COURSE GUIDE

ENT 308
FAMILY BUSINESS AND SUCCESSION PLANNING

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Course Summary

Family businesses are the social and economic lifeline of most developed and developing nations. The successes of these businesses contribute to the healthy development of any nation. It is therefore important for understand how family businesses are run including the dynamics of the family within the business and how these aid the performance of the business enterprise. Statistics shows that approximately 80 percent the world's businesses are owned or managed by families thus the possibility of you as a student working in or with a family business is high. This course is therefore set to promote the continuity of a successful family business and also provide the knowledge necessary to support longevity and successful transfer of businesses from one generation to the other.

This course provides analysis of and insights into the behaviours and dynamics of family businesses. Specifically, the course guide will help the students:

- understand the unique characteristics of family businesses
- understand the complexities that lie at the intersection of family ownership, control, and management of a firm
- identify the contribution of family businesses to the world economy with focus on a few countries such as the United States of America, United Kingdom, China, Japan, and India
- identify notable examples of family dynasties in Nigeria
- understand the distinctive advantages of inherent in family businesses
- understand and identify the unique challenges facing a family business
- understand the knowledge, skills and attitudes required for entrepreneurship within a family business
- identify the various stakeholders of a family business and understand their relationship to business performance
- understand the critical issues that family businesses face in managing and improving business performance
- Understand the importance of growth in relation to family businesses

- understand the psychological and emotional foundations of family businesses
- identify and cope with foreseeable obstacles to continuity of a family business

Course Design

This is an interactive course designed to help you learn about the workings of the family business using the well established western literature as a guide. You are therefore advised to study each units, cases, other recommended texts and literatures in order to get a good grasp of the core concepts in this course. **Please note that family business and family firms will be used interchangeably in this manual.**

Course Materials

- **Course Guide**
- **Study Modules**
- **References**
- **Assignment File**

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MODULE 1

Unit 1: Introduction

Family business is the most prevalent form of business in the world (Colli, 2003). Throughout history and worldwide, families and business have always co-existed to a large extent mainly because most businesses commenced with the underlying motivation to earn a living and support a family. While the business provides financially for the family, the family provides human resources which could be paid or unpaid for the business. This is why Aldrich and Cliff (2003) argued in their widely referenced article that families and businesses are inextricably intertwined. Micro, small, medium or large, family businesses are represented in all business sectors and their pervasiveness is non-rivalled in the world. This is to the extent that today, the scope of family-involved businesses has expanded to include some of the world largest companies with massive economic impact on economic weight remains massive. In all markets, family owned businesses form the bedrock of advancing economics. Throughout they have played an important role in employment, income generation and wealth accumulation

Family business has been crucial to the business and historical landscape of traditional Western societies such as the United States of America (USA) and Europe. A significant percentage of these countries' economies were and are still controlled by family dynasties such as the Rothschild, Barings, Vanderbilt, Rockefeller, Waltons, Walt Disney, Johnson and Johnson, Bill Gates Foundation and many more. In the United Kingdom, a family business is a common sight, most of the local newsagents, corner-shops, and many independent retailers. Similarly Japan, one of the triad that conducts and controls most of the World's trade and foreign direct investment (FDI), is home to some of the oldest recorded family controlled businesses in history. Notable examples and their founding dates are Hoshi Ryokan (718), Toraya (1600), Enshu Sado School (1602), Takenaka Corporation (1610), Kikkoman Corporation (1630) and Sumitomo (1630). It is important to note in this course guide on family business that Japan is very important and significant to the evolution of family business as a research field. This is because asides being home to the oldest recorded family businesses in the world, most of their family businesses place high importance on the retention of family ownership and preservation of the business and its traditions for the next generation. For example, a recent survey carried out in Japan showed that 80 percent of family firms had a family member CEO, three out of five firms were 100 percent family owned and the remaining companies were more than 50 percent family owned, thus making Japan significant radar in Family Business Research.

Overall, family businesses tend to lay more emphasis on a firm's longevity and sustainability rather than realising short-term profit which is typified in Japan's Family Business Model. The family is always at the centre of the of a family business and this course manual will provide insights into the dynamics of how a family can run a successful business.

Unit 2: Historical Review of Family Business Dynasties

Historically, family businesses came into prominence during the early stages of industrialisation in the eighteenth and nineteenth centuries in Western Europe (Colli, Fernandez-Perez, & Rose, 2003). Record high market failures were experienced in most European countries and the recognition of businesses with family involvement were notable due to their significant intervention role during this period (Bertrand and Schoar, 2006; Colli, et al., 2003). Wealthy families in Western Europe played significant roles in rescuing some major economies within this region before the twentieth century. Most industrialised countries saw the emergence of family businesses especially during this period as timely. Their dominance and prominence were so strong that they practically controlled the economies of these nations during the period referred to above.

Over a century ago, traditional Asian, African, Western European and North American communities would refer to any trading establishment by the name of the family behind it (Aldrich and Cliff, 2003). This was the common practise; founding families behind a venture are usually perceived as the business itself. Impliedly, when referring to businesses over a century ago, what comes to the mind of majority of people is a business owned, managed and controlled by a family (Aldrich and Cliff, 2003; Bertrand and Schoar, 2006). This might be the platform that brought into existence the name ‘family business’.

History provides many examples wherein dynastic families play prominent roles in new venture creation within their communities (Steier et al., 2004). Few among the examples given in the literature are:

The Rothschilds of Jewish descent, was a dynastic family with a wide spread of businesses in Europe. They were also one of the most prominent merchant bankers in the mid-eighteenth century, who developed the technique of absolute discretion to perfection. The family was a valid case study in tenacity, a dynasty in which the traits of persistence and intense focus was passed down from one generation to the other. The Rothschild family was said to have started from the most humble beginnings and worked their way into a mighty multinational. Their first venture into business was as omnibus traders and dealers. However, with their tenacity and determination to keep all their business interest in the family, the Rothschild accumulated so much wealth that they were considered to be the richest in Europe during the seventeenth and eighteenth centuries. During the 19th century, the Rothschild family were recorded to possess the largest private fortune in the world. History records that the Rothschilds built a business based on a close knit family circle to the extent that marriages were restricted to within the family only. Due to this tight family control of the Rothschild's business empire, it was easier for the family to spread their business across Europe. Family members were sent out based on trust to establish branches in different locations, hence the ease of operation at minimal agency cost (Bertrand and Schoar, 2006:73). In this example, the Rothschild's family exhibited the following strong family orientation such as trust, loyalty and interdependency. The family also fulfilled the following functions: at individual member level – obligation; trust and procreation; for the whole family, they perform their role of economic support for their community; training in family values; culture and other important areas for its members.

Kongõ Gumi Co. Ltd: Kongõ Gumi was recorded to be the oldest firm before it was sold to Takamatsu Corporation in January 2006. The company - Kongõ Gumi, located in Japan was founded in 578 was reported to have been owned by the same family for approximately 1,400 years (Malhotra, 2010). What would keep a company in the same family for approximately 1,400 years? Japan's economy was also recorded to have been significantly impacted by two other powerful families namely the Keiretsu group and Zaibatsu family.

A family controlled shipping and railroad business created by Cornelius Vanderbilt during the 1800s was one of America's historical wealthiest families. Though this 'family business' was destroyed fifty years after Cornelius' death, the family was said to have significantly influenced the US economy and regarded as the seventh richest family in history (Karp, 1982). Other examples of businesses with strong family involvement that survived different generations recorded in the US history were the Kemners (1870), the Moodys (1852), (Marcus, 1980). The businesses owned and controlled by these families were instrumental to meeting the immediate needs of their various families as well as contributing to the economic growth of their states within the US (Marcus, 1980). Also worthy of mention is the Rockefeller family which has its patriarch John D. Rockefeller (1839–1937) as strong and central force instrumental to its climb to wealth and colossal success. John D's (as he always preferred to called) insatiable appetite for success and faith in God led him into the business world with a loan of a thousand dollars, which his father lent him at 10percent above the then prevailing rate. The family rose to become one of the world's richest with vast investments in manufacturing and banking. The Rockefellers were also forces to be reckoned with in American politics. Another family that controlled a significant portion of America’s wealth in the nineteenth century were the Guggenheims. Though family became wealthy from their involvement in mining, it is important to note theirs was a wealth rooted in sound and good judgement. Notable among the historical American business families that is still in existence today is the Ford Family. Henry Ford (1863-1947), the founder of Ford Motor Company was an enigma, who maintained significant control over his business empire even after his death. The Fords migrated from Ireland to the United States in 1832 in the heat of the potato famine. Henry Ford as a youngster was said to have been fascinated with clocks and after several years of changing jobs ended up as a mechanic engineer with Edison Illuminating Company in 1891. That was his venture into the automobile business. He started by building light but tough vehicles which contrasted the more common heavy cars built in his days. His cars gain prominence because they were like motorised tricycles and four-wheelers and his motivation was basically to find a way to help farmers, being from a family of farmers himself.

In the United Kingdom, the Baring Bank was first of its kind in the country. The bank was a modern all-round merchant bank that traded commodities and lent money to other traders. It was owned by the Baring family whose history can be traced to the late fifteenth century in Groningen in what is today the Netherlands. Although, the family started as cloth merchants, their venture into Banking was part of what brought them into public-eye. The Baring family rose quickly to wealth and prominence, exerted financial and social power for several generations.

In Italy, the Benettons, Rivas and Lucchinis were recorded as dynamic family businesses that still play prominent roles in the economic landscape of the country (Colli et al., 2003).

In Germany, records showed that family-owned firms exhibited stable characteristic pattern through both first and second world worlds (Ehrhardt et al., 2005). Several other examples of different families who influenced the economies of their nations are recorded in the literature in countries like India, Sweden, France, Spain, Poland, some other parts of Europe and many nations in Asia- China, Thailand, Singapore, Indonesia and Malaysia.

The foregoing instances establish the dominance role of family businesses in history. Families have always occupied important positions in the economic history of many nations. Furthermore, evidence abound that family businesses might still have assumed continued roles in the development of major economies well after the eighteenth and nineteenth centuries even up till this present moment. This might be true even though substantial support for the significant influence of family involved firms is lacking in the literature, this is the perception of many researchers. Moreover, examples from Germany in Central Europe, revealed that family firms continued to have major impact on the country's economic development beyond the twentieth century and must have be responsible for some stability recorded in the country even during some periods of global recession (Schumann, 1999). Therefore, some historical views that the relevance of family-influenced businesses became obsolete after the nineteenth century might be questionable. This is especially when there are renewed interests in the relevance of family businesses globally and some recent studies have reported significant positive influence on the global economy (Wang, 2005). A good example is the Walton's family; they are the owners of the world's largest retailers, Wal-Mart. They have consistently remained in the top ten Forbes 400 since 2001. There are also families accomplishing phenomenal landmarks across Europe; examples are the makers of Volkswagen, a leading car brand owned by the Piëch-Porsche Family of Germany; Roche, a leading pharmaceutical company, owned by the Hoffmann-Oeri's families; and Novartis, another world leading pharmaceuticals, has the Sandoz's family as the single largest shareholder.

The above historical report on some of the world's richest family dynasties provides significant support to the assertion that family owned and/or controlled enterprises played important roles in the development of wealthy nations across the world. Consequently, the family is a collection of individuals who has significant influence on the governance and management of most businesses around the world.

Unit 3: Evolution of Family Business Research

Family business was not accepted as an independent field of research until approximately two decades ago, mid 1970s despite its long existence and contribution to the economies of western countries. This makes it a relatively young field of enquiry with most research articles written over the last two decades. The breakthrough experienced in the field of family business, especially with its inclusion in mainstream academic can be attributed to the persistence and strong efforts of family business practitioners during the early stages of publications on the subject. The following names were attributed to the early work done on family business in literature: Richard Beckhard, Leon Danco, Gibb Dyer, Barbara Hollander, Ivan Lansberg, Harry Levinson and John Ward.

Also noteworthy is a renowned historian, David S. Landes, who provides useful information on family businesses in the early days. Early days publications were also written by professionals consulting for firms who had specific issues with their businesses.

Most studies then were based on individual cases, with the researchers employing non-scientific methods to address problems associated with these firms. Recurrent issues associated with family businesses then were mostly linked with ownership, succession, performance and governance. It is also important to note the efforts of management professionals consulting for firms with issues within their businesses; they were instrumental to the inception of fact-finding studies conducted on family businesses (Brockhaus, 1994). Back then, due to conflicts, succession, sibling rivalry, unprofessional management, and other relationship management related issues, businesses sometimes invite outsiders mainly management consultants to help with the resolution of some peculiar challenges. The observations of some of those consultants gave rise to specific studies which uncovered the presence of dominant family interests in most of the businesