. It suggests that expectations about the ability to accomplish something will affect the success in accomplishing it.

What kind of values may be assigned to ownership? The literature suggests four main categories of such values:

1) *Values of Intrinsic Motivation: This kind of motivation can be either consumptive or investive) If ownership in itself brings immediate satisfaction, it is consumptive. If ownership will contribute to future satisfaction, it is investive. Intrinsic motivation can be a big element in Psychological Ownership.*

2) *Values of Social Motivation: This kind of motivation can occur when becoming an owner is supposed to please people whose opinion is important to them. For example, parents have a duty to their children, and this can be the motive why children want to become co-owners or succeed their parents as owners. Moral motivation can be intertwined with social motivation.*

3) *Values of Extrinsic Motivation: Ownership is motivated because of the value that is attached to what its outcome brings. The outcome can both financial and emotional in nature. The ownership as such i.e. a responsible task with all its duties and risks is not regarded as motivating, but the outcome of ownership - extrinsic rewards - create motivation.*

4) *Values of Achievement Motivation: Ownership is motivated because the person has the need to compete and win. In ownership, the person with this kind of motivation values the results achieved.*

Together with psychologists, educational scientists especially have been active in finding the factors that will influence a person to *expect* success or failure in his/her performance. These are: *Previous experience, Clear goals and criteria, and Feedback on progress.* This finding is useful for anybody who considers how to carry out family business education and/or mentoring to upbring and educate good next-generation family business owners.

Most importantly, this theory suggests that motivation is a product, i.e. Motivation = Value x Expected Success. If either of them is zero, then also motivation is zero.

Need Theories

Maslow's "steps" can be regarded as a humanist approach to motivation. Maslow (1954) perceived that motivation relates to a person's striving for growth. He suggested that at any given point a human's actions are dominated by those of the needs which have not yet been adequately satisfied. When the lower levels of needs are satisfied, then motives at the higher level become more important. In his hierarchy the lower *basic* needs are: *1) physiological needs (desire for food and water, for exam-*

ple); 2*) safety needs (desire for security); and 3) belongingness needs (desire for love and friendship.* The needs above those are so-called *growth* needs, and they are: *4) esteem needs (desire for success and to get approval from others); and 5) self-actualization needs (desire for self-fulfillment).*

Maslow held the view that true motivation is intrinsic in nature, Money and other rewards are often thought to be extrinsic motivators, but for an entrepreneur and business owner money coming from successful business operations can also be interpreted as an intrinsic motivator. It does not only mean that there is money for food and drinks or giving safety, but it is also a measure and proof of meeting the esteem needs by being successful and satisfies self-actualization needs. Money is therefore often associated with his/her growth needs as well.

Maslow's hierarchy is presented to cover an individual's motivation (at any given time). It has been largely criticized. Its usefulness to describe the collective needs and a group's collective motivation is questionable. Only if the group strongly shares their needs (all family members need more security, more friendship, more success, more possibilities for self-actualization etc.), is it then possible that they can develop together a shared motivational state that could be called as their collective motivation. This kind of need alignment may be more a theoretical idea than what we can experience in practice.

Alderfer (1972) used Maslow's hierarchy as a foundation for his work. He proposed three need categories, as follows:

Existence needs (cf. Maslow's physiological and safety needs)
Relatedness needs (cf. Maslow's belongingness needs)
Growth needs (cf. Maslow's esteem and self-actualization needs)

McClelland's Acquired Needs Theory is based on his view that early experiences determine what kind of needs people acquire during their lifetime. The theory recognizes three major needs (McClelland et al. 1953 and McClelland 1961):

Need for achievement
Need for affiliation
Need for power.

In a family business context, if the collective motivation is high, a family is committed to achieve something together that they regard as meaningful and rewarding. Working together also satisfies the need of affiliation. In family, the need of power is not just the desire to control or have authority over other family members, but it also creates responsibility for other family members. Material possessions often symbolize what we have achieved and therefore there could be a natural connection between the need of achievement and socio-symbolic ownership.

Bandura's Self-Efficacy Theory

Bandura suggests that self-efficacy regulates a person's own estimates of effectiveness, and his approach is very much a cognitive approach to motivation. According to him, "Perceived self-efficacy refers to beliefs in one's capabilities to organize and execute the courses of action required to produce given attainments. (Bandura, 1997, 3). Self-efficacy has two key components: *actual competencies, like skills required for the performance*, and *personal estimates of competence.* High levels of self-efficacy results in high levels of individual motivation.

Recently, educational scientists who have studied group learning have been able to expand the Self-efficacy Theory to a group level. If the group members have perceived that they as a collective unit are self-efficient to learn, pass the course, or complete a task, they have been motivated in doing so. Susimetsä (2006) in his PhD Thesis examined and found empirically this kind of collective motivation in a teaching programme based on group e-learning.

As applied to family business ownership, this finding is extremely interesting. Self-efficacy is the source of greater persistence, effort, and intrinsic motive in learning. Being a good and responsible family business owner with a long-term horizon of ownership certainly calls for persistence, effort, and intrinsic motivation. Bandura's theory, as extended to a group, could prove to be promising in the studies of collective motivation in the context of family business and its ownership.

Attribution Theory

Attribution Theory was developed by Bernard Weiner (1984) who argued that causal attributions (i.e. opinions of why one succeeds or fails) are developed when there has been either an unexpected or an aversive outcome. The causal attributions given to success and failure could be as follows: *a) high/low ability or aptitude; b) good/poor effort; c) task ease/difficulty; d) good/bad luck; e) effective/ineffective strategies; f) help/lack of help from others.* Some of the attributions are internal (such as ability and effort) and some external (such as luck, task difficulty, outside help) in nature. Rotter's concept of the Locus of Control (internal vs. external) is clearly related to Weiner's (1984) attribution theory.

When applied to the family business ownership context, this theory reinforces the importance of competence. The tasks related to good ownership are not easy and cannot be based solely on good luck. Although there is normally a willingness to seek and receive help in relations with family members, this can lead to a trap. One of the traps referred to is 'learned helplessness'. An example of learned helplessness is if a person experiences that s/he had no degree of control over events, gradually the person has learned to behave in an apathetic or helpless way. In a family business, sometimes very patriarchal or matriarchal parents can create this kind of environment to their offspring or personnel. By acting this way, they can have a major (negative) impact on family's collective motivation. In its extreme form, learned helplessness can lead the next generation to fatalism or even to the total resignation from family business: "Why bother?"

In a more positive case, where excessive paternalism or maternalism have not led to learned helplessness, the owners may think in a more balanced way all the returns and all the costs (both financial and emotional) that ownership can cause. A novel model based on financial and emotional values has recently been introduced by Astrachan and Jaskiewicz, which will be discussed in the next section of this paper.

The Astrachan-Jaskiewicz Utility Approach

As goals and values are important in motivation, one promising approach is arising from Family Business studies. Recently, Astrachan and Jankiewicz (2007) introduced the concept "the privately-held business owner's utility" which takes into account both financial and emotional goals of ownership. They argue that the total value of privately-held business is the sum of financial value of the business plus the emotional value stemming from the business to its owners (TV = FB + EV).

Financial value (FV) refers to discounted expected cash flows from business operations and such discounted financial private benefits that as gains are available to owners, but not available to non-owners: FV = DCF + DFPB. Emotional value (EV) = ER – EC, where ER means Emotional Return of the business to the owner (like typically pride, self worth, family togetherness, opportunities for self and family, recognition, and independence), and EC means Emotional costs (like typically tensions, conflicts, obligations, dependence, less free time, stress, sibling rivalry). In this approach, the emotional returns can be viewed as non-financial motives to family ownership, and emotional costs as de-motivating factors that can either reduce or eliminate the motivation to family ownership. ER – EC > 0 means that there are more emotional returns than costs in owning family business. ER – EC < 0 means that there are more emotional costs than emotional returns in owning, and the ownership becomes a burden. Psychological ownership may then feel like an imprisonment. The positive FV is naturally an important financial motive to own family business where as the negative FV makes it a loss-making machine (which may still have positive emotional returns to the owners).

Although Astrachan and Jaskiewicz (2007) presented their approach for the business valuation purposes, it is suggested here, that it is also a very useful theoretical approach to study the family's collective motivation to ownership. Its brilliance is in the fact, that unlike many motivational theories, it pays attention also to de-motivating factors (emotional costs).They offer a new business valuation approach that addresses both financial and non-financial (emotional) returns and costs, and end up with the concept of total value of family business utility to an owner.

The Utility Approach based on financial and emotional goals and values is a useful addition to the discussion of family's business ownership. The emotional part of the valuation is to some extent revealed in previous theories, such as psychological ownership, socio-symbolic ownership, and intrinsic motivation, attachment theory, and social identity theory.

The Utility Approach can also be criticized as being too "selfish". In motivation, by emphasizing the "utility function" and by taking the view of self-interest, ownership is important in satisfying needs and wants of one's own. However, by emphasizing "the social function" and by taking the view of common good, ownership is some-

ISSN: 1796-9360

thing that can be shared with others. The balance between two extremes would be a stewardship-oriented look at ownership. In this view, the owner makes proprietary decisions and acts upon for self-interest but at the same time also assumes stewardship responsibility for enhancing common good (cf. Aronoff and Ward, 2002, 1). In good ownership, both rights and responsibilities are balanced as proposed earlier in this article (Kao et al., 2005, 36).

THE ABDUCTIVE JUDGMENT IN THE CONTEXT OF FAMILY BUSINESS AND FAMILY OWNERSHIP

Earlier in this paper, a family's collective motivation was defined as the shared internal state, condition, or the process which influences the arousal, strength, and direction of family's behavior toward the goal and activity which are regarded as meaningful and beneficial by core family members and/or extended family members. In this study, the joint business ownership has been seen as a goal and activity, and the focus has been on the collective motivation of co-owning a family business.

The exploration journey commenced with a cultural approach. As human beings are affected strongly by the cultural environment they live and grow in, motivation and culture were found to be interrelated (Cultural Motivation Theory). The next generation of a business-owning family live in the cultures of a family business and business family, and they become socialized in that kind of a lifestyle more easily than others. Thus, the next generation is more genuinely brought up to the roles and identity of a business owner (Social Identity Theory).

With this idea in mind the discussion was extended to the field of social motivation theories. This has resulted in new ideas: Reciprocity is important in motivating our needs; we aim at satisfying and gaining recognition from others; and the theory of Social Motivation offers an approach to study affiliate motivation of the group (like a family).

Whilst revisiting the cultural approach, which emphasized that the goal and activity must be meaningful and beneficial, it was necessary to continue the journey to the Expectancy-Value Theory in order to see what kind of values may be regarded as meaningful and beneficial. Research unveiled that a wide spectrum of values exists including instrumental-extrinsic, social, achievement, and intrinsic values which can all be regarded as meaningful and beneficial. Furthermore, these values associated with expected success can produce a high level of motivation and some of the values can also be reinforcing.

As our needs are also dependent on our values, the next phase of journey took us to Maslowian steps. This model helped us to see more clearly what kind of needs human beings have in their lives. After basic needs are satisfied people become motivated to fulfill their growth needs like esteem and self-actualization needs (Need Theory).

Returning to the Expectancy-Value Theory, which emphasized that expected success is dependent on earlier experience and competence, it was appropriate to move further to the area of Cognitive Motivation, where Bandura has developed his theory based on perceived self-efficacy. According to Bandura, without sufficient self-efficacy it is difficult or sometimes impossible to become motivated. Bandura suggests two main

ISSN: 1796-9360

factors as a basis of perceived self-efficacy, namely actual competencies and personal estimates of one's own competences. Inspired by Susimetsä (2006) we learned during this phase of journey that self-efficacy can be experienced and perceived both at an individual and a collective level. Therefore, Cognitive Motivation Theory seems to offer a promising path to continue the exploration journey.

Given that earlier experiences and the causal attributions given to success and failure may considerably influence future motivation, it was necessary to consider Attribution Theory. This theory reiterated the importance of sufficient competence and the necessity to make an effort. These internal attributes were regarded as more relevant than some external ones. One specific type of behavior was discovered from the writings of Attribution Theory, and it is the trap of becoming a victim of learned helplessness which is a risk in a very paternalistic or maternalistic growing environment.

The discussion ended by considering the recent Utility Approach proposed by Astrachan and Jaskiewicz (2007). A family business is a vehicle that enables a family to achieve its financial and non-financial goals, and to create financial and emotional value to the owners. Growing the owner utility both financially and emotionally is a major motivator to set up and continue family business in the owner's role and with the owner's identity. The Utility Approach was developed for the evaluation of privately-held businesses, but it is a useful alternative to study family's collective motivation of ownership as well. However the Utility Approach (in the general sense, but not in the way Astrachan and Jaskiewicz presented it) can be criticized as taking a selfish and proprietary look at ownership. Adding the motives related to responsible stewardship make this view more balanced. (Utility Approach with Stewardship Theory).

TOWARDS A SYNTHESIS AND SUGGESTION OF RESEARCH PROPOSALS

According to Zahra and Sharma (2004) ownership is not among the issues most frequently researched in the family business context. Therefore, studying family's collective motivation to co-own business has been rather exploratory, yet challenging. The exploration has produced several alternatives to approach family's collective motivation to co-own their family business. Some exemplary summaries can be made by using a matrix technique (see table 3). To facilitate clarity, legal and economic ownership as well as social-psychological and socio-symbolic ownership have been combined as single columns each. Table 3 includes elements from the Utility Approach of Astrachan and Jaskiewicz and Social Motivation literature.

Table 3: Categorization of Motivational (M) and De-motivational (D) Factors in Family Business Ownership: Some examples.

Components of owners' utility (below)	Legal-economical ownership	Psychological ownership	Social-psychological and socio-symbolic ownership
Financial returns	**Dividends, private benefits, capital gains (M)**	**Achievements, success (M); Affluence (D)**	**Social status, appreciation (M)**
Financial costs	**Capital losses, missed opportunities (D)**	**Fear of failure (D); Need to survive (M)**	**Loss of control, Shared financial burden (D)**
Emotional returns	**Power, autonomy (M)**	**Pride, self-worth (M)**	**Cohesion, Enhancing common good (M)**
Emotional costs	**Obligations, risks (D)**	**Stress, dependence (D)**	**Conflicts, disputes, shared emotional burden (D)**

The 3 x 4 –matrix is an exemplary illustration, but the classification may help us in seeing both "the forest and some individual trees". Another classification (Table 4) is made to combine the nature of motivation in different kinds of ownership. In doing so, the Value-Expectancy theory and some Maslowian steps have been applied:

Table 4: Categorization of the Sources of Motivation to Business Ownership.

NATURE OF MOTIVATION (below)	Legal-Economic Ownership	Psychological Ownership	Social-Psychological and Socio-Symbolic Ownership
Extrinsic	**Money, instrumentally**	**Safety**	**External pressure, loyalty**
Social	**Economic value creation for common good**	**Belonging**	**Social exchange; reciprocity**
Achievement and Intrinsic	**Profit, growth. Money as a result of the success.**	**Self-actualization, Inner growth**	**Esteem, status**

Finally, the third matrix (Table 5) is a suggestion to apply Bandura's Self-Efficacy Theory into the collective motivation to family ownership.

Table 5: Motivational Taxonomy of Co-owning Based on Bandura's Self-Efficacy Theory.

SHARED ESTIMATES OF FAMILY'S COMPETENCE TO CO-OWN (below)	ACTUAL COMPETENCE TO CO-OWN Low: -	ACTUAL COMPETENCE TO CO-OWN High: +
Low: -	**- - Low motivation and self-efficacy to co-own**	**+ - Underestimated competence to co-own**
High: +	**- + Overestimated competence to co-own**	**+ + High collective motivation and self-efficacy to co-own**

The exploration has revealed some findings that are far from tested theories but may work as suggested proposals regarding future research projects in the field. The main source of theory is given in the brackets.

P1: Family as a culturally close group of people can create a collective motivation to co-own business (Social Identity Theory, Cultural Motivation Theory).

P2: Families have financial, emotional, and socio-symbolic motives to co-own businesses (Utility Approach, Need Theory, Social identity theory, Socio-symbolic View of Ownership).

P3: Families with higher shared self-efficacy are more successful in co-owning family business (Self-efficacy Theory, Value-Expectancy Theory).

P4: Family members who strongly want to satisfy and gain recognition from other members of their family have a reciprocal motivation to co-own business (Social Motivation Theory).

P5: The causal attributions given by family members to success or failure have an impact on the future collective motivation to co-own family business (Attribution Theory).

Many practical observations from the empirical field of family ownership indicate the suggested proposals could be viewed as explanations of family's collective motivation to co-own business. The author proposes that the next stage of this research project is to create operational scales to survey and test the acceptability of these proposals and to conduct in-depth interviews with the members of the owning families which allows the author to draw conclusions from this softer approach by using the so-called analytical generalization with theory.

Bandura (2001, 12) commented that "The stronger the perceived collective efficacy the higher the group's aspirations and motivational investment in their undertakings…and the greater their performance accomplishments." This socio-psychological finding from learning groups may could be applied to the motivational background of family's collective motivation to co-own their business. This kind of extension is inspired by the two eminent Family Business researchers Craig Aronoff and John Ward, who hit the nail by saying: "Ownership, at its best, means stewardship - protecting and nurturing the family business and preserving it for the benefits of the next generation of family members and family employees, customers, and community. As such, ownership can be a vehicle for adding purpose to one's life… (Aronoff and Ward, 2002, 1). The insights of these authors, from differing academic fields, provide rationale to research in more depth family's collective motivation in the area of owning business as a family.

REFERENCES

Alderfer, C. 1972. Existence, Relatedness, and Growth, New York, Free Press.

Aronoff, C.E., and Ward, J.L. 2002. Family Business Ownership: How to Be an Effective Shareholder. Family Business Leadership Series, N:o 15, Marietta USA, Family Enterprise Publishers.

Arkes, H.R., and Garske, J.P. 1982. Psychological Theory of Motivation. Monterey, CA. Brokes/Cole.

Astrachan, J., and Jaskiewicz P. 2007. Emotional Returns and Emotional Costs in Privately Held Family Firms: Advancing Traditional Business Valuation. A conference paper presented in the IFERA 2007 Conference. 20-22.6.2007; European Business School, Wiesbaden, Germany.

Bandura, A. 1997. Self-Efficacy. The Exercise of Control. New York, Freeman.

Bandura, A. 2001. Social Cognitive Theory: An Agentic Perspective. Annual Review of Psychology, 52, pp. 1-26.

Bowen, M. 1978. Family Therapy in Clinical Practice. New York, Jason Aronson.

Bowen, M., and Kerr, M. 1988. Family Evaluation. The Role of the Family as an Emotional Unit that Governs Individual Behavior and Development. New York, W.W. Norton Company.

Cantor, J. 1992. Delivering Instruction to Adult Learners. Toronto, Ontario, Canada. Wall & Emerson.

Dittmar, H. 1992. The Social Psychology of Material Possessions: To Have Is To Be. New York, St. Martins Press.

Grunebaum, J.O. 1987. Private Ownership. London and New York, Routledge & Kegan Paul.

Edwards, D. 1999. Motivation and Emotion. Thousand Oaks, Sage Publications.

Hall, A. 2007. Family - an Integral Part of the Family Firm. A Summary Hand-out of the Keynote Lecture in the Finnish Family Business Researchers´ Meeting. Kirkkonummi, 12.2.2007.

Hall, A., and Koiranen, M. 2007. Dimensions and Implications of Ownership in the Family Business. In Kansikas, J. and Lehti, S. (eds.): Dimensions on Family Business Research. Vol. 1: Values and Responsible Ownership. University of Jyväskylä, Reports from the School of Business and Economics, n:o 36/2007.

Hall, R. 2006. Social Motivation. Bank Marketing, May, Vol. 38, Iss. 4, pp. 12-13.

Juvonen, J. 1994. Social Motivation in the Classroom: Implications for Students' Achievement, Scandinavian Journal of Educational Research, 3-4, pp. 279-289.

Juvonen, J. and Wentzel, K. (eds.) 1997. Social Motivation. Understanding Children´s School Adjustment. Cambridge, Cambridge University Press.

Kao, R.Y., Kao, K.R., and Kao, R.F. 2005. An Entrepreneurial Approach to Stewardship Accountability. ISBN 981-256-006-8. World Scientific Publishing.

Mackin, C. 1996. Ownership Theory. Foundation for Enterprise Development. Printed in Foundation for Enterprise Development Annual Report, 1996. Available electronically in http://ownershipassociates.com/ownerthy.shtm

Maslow, A. 1954. Motivation and Personality. New York, Harper.

McClelland, D. 1961. The Achieving Society. Princeton, Van Nostrand.

McClelland, D., Atkinson, J.W., Clark, R.A., and Lowell, E.L. 1953. The Achievement Motive. Princeton, Van Nostrand.

Miller, N.J., Kean, R.C., and Littrel, M.A. 1999. Exploring Consumer and Retailer Exchange in Rural Communities, Part II. Family and Consumer Sciences Research Journal, 28, pp. 99-121.

Monks, R.A.G., and Minow, N. 2004. Corporate Governance. Blackwell Publishing.

Nordqvist, M. 2005. Understanding the Role of Ownership in Strategising: A Study of Family Firms. (PhD Thesis). Jönköping, Sweden. JIBS Dissertation Series N:o 029. Jönköping International Business School.

Pierce J.L., Kostova, T. and Dirks, K.T. 2001. Toward a Theory of Psychological Ownership in Organisations, Academy of Management Review, 26, 2, pp. 298-310.

Sarmaja, H. 2003. Ihmislajin perheenmuodostuksen evoluutiopsykologinen perusta. (The Evolutionary Base of Human Family Formation - English summary). Yhteiskuntapolitiikka, Vol. 68, Nr. 3, pp. 223-243 (Full article in Finnish, only).

Sharma, P. and Irving, P.G. 2005. Four Bases of Family Business Successor Commitment: Antecedents and Consequences, Entrepreneurship Theory and Practice, Vol. 29, Nr. 1, pp. 13-33.

Susimetsä, M. 2006. Motivated and Self-Regulated Learning of Adult Learners in a Collective On-line Environment. (PhD Thesis). Tampere, Finland. Acta Universitatis Tamperensis 1160.

Swanson, G.E. 1989. Collective Purpose and Culture. Findings and Implications from Some Studies of Societies. (electronically in http://content.cdlib.org/xtf/view?docId)

Vroom, V.H. 1964. Work and Motivation. New York, John Wiley.

Weiner, B. 2000. Intrapersonal and Interpersonal Theories of Motivation from an Attributional Perspective, Educational Psychology Review, 12, pp. 1-14.

Weiner, B. 2005. Social Motivation, Justice, and the Moral Emotions: An Attributional Approach. Lawrence Erlbaum Associates.

Wlodkowski, R. 1999. Enhancing Adult Motivation to Learn. San Francisco, CA. Jossey-Bass.

Zahra, S.A. and Sharma, P. 2004. Family Business Research: A Strategic Reflection, Family Business Review, Vol. 17, Nr. 4, pp. 331-346.

ISSN: 1796-9360

THE VALUE CREATION PROCESS IN FAMILY FIRMS. A DYNAMIC CAPABILITIES APPROACH

Francesco Chirico[2]
Institute of Management
Via G. Buffi 13,
6900 Lugano, Switzerland
Tel: +41586664474
Fax: +41586664647
francesco.chirico@lu.unisi.ch

Abstract

While most family-business research has focused on studies related with trans-generational value creation, a gap still exists in understanding how this value is generated across generations, especially in dynamic markets. The present research offers new insights through the lens of dynamic capabilities, which are generated by knowledge and in turn generate entrepreneurial performance for value creation in family business. Family inertia is considered to be a factor preventing the creation of dynamic capabilities. It depends on the family-business culture, where paternalism and entrepreneurial drive influence family inertia positively and negatively, respectively. Four family firms from Switzerland and Italy are part of this research.

Keywords: Knowledge, Dynamic Capabilities, Family Culture, Trans-generational Value.

[2] Researcher at the University of Lugano, Switzerland.

ISSN: 1796-9360

INTRODUCTION

While most family-business research has focused on studies related with trans-generational value creation (see for example Habbershon and Pistrui, 2002), a gap still exists in understanding how this value is generated across generations, especially in dynamic markets[3]. The resource-based view of the firm has been a useful framework to study the determinants of an organization's success even though it does not properly answer to our question. Indeed, having resources which are rare, valuable, inimitable and not substitutable (Penrose, 1959; Barney 1991) is not enough to stay competitive in dynamic markets (Sirmon and Hitt, 2003). A firm also needs specific capabilities to make better use of its resources (Eisenhardt and Martin, 2000). In line with Eisenhardt and Martin (2000), new value-creating strategies are generated by the combination of resources - i.e. by the firm's ability to acquire, integrate, recombine and shed them. This is captured in the concept of dynamic capabilities.

The contribution of this study to the existing literature consists of a detailed examination of the complex dynamic process through which dynamic capabilities are generated by knowledge and generate entrepreneurial performance in terms of entrepreneurial innovation and strategic adaptation to the market, thereby allowing a family firm to compete in situations of rapid change and create value over time. In addition, family inertia is considered to be a factor preventing the creation of dynamic capabilities. It depends on the family-business culture, where paternalism and entrepreneurial drive influence family inertia positively and negatively, respectively (Teece et al., 1997; Eisenhardt et al., 2000; Hall et al., 2001; Habbershon and Pistrui, 2002; Zahra and George, 2002; Sharma, 2005; Koiranen and Chirico, 2006). Through a qualitative research, we analyse three wine producing family firms from Switzerland (Iurlaro and Cervo) and Italy (Frescobaldi) and a liqueur family firm from Italy (Borsci).

The paper is organized as follows. After a review of the literature related to the determinants of family firm's value creation, the methodology of the qualitative research is presented. This is followed by the sample of four family firms interviewed. In this section, we first report the history of each firm and then the evidence gathered from the case studies. The paper concludes with the discussion and conclusions of the main findings and results of the study.

THEORETICAL FRAMEWORK

Knowledge, dynamic capabilities and value creation

Knowledge in family business is defined as pure knowledge and skill which family members have gained and developed through education and experience within and outside the organization 'industry-related, business and ownership knowledge' (Zahra et al., 2007; Chirico, forthcoming 2007). In particular, living within the family and working within the business from an early age allow family members to develop deep levels of firm-specific tacit knowledge (i.e. skill) (Zahra et al., 2007). In our study, we mostly emphasise tacit knowledge because of its centrality within an organization (see Grant, 1996a; Cabrera-Suarez et al., 2001). Knowledge is a significant source of competitive advantage which en-

[3] Dynamic markets are those in which the competitive landscape shifts very quickly and change must be promoted in order to survive (Eisenhardt and Martin, 2000; Miller et al., 2003).

ISSN: 1796-9360

ables an organisation to be innovative and remain competitive in the market. It is identified as the most fundamental asset of the firm, which all other resources depend on (Polany, 1958, 1967; Nonaka, 1991; Nonaka and Takeuchi, 1995; Grant, 1996a; Smith, 2001).

The importance of knowledge is emphasised by Nonaka et al. (2000, 1) who argue that knowledge leads to competitive advantage because it enables an organization to innovate new products/processes/services, or improve existing ones more efficiently and/or effectively. Similarly, Prusak (1996, 8) suggests that "the only thing that gives an organization a competitive edge - the only thing that is sustainable - is what it knows, how it uses what it knows and how fast it can know something new". Indeed, firms with superior knowledge can combine traditional resources and assets in new and distinctive ways, be innovative, enhance their fundamental ability to compete and do better than rivals (Grant, 1996a; Teece et al. 1997; Davenport and Prusak, 1998). In this respect, Cabrera-Suarez et al. (2001) emphasise the importance of knowledge as a source of competitive advantage in family business; and Bjuggren et al. (2001) indicates that there is a form of family idiosyncratic knowledge which makes intergenerational succession within the family more profitable than other types of succession.

However, since the manipulation of knowledge is particularly important in environments of rapid change (Grant, 1996a, b; Spender, 1996), having knowledge is crucial but not enough to remain competitive over time. An organization also needs dynamic capabilities[4] to make better use of its resources (Eisenhardt and Martin, 2000). For instance, Habbershon and Pistrui, (2002) posit that the family ownership group has to develop entrepreneurial change capabilities in order to shed or redeploy resources which erode in value and become obsolete quickly in changing markets. Teece et al. (1997, 516) define dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. They reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions". In other words, they are processes or "routines through which managers alter their resource base - acquire and shed resources, integrate them together, and recombine them" (Eisenhardt and Martin, 2000, 1107). The term 'dynamic' refers to the capacity of renewing the organisation to better suit the changing environment; while 'capabilities' refers to the ability to build and combine internal and external resources so as to achieve congruity with a changing environment. Following Teece et al. (1997) and Eisenhardt and Martin, (2000) *dynamic capabilities are here defined as processes embedded in firms designed to acquire, exchange and transform (integrate and recombine) internal and external resources in new and distinctive ways and, at times, shed them.* Dynamic capabilities are distinctive (i.e specific and unique: familiness) in family business since they result from the strong interaction among the family, its individual members and the business (Habbershon and Williams, 1999; Cabrera-Suarez et al. 2001). Product development and product innovation are examples of dynamic capabilities (see Deeds et al. 1996; Eisenhardt and Martin, 2000; Branzei et al. 2004). According to the literature, these dynamic processes lead to a new form of competitive advantage (Teece et al. 1997) named, in this study, *entrepreneu-*

---

[4]In the empirical data, dynamic capabilities are measured by: acquiring resources (capability to obtain resources from outside the family); exchanging resources (capability to obtain resources from inside the family); transforming resources (capability to integrate and (re)combine resources); and shedding resources (ability to get rid of obsolete resources).

rial performance[5] given by entrepreneurial innovation and strategic adaptation to the market (Barney, 1991; Zahra and George, 2002). Consequently, *trans-generational value creation*[6] in terms of financial results can be achieved (Lei et al. 1996; Pennings et al. 1998; Floyd and Lane, 2000; Hitt et al. 2001; Zahra and George, 2002).

However, mechanisms of knowledge acquisition and sharing, collective learning, experience accumulation and transfer guide the evolution of dynamic capabilities. For instance, Eisenhardt and Martin (2000) point out that dynamic capabilities rely on the existing knowledge and the creation of new knowledge. Zollo and Winter (2002) refer to experience accumulation, knowledge articulation and codification as generators of dynamic capabilities. They suggest that dynamic capabilities arise from learning. Finally, Zahra and George (2002) define absorptive capacity as a dynamic capability developed by past experience and prior knowledge.

Most of the advantages of family firms refer to these knowledge processes (Habbershon and Williams, 1999; Cabrera-Suarez et al., 2001; Sirmon and Hitt, 2003) through which knowledge is accumulated within the organization but also acquired from outside (Cohen and Levinthal, 1990; Zahra and George, 2002). In this way, knowledge is also updated to avoid obsolescence (Argyris and Schon, 1978). According to Chirico (forthcoming 2007), knowledge is best developed (i.e. acquired, created, shared and transferred) in a business (and family) environment in which family-business members involved in the succession (predecessors and successors) strongly value the following factors: working within the family firm: ties, cooperation and collaboration enhanced by trust; motivation and commitment; emotional attachments; academic courses and practical training courses; working outside the family firm; and employing/using talented non-family members (see Figure 1). The development process of knowledge can be well developed in family firms especially due to the high level of emotional involvement of family members and the socially intense interactions between family members and with external parties (see Tagiuri and Davis, 1996; Cabrera-Suarez et al. 2001; Sirmon and Hitt, 2003). For instance, Tagiuri and Davis (1996) argue that emotional involvement, the lifelong common history and the use of a private language in family businesses enhance communication between family members. This allows them, firstly, to *exchange knowledge* more efficiently and with greater privacy compared to non-family firms (Tagiuri and Davis, 1996; Cabrera-Suarez et al. 2001); secondly, to develop *idiosyncratic knowledge* (see Coleman, 1988; Bjuggren et al. 2001; Cabrera-Suarez et al. 2001) and *specific dynamic capabilities for resource-recombination* which remains within the family and the business across generations (see Deeds et al. 1996; Kusunoki et al. 1998; Habbershon and Williams, 1999; Eisenhardt and Martin, 2000; Habbershon and Pistrui, 2002; Koiranen and Chirico, 2006). Moreover, as pointed out by Astrachan et al. (2002) family relationships generate unusual motivation, commitment and loyalties, and increase trust although values, beliefs, traditions and commitment tend to decrease after the second generation. As a result, dynamic capabilities might be best gener-

[5] In the empirical data, entrepreneurial performance is measured by the number of new products related to the core business of the firm "product-line extension"; the number of new products unrelated to the core business of the firm "diversification"; the expansion to new markets; and the adoption of new technology.
[6] Trans-generational value is accumulated through continuous creation of business wealth (Habbershon and Pistrui, 2002). In the empirical data, it is measured through a deep analysis of the company balance sheet, focusing on the net asset value of the tangible assets and the estimated amount of intangible resources (goodwill).

ated in family firms at least during the first and second generation. Certainly, family firms also have some disadvantages (see for instance Tagiuri and Davis, 1996) for the creation of dynamic capabilities such as specific aspects related to the family-business culture which will be discussed in the next section.

The process described above can be clarified by an example. The ability to continually innovate product characteristics is a dynamic capability known as product development. It stems from the knowledge of the firm and leads to innovation and adaptation to the market (i.e. entrepreneurial performance). In particular, in rapidly changing environments, when the specific firm's products go, for instance, out of fashion, it is of vital importance to develop a product development process (that is a dynamic capability) designed to acquire, exchange, transform and at times shed resources in order to create new products according to the changing demand of customers. In this way, change is promoted and value creation can be generated.

Additionally, value creation may also positively affect the development of new knowledge through investments designed to acquire new knowledge and/or implement the existing knowledge (e.g. training, executive courses, employing/using external non-family members such as consultants and so on. See Lansberg and Astrachan, 1994; Nonaka and Takeuchi, 1995; Kaye, 1999; Chirico, forthcoming 2007), as shown in Figure 1.

The family inertia problem

However, the ability to introduce the 'novelty' and facilitate and support innovation strategies is hard to achieve, especially in a family business context. Family firms are often inflexible, resistant to change and based on path-dependent traditions and culture hostile to new proactive entrepreneurial strategies (Dyer, 1994; Gersick et al. 1997; Aronoff and Ward, 1997; Hall et al. 2001; Habbershon and Pistrui, 2002). The influence of organisational culture on entrepreneurial activities aiming at changing the resource-base of a firm has been extensively studied (e.g. Lant and Mezias, 1990; Grinyer and McKiernan, 1990; Detert et al. 2000; Hall et al. 2001; Koiranen and Chirico, 2006). Alvesson (1993, 2-3) defines 'culture' as a shared and learned world of experiences, meanings, values and understandings which inform people and which are expressed, reproduced and communicated in a partly symbolic form. The family-business culture stems from the combination of different patterns (see Dyer, 1986; Zahra et al. 2004) which result from the history of the family business, the social relations within the family business and the beliefs and values embedded in the family. For the purpose of this study, we focus on two specific family-business cultural aspects which are paternalism and entrepreneurial drive.

Paternalism is the practice of caring for others in a manner that is overly intrusive such as a father to a child[7]. It means that the owner protects the family-business members while denying them any responsibility and the freedom to express their ideas and make autonomous choices and changes. Decisions are often taken in the realm of family values rather than in the realm of the business. The ideology of paternalism is protective and dominating in a fatherly way with a strong attitude to preserve a family firm's traditions and not to make changes (Fotion, 1979; Dyer, 1986; Johannisson et al. 2000; Johannisson, 2002; Koiranen, 2004). To some extent, the organisation reflects its founder. Davis and Harveston, (1999) refer to 'generational shadow' as the enduring effect of previous business patterns on the subsequent evolution of the family firm. In particular, conservative strate-

[7] "Paternalism comes from the Latin *pater*, meaning to act like a father" (Koiranen, 2004, 301).

gies, in which individuals tend to accept the ideas of their 'leaders' without question, are apt to be particularly dangerous in environments of rapid change where firms need to manipulate internal and external resources to stay competitive (Davis and Harveston, 1999; Miller et al. 2003).

In this situation, decisions are usually taken by top family members (Habbershon and Williams, 2002), who share a common idea about which direction the firm should be heading. Those authoritarian controlling owners exercise strong control over the decision-making process (Dyer, 1988; Zahra et al. 2004). Somehow, even during the subsequent generations, strong feelings may shape and limit family members' innovative initiatives and directly or indirectly restrict their choices so as to cause inertia (Drozdow and Carroll, 1997; Miller et al. 2003).

On the other hand, some researchers emphasise the concept of *entrepreneurial drive* (or *entrepreneurial orientation*) as the attitude to keep the family business changing through initiative and innovation (see Lumpkin and Dess, 1996; Koiranen, 2004). Koiranen (2006) has recently developed the concept of entrepreneurial drive in a family-business context as the mindset, united effort, energy and initiative characterised by entrepreneurialism (Johannisson, 2002). The typical constituents of entrepreneurial drive are sensitivity in opportunity recognition, proactiveness in opportunity seizing, industriousness, risk-taking, innovativeness and the pursuit of value creation (Miller, 1983; Bygrave and Minniti, 2000)[8]. Likewise, Habbershon and Pistrui (2002) believe that an entrepreneurial behaviour based on flexibility, innovativeness, proactiveness and risk-taking is needed to achieve superior performance for a family business. In this way, the firm enhances its capabilities of developing strategies to manage change and shedding or redeploying unproductive resources (Habbershon and Pistrui, 2002).

To sum up, paternalism, as opposed to entrepreneurial drive, may easily lead to inertia (Dyer, 1988; Lumpkin and Dess, 1996; Aronoff and Ward, 1997; Kaye, 1998; Detert et al. 2000; Hall et al. 2001; Koiranen, 2004), and prevents the development of dynamic capabilities and new proactive entrepreneurial strategies. (Habbershon and Pistrui, 2002; Larsen and Lomi, 2002). *Family Inertia is here defined as the tendency of family firms to resist change even when it is needed to match the requirements of a changing environment. It is a function of paternalism and entrepreneurial drive in family business where paternalism and entrepreneurial drive influence family inertia positively and negatively, respectively* (see Figure 1).

In this light, the culture may limit the amount of strategic options available to a firm if it is not characterised by patterns that are change oriented (Hall et al. 2001). Hence, a family firm needs to develop an open family-business culture, in which firm members are encouraged to express their ideas and make autonomous choices and changes. In other terms, as plotted in Figure 1, the combination process of resources may be better developed within a family-business culture which facilitates entrepreneurial change (i.e. entrepreneurial drive) rather than tending to preserve the traditional way of doing business (i.e. paternalism) (see Lumpkin and Dess, 1996; Hall et al. 2001; Habbershon and Pistrui, 2002; Koiranen, 2004). The dynamic family-business model as a whole is depicted in details in Figure 1.

[8] In the empirical data, entrepreneurial drive is measured by proactiveness in utilising opportunities for the benefit of the family business; innovativeness to renew family business; willingness to take risks in family business; and willingness to enlarge the family business.

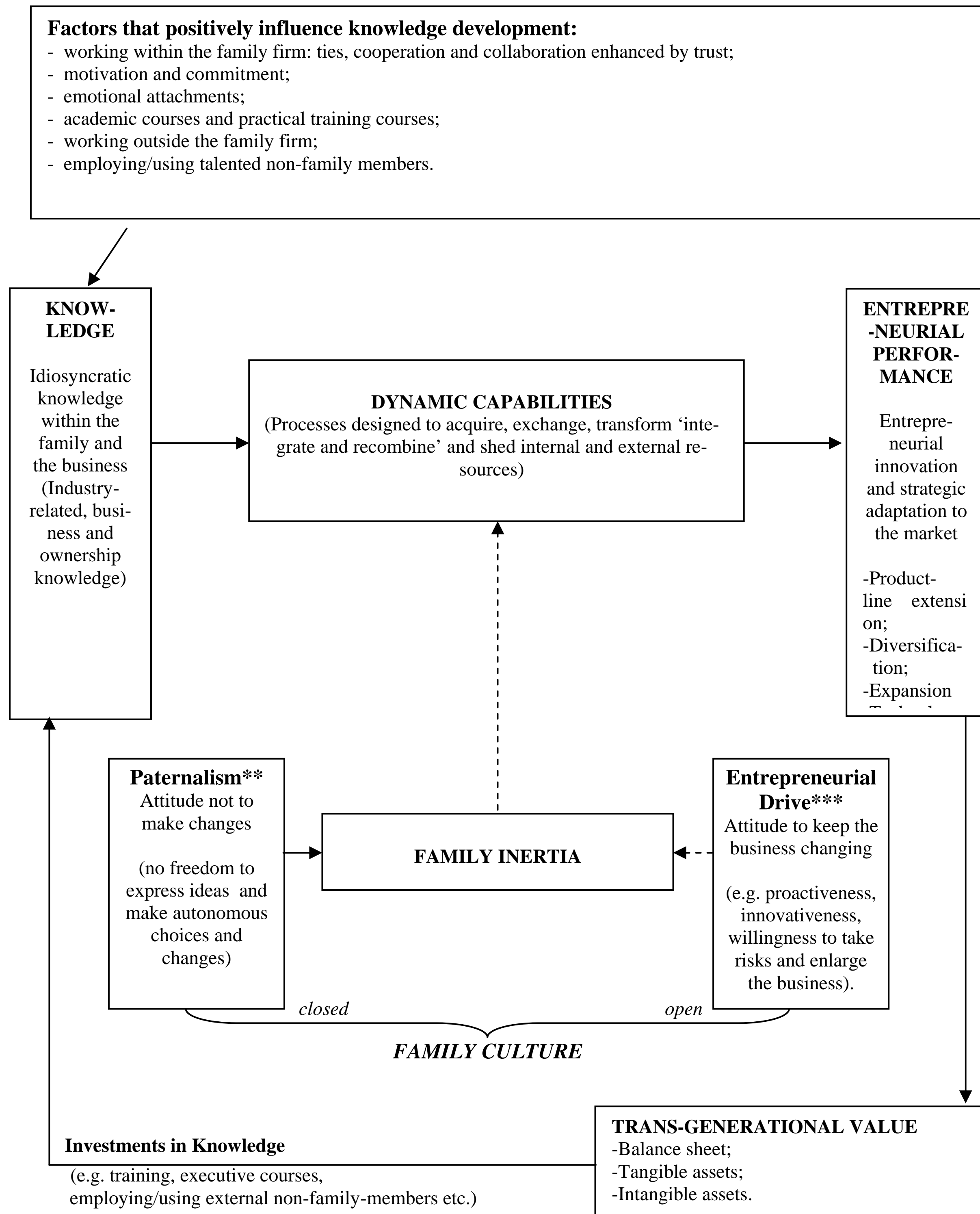


Figure 1: The dynamic family-business model: From knowledge to value creation*

(*) ____: positive relation; ------: negative relation.
(**) Paternalism influences family inertia positively and family inertia influences dynamic capabilities negatively. Consequently, paternalism influences dynamic capabilities negatively.
(***) Entrepreneurial drive influences family inertia negatively and family inertia influences dynamic capabilities negatively. Consequently, entrepreneurial drive influences dynamic capabilities positively.

ISSN: 1796-9360

METHODS

Research design

McCollom (1990) posits that qualitative research is particularly appropriate to the study of family business. The research design of qualitative research is a multiple-case embedded study. Multiple cases permit a replication logic where each case is viewed as an independent experiment which confirms or not the theoretical background and the new insights. A replication logic yields more precise and generalizable results compared to single case studies (Eisenhardt, 1989; Brown et al., 1997; Yin, 2003). We relied on informants at two levels of the generational hierarchy to yield a more accurate analysis. Moreover, the study conducted was improved by using several levels of analysis, i.e. an embedded design, including family, business and industry (Yin, 2003).

For the reasons explained below, we analysed two private Italian family firms from the Apulia (Borsci SA) and Tuscany (Frescobaldi) regions and two private Swiss family firms from canton 'A'*** (Iurlaro SA and Cervo SA). Firstly, the four companies had the potential of yielding interesting insights based on commonalities and differences emerging from comparison amongst them (see Table 1). Secondly, they all belong to the beverage industry with instances of related product diversifications. In particular, the Frescobaldi, Iurlaro and Cervo family firms belong to the wine industry, and the Borsci family firm to the spirits industry. In those manufacturing sectors, which are dominant businesses both in Italy and Switzerland, the family-business knowledge and traditions have been especially important through generations. Finally, in each generation family members of at least two generations have been always involved. Hence, this dataset is ideal for our study. Names given to the Swiss firms and some other information have been disguised for confidentiality reasons. Table 1 reports the case studies used in this paper.

Table 1: Description of case studies

Family business	Founded	Latest active generation	Country	Industry
Borsci SPA	1840	3rd*	Italy	Spirits
Frescobaldi	1855**	3rd**	Italy	Wine
Iurlaro SA	1944	3rd	Switzerland	Wine
Cervo SA	19xx***	3rd	Switzerland	Wine

(*) We consider only the last three generations of the Borsci family firm starting from the point when the artisan activity turned into an industrial business (around 1900).
(**) The Frescobaldi family has been active in agriculture and viticulture for at least 700 years and 30 generations. We trace the company's foundation to the year in which Vittorio degli Albizi (a Frescobaldi family ancestor) first introduced in Tuscany the specialised cultivation of chardonnay, pinot blanc, gris and noir, cabernet and merlot grapes. Moreover, we consider only the last three generations of the Frescobaldi family to facilitate comparison with the other three cases.
(***) Some information is not available for confidentiality reasons.

Data collection

Data were collected through personal interviews, questionnaires, secondary sources (newspapers, company internal documents, company slide presentations, company press releases, company web sites, company balance sheets and articles from magazines), conversations and observations in 2005. Semi-structured interviews were conducted separately with two respondents, an active family member of the latest generation, and another one of the previous generation, chosen on the basis of their central role within the organization. Interviews were conducted during several formal and informal meetings with an average length of three hours. During informal meetings, we also had the opportunity to talk extensively with other several family and non-family members. After each interview the research team discussed its impressions and observations taking notes. The interviews were always taped and transcribed word for word within six hours after the interviews. They were listened to by two or three members of the research team in order to check for consistency of interpretation.

The interviews were conducted in two parts. In the first part, open-ended questions were asked without telling the respondents about the constructs of interest in the study in order not to influence them. They had the opportunity to relate their stories of how trans-generational value has evolved over time. During this phase, probing questions were asked to obtain more details related to the stories discussed by the respondents. In the second part, closed-ended questions were asked about the trans-generational value creation process across generations and the role played by specific factors (e.g. knowledge, dynamic capabilities, family culture) on the process as a whole. It was a joint effort by members of the research team in order to test for consistency of interpretation. After interviews, telephone calls were made to confirm our understanding of the answers given by the respondents.

Data analysis

Four separate extensive case studies were built from data gathered from primary and secondary sources. Results were consistent with the initial theoretical framework and, in some cases, helped the research team to integrate it. For this reason, data analysis was undertaken using a combination of deductive and inductive methods. The whole process took about ten months to complete. The approach was integrated with a growing body of methodological literature on case study research and cross-case analysis in order to perform cross-case comparisons looking for similarities and differences.
Triangulation of multiple sources of evidence (primary and secondary sources) and the development of case study databases improved the reliability of the study conducted (see Eisenhardt, 1989; Stake, 1995; Miles and Huberman, 1994, Yin, 2003).

SAMPLE

Family-business histories

BORSCI S.p.A: 1840 was a milestone in the history of the Borsci family. It was in 1840 that Giuseppe Borsci, as a herbalist, improved the recipe for a liqueur inherited from his ancestors, creating an Elixir that has remained unchanged to this day. He called it *Elisir San Marzano*, taken from the name of the family's hometown, San Marzano (Taranto, Apulia, Italy). At the end of the nineteenth century, Giuseppe Borsci's son, Antonio, took over the artisan activity and turned it into an industrial business by starting a new factory in

San Marzano. Hence, in this study we conventionally consider Antonio's generation as the first one (generation 1 or G1) in the history of the Borscis. In 1950, Antonio Borsci's sons, Giuseppe, Pietro, Attilio and Venanzio (G2), took over the business. In 1964 they established a larger and more efficient factory, moving from San Marzano to Taranto. In the 1970s the company was incorporated into a new company (from SNC to SPA) and skilled non-family members were employed. The family firm's capital was, and still is, entirely owned by the four Borsci brothers (G3). Their sons have been working since the 1970s in the family firm and legally took over the business in 1997. They all sit on the Board of Directors. The Chairman of the Board of Directors is Egidio Borsci (Venanzio's son). In 2005, Borsci had 40 employees and annual revenues of 11 million euros. Borsci produces and/or commercialises several kinds of liqueurs and several related products such as Bon Borsci, Baba of Elisir San Marzano and Astrelio chocolate (the company 'Astrelio Maestri di Cioccolato S.p.A' was acquired in 2005). Borsci's main market is Italy, but company products are also exported to the US, Germany, Ireland, Australia and Japan. The family tree may be seen in Appendix I.

FRESCOBALDI: For 700 years and 30 generations, the involvement in agriculture and viticulture has been the predominant activity of the Frescobaldi family. In the 19th century Marquise Vittorio degli Albizzi, ancestor of the Frescobaldi, moved to Florence, to manage the inherited family properties. An experienced vine grower in native Burgundy, Vittorio was the first, in 1855, to introduce in Tuscany the specialised cultivation of grapes such as chardonnay, pinot blanc, gris and noir, cabernet and merlot. Marchese Lamberto Frescobaldi (conventionally G1, in this study) ran the business from 1928 to 1954, when Marchese Vittorio Frescobaldi (G2) took over. Together with his brothers Piero (who died in a racing car accident in 1964), Lamberto, Ferdinando and his wife Bona, Vittorio focused the company entirely on wine. In 1995, the newly appointed non-family CEO Giovanni Geddes della Filicaja created a joint venture between the Mondavi and Frescobaldi families to find the best vineyard sites in Montalcino, Tuscany, for the production of *Luce della Vite* wines. The latest generation of Frescobaldi (G3) has been gradually taking increasing responsibility since the late 1990s: Lamberto Frescobaldi (Production Manager), Tiziana Frescobaldi (PR Manager), Stefano Benini (Marketing Manager for North America) and Diana Frescobaldi (responsible for the growing initiative of Frescobaldi Wine Bars). For the purpose of the research, we consider the appointment of the external CEO as the take over point of G3: since then the company has been run in a more decentralised way, with some of the youngest members of the family (notably Lamberto) playing a major role in the management of the FB. Frescobaldi products are also exported abroad. The family tree may be seen in Appendix I.

IURLARO SA: In 1944, Carlo Iurlaro (first generation, G1) founded the wine firm "Carlo Iurlaro" in Switzerland. Since his sudden death in 1969, the firm has been run by his son, Claudio (G2). In 1975, Claudio bought the share of his sister, Milena. Claudio is currently CEO and Chairman of the Board. 70% of the capital is owned by him and 30% by his mother, Bice Iurlaro, who carries out managerial tasks (debt management) on a part-time basis. In 1997, Milena Iurlaro started working for the family firm as a part-time employee, managing Iurlaro Aziende Agricole SA. The latest generation (G3) is represented by Milena's son, Mattia, who was put in charge of Lucchini Giovanni SA and Tenuta Vallombrosa in 2003. The family firm is staffed with forty employees in production, administration, sales and vineyards. It owns 30 hectares of vineyards from which high quality wines are obtained. Cellars are located in the village of Lamone near Lugano, whereas vineyards are located in Comano (Vigneto ai Brughi), in Lamone (Tenuta San Zeno), in Vico Mor-

ISSN: 1796-9360

cote (Castello di Morcote), in Gudo (Tenuta Terre di Gudo), in Neggio (San Domenico), and in Castelrotto (Tenuta Vallombrosa). The firm also produces olive oil, grappa and honey. The group is made up of two companies: Iurlaro Aziende Agricole SA, which is in charge of the agricultural side and Iurlaro Carlo Eredi SA, which deals with the commercial distribution of the products through a wine shop and a commercial network across Switzerland. Iurlaro products are also exported to Germany, the United Kingdom, Sweden, Russia, and the US. The family tree may be seen in Appendix I.

CERVO SA: 'Founder1' Cervo and 'Founder2' Saccà founded the wine firm Cervo&Saccà in 19xx in Switzerland. Their activity was initially limited to purchasing wine from local producers, blending and re-selling it to restaurants and tourists. Founder1 died in 19xx and Founder2 retired a year later, in 19xx. Founder 1's sons, 'owner1', 'owner2' and 'owner3' took over the business. The company is currently owned by the three brothers and by owner1's son, Carlo. The third generation is represented by owner1, owner2 and owner3's sons and sons-in-law. Carlo feels he belongs to the second generation and will be considered as such for the purposes of this research. The commercial distribution of products is carried out through a wine shop and a commercial network throughout Switzerland. Cervo products are not exported. The family tree may be seen in Appendix I.

Evidence from case studies

From a first reading of data collected through primary and secondary sources (see methods), it emerged that the Borsci, Frescobaldi and Iurlaro family firms are growing well; conversely, the Cervo family firm has been affected, during the third generation, by some problems which will be presented later in this study (see Table 2).

The **Borsci** family firm is in the third generation and is growing well. Evidence from data gathered shows that knowledge in production, management and ownership has substantially increased from G1 to G3. Dynamic capabilities (i.e. acquisition, exchange, transformation and shedding of resources) and entrepreneurial performance (i.e. product-line extension, product diversification, expansion to new markets and adoption of new technology) have followed the same path. Consequently, the Borsci family firm has been able to maintain and sustain trans-generational value across generations that made possible new continuous investments in knowledge (e.g. employing external experts like consultants, training courses etc…).

Knowledge was the key factor for the business' success. The secret original recipe of Elisir San Marzano Borsci has been passed on from generation to generation since 1840, maintaining its uniqueness and originality. It is the result of a remarkable combination of ingredients selected with care and astute experience. Lorenza Borsci (G3) says: *"Our Company has a century-old tradition in creating blends of liqueurs. Our success depends on the knowledge gathered and handed down through the generations and acquired from outside"*. Knowledge has always been updated regularly to avoid obsolescence across generations. Giuseppina Borsci (G3) adds: *"Each generation brings something more which creates value in the business…The second generation was able to teach us directly and indirectly all the tricks of the trade in production, administration and distribution. We have also learned how to communicate and cooperate with each other thanks to them. The second generation did a great job of building and maintaining a positive and friendly envi-*

ronment within the family and the business. There is (and was) an easy flow of information within and between generations".

As reported by one of the Borsci family members, although Egidio (G3) is the liqueur distiller, the ideation of new liqueurs is always a team project: the flavour of the liqueur, surveys (customers), shape of the bottle, label and so on. For instance, Egidio usually asks the opinion of the other family members, non-family members and workers for the ideation of new liqueurs. They taste the new liqueur and give feedback. Giuseppina says: "*It is a funny way to ideate new products and do business".*

In the 1970s there was a 'business restructuring' through which a lot of problems in production and management were resolved in order to adapt the business to the changing market. The four brothers' sons (G3) joined the family firm and skilled non-family members were employed (e.g. Mr Franco Rovida, sales manager for the company Ramazzotti). In this way knowledge in creating blends of liqueurs (product-line-extension and diversification) and in management significantly improved. Giuseppina claims: *"We have learned a lot from external experts who joined our business. I have personally acquired knowledge and developed new capabilities working with the new sales manager employed in the 1970s* (Mr Franco Rovida). *Today, the sales director and managing director are non-family members. They are truly an important asset. We are really learning a lot from outside through training courses and working and cooperating with external experts. Our motivation and commitment is still very high".*

The family firm has always been open to acquiring knowledge from outside, but never more than today. For instance Borsci has cooperated with the supplier, Amarelli, in order to obtain the best flavour for their liqueur 'Borsci Liquirizia', made with the liquorice of Amarelli. Giuseppina says: "*Some entrepreneurs from the South of Italy think they know everything; but it is not possible. External assistance is needed. We continually invest money in acquiring knowledge from outside. Research was and still is important. The best place in which research can develop is the university. We have good relations with some universities and we draw advantage from their studies and surveys into our sector, into what we produce. For instance, we are cooperating with a professor on the creation of new kinds of Astrelio chocolate".*

Hence, the strong social capital within and outside the family firm and the high level of emotional attachments of family members to the family firm have played a crucial role for the acquisition, creation, sharing and transfer process of knowledge across generations.

Resources exchanged inside and acquired from outside are continually combined (dynamic capabilities). For instance, new products related and not related to the core business are constantly conceived according to customers' demand. Borsci advanced from 1 product in G1 to about 25 products in G3. Products were sold in Taranto and in some towns of Apulia during the first generation. Then, in G2 they were mainly sold in Apulia and in other regions such as Campania, Basilicata and so on. In the 1970s (G2 and G3) distribution spread to the South of Italy and then to the North, thanks to the 'business restructuring' mentioned above. Recently (G3), products are also being exported to the US, Germany, Ireland, Australia and Japan.

Borsci has also started a diversification process adding unrelated products to the core business of the firm over the last ten years. The main unrelated products are: Bon Borsci in

1996 (chocolate with Elisir San Marzano Borsci or Succ'agro Limoncello); Babà all'Elisir San Marzano in 2004; and Chocolate Astrelio in 2005. Giuseppina says: *"The philosophy of the firm is to produce and commercialise products of 'quality of excellence"*. The magazine 'Altro Consumo', a journal to protect customers, conducted research concerning the best 'Limoncello' produced in Italy. The Borsci Limoncello Succ'Agro was considered the best one. Moreover, technology is taken into high consideration by the Borsci family firm. Cutting-edge technologies were adopted particularly in G2 and G3. Some of the most significant features of Borsci include: (a) a fully equipped laboratory, both for research and development and for quality control; (b) 35 stainless steel storage tanks, to stock all ingredients and then mix them to obtain the liqueurs; (c) 4 assembly lines to bottle the liqueur. Fully automated operations go from the unloading of the pallets to the final packing. Working cycles are programmed and controlled by computers. Giuseppina recalls: *"30 years ago (G2) we had the most technological production lines in Europe. My father invested in technology from the beginning. Now, we invest even more because the market requires so"*. Net income increased considerably from the foundation of the business to the 1970s with the 'business restructuring'. In the 1970s there was the boom in the liqueur sector but then the consumption of liqueurs decreased. Giuseppina points out: "*Liqueur is a luxury good, it is a fashion. In addition, recently, the introduction of the new euro currency caused inflation and consequently people became poorer… Anyway, net income has been stable in the last 20 years. Product-line extension, diversification and expansion to new markets enable the company to maintain stable sales figures"*. Goodwill has also increased due to the acquisition of the Astrelio brand.

In addition, the Borsci family-business culture appears to be very open, not paternalistic (see Hall et al. 2001). Family members are encouraged to express their ideas, make autonomous choices and changes in order to foster and support double-loop learning. As mentioned above, Giuseppina recognises the excellent work done by the third generation to build and maintain a positive and friendly environment within the family and the business. She adds the following about family-business culture: *"Let's say that our family-business culture is very 'clear' and 'transparent' and we all have the possibility during formal and informal meetings to make suggestions and express ideas in order to better develop our business. My nephew, Roberto, who joined the business recently in 2005, is a very innovative and clever person; we expect great things from him, new ideas and fresh knowledge and inputs"*.

Indeed, Borsci's family members are very entrepreneurial which means by definition "characterized by initiative and risk" (Oxford, 2005) or simpler being able to keep the business in change through initiative and innovation (Koiranen, 2004, 304-305).

Entrepreneurial drive (proactiveness in utilising opportunities, innovativeness, and willingness to take risks and enlarge the business) has increased over time, thus influencing positively the creation of dynamic capabilities and entrepreneurial performance (see Figure 1 and Table 2). For instance, Giuseppina says: "*We have always been proactive in utilising opportunities for the benefit of our family business"*. Antonio (G1) was the real entrepreneur, who understood that he could transform the unprofessional activity of his father (herbalist) into an entrepreneurial activity. The University of Lecce conducted research (with the collaboration of the Treccani encyclopedia) where Antonio is listed as one of the most proactive entrepreneurs in Italy. He sold off his father's land and built a factory in San Marzano. Risks were very high but he was able to face them. The second generation was proactive, too. They understood that the factory in San Marzano was too small and, in

1964, they built a new, bigger and more efficient factory in Taranto. The factory was enlarged in 1975 and again in 1989. In spite of that, they were not proactive in expanding the business to the North of Italy and abroad.

Giuseppina says: *"Nowadays, we are still very proactive as entrepreneurs, for example we have developed a lot of new products and acquired the company, 'Astrelio Maestri di Cioccolato S.p.A.' (72 employees), which belongs to a different industrial sector. It was a risky operation (also because at the moment it has financial problems) but we believe in that firm and we are sure that we will benefit from this acquisition (information from Nielsen shows that the consumption of chocolate is higher in the South of Italy than in the North)... In addition, we are going to enlarge the firm with a new production line"*. The Borsci family firm had also the opportunity to sign two new franchising contracts with two shops in Ancona (2002) and Taranto (2004) for the commercialisation of 'Borsci El Niño de Fuego' from Cuba. They seized this opportunity immediately. Giuseppina points out: "*The history of Borsci entrepreneurs is continuing. After the second generation family businesses usually start to maintain what they already have. We did the opposite*".

The link between the Borsci case study and the model in Figure 1 appears evident. As mentioned before, at the end of the 1970s some problems arose due to a rapid change in the market. In fact, the boom of the liqueur sector was followed by a drastic decline of the consumption of liqueurs in Italy. As a consequence, the Borsci liqueur (Elisir S. Marzano) seemed to be out of fashion by that time. A business restructuring process began. The business was incorporated into a new company (from SNC to S.p.A.) and the third generation joined the business. Skilled non-family members were also employed. A product development process was started and step by step the commercialisation of Borsci products was expanded to the North of Italy, as well.

The Borsci family firm was able to use its knowledge and acquire new knowledge from outside the organization to develop new dynamic product development processes when the market was changing. Thus, the company was capable of achieving and sustaining entrepreneurial performance (i.e. innovation and adaptation to the market) and generating new value in order to survive. Indeed, Borsci started to manufacture new products related and not related to its core business according to its customers' changing demands. The family-business culture based on entrepreneurial drive positively influenced the process described above (see Figure 1 and Table 2).

The other three case studies also show the same positive relations between knowledge, dynamic capabilities, entrepreneurial performance and trans-generational value as shown in Table 2. Entrepreneurial drive has always played a crucial role in family business' success. (Small) family firms from canton 'A' (Switzerland) usually do business within their region or, at least, in Switzerland for cultural reasons. In fact, the risk-taking attitude of (small) family firms in canton 'A' is quite low. Some studies show that canton 'A' is less entrepreneurial than other Swiss regions such as Central Switzerland, Zurich and Eastern Switzerland (Volery et al. 2005; see the Cervo family firm). The above-mentioned statements are contradicted by **Iurlaro SA**, one of the two Swiss family firms presented in this research.

Claudio Iurlaro (G2) says: "*The owner must be not autocratic but very innovative, proactive and alert in order to be competitive in a changing market* (entrepreneurial culture). *My father was also active but not innovative…In G1 there were not so many risks to face. At present (G2), risks are high but the willingness to face them is even higher… The willing-*

ness to enlarge the family business is very strong; we have bought new lands and acquired the Lucchini Giovanni SA in 2002. Furthermore, we are going to make a new investment (900.000 Swiss francs) to buy new wine-making machineries".

Knowledge significantly increased from G1 to G2. The firm was small and not well developed in G1. Claudio says: "*I remember how I started working and now I know where I am. A lot of work has been done to achieve such results. I learned from my mistakes how to produce wine of high quality".*

Consequently, the ability to acquire, exchange and transform internal and external resources (i.e. dynamic capabilities) has risen substantially over time (including the ability to shed resources).

Claudio says: *"We use our knowledge and the one acquired from outside to create new capabilities, for instance, in marketing and production. But since we operate in a dynamic market, we also need to continually combine our resources to produce new products according to the changing demand of our customers".*

Entrepreneurial performance reached its maximum value in G2 with product-line extension, diversification, expansion to new markets and adoption of new technologies. Claudio states: *"I always look around, I always need to learn something more from outside about 'the wine world', in order to improve the quality of my products, expand the market in which I do business and adapt my firm to the changing market…Resources exchanged inside and acquired outside the family firm are transformed and utilised for the growth of the firm* (dynamic capabilities). *Entrepreneurial performance has increased across generations. Indeed, new kinds of wines are continually conceived and produced according to customers' demand which always evolves. Diversification is also taken into high consideration (olive oil, grappa, honey)…In G1 it was not necessary to update resources. Today, every six months I personally check that firm resources are not obsolete so as to be competitive in the market…new technologies were adopted in G2 through huge investments for improving the production process and the quality of wine, the production of white wine and the distillation of Grappa. Innovation is important for our business"…* and then, he goes on: "*In G1 the business was limited to our region. Nowadays, the firm sells products in Switzerland and abroad* (Germany, UK, Sweden, Russia and US)".

Trans-generational value, too, has considerably increased over time. Claudio claims: "*Net income increased by four times from G1 to G2 even though the amount of work increased by fifteen times. Sales rose from 1 million Swiss francs to 15 million Swiss francs a year from 1968 to 2004. The goodwill of the firm increased by ten times from G1 to G2 owing to the acquisition of the Lucchini Giovanni (Tenuta Vallombrosa), the higher value of its brands and the huge investments in technology and innovation. The total of the balance sheet increased by seventeen times from G1 to G2".* In addition, income is always reinvested in the family firm (e.g. investments in knowledge). In fact, according to Claudio's comments, knowledge and the creation of value are also expected to go on increasing in G3 (with Mattia, who joined the business in 2003). For instance, Claudio says: "*My nephew Mattia (G3) is acquiring and adding new knowledge by working in the family firm day by day in a learning-by-doing process. He is very motivated and committed to the family firm and works hard for it. He did several internships in wine firms and will do another one abroad soon. Moreover, he will attend a School of Oenology for two years in order to improve his competencies and add new value to the family firm"* (see Table 2).

The **Frescobaldi** family firm is also growing very well. The family firm has been able to increase its trans-generational value and reinvest money within the firm (e.g. for training courses). An in-depth analysis of the firm's balance sheet shows that the net income has increased by four times from 1995 to 2005.

Knowledge has also advanced from G1 to G3 mainly thanks to the high level of social capital within and outside the family firm and the high level of motivation and commitment of family members. This allowed the firm to efficiently combine resources over time.

Vittorio (G2) says: *"My father was convinced that capable employees are the key to sustainable success... he hired young and brilliant professionals to bring in new energy and ideas. The internal capabilities of the firm dramatically increased and advanced processes* (dynamic capabilites) *were implemented to adapt our business to the changing market"*. Lamberto (G3), who studied at the University of California at Davis (US) adds that: *"The experience in the US enriched my contact network around the world, so that when I am in South Africa, California or Chile I always find somebody else who studied at the same university. It's a community, a club. Actually, the network acts silently: Davis is so big that many agronomists and oenologists studied there, hence you keep in touch with them and learn from them…The collaboration with my brothers has worked really well…but as a matter of fact I have been very lucky because I have spent my life working in this company in a fair environment where I always have the opportunity to express my thoughts and bring and realise new innovative ideas"*.

As a result, dynamic capabilities and entrepreneurial performance have increased with positive effects on the creation of trans-generational value. For instance, new and different technologies have been continually adopted. The product-line extension and the expansion to new markets remarkably increased in the shift from G1 to G2 and from G2 to G3. Leonardo (G2) says: *"The product range has increased dramatically since I joined the company... in this sense we are market-oriented, we must adapt the wines of our land to every market"* and then he adds: *"When I started we had an importer in the US, UK, Australia and Belgium. Now we cover 68 countries... and we employ export managers, accountable for each macro-region. The expansion to new markets continues today (new countries, new market segments)"*. Lamberto (G3) and Leonardo (G2) continue commenting on the adoption of new technologies: *"Now we use a S400 account system to be able to instantly review the performance of each property and business area…In addition, we are now able to track the amount of stock in every importer's warehouse. This improved the management of our distribution worldwide… usually we know more about a certain market than our importer itself... it is a powerful technology"*.

It appears that the family-business culture is very open and not paternalistic. Everyone makes his/her own contribution to the family firm, thereby reinforcing the creation process of dynamic capabilities and entrepreneurial performance.

For instance Tiziana (G3) says: *"Vittorio (G2) runs my office with a MBO logic: I am free to propose new projects and ideas and to realise them the way I like, once approved"*. Indeed, the entrepreneurial drive of the company has always been very high. For example, the European FEUGA project opportunity was fully exploited by Vittorio in the late 1960s in order to receive funds to reconvert the company's production to wine (see Table 2).

The **Cervo** family firm is in the third generation (G3) and problems are growing mainly because of the stagnation in knowledge due to the low degree of social capital, motivation and commitment between members of the third generation, in particular, of Carlo Cervo's cousins and because of cultural problems (Chirico, forthcoming 2007).

In G1 the firm was small and not well-developed. 'Founder1' (G1) used to buy Merlot wine from producers and then mix and resell it to tourists and restaurants in the region. The main business was blending wine and marketing it. In addition, at the beginning of the century, technology and machineries to produce wine were not the best and the quality of Merlot was not so good. It was not easy to commercialise wine of good quality. Knowledge was poor at that time. For this reason, the family firm decided to buy grapes and make wine by itself, a process it has done since 1925. In G2, Founder1's sons made a lot of investments to improve the quality and the overall knowledge in wine making. The big growth of the family firm started in the 1960s. The quality of wine notably grew. Carlo (G3) says: *"In the 1960s, there was the 'BIG BANG' in our family firm. My father and my uncles (G2) were able to create a new label called 'xxx' which is still well known in Switzerland"*.

The overall degree of knowledge rose from G1 to G2 but has remained low and stable in G3. Knowledge has not decreased in G3 thanks to Carlo who is still very motivated and committed to the business. He states: *"My father worked with my grand father for 15 years learning all the 'tricks of the trade' from him. I have also learned and I am still learning a lot from my father…I have acquired new knowledge in business and wine making. In the last 20 years I have participated in different conferences related to the wine market. It is important to know how grapes grow and how to take the best from them in wine making"* and he goes on: *"I do my best to share and transfer all my know-how to my cousins (G3) even though sometimes it is not easy because young people are more disorganised, less concentrated, and have a lot of interests. Our relations are not very good…My cousins do not own the business, they just work for it"*. It appears that relations between family members are not strong and Carlo does not trust his cousins so much. Further, each member of the third generation works with his father (except for 'son3' and 'son4' who work with 'owner3') in a specific area of the business (see Appendix I). The third generation seems to be in the shadow of the second generation who owns the business along with Carlo (see Davis and Harveston, 1999). Indeed, decisions are always taken by the three Cervo brothers (G2) and Carlo. Carlo feels he belongs to the second rather than the third generation. Entrepreneurial drive (e.g. proactiveness and risk-taking) which is needed to achieve superior performance decreased in the shift from G2 to G3 and a paternalistic culture (very closed) appears to prevent innovation and adaptation to the market in G3 (see family inertia in Figure 1). Carlo says: *"We have always been proactive in utilising opportunities for our firm. For instance, my grand father (G1) decided to pass from purely commerce to wine production and G2 expanded the production. Anyway, nowadays there are not so great opportunities in our business. The harvest is limited…I do not like risks…risks must be very calculated…I always wonder, how far we can go without burning our fingers. Maybe, our closed culture is influencing our choices too much"*.

As a matter of fact, the creation of value has remained low and constant in the last generation as well as dynamic capabilities and entrepreneurial performance on average. Resources are not well-acquired, exchanged and transformed for the growth of the firm during G3. As a consequence, dynamic capabilities are hardly developed. Indeed, new products are slightly conceived and commercialised, including unrelated products to the core family

business (Nocino and Grappa). In addition, the expansion to new markets decreased in the shift from G2 to G3. Carlo says: "*The harvest is always the same (1 million Merlot grapes a year) and the production is stable, as well. We had the opportunity to do business abroad in the 1970s (Germany) but we were not successful (we had a small harvest in 1975 and an even smaller one in 1976)…we do not have the capacity…We mainly focus on our region producing wine for our region. It is not our philosophy to expand our business to new markets. Today, we produce and commercialise the right quantity of wine for our business in Switzerland"*.

Net income rose two-fold from the start-up of the business to the 1960s. It increased until 1985 and has remained stable over the last 25 years. The goodwill has followed the same path. The future appears to be very uncertain. Indeed, Carlo says further: "*I do not know about the future…when I retire and my father and my uncles die…'we will see' if the Cervo firm will go on…I am not married, I do not have children, and my cousins' sons are not interested in the firm…maybe the business will shut down after this generation"* (Table 2).

DISCUSSION AND CONCLUSIONS

The aim of this study was to investigate the dynamic process which leads to trans-generational value creation in family business. The four family firms analysed have shown that the level of knowledge (principally enhanced by high levels of social capital and emotional attachment to the business) and the family-business culture (entrepreneurial drive and/or paternalism) have been crucial for the family business' success through the creation or destruction of dynamic capabilities and entrepreneurial performance in changing environments. In contrast with Astrachan et al. (2002), the family firms analysed (except for the Cervo SA) are still very committed and proactive for the wealth of the family business although they passed the second generation. For instance, Giuseppina Borsci underlines that *"the history of Borsci entrepreneurs is continuing. After the second generation family businesses usually start to maintain what they already have. We did the opposite"*. Instead, the Cervo case study reveals that a stable level of knowledge, presence of paternalism based on a closed culture and low level of entrepreneurial drive do not enable the firm to increase its level of value creation (see Table 2).

Results show that trans-generational value is achieved when the family firm innovates and adapts itself to the changing market in which operates. This kind of entrepreneurial performance needs dynamic capabilities as processes designed to acquire, exchange, transform and shed resources. In turn dynamic capabilities result from the existing knowledge and the creation of new knowledge within the firm, i.e., from mechanisms of knowledge acquisition, sharing, collective learning, experience accumulation and transfer. The family-business culture plays a central role in this process by facilitating entrepreneurial change (entrepreneurial drive) or tending to preserve the traditional way of doing business (paternalism).

Family firms need to understand that markets inevitably change and they have to be ready to develop new entrepreneurial dynamic capabilities in order to acquire and combine new resources and shed existing ones. We recognise the importance of family firms' traditions but we believe that it is also essential to relearn and adopt new ways of doing business, particularly in dynamic markets (entrepreneurial culture, not paternalistic).

In this respect, Lorenza Borsci states: "O*ur Company has a century-old tradition in creating blends of liqueurs. Our success depends on the knowledge gathered and handed down through the generations and acquired from outside. Anyway, our knowledge and our business are continually updated to avoid obsolescence in the changing market in which we operate; we are very open-minded".*

Family business' success can be achieved by developing entrepreneurial strategies which promote change and innovation (Miller, 1983; Habbershon and Pistrui, 2002). This requires an open culture (Hall et al. 2001) so as to support new challenging ideas, radical thoughts and actions or simple suggestions even though in contrast with the beliefs of the prevailing coalition (e.g. the founder). When the incumbent generation does not allow the new generation to participate in decision- making, change is prevented and inertia promoted (Dyer, 1988; Daily and Dollinger, 1993).

Hall et al. (2001, 205-206) claim that "some countries [cultures] might be more paternalistic than others, not letting other family members than the founder-owner-manager have an influence in the company…In turbulent and changing environments, traditional ways of thinking and acting will not be of much help to the organization". To foster radical change, "it is, instead, essential to question old patterns of strategic action and to explore new ones in a process of continuous learning. Cultural patterns with a positive impact on entrepreneurial processes might be of crucial importance for further prosperity of family firms, especially in times of turbulence and uncertainty that many family business managers experience today". In other words, successful multigenerational family firms are those in which more generations communicate with each other, exchange ideas, offer feedback and support mutual learning. The previous generation must have the flexibility to explore and accept the new way of managing resources and doing business of the new generation. This is of vital importance in developing new dynamic capabilities to modernise the organisation. But at the same time, the new generation must appreciate the previous generation's knowledge and contribution to the firm (Handler, 1991, 1992; Davenport and Prusak, 1998; Eisenhardt and Martin, 2000; Cabrera-Suarez et al. 2001; Zahra and George, 2002; Kellermanns et al. 2004).

We recognise that good social relations are needed so as to allow the firm to transform culture into consensus. Indeed, "being entrepreneurial exists in the social relations of the organization" which underlines "the importance of the creation and accumulation of social capital for the family business" (Hall et al. 2001, 205-206). As suggested by Giuseppina Borsci, *family meetings* may help this process by developing perceived shared beliefs based on consensus after discussion and debate among participants, so as to lead to renewed collective actions (Ward, 1987; Habbershon and Astrachan, 1997; Sorenson, 1999). They may serve as a 'collective encounter' based on active communication where individuals reconsider old beliefs and negotiate new ones through dialogue in order to gain new perspectives about a problem. Dialogue is "a vehicle by which individual access a larger, collective pool of knowledge" that may facilitate the recognition of actual problems and the individuation of new opportunities (Habbershon and Astrachan, 1997, 43).

The present research encourages family businesses to enhance their own *knowledge* by developing it across generations and to be more *entrepreneurial* in order to facilitate the combination process of resources and achieve superior performance.

Analysing only four family businesses is a limitation of this study. Yet, it was necessary to simply test the general theoretical framework of the dynamic model in Figure 1, without drawing statistically significant conclusions. As a consequence, the model cannot be generalised to all family businesses, although its validity can be improved by introducing other case studies into the research. Furthermore, we admit that there may be other variables which affect the value creation process in family business (see Habbershon and Williams, 1999; Habbershon and Pistrui, 2002), even though our main goal was to examine only a part of the entire complex phenomenon. The intent was to focus the attention of family-business researchers on the knowledge, dynamic capabilities and cultural issues, which appear to be of great importance to family firms.

Despite these limitations, some preliminary contributions clearly emerge. First of all, while the construct of dynamic capabilities have received considerable research attention in the strategic management literature (e.g. Teece et al. 1997; Eisenhardt and Martin, 2000; Zollo and Winter, 2002; Winter, 2003), surprisingly only a few works have been devoted to the study of DCs in family firms (Salvato, Williams and Habbershon, 2002; Salvato and Mellin, 2003; Koiranen and Chirico, 2006; Chirico, 2007; Salvato, Pernicone and Chirico, 2007). Hence, our research is the first endeavour directed to investigate the process through which trans-generational value is achieved through dynamic capabilities. Specifying those factors which affect value creation allowed us to expand the existing research on family business and offer some new insights for future research. We hope that our findings will be also valuable within non-family firms so as to make a modest contribution also to studies not specifically related with family organizations. For this purpose, non-family firms should be also analysed so as to compare if, definitively, the model presented is exclusive of family firms or not.

We see our research efforts as a point of departure for guiding and pushing forward further theoretical and empirical research. We trust that our model can serve as a framework for researchers and practitioners on how to facilitate the value creation process in family business, paying attention to its determinants. Its implications should be extended to help explain why some family firms survive through generations and others do not, especially in dynamic markets. Indeed, given the high relevance of these issues for both researchers and practitioners additional studies are clearly needed to test on a large representative sample the findings presented in this paper. Further research may be also aimed at studying the degree to which paternalism and entrepreneurial drive can act in concert to produce positive results. Additional studies may be also directed to deeply analyze how knowledge is accumulated within a family business (Nonaka and Takeuchi, 1995; Zahra et al. 2007), and most importantly, how it is acquired from outside (Cohen and Levinthal, 1990; Zahra and George, 2002) More relevant dimensions may be also added in the model. For instance, social capital could be better analysed in order to improve the quality of the present study. Furthermore, cultural differences between family firms in different countries could be also considered. For example, Switzerland as a culture (in particular, canton ‘A’) might be more paternalistic than Italy. Thereby, the model could be used to explore cultural differences in family businesses across regions and/or countries. Finally, since the model has been developed through interactive dynamic feedback loops, it would be exciting to formalise it in a proper computer simulation through system dynamics in order to test the findings of this research and look for new insights (see Forrester, 1961; Larsen and Lomi, 1999, 2002; Sterman, 2000).

Table 2: From knowledge to value creation

	Knowledge	Entrepreneurial Drive	Dynamic capabilities	Entrepreneurial Performance	Trans-generat. Value
BORSCI	– Increase across generations.	– High and increasing entrepreneurial drive across generations.	– High and steadily increasing capability to acquire, exchange, transform and shed resources.	– Intense entrepreneurial activities across G1 and G2; – Intense entrepreneurial activities across G2 and G3.	– Significant increase from G1 to G2 – Followed by relative stability from G2 to G3 due to external factors (the crisis of the liqueur sector and the introduction of the euro currency).
FRESCOBALDI	– Increase across generations.	– Strong increase in entrepreneurial drive from G1 to G2; – High entrepreneurial drive from G2 to G3.	– Steadily increasing capability to acquire, exchange, transform and shed resources between G1 and G2; – High dynamic capabilities between G2 and G3.	– Intense entrepreneurial activities across G1 and G2. – High entrepreneurial activities across G2 and G3. Slight increase in product innovation.	– Significant increase from G1 to G2; – Increase from G2 to G3.
IURLARO	– Increase across generations.	– Dramatic increase in entrepreneurial drive across generations.	– Dramatic increase in the capability to manipulate resources across generations.	– Dramatic increase in entrepreneurial performance across generations.	– Very significant increase across generations.
CERVO	– Increase from G1 to G2; – Stable, low from G2 to G3.	– Increasing entrepreneurial drive from G1 to G2; – Very low entrepreneurial drive in the shift from G2 to G3; – *Paternalistic culture.*	– Significant increase in the capability to manipulate resources between G1 and G2; – Stable, low between G2 and G3.	– High increase in entrepreneurial performance across G1 and G2. Slight market expansion. – Stable (or slightly decreasing: new products and new markets) entrepreneurial performance across G2 and G3.	– Significant increase from G1 to G2; – Followed by stagnation in the next generation (from G2 to G3).

Source: Adapted from Salvato, Pernicone and Chirico (2007)

REFERENCES

Alvesson, M. 1993. Cultural Perspectives on Organizations. Cambridge: University Press.

Argyris, C., and Schon, D. 1978. Organizational Learning: A Theory of Action Perspective. Reading, MA: Addison-Wesley.

Aronoff, C.E., and Ward, J.L. 1997. Preparing Your Family Business for Strategic Change. Family Business Leadership Series. No.9. Marietta, GA: Business Owner Resources.

Astrachan, J. H., Klein, S. B., and Smyrnios, K. X. 2002. The F-PEC Scale of Family Influence: A Proposal for Solving the Family Definition Problem. Family Business Review, Vol. 15, No. 1, pp. 45–58.

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. Journal of Management, Vol. 17, No. 1, pp 99-120.

Beckhard, R., and Dyer, G.W. 1983. Managing Continuity in Family Owned Business. Organizational Dynamics, Summer, pp. 5-12.

Bjuggren, P.O., and Sund, L.G. 2001. Strategic Decision-making in Intergenerational Successions of Small- and Medium-size Family-owned Businesses. Family Business Review, Vol. 14, No. 1, pp. 11–23.

Bower, G.H., and Hilgard, E. 1981. Theories of Learning. (5th ed.). Englewood Cliffs, NJ.: Prentice Hall.

Branzei, O., and Vertinsky, I. 2004. Strategic Pathways to Product Innovation Capabilities in SMEs, Journal of Business Venturing, Vol. 21, pp. 75-105.

Brown, S.L., and Eisenhardt K.M. 1997. The Art of Continuous Change: Linking Complexity Theory and Time-paced Evolution in Relentlessly Shifting Organizations, Administrative Science Quarterly, Vol. 42, No. 1, pp. 1-34.

Bygrave, W., and Minniti, M. 2000. The Social Dynamics of Entrepreneurship. Entrepreneurship Theory and Practice, Vol. 24, No. 3, pp. 25-36

Cabrera-Suarez, K., De Saa-Perez, P., and Garcia-Almeida, D. 2001. The Succession Process from a Resource- and Knowledge-based View of the Family Firm. Family Business Review, Vol. 14, No. 1, pp. 37-47.

Chirico F. 2007. Knowledge Integration Shaping the Evolution of Capabilities in Family Business. 7th International Family Enterprise Research Conference (IFERA), Germany, 20-23 June 2007.

Chirico F. (forthcoming, 2007). Knowledge Models in Family Business: Evidence from Ticino Region (Switzerland). In V. Gupta, N. Levenburg, L. Moore, Lynda; J. Motwani and Schwarz, Thomas (Eds.). Culture-Specific Models of Family Businesses: A Compendium Using GLOBE Paradigm. Hyderabad: ICFAI

Chrisman, J. J., Chua, J. H., and Sharma, P. 1998. Important Attributes of Successors in Family Businesses. Family Business Review, Vol. 10, No. 2, pp. 19–34.

Cohen, M. D., and Levinthal, D. A. 1990. Absorptive Capacity: A New Perspective on Learning and Innovation. Administrative Science Quarterly, Vol. 35, No. 1, pp. 128-152.

Coleman, J. C. 1988. Social Capital in the Creation of Human Capital. American Journal of Sociology, Vol. 94, pp. 95-120.

Collis, D.J. 1994. Research Note: How Valuable Are Organizational Capabilities?. Strategic Management Journal, Vol. 15, Special issue, pp. 143-152.

Daily, C.M., and Dollinger, M.J. 1993. Alternative Methodologies for Identifying Family- versus Non-family Managed Businesses. Journal of Small Business Management, Vol. 31, Nr. 2, pp. 79–90.

Davenport, T.H., and Prusak, L. 1998. Working Knowledge: How Organizations Manage What They Know. Harvard Business School Press, Boston, MA.

Davis, P., and Harveston, P. 1999. In the Founder’s Shadow: Conflict in the Family Firm. Family Business Review, Vol. 7, No. 4, pp. 311-323.

Deeds, D.L., and Hill, C.W.L. 1996. Strategic Alliances and the Rate of New Product Development: An Empirical Study of Entrepreneurial Biotechnology Firms, Journal of Business Venturing, Vol. 11, pp. 41-55.

Detert J.R., Schroeder R.G., and Mauriel J.J. 2000. A Framework for Linking Culture and Improvement Initiatives in Organizations. The Academy of Management Review, Vol. 25, No. 4, pp. 850-863.

Drozdow, N., and Carroll, V. 1997. Tools for Strategy Development in the Family Firm. Sloan Management Review, Vol. 39, pp. 75-88.

Dyer, W. G. 1986. Cultural Change in Family Firms: Anticipating and Managing Businesss and Family Traditions. Jossey-Bass, San Francisco.

Dyer W.G. 1988. Culture and Continuity in Family Firms. Family Business Review, Vol. 1, No. 1, pp. 37-50.

Dyer, W.G. 1994. Potential Contributions of Organizational Behaviour to the Study of Family-owned Business. Family Business Review, Vol. 7, No. 2, pp. 109-131.

Eisenhardt, K.M. 1989. Making Fast Strategic Decisions in High-velocity Environments. Academy of Management Journal, Vol. 32, No. 3, pp. 543-576.

Eisenhardt, K. M., and Martin, J. A. 2000. Dynamic Capabilities: What Are They? Strategic Management Journal, Vol. 21, No. 10-11, pp. 1105-1121.

Floyd, S. W., and Lane, P.J. 2000. Strategizing Throughout the Organization: Management Role Conflict in Strategic Renewal. Academy of Management Review, Vol. 25, No. 1, pp. 154-177.

Fotion, N. 1979. Paternalism. Ethics, Vol. 89, No. 2, pp. 191-198.

Forrester, J.W. 1961. Industrial Dynamics, Cambridge, Productivity Press.

Garvin, D. 1993. Building the Learning Organization, Harvard Business Review, Vol. 71, No. 4, pp. 78-91.

Garvin, D. 1993. Building the Learning Organization, Harvard Business Review, pp. 78-91.

Gavetti, G., and Levinthal, D. 2000. Looking Forward and Looking Backward: Cognitive and Experiental Search. Administrative Science Quarterly, Vol. 45, No. 1, pp. 113-117.

Gersick, K.E., Davis, J.A., McCollom, M., and Lansberg, I. 1997. Generation to Generation: Life Cycles of the Family Business. Boston, MA: Harvard Business School Press.

Grant, R. 1996a. Prospering in Dynamically Competitive Environments: Organisation Capability as Knowledge Integration. Organizational Science, Vol. 7, No. 4, pp. 375-387.

Grant, R. 1996b. Toward a Knowledge-based Theory of the Firm. Strategic Management Journal, Vol. 17, Special Issue: Knowledge and the firm, pp. 109-122.

Griffith, D.A., and Harvey, M.G. 2001. A Resource Perspective of Global Dynamic Capabilities. Journal of International Business Studies, Vol. 32, No. 3, pp. 597–606.

Grinyer, P., and McKiernan, P. 1990. Creating Major Change in Stagnating Companies. Strategic Management Journal, 11, pp. 5-15.

Habbershon T.G., and Astrachan J.H. 1997. Research Note Perceptions Are Reality: How Family Meetings Lead to Collective Action. Family Business Review, Vol. 10, No. 1, pp. 37-52.

Habbershon, T.G., and Williams, M.L. 1999. A Resource-based Framework for Assessing the Strategic Advantages of Family Firms. Family Business Review, Vol. 7, No. 1, pp. 1-25.

Habbershon, T. G., and Pistrui, J. 2002. Enterprising Families Domain: Family-Influenced Ownership Groups in Pursuit of Transgenerational Wealth, Family Business Review, Vol. 15, No. 3, pp. 223–238.

Hall, B. P. 2001. Values Development and Learning Organization. Journal of Knowledge Management, Vol. 5. No. 1, pp. 19 – 32.

Hall, A., Melin, L., and Nordqvist, M. 2001. Entrepreneurship as Radical Change in the Family Business: Exploring the Role of Cultural Patterns. Family Business Review, Vol. 14, No.3, pp. 193-208.

Handler, W.C. 1991. Key Interpersonal Relationships of Next-generation Family Members in Family Firms. Journal of Small Business Management, Vol. 29, No. 3,

pp. 21–32.

Handler, W.C. 1992. The Succession Experience of the Next Generation. Family Business Review, Vol. 5, No. 3, pp. 283–307.

Harris D., Martinez J.I., and Ward J.L. 1994. Is Strategy Different for the Family-Owned Business? Family Business Review, Vol. 7, No.2, pp. 159-174.

Hart, S., and Banbury, C. 1994. How Strategy-making Processes Can Make a Difference. Strategic Management Journal, Vol. 15, No. 4, pp. 251-269.

Hitt, M. A., Bierman, L., Shimizu, K., and Kochhar, R. 2001. Direct and Moderating Effects of Human Capital on Strategy and Performance in Professional Service Firms: A Resource-based Perspective. Academy of Management Journal, Vol. 44, No.1, pp. 13-28.

Johannisson, B., and Huse, M. 2000. Recruiting Outside Board Members in the Small Family Business: an Ideological Challenge. Entrepreneurship and Regional Development, Vol. 12, No. 4, pp. 353-378.

Johannisson, B. 2002. Energising Entrepreneurship. Ideological Tensions in the Medium-sized Family Business. In Fletcher, D. (ed.) Understanding the Small Family Business. London: Routledge, pp. 46-57.

Kaye, K. 1999. Mate Selection and Family Business Success. Family Business Review, Vol. 12, No. 2, pp. 107-115.

Kellermanns, F. W. and Eddleston, K. 2004. Feuding Families: When Conflict Does a Family Firm Good. Entrepreneurship Theory and Practice, Vol. 28 No. 3, pp 209-228.

Kim, D. 1993. The Link between Individual and Organizational Learning. Sloan Management Review, Vol. 35, No. 1, pp. 37-50.

Kim, L. 1998. Crisis Construction and Organizational Learning: Capability Building in Catching-up at Hyundai Motor. Organization Science, Vol. 9, No. 4, pp. 506-521.

Kogut B., and Zander U. 1992. Knowledge of the Firm, Combinative Capabilities, and the Replication of Thechnology. Organization Science, Vol. 3, pp. 383-397.

Koiranen, M. 2004. Entrepreneurialism, Managerialism and Paternalism as Clashing Ideologies in Family Business Systems. In Watkins, D. (ed.): ARPENT, Annual Review of progress in Entrepreneurship Research: 2, 2002-2003, Brussels, pp. 299-310.

Koiranen M., and Chirico F. 2006. Family Firms as Arenas for Trans-generational Value Creation: a Qualitative and Computational Approach. University of Jyvaskyla Press.

Kusunoki, K., IkuJiro, N., and Nagata, A. 1998. Organizational Capabilities in Product Development of Japanese Firms: A Conceptual Framework and Empirical Findings. Organization Science, Vol. 9, No. 6, pp. 699-718.

Lane, P.J., and Lubatkin, M. 1998. Relative Absorptive Capacity and Interorganizational Learning. Strategic Management Journal, Vol. 19, No. 5, pp. 461-477.

Lansberg, I., and Astrachan, J.H. 1994. Influence of Family Relationships on Succession Planning and Training: The Importance of Mediating Factors. Family Business Review, Vol. 7, No. 1, pp. 39-59.

Lant, T. K., and Mezias, S. J. 1990. Managing Discontinuous Change: A Simulation Study of Organizational Learning and Entrepreneurship. Strategic Management Journal, 11, pp. 147-179.

Larsen, E., and Lomi, A. 1999. Resetting the Clock: A Feedback Approach to the Dynamics of Organizational Inertia, Survival and Change. Journal of the Operational Research Society, Vol. 50, No. 4, pp. 406-421.

Larsen, E., and Lomi, A. 2002. Representing Change: A Systems Model of Organizational Inertia and Capabilities as Dynamic Accumulation Processes. Simulation Modelling Practice and Theory, Vol. 10, Special Issue, pp. 271-296.

Lei, D., Hitt, M.A., and Bettis, R. 1996. Dynamic Core Competences through Metalearning and Strategic Context. Journal of Management, Vol. 22, No. 4, pp. 549-569.

Lumpkin and Dess 1996. Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance. Academy of Management Review, Vol. 21, No. 1, pp. 135-172.

McCollom, M. 1990. Problems and Perspectives in Clinical Research on Family Firms. Family Business Review, Vol. 3, No. 2, 245-261.

Meso, P., and Smith, R. 2000. A Resource-based View of Organizational Knowledge Management Systems. Journal of Knowledge Management, Vol. 4, No. 3, pp. 224-231.

Miles, M. B., and Huberman, A. M. 1994. Qualitative Data Analysis, 2nd edition. Thousand Oaks, CA: Sage.

Miller, D. 1983. The Correlates of Entrepreneurship in Three Types of Firms. Management Science, Vol. 29, No. 7, pp. 770-791.

Miller D., Steier L., and Le Breton-Miller I. 2003. Lost in Time: Intergenerational Succession, Change, and Failure in Family Business. Journal of Business Venturing, Vol. 18, No. 4, pp. 513-531.

Miller, D., and Le Breton-Miller, I. 2004. Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses. Boston, MA: Harvard Business School Press.

Mowery, D.C., and Oxley, J.E. 1995. Inward Technology Transfer and Competitiveness: The Role of National Innovation Systems. Cambridge Journal of Economics, Vol. 19, No. 1, pp. 67-93.

Nonaka, I., and Takeuchi, H. 1995. The Knowledge-creating Company: How Japanese Companies Create the Dynamics of Innovation. New York: Oxford University Press.

Nonaka, I., Toyama, R. and Nagata, A. 2000. A Firm as a Knowledge Creating Entity: a New Perspective on the Theory of the Firm. Industrial and Corporate Change, Vol. 9, No. 1, pp. 1-20.

Pennings, J.M., Lee, K., and Van Witteloostuijn., A. 1998. Human Capital, Social Capital and Firm Dissolution. Academy of Management Journal, Vol. 41, No. 4, pp. 425-440.

Penrose, E. 1959. The Theory of the Growth of the Firm. New York: Oxford University Press.

Polanyi, M. 1958. Personal Knowledge - Towards a Post-critical Philosophy. Chicago University Press, Chicago, IL.

Polanyi, M. 1967. The Tacit Dimension. Routledge and Kegan Paul, London.

Prusak, L. 1996. The Knowledge Advantage. Planning Review, Vol. 24, No. 2, pp. 6-8.

Salvato, C., Williams, M., and Habbershon, T. 2002. Values and Competitive Advantage: The Cultural Determinants of Dynamic Capabilities in Family Firms. In M. Koiranen and N. Karlsson (Eds.), The Future of Family Business: Values and Social Responsibility: Research Forum Proceedings (pp. 41–66). Helsinki.

Salvato, C., and Melin, L. 2003. Competitive Advantage of Family Business. A Dynamic Capabilities Perspective. Research Forum Proceedings, FBN, 14th world conference.

Salvato, C. 2006. Social Capital and Entrepreneurship in Family Firms: a Dynamic Capabilities Approach. Family Firms as Arenas for Trans-generational Value Creation: a Qualitative and Computational Approach. University of Jyvaskyla, Press.

Salvato C., Pernicone, M., and Chirico, F. 2007. Dynamic Capabilities and Value Creation in Family Controlled Businesses: Insights from Comparative Case Studies. Dimensions on Family Business Research, Vol. 2, Nr. 37, pp. 18-44. IFERA 2006 BEST PAPER AWARD.

Schumpeter, J.A. 1934. The Theory of Economic Development: an Inquiry into Profits, Capital, Credit, Interest and the Business Cycle. Cambridge, USA: Harvard University Press.

Sharkie R. 2003. Knowledge Creation and Its Place in the Development of Sustainable Competitive Advantage. Journal of Knowledge Management, Vol. 7 No. 1, pp. 20-31.

Sharma, P., and Manikutty, S. 2005. Strategic Divestments in Family Firms: Role of Family Structure and Community Culture. Entrepreneurship Theory and Practice, Vol. 29, No. 3, pp. 293-312.

Sherer, P.D. 1995. Leveraging Human Assets in Law Firms: Human Capital Structures and Organizational Capabilities. Industrial and Labor Relations Review, Vol. 48, pp. 671-689.

Sirmon, D.G., and Hitt, M.A. 2003. Managing Resources: Linking Unique Resources, Management and Wealth Creation in Family Firms. Entrepreneurship Theory & Practice, Vol. 27, No. 4, pp. 339–358.

Sorenson R. L. 1999. Conflict Management Strategies Used by Successful Family Businesses. Family Business Review, Vol. 7, No. 4, pp. 117-136.

Spender, J.C. 1996. Making Knowledge the Basis of a Dynamic Theory of the Firm. Strategic Management Journal, Vol. 17, Special Issue, pp. 46-62.

Stake, R. E. 1995. The Art of Case Study Research. Thousand Oaks, CA: Sage Publications.

Sterman, J. 2000. Business Dynamics, Systems Thinking and Modeling for a Complex World. New York, McGraw-Hill.

Tagiuri, R., and Davis, J.A. 1996. Bivalent Attributes of the Family Firm. Family Business Review, Vol. 9, No. 2, pp. 199-208.

The Economist, 2004. Passing on the Crown. Special Report - Family Businesses - The Economist (London), Nov 4th 2004, 373 (8400), pp. 83-86. http://www.economist.com/business/displayStory.cfm?story_id=3352686

Teece, D. J., Pisano, G., and Shuen, A. 1997. Dynamic Capabilities and Strategic Management. Strategic Management Journal, Vol. 18, No. 7, pp 509-533.

Volery, T., Bergmann, H., Haour, G., and Leleux, B. 2005. Global Entrepreneurship Monitor. Rapport sur l'entrepreneuriat en Suisse et dans le monde. Swiss Executive Report: http://www01.imd.ch/documents/research/gemreport.pdf

Ward, J.L. 1987. Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership. San Francisco, CA: Jossey-Bass.

Westhead, P., and Cowling M. 1999. Family Firm Research: The Need for a Methodological Rethink. Entrepreneurship: Theory and Practice, Vol. 23, No. 1, pp. 31-56.

Winter, S.G. 2000. The Satisfying Principle in Capability Learning. Strategic Management Journal, Vol. 21, Special Issue, pp. 981-996.

Winter, S. 2003. Understanding Dynamic Capabilities. Strategic Management Journal, Vol. 24, No. 10, pp. 991-995.

Zahra, S.A., and George, G. 2002. Absorptive Capacity: A Review, Reconceptualization, and Extension. Academy of Management Review, Vol. 27, No. 2, pp. 185-203.

Zahra S., Hayton J., and Salvato C. 2004. Entrepreneurship in Family vs. Non-family firms: A Resource-based Analysis of the Effect of Organizational Culture. Entrepreneurship: Theory and Practice, Vol. 29, No. 3, pp. 363-382.

ISSN: 1796-9360

Zahra S.A., Neubaum D.O., and Larraneta B. 2007. Knowledge Sharing and Technological Capabilities: the Moderating Role of Family Involvement. Journal of Business Research, 60, pp. 1070–1079.

Zollo, M., and Winter, S. G. 2002. Deliberate Learning and the Evolution of Dynamic Capabilities. Organization Science, Vol. 13, No. 3, pp. 339-351.

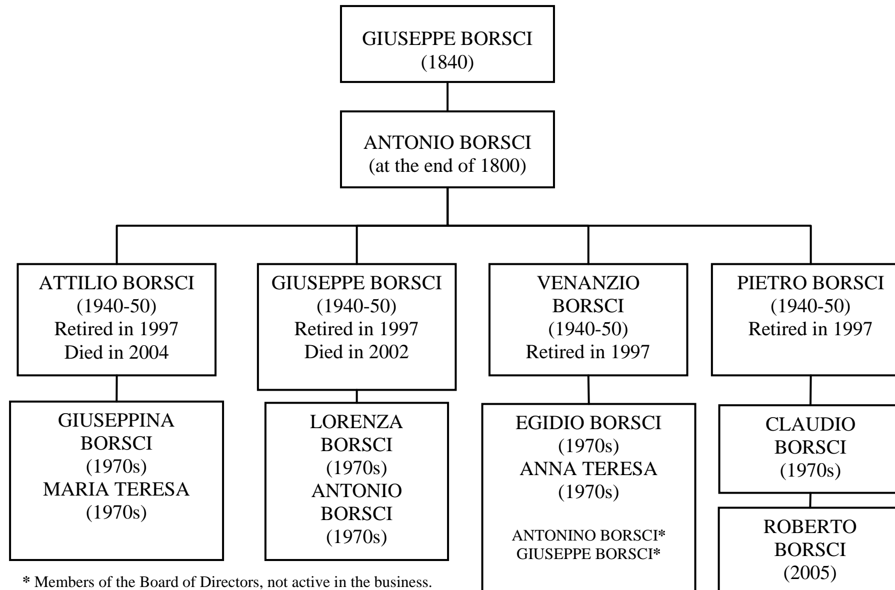
Yin, R. K. 2003. Case Study Research: Design and Methods (3rd ed.). Thousand Oaks, CA: Sage.

ACKNOWLEDGEMENTS

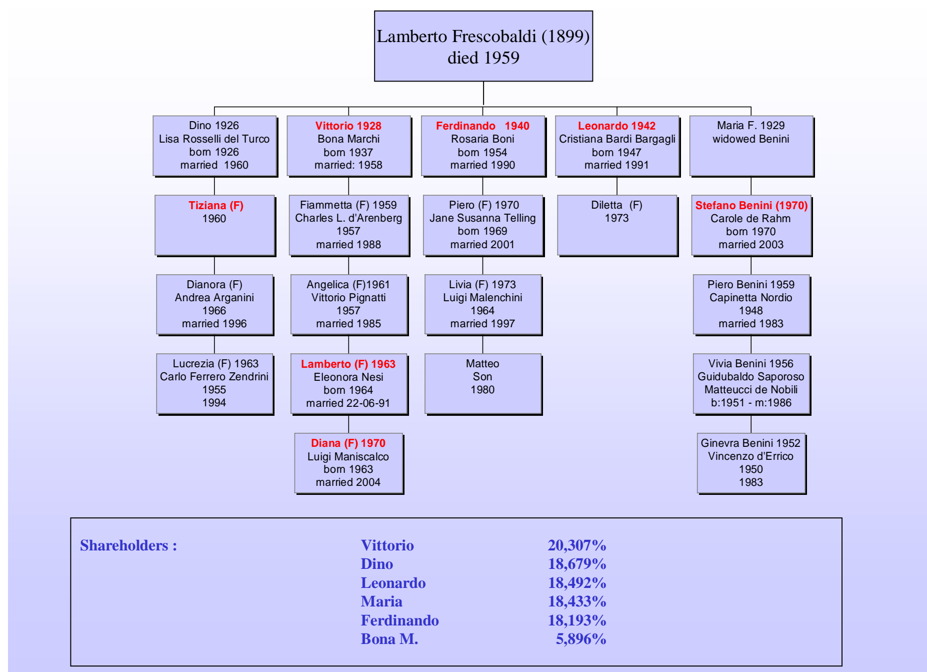
Data from Frescobaldi family firm were collected by Prof Carlo Salvato and the researcher Massimo Pernicone from Bocconi University (Italy) who are gratefully acknowledged. I am also pleased to thank the editor, Juha Kansikas and the two anonymous reviewers for their helpful comments and suggestions. I also gratefully acknowledge the FITS project's financiers, the 'Swiss National Science Foundation' and the 'Associazione Carlo Cattaneo' for their contributions.

APPENDIX I

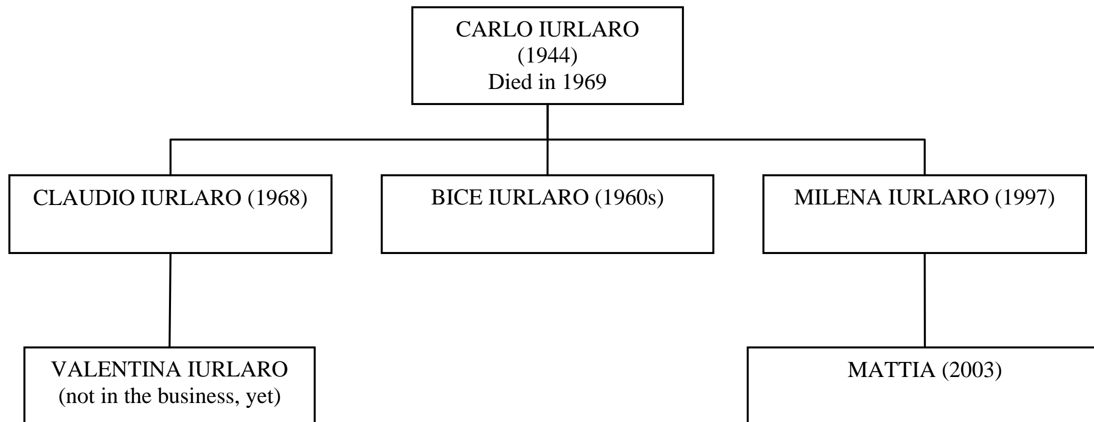
The Borsci family



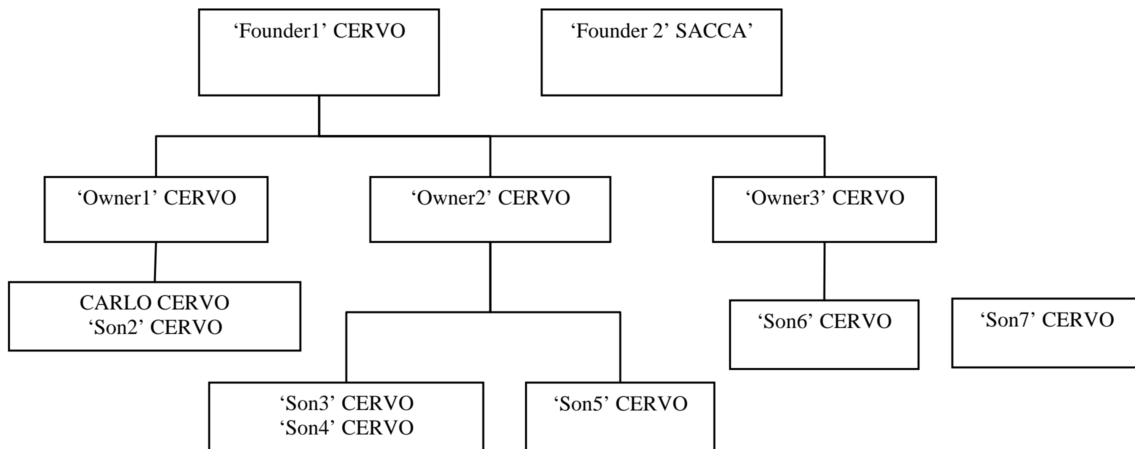
The Frescobaldi family



The Iurlaro family



The Cervo family



ISSN: 1796-9360

WHAT IS A BUSINESS FAMILY?

Jan Sten[9]
Swedish School of
Economics and Business Administration,
PB 479
00101 Helsinki, Finland
Voice: +358-9-43133 304, fax: +358-9-43133 275
E-mail: jan.sten@trainstation.fi

Abstract

Most businesses are argued to be family businesses, but this group of businesses is very heterogeneous. This is noticed in terms of differences in level of family involvement and influence in family businesses, and the F-PEC scale is a powerful tool when analysing such variations. However, all the families that are involved in these family businesses are also different. These families may be referred to as business families, but how do such families differ from each other? In order to be able to answer that question, one needs to start by defining a business family. During the search for such a definition, one will find that a business family may be positioned on a continuous scale ranging from business influenced families to family business influencing families.

Key words: business family, family involvement, family influence, business influence

[9] Assistant Professor in Entrepreneurship and Small Business Management at the Swedish School of Economics and Business Administration, Helsinki, Finland.

ISSN: 1796-9360

INTRODUCTION

There is a growing interest in family business research, and one reason for this development is the often reported notion that the majority of all businesses may be classified as family businesses. For example, Handler (1990) suggests that family businesses in the United States account for roughly 50% of the nation's gross national product, as well as for half of the nation's workforce. Some figures on European countries (Gandemo, 1998) indicate that 60% of all businesses in Germany are family businesses. In Sweden, more than 50% of the workforce within the private sector is employed by family businesses. For Finland, figures suggest that approximately 80% of all Finnish companies are family-owned.

Statistics on the importance of family businesses in society is greatly based on the idea that it is possible to differentiate family from non-family firms. By using different kinds of criteria, a family business researcher may achieve this, but although one may agree on which these criteria are, there is not always the same kind of agreement on to what extent such criteria should be used when classifying a business as a family business (Sten, 2006). Astrachan, Klein and Smyrnios (2002) offer a solution to this dilemma by stressing that it is more important to focus on the *degree* of being a family business than to separate family businesses from non-family businesses. Their F-PEC scale focuses on this matter, and one of the main ideas behind it is to end the discussion around "to be or not to be a family business". The F-PEC has also another strong element, illustrating more clearly than previously the issue that all family businesses do not belong to one big group of family businesses. On the contrary, it acknowledges that there are younger and older family businesses, and that there is smaller and bigger family businesses. There are family businesses that are closely-held by families, and there are family businesses, where the family is not in total control of everything. There are family businesses that have gone through successions, and there are family businesses that have not gone through successions. In other words, the F-PEC scale acknowledges a high degree of diversity among firms that exist within the family business field. Every family business is not the same, and Nordqvist (2005) takes this a bit further by arguing that we should start to show more interest in different sub-groups of family businesses instead of discussing about family businesses in general.

There are family businesses, because families are involved in them (Handler, 1989), and by using the F-PEC scale one can more easily start to dig into questions focusing on how families are involved, and what the implications of this involvement are for the business. However, one can also look upon this process from the opposite perspective. In family businesses families influence businesses, but what about the other way around? To what degree does a family business influence a family and its members? Habberson, Williams and MacMillan (2003) link the family involvement with *family influence* on firms, but likewise it should also be possible to state that we have *business influenced* families. In all its simplicity these families may be referred to as business families, but the likelihood is high that there will be several different kinds of business families in the same way as there are different kinds of family businesses. However, this view of the family and business system overlap does not appear to be as well researched as the aspect of family influenced firms. This is obvious in terms of how many articles there are on the discussion about how to define family businesses in relation to how many articles there are on defining business families. Lansberg,

Perrow and Rogolsky asked already in 1988 the question “What is a family business?”, but why is there no article with the title “What is a business family?” This article will try to deal with this imbalance. There should be an interest in this, since we do not only have many family businesses in the world; we also have many families and individual family members that are influencing, or are influenced by, such businesses. However, in order to dig deeper into this subject, one needs a definition of the term business family.

BUSINESS FAMILY DEFINITIONS

There is much literature available on the discussion about how family business researchers have chosen to define family businesses (Wortman, 1995), but the same does not seem to be true in terms of how they have chosen to define business families. Table 1 includes some examples of identified business family definitions, but these have not been easy to find. Despite the fact that the term is used in family business texts (Kenyon-Rouvinez, 2000), there is seldom any thorough discussion about how the writers actually define the business family.

Table 1 Examples of business family definitions

Authors:	**Examples of business family definitions**
Baines and Wheelock (1998)	*“the ‘business family’ is a much more inclusive term, which acknowledges a wide variety of formal and informal relationships between families and the businesses from which they gain their livelihoods*”.
Jaffe and Lane (2004)	“*a family that owns a business”*
Hubler (2005)	*“a family business's family*”
Kenyon-Rouvinez (2000)	**“***families that own a business or invest together*”
Lambrecht (2005)	“*we refer to a family business and a business family when the family holds the ownership and/or the day-to-day management of the business*.”
Werbner (1990)	“*Each member of the family is automatically a member of the family-owned enterprise…*”

The business family definitions in Table 1 are taken from various academic subjects, and while trying to find clear and precise business family definitions from family business research literature, four insights emerged. Firstly, family business researchers very seldom use the term “business family”. They are more often referring to the family involved in the business (Chua, Chrisman and Sharma, 1999), the family owning the business (Handler, 1989), families in business (Carlock and Ward, 2001), or the family system (Poutziouris and Chittenden, 1996). Secondly, there are family business researchers, who use the term “business family”, but they very seldom explicitly mention how they define it. It is most often only loosely defined as “families in business”. Thirdly, for those, who actually present their business family definitions, ownership seems to be an important ingredient. In this respect, a typical definition of a business family seems to be a family that owns a family business. In some text one also sees that the author uses the term “business-owning families” (Dunn, 1999) in order to stress this aspect. A fourth interesting aspect found among the presented business family definitions is that there is no major discussion about what the “fam-

ily" stands for. Werbner (1990) classifies every family member as a business family member, but what about other kinds of business family definitions? Do also other kinds of business family definitions cover every family member as in the definition by Werbner, or is it just the family members who are somehow involved in the family business that belong to the business family? It is not easy to answer such questions through an analysis of the business family definitions in Table 1. Other procedures are needed, and the concept "family involvement" seems to be a natural and promising starting-point.

Family involvement

Chua et al (1999) stated that family business researchers generally agree that *family involvement* in the business is what makes the family business different from other businesses. According to Handler (1989), most researchers focusing on family businesses seem to interpret this family involvement as ownership and management. This aspect seems as worthwhile focusing on when trying to define business families, since one can argue that where there is family involvement in a family business one should also be able to find a business family (Poutziouris and Chittenden, 1996). Consequently, one could quite easily define families involved in ownership and management of family businesses as business families. This kind of broad business family definition seems also to exist as one can see from Table 1, but this kind of business family definition brings with it two great challenges: definitions of *family* and *involvement*.

The first major question concerns the family component. When can it be argued that there is *family* involvement in a business? In order to answer that question, one needs to define the family term, and that is not an easy task. Members of the same household are in many situations classified as members of the same family (Rogers, 1990), but any person can share a household with other persons without being classified as a family. For example, young persons can share households or apartments with other persons during their years at university. Stuart (1991) tries to define the family by stating that five criteria need to be fulfilled in order to argue there is a family. These are 1) the family is a system or a unit, 2) the members can be, but do not have to be, related to each other, and they can, but they do not have to, live together, 3) the unit could include children, but this is not a necessity, 4) the feelings and relationships between the members include future commitments, and 5) the unit prioritizes protection and socialization of its members. Due to this list of requirements for being classified as a family follows also that there may be very different kinds of groups, who belong to the family category. Consequently, family business researchers may define their studied families in several different ways, which makes it difficult to conduct comparative research on business families.

Huge differences in definitions of the term family make it difficult to reach an agreement on what family involvement actually is, but there is a way out of this problem for family business researchers. A family consists of family members, and by shifting the focus from the family as such towards the individual family members, one can proceed with research focusing on family involvement. This decision can easily be justified, since regardless of the fact that families may be described as involved in family businesses, they very seldom own or manage family businesses. It is *individual* family members, who own and/or run family businesses, although they may do it *as* a

family. One may in the press read about families like Ahlstrom (Finland) or Bonnier (Sweden), and these may be referred to as business families, but it is the individual family members in these families, who are owners and perhaps managers in their family businesses. This suggests that the key question in the end is perhaps not about family involvement as such, but instead on finding the individual family members who are involved in the family business and influencing its performance. Unfortunately, that decision also brings with it a whole set of additional questions. For example, how many family members should be involved in a family business before one can write about *family* involvement? One can assume that there needs to be at least two family members involved in order to classify it as family involvement, but this approach results in another interesting remark. For example, concerning the Ahlstrom family (Finland) we may have learnt that more than one hundred family members are formally involved in the businesses (Magretta, 1998), but how can we compare such a business family with one where perhaps only two family members are involved in the business? The simple answer is that we cannot do such a comparison in a meaningful way. Instead, the focus should be shifted towards sub-groups of similar kinds of business families as Nordqvist (2005) argued in his discussion on family businesses.

The discussion about family involvement reveals that it is individual family members who are involved in family businesses, but when is a family member "involved" in the family business? Is it correct to only refer to involvement, when a family member is an owner or a manager? This seems to be an approach, which is often used (Handler, 1989), but how should one deal with family members, who support the family business in various *informal* ways? For example, spouses are perhaps not owners or managers, but they may still have great influence on how the family business is run. Following a strict family involvement definition including only formal involvement in the family businesses, these kinds of persons would not be categorised as involved in the business, although they in practice may influence the family business. Another interesting aspect of the family involvement factor is the question of family members, who are not involved in the business in any way. They may have totally different kinds of interests and careers, but are they still members of the business family? In order to find an answer to that question, one needs to discuss different levels of family involvement and how that may be linked to the question of how one could develop a solid definition of the term business family. In order to be able to do that, one needs to shift the focus from family involvement towards individual family members and their involvement in the family influenced business.

Involved family members

The idea with family influenced firms is that "*the interaction of the family unit, the business entity, and individual family members create unique systematic conditions and constituencies that impact the performance outcomes of the family business social system*" (Habbershon, Williams and MacMillan, p451, 2003). This would indicate that a business will be a family business, when individual family members are involved in the business and influencing its performance, but it is not an easy task to divide family members into those who are involved and those who are *not* involved in the family business. Still, if one wants to try to find every family member who is involved in a family business, the founder could be a natural starting-point. It seems like a rational decision to start with this family member, since when family business researchers study family businesses the focus has fairly often been on the founder of the family

business (Upton and Heck, 1997). The founder is usually both an owner and a manager in the family business, and thereby the founder is also an example of a person, who can be categorised as involved in the family business. Consequently, concerning the founder there should be no doubt about his or her involvement in the family business. Other family members than the founder are also important for family businesses, and recent research has, for example, started to more openly acknowledge the role of spouses (Poza and Messer, 2001). They are vital support for their entrepreneurial spouses, at least when it comes to "pillow talk" (Van Auken and Werbel, 2006), and in this respect, they may also have some influence on the development of the family business. In other words, they may perhaps also be regarded as family members somehow involved in the family business. Potential successors are other family members, who may be categorised as involved in the family business. These kinds of family members are expected to become more and more involved in the family business, and the only question in this matter concerns the question of *when* they become involved in the family business.

When trying to define family members as involved or not involved in the family business, it is clearly the spouse and the children who are not owners and managers that are the challenge. When is it justified to say that these persons are involved in the family business? If they are owners or employees there is no problem to define them as involved in the family business, but if they have some other kind of relationship to the family business, it is much more difficult to classify them as involved or not involved in the family business. However, a first step to deal with that challenge is to make the distinction between *formally* and *informally* involved family members (Anderson, Jack and Dodd, 2005). Formal involvement can be categorised as situations, where one formally is an owner, an employee or manager in the family business. This is what typically is brought forward in discussion about family involvement and family business (Chua et al, 1999), and it is usually no problem to define a family member as formally or not formally involved in the family business. With informal involvement it is somewhat different. When is a family member informally involved in a family business?

When trying to answer that question, one will notice that there actually are *three* different levels of involvement among individual family members. Firstly, there is the formal involvement in the family business. These family members are easy to identify since they are owners, managers, board members or employees in the family business (Sten, 2006). Secondly, there are the informally involved family members. Typical examples of these are spouses, who offer support in many different ways to the formally involved family members. Thirdly, there are family members, who are not formally or informally involved in the family business. Their interests are somewhere else than in the family business. Clearly, family members from one family may represent all these three categories, and combinations of individual family member involvement may differ from one family to another. In some families there may be several formally or informally involved family members, while not involved family members may be in the majority in other families. This potential diversity is an important observation for family business researchers, who want to present their business family definitions. One needs to somehow take these three levels of involvement into consideration when facing the business family dilemma, and Table 2 presents three potential alternatives of how that may be achieved. The three business family definitions in Table 2 have similar kinds of characteristics as family business defini-

tions discussed by Shanker and Astrachan (1996). They categorised the definitions into narrow, middle and broad definitions of family businesses, and the business family definitions in Table 2 can also be categorised according to the same principle. To begin with, every family member with formal involvement can be categorised as business family members (narrow), or then one may prefer to also add those who are informally involved in the family business (middle). The third (broad) option is to include every individual family member in the business family definition, regardless of whether family members are formally, informally or not involved in the business.

Table 2 Three types of business family definitions

Potential definitions	Comments
The business family includes every individual family member in a family, where at least two family members are informally or formally involved in the business.	The broadest definition. The family and the business family is the same unit. Key challenge is to define the family business and family.
The business family includes every individual family member who is formally or informally involved in a family business.	Focus on involvement regardless of its formal status. The challenge is to draw the line between not involved and informally involved.
The business family includes only individual family members with a formal relationship to the family business. This relationship can be in the form of employment, ownership, management or board membership.	This definition focuses on formal involvement. Key challenge is that family members with great informal involvement in the family business are not categorised as members of the business family.

All three business family definitions in Table 2 have their strengths and weaknesses. By starting with the broadest definition, one can argue, with some support from the famous three-circle model by Tagiuri and Davis (1982), that the family and the business family is the same unit, if the family circle is connected to the ownership and management circles as in the three-circle model. The strength with this kind of business family definition is that it acknowledges that a family with some family members involved in a family business will be different from a family where no family member is involved in a family business, regardless of the degree of involvement. Another strength of the broad definition is that one does not need to put that much effort into finding individual family members, who are involved in the family business. Two persons should be enough in order to meet the criteria of having a family involvement. One does not either have to make distinctions between formal, informal and no involvement, which makes it even easier to classify the family as a business family or not.

Major weaknesses with the broad definition of the business family are found around the individual family members and their involvement in the business. Firstly, as mentioned earlier it is not easy to define a family. It can be defined in several different ways, and this decision has a huge impact on who is categorised as a family member or not. A second major weakness with the broad definition is that is does not take into account that family members with no involvement in the business may be in the ma-

ISSN: 1796-9360

jority in the family. For example, a family with twenty family members of which only two are involved in running a family business, will be categorised as a business family with twenty members. Likewise, a family where eighteen out of twenty family members are involved in a family business will also be categorised as a business family with twenty persons. In terms of numbers, these two business families can be compared to each other, but they will be different from each other in many other respects. However, broad definitions of business families will not necessary acknowledge the existence of such differences.

The second business family definition, the middle one, focuses on actors, who are informally or formally involved in the family business. By still using the three-circle model as support, one can argue that every family member with personal connections to at least one of the ownership and business circle belongs to the business family. The strength with this definition is that it focuses on those individual family members who are involved in the business, and who can influence the performance of the business through their personal actions. The family members with formal relationships can be quite easily identified, but it is more difficult with informal involvement in the family business. Andersson et al (2005) focused on family involvement in their article, and based on that study one can argue that a family member can be informally involved in the family business in numerous ways. For example, one can provide contacts, offer knowledge help, give tips about potential employees, offer customer contacts and so forth. This can happen on a regular basis or just occasionally, and this complicates the definition of informal family involvement. How much should it be, or how often does one have to help out in order to be informally involved in the family business, and thereby also be a business family member? There is no simple answer to this question, but if one chooses to use this business family definition, one must tackle this weakness.

The third business family definition has family membership at its staring-point, but it is complemented with the additional requirement of a formal relationship to the family business in terms of employment, management, ownership or membership on the board. Most often formal family involvement refers to ownership and management (Chua et al, 1999), but a family member can be formally involved in several different ways, and that is why also employment and membership on the board are explicitly mentioned. However, it is easy to define when someone is an owner, a manager or a member of the board, but employment is a bit more difficult to define in a precise way. The easiest way to define it is to argue that an employee works in the family business, and that he gets paid for the work from the business. In practice, there may be family members, who at least occasionally work for the company without payment, but the line must be drawn somewhere, and the line in this specific case is drawn between salaries and no salaries.

The narrow definition of the business family term is the one that most clearly divides family members into business family and non-business family members. Due to the need for formal involvement in the family business, it is fairly easy to draw the line between these two categories of business family members, but this kind of business family definition has two major weaknesses. To begin with, it excludes from the business family CEO spouses, who have no formal relationship to the family business. To exclude family members with no interest or formal connection to the family business from the business family definition can be justified, but what about those family

members, who are not formally involved, but still have a great interest in the family business? Is it appropriate to exclude these family members from the business family? These kinds of family members may somehow contribute to the development of the family business, and therefore it can be argued that it is only right that they also are categorised as members of the business family. A second major weakness with the narrow definition is the circumstance that it actually divides a family into two groups of family members. On one side are formally involved family members and on the other side are informally or not involved family members. The group of formally involved family members will be referred to as a business family, while the other group is the family. However, the business family members are also members of the overall family, so one can question whether it is rational to have a sub-group called business family within the overall family. That is especially the case, where there may be several informally involved family members in the group of family members outside the business family group.

All in all the brief overview of the three business family definitions in Table 2 shows that each definition has its own strengths and weaknesses. Most of these characteristics are connected to the aspect of when a family member is involved or not involved in the family business, and thereby also contributes to the level of familiness in the family business. Any of the three business family definitions can be used in research focusing on business influenced families, but by looking at the development concerning definitions of family businesses, one can take the business family definition one step further. There are three reasons behind the need for this step. Firstly, the categorisation of business families in Table 2 suffers from the same problem as the early differentiation between family and non-family businesses. It will be possible to divide families into business families or other families, but it would be more important to be able to find different kinds of sub-groups of business families in order to facilitate meaningful comparative research. A second problem with the definitions in Table 2 is found in the narrow business family definition and the criteria of formal involvement. The idea behind family influenced businesses is the fact that individual family members influence the performance of the family business in a distinctive manner. However, formal involvement as such does not necessary imply that one is influencing the business in any manner. For example, a shareholder who owns one share in the family business is according to the narrow definition of the business family a business family member. If this person shows no interest whatsoever in the business, since he has inherited the share, he will most likely not influence the performance in the business in any respect. Another variation of this problem is a family business with ten shareholders, but where one strong family member totally controls the family business and makes all important decisions (Feltham, Feltham and Barnett, 2005). The other family members cannot do anything about this, or perhaps are not willing to do anything about it. Regardless of which option it is, these family members do not have any influence on the family business. It is more a question of that the business has an influence on them, since their major financial assets may be locked into that family business. However, this is something which the business family definitions in Table 2 do not take into account when trying to differentiate between business families and other families.

A third reason to why one needs to take the discussion about business families a step beyond Table 2 has also to do with the relationship between involvement and influence. The idea with family influence is based on the idea that individual family mem-

ISSN: 1796-9360

bers are involved in the family business. This involvement can be formal or informal. F-PEC scale is a useful tool when focusing on this involvement and the outcome of it, but what about the other way around? What about a family where the majority of the family members have no formal or informal involvement in the family business, but where they still feel that the family business has great influence on *them*? Typical examples of such family members are children who feel that their parents are so heavily involved in the operations of the family business that they have no time for them (Sten, 2006). These kinds of families are not easy to identify by using the business family definitions in Table 2, and that is why some other kind of approach is needed when trying to define business families. This goal can be achieved by partly using the logic behind the F-PEC scale focusing on family businesses. Such an approach may better acknowledge that there exist more than three types of business families. In fact, that approach will show that there exist families that are influencing or influenced by family businesses in several different ways. Formal, informal and no involvement are important aspects of that work, but not in the same way as presented in Table 2.

DIFFERENT TYPES OF BUSINESS FAMILIES

It is not easy to define business families, but by using the logic behind the F-PEC scale, one can bring some order into the definitional dilemma with the business family term. The F-PEC scale is based on the idea that the level of family influence will differ in family businesses. The observed differences in family influence is not used in order to categorise firms as family *or* non-family firms, but to argue that these two types of firms are extremes on a continuous scale (Astrachan et al, 2002). This has proved to be a useful approach when grouping and comparing family businesses (Klein, Astrachan and Smyrnios, 2005), and since family businesses and business families are closely intertwined, it should be possible to follow the same kind of reasoning when trying to define business families. An attempt to do that is presented in Figure 2, where the basic idea is that a *family* will be influenced by the fact that at least two of its family members are formally or informally involved in a family business. This involvement will influence the lives of the family members in the family, and this influence may be measured on a continuous scale ranging from low to high influence.

Figure 2 is based on the idea that every family member in a business family can be categorised as formally or informally involved, or not involved in the family business. When trying to conduct this categorisation, the first step is to define the family and its members. Then, one can look at how each family member is involved, or not, in the family business. Starting from the right, the formal involvement element comes very close to the power subscale of the F-PEC scale, since formal involvement may be measured in the form of management, ownership, employment or board membership. Different forms of informal involvement will focus more on aspects like pillow talk and a helping hand every now and then. Family members not involved are also a crucial element, since it is usually these family members who may have the feeling that the family business influences their lives to a great extent, although they themselves have no influence on the performed activities in the family business.

ISSN: 1796-9360

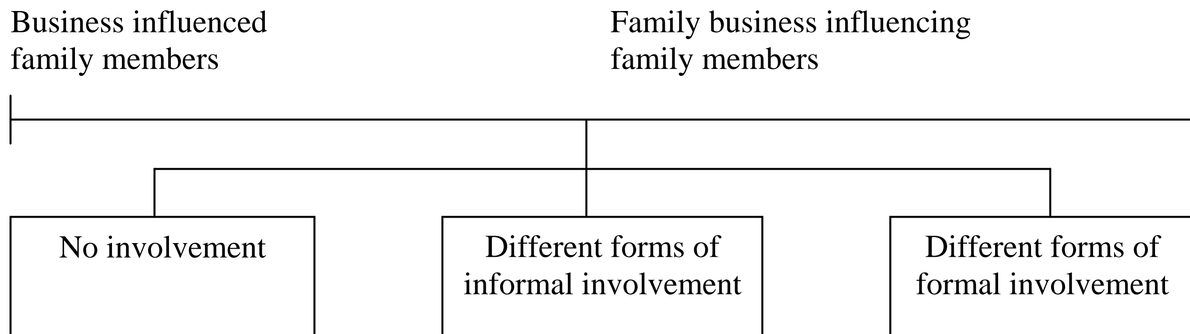


Figure 2 Continuous scale of business families

It is possible to identify every family member in a potential business family, and it is also possible to study if these family members are formally or informally involved, or not involved at all. Consequently, business families simply could be divided into sub-categories of business families depending on the share of formally or informally involved family members. For example, business families, where more than 50% of the family members are informally or formally involved in the family business, could be categorised as high influence business families, while business families, where less than 50% of the family members are formally or informally involved in the family business, could be categorised as low influence business families. This is one simple way of measuring the business influence in a family, but it is perhaps not the optimal way of categorising business families. For example, take two different families, where the great majority of the family members in both families are formally or informally involved in the businesses. One family has very active family members, and during family meetings the discussion always focuses on the family business and how it should be developed in the future. The other family has no discussions whatsoever. The great majority of these family members are shareholders in the family business, but not a single one is active on the board or working in the company. The family has no family meetings, where family business issues are discussed. The family members get dividends each year, but otherwise they have no major interest in the business. Clearly, these two families look very differently on how the business influences the lives of the family members, but by simply counting formally and informally involved family members in the families, these two families could be categorised as members of the same business family category. However, they differ greatly in terms of behaviour, and in order to take the business family categorisation a bit further due to this aspect, one needs to look in more detail on *how* the family members personally look on what influence the business involvement has on the family.

The F-PEC scale is divided into three different sub-scales: power, experience and culture. Each sub-scale has its own dimensions, and the business family scale can be approached in a similar way. Empirical studies need to sort out which dimensions these could be on the business family scale, but when looking at the business family, money, time and social contacts are three dimensions that could be a fruitful starting point when trying to define to what degree a family is a business family (Sten, 2006). For example, one can ask the family members how much of their income comes from the family business, or how much of their assets are invested, or have their origin in the family business. In terms of the time dimension, one can have the family members to estimate how much of their working time, or available time in general, is spent around family business issues. How many hours on average does a family member put

into family business issues during one week? Concerning social relations, one can ask what share of the social contacts have their origin in the family business context. How great a number of the people we meet are contacts we make because we have a family business? One can also ask uninvolved family members about how they feel family relationships are influenced by the fact that some family members are heavily involved in a family business. There are many different variations of these aspects, but they are possible to reveal during interviews with family members from families, where at least two family members are formally or informally involved in a family business.

Different family members will due to their personal level of involvement in the family business, answer differently on how much influence the family business has on their personal economy, time distribution pattern and social networks. However, the revelation of these personal facts of each family member can open up interesting discussions in business families. For some family members it may come as a shock on how great an influence the family business has on the family, while other family members may be surprised on how unimportant the family business is to the lives of some family members. This may even result in reorganisations of how family members are involved in the family business. Still, the greatest contribution comes from the circumstance that these facts make it easier to find benchmarks for the business family. One may compare their business family with any other business family, but unless the family members from both families look upon business influence on the family in the same way, there is perhaps no need for a comparison between these two families. They are too different. An insight they have difficulties in reaching unless there is some discussion on what defines a business family.

Clearly, the scale in Figure 2 is a theoretical approach to the business family dilemma. It is an embryo to a more sophisticated approach on defining business families, but by using it in empirical research one may take the discussion about business family definitions a bit further. This is also the only way to give it more space in family business research. However, at this stage, one can argue that the scale in Figure 1 has three valuable contributions. Firstly, it acknowledges that when the focus is on family involvement, the focus is actually on individual family members. The family may be formally or informally involved in the family business, but it is individual involvement and not family involvement as such that is important when studying business families. Secondly, individual family members may be influencing the family business performance through formal or informal involvement. Most often one acknowledges the formal involvement, but the informal involvement should not be neglected. Thirdly, a business family may consist of many individual family members, who are not formally or informally trying to influence the operations of the family business, but they still may be influenced by the fact that other family members are involved in a family business. All these insights are valuable, since they also give some ideas on how research involving business families may be developed in the future.

RESEARCH ON BUSINESS FAMILIES

There is no need to define a term unless it will be used somehow. This is not the problem with the business family concept, since it is already used by family business researchers. The problem is more the question of how it is used, and how it could be used. In that respect, family business researchers need, to begin with, to more clearly

present their business family definitions. For the moment, it is very difficult to find out how family business researchers define the business family. The family business definition is discussed and presented, but the business family is seldom clearly specified. It seems in most cases just to be referred to as families in business. However, this is not enough for at least three reasons.

Firstly, family business researchers put great effort into defining family businesses. One of the reasons for this is to facilitate comparative research. Family business researchers have not reached a total agreement on the family business definition, but they most often know which family business definitions are close to the one that they themselves use. This is a first step in the process towards better and more comparative research on family businesses. In order to be able to take the first steps forward in the same direction within research on business families, researchers in the family entrepreneurship field must start to more openly and precisely present their chosen business family definitions. There is no alternative to this development route if there is a desire to come up with more comparative research also within this genre. Clearly, the business family is a slippery concept like the family business definition, but in order to be able to start conducting serious comparative research, the business family concept needs to be taken more seriously than previously.

It is good to start by always clearly presenting one's own business family definition, but that is not enough. One has to remember that business families are a heterogeneous group, and comparisons between business families that belong to the total population of business families are therefore not always that fruitful. Therefore, the second major step forward for business family research is the decision by the family entrepreneurship researchers to be more critical about what kinds of business families they focus on. Such research approaches would in the long run make it easier to compare business families within different categories to each other, or to compare different groups of business families to each other. Consequently, as with research on family business, it is perhaps not most important for business family researchers to separate between business families and other types of families. It is more important to describe what kinds of business families one is studying.

A third major reason for why family entrepreneurship researchers should start to change how they use the business family concept is because a more critical reflection on the selected business family definition gives the family entrepreneurship researcher a good opportunity to reflect on whose voices one is listening to and which ones one *should* listen to while conducting research. Typically family business researchers listen to founders or next generation members, when they study family businesses (Zahra and Sharma, 2004), but there are several other interesting voices in internal stakeholder groups like business families (Birley, 2002). Therefore, family entrepreneurship researchers should always reflect on whose voices they are listening to, and the first step in that decision-process is the identification of every family member. The second step is to reflect on which family members may have valuable input about the issue that is going to be studied. Thirdly, the researcher could reflect on the need to listen to multiple instead of single voices. Every family business researcher has the opportunity to listen to multiple voices in any situation, and Zahra and Sharma (2004) argue that there is a need for more such studies. Such an approach is more challenging in many aspects (Birley, 2002), but it offers the opportunity to really dig into the complexity of family businesses and business families, and that is why family entre-

preneurship researchers always should critically reflect on their decision to listen to certain, or perhaps single voices.

The business family term as a source for research ideas

The discussion about the business family definition has stressed that family entrepreneurship researchers should be more careful in their presentations of their business family definitions, but this definition discussion renders also some research possibilities, which could be investigated further. One such example is research on rules of family involvement. Family business researchers mainly see family involvement in family businesses in the form of ownership and management (Chua et al, 1999), but how do business families look at family involvement? For example, a family member may be involved in a family business in many different ways. A family member may be an active or passive owner, minority or majority owner, employee or manager, member on the board, or an informal supporter to the family business (Carlock and Ward, 2001). How do business families set up rules about entries and exits in relationship to these different business family membership roles? Larger business families that are involved in cousin consortiums may have distinctive rules on this (Poza, 2004), but when do business families start to develop rules about formal and informal involvement in the family business?

Another crucial aspect with business families is how they deal with expectations of involvement by family members. Younger family members may be expected to support their parents in their work in the family business, but how do business families deal with these kinds of arrangements? These kinds of working arrangements are crucial steps in the fostering of entrepreneurial individuals (Lank, 2000), but a lot can go wrong during this process. Research by Birley (2002) showed that not all next generation family member were keen on joining family businesses, and we can perhaps learn more about why this is the case by showing a greater interest to how business families discuss family involvement in relation to family businesses (Brockhaus, 2004). Another issue which touches upon this discussion is the question of how business families deal with distribution of information within the business family. Public companies have their own rules about how information about the family business can or should be distributed, but how about smaller family businesses? What kinds of information distribution policies do they have? Is information about the family businesses distributed to all family members, or is it only distributed to formally or informally involved business family members?

The discussion about involved versus not involved family members also reveals some other promising research ideas. For example, how do family members who are not involved in the family business look upon business influence from the family business and the family members who formally, or informally, are members of the business family? Do they feel as outsiders in their own family, since they are not members of the inner circle of the family business? Clearly, one can expect that involved family members spend more time together since they are in business together (Sten, 2006), but what kinds of effects does this have on the relationships to the family members who are not contributing to the level of familiness in the family business? In this respect, there is much to learn about the existence of a family business and its spill-over effects on the family.

ISSN: 1796-9360

The division of family members into involved and not-involved family members leads also to another interesting aspect of families in business. Family business owners are often very entrepreneurial, and there may be several family businesses within the same family. The business family may control a portfolio of businesses, but which family members are invited into which family businesses? Is this process mainly a question of fairness and justice (Van der Heyden, Blondel and Carlock, 2005) or is it mainly a question of skills and interest? What kinds of rules do families in business have about these kinds of activities? Can any family member set up any kind of family business? Certain business families have strict rules about this, but how often is that the case among the majority of business families?

Finally, there is also the question of cultural differences (Birley, 2002). A family in China is something different than a family in Finland. What are the implications of these differences when one is studying business families in the context of international research projects? There may be an agreement on how the family business should be defined, but is there also an agreement on how the family and the business family should be defined? Once again, the family entrepreneurship researcher should always remember to reflect on the business family definition, and openly report on how it has been defined in the on-going research project.

CONCLUSION

On a general level, the business family definition has received far less attention than the family business definition. This is understandable for several reasons, but it does not justify the decision to be very vague about one's chosen business family definition. Family business researchers should be as open about the business family definition as they are about their family business definition. The business family unit is not the best possible unit of analysis in any situation, but by at least considering the business family as the unit of analysis, one gets a real opportunity to decide whose voices one will listen to while being active in the family entrepreneurship field. While listening to these voices, researchers could also pay some more attention to how business family members themselves look upon family involvement in family businesses, and how they feel the business involvement influences the family. In addition, one needs to start testing the continuous scale of business families as presented in Figure 1.

REFERENCES

Anderson, A.R., Jack, S.L., and Dodd, S.D. 2005. The Role of Family Members in Entrepreneurial Networks: Beyond the Boundaries of the Family Firm. Family Business Review, Vol. XVIII, no 2. pp. 135-154.

Astrachan, J., Klein, S., and Smyrnios, K.X. 2002. The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem. Family Business Review, Vol XV no 1. pp. 45-58.

Baines, S., and Wheelock, J. 1998. Working for Each Other: Gender, the Household and Micro-Business Survival and Growth. International Small Business Journal, Vol 17, 1. pp 16-35.

Birley, S. 2002. Attitudes of Owner-Managers' Children Towards Family and Business Issues. Entrepreneurship, Theory and Practice, Spring, pp. 5-19.

Brockhaus, R. 2004. Family Business Succession: Suggestions for Future Research. Family Business Review, Vol. XVII, no 2. pp. 165-177.

Carlock, S., and Ward, J.L. 2001. Strategic Planning for the Family Business. Parallel Planning to Unify the Family and the Business. Palgrave. Great Britain.

Chua, J.H., Chrisman, S.J., and Sharma, P. 1999. Defining the Family Business by Behavior. Entrepreneurship, Theory and Practice, Summer, pp. 19-39.

Dunn, B. 1999. The Family Factor: The impact of Family Relationship Dynamics on Business-Owning Families during Transitions. Family Business Review, Vol. XII, No. 1. pp. 41-60.

Feltham, T.S., Feltham, G. and Barnett, J.J. 2005. The Dependence of Family Businesses on a Single Decision-Maker. Journal of Small Business Management, Vol. 43, No. 1, pp. 1-15.

Gandemo, B. 1998. *Forskning om familjeføretag – en utblick i vœrlden*. Forum för Småföretagsforskning 1998:4.

Habbershon, T.G., Williams, M., and MacMillan, I.C. 2003. A Unified Systems Perspective of Family Firm Performance. Journal of Business Venturing Vol. 18, pp. 451-465.

Handler, W.C. 1989. Methodological Issues and Considerations in Studying Family Businesses. Family Business Review. Vol. II, Iss. 3. pp. 257-276.

Handler, W.C. 1990. Succession in Family Firms: A Mutual Role Adjustment Between Entrepreneurs and Next-generation Family Members. Entrepreneurship: Theory and Practice, Vol. 15, No. 1, pp. 37-51.

Hubler, T. 2005. Forgiveness as an Intervention in Family-Owned Business: A New Beginning. Family Business Review, Vol. XVIII, Iss. 2. pp. 95-103.

Jaffe, D.T. and Lane, S.H. 2004. Sustaining a Family Dynasty: Key Issues Facing Complex Multigenerational Business- and Investment-Owning Families. Family Business Review, Vol. XVII, Iss. 1. pp.81-98.

Kenyon-Rouvinez, D. 2000. Patterns in Serial Business Families. Theory Building through Case Study Research. Doctoral thesis. Universite de Lausanne Ecole des hautes etudes Commerciales.

Klein, S., Astrachan, J., and Smyrnios, K. 2005. The F-PEC Scale of Family Influence: Construction, Validation and further implication for Theory. Entrepreneurship: Theory and Practice. Vol. 29, Iss. 3, pp. 321-339.

Lambrecht, J. 2005. Multigenerational Transition in Family Businesses: A New Explanatory Model. Family Business Review, Vol. XVIII. No 4. pp. 267-282.

Lank, A. 2000. Making Sure the Dynasty Does not Become a Dallas. In S. Birley and D. Muzyka (Eds.) Mastering Entrepreneurship. London. Pearson Education.

Lansberg, I., Perrow, E.L., and Rogolsky, S. 1988. Family Business as an Emerging Field. Family Business Review, Vol 1. Iss. 1, pp. 1-8.

Magretta, J. 1998. Governing the Family-owned Business: an Interview with Finland´s Krister Ahlström. Harvard Business Review, Jan-Feb, pp. 113-123.

Nordqvist, M. 2005. Understanding the Role of Ownership in Strategizing: A Study of Family Firms**.** Jönköping University, Jönköping International Business School, JIBS, Business Administration.

Poutziouris, P., and Chittenden, F. 1996. Family Businesses or Business Families? Leeds Institute for Small Business Affairs.

Poza, E.J. 2004. Family Business. South-Western College Pub; 1 edition. 304 p.

Poza, E.J., and Messer, T. 2001. Spousal Leadership and Continuity in the Family Firm. Family Business Review, Vol. XIV, No. 1, 25-35.

Rogers, B.L. 1990. The Internal Dynamics of Households: a Critical Factor in Development Policy. In Rogers, B.L. and Schlossman, N.P. (eds.) Intra-household Resource Allocation: Issues and Methods for Development Policy and Planning. United Nations University Press. Tokyo.

Shanker, M.C., and Astrachan, J.H. 1996. Myth and Realities: Family Businesses' Contribution to the US Economy. Family Business Review, Vol. 9, No. 2, pp. 107-123.

Sten, J. 2006. Transfers of Family Businesses to Non-Family Buyers. The Selling Business Family Perspective. Diss. Swedish School of Economics and Business Administration. Report nr 160. Helsinki.

Stuart, M. 1991. An Analysis of the Concept of Family. In A. Whall and J. Fawcett (Eds), Family Theory Development in Nursuring: State of the Science and Art, (p. 31-42). Philadelphia: F.A.Davis.

Tagiuri, R., and Davis, J. 1982. Bivalent Attributes of the Family Firms. Working paper, Harvard Business School, Cambridge, MA. Reprinted in Family Business Review, Vol. 9, No. 2, pp. 199-208.

Upton, N.B., and Heck, R.K.Z. 1997. The Family Business Dimension of Entrepreneurship. In Sexton, D.L. and Smilor, R.W. Entrepreneurship 2000. Upstart Publishing Company. Chicago.

Van Auken, H., and Werbel, J. 2006. Family Dynamic and Family Business Financial Performance: Spousal Commitment. Family Business Review Vol. 19, No. 1, pp. 49–63.

Van der Heyden, L., Blondel, C., and Carlock, R.S. 2005. Fair Process: Striving for Justice in Family Business. Family Business Review, Vol. 18, No. 1, pp. 1–21.

Werbner, P. 1990. Renewing an Industrial Past: British Pakistani Entrepreneurship in Manchester. Migration, Vol. 8. pp. 7-41.

Whitside, M.F., Aronoff, C.E., and Ward, J.L. 1993. How Families Work Together. Family Business Leadership Series No. 4.

Wortman, M.S. Jr. 1995. Critical Issues in Family Business: An International Perspective on Practice and Research. In Proceedings of the ICSB 40th World Conference, Sydney, Australia: Institute of Industrial Economics, pp. 53-76.

Zahra, S.A., and Sharma, P. 2004. Family Business Research: A Strategic Reflection. Family Business Review, Vol. XVII, No. 4, pp. 331-346.

ISSN: 1796-9360

CALL FOR PAPERS

Electronic Journal of Family Business Studies (EJFBS) will publish online theoretical and empirical articles, book reviews and case studies on family business research. Publication will be available with open access worldwide at the website of the Library of University of Jyvaskyla.

EJFBS will be published by the University of Jyvaskyla (Finland, Europe). It will be a channel to report the latest results on Family Business research after a double-blind review process.

The aims of the e-publication are to:

1) Publish multidisciplinary research on Family Enterprise and Family Business themes
2) Stimulate discussion on Family Business research
3) Support the goals of the international Family Business research community
4) Publish first-class case studies on Family Firms (Including research-based teaching cases)
5) Activate universities to write and publish Family Business research
6) Activate social discussion on the future of Family Firms and Family Business research
7) Reduce the delay of printing between the acceptance of the manuscript and its publication.

It is expected that the studies have been completed. EJFBS is not a forum to publish works-in-progress-type results. However, innovative explorative studies are more than welcome.

You can submit your paper by e-mail as a WORD document to EJFBS contact person:

Mr. Juha Kansikas (Editor) Kansikas@econ.jyu.fi
Ph.D. School of Business and Economics
University of Jyvaskyla Finland
Tel. +358 (14) 260 3166

ISSN: 1796-9360

HOW TO SUBMIT YOUR ARTICLE TO ELECTRONIC JOURNAL OF FAMILY BUSINESS STUDIES?

You can submit your article only by e-mail (word, saved in doc. or rtf. format) to editors of the EJFBS. Please follow these following style guidelines in your paper.

SUBMISSIONS

We are looking for

- Scientific, theoretical and empirical, qualitative and quantitative articles on family business research
- Case studies on family businesses and families
- Book reviews on latest family business publications
- Summaries of family business PhD thesis
- Speeches or statements on family business politics in different countries

All research articles will go through a double blind review. Early submissions are encouraged, because revision takes time. Based on the recommendations Editors of EJFBS decide together whether the article should be published, revised or rejected.

EJFBS AWARD

There will be given the first EJFBS award for the best research paper. EJFBS award is given to high quality research paper that has got unique value and contribution for the international family business research.

COPYRIGHT POLICY

The journal is managed by University of Jyvaskyla (JyU) and the Library of JyU. Each author, by submitting a paper to us, gives EJFBS the right to publish, revise or reject the article. The copyright of the publication and published articles belongs to EJFBS and the editors of the journal. Readers have got the right to download, save and print the article for study, but not for distribution or reproduction. All authors should follow copyright law. Authors must represent that the submissions are original and unpublished, unless mentioned otherwise. After the manuscript is accepted, Editors require the corresponding author to return a copyright agreement to EJFBS.

ISSN: 1796-9360

SUBMISSION REQUIREMENTS TO ELECTRONIC JOURNAL OF FAMILY BUSINESS STUDIES

- Abstract should not be more than 200 words.
- Maximum pages: 20 (incl. all appendices) Format: Word (doc. or rtf.)
- Margins: top margin 2 cm, bottom margin 2 cm, left margin 3 cm, right margin 3 cm
- Font: Times New Roman 12 pt
- Spacing: single spaced
- Headings: Section headings with 12 pt, bold
- Coversheet can include the title of the topic and contact info and names of all authors.
- Please define the corresponding author/authors clearly at the first page. Authors should not appear anywhere else in the article.
- Do not use any page numbers.
- Write a list of references at the end of the paper. Example on style of the references:

Astrachan, J. , Keyt, A. , Lane, S., and McMillan, K. 2004. The Loyola Guidelines for Family Business Board of Directors, In Tomaselli, S. & Melin, L. Research Forum Proceedings. Family Firms in the Wind of Change. FBN 2004. pp. 7-21.
Kotey, B. 2003. Goals, Management Practices, and Performance of Family SMEs, International Journal of Entrepreneurial Behaviour & Research, Vol. 11, No. 1, pp. 3-24.
Neubauer, F., and Lank, A.G. 1998. The Family Business and Its Governance for Sustainability. MacMillan: London.

Example of submission requirements (as word and adobe acrobat documents) www.jyu.fi/econ/ejfbs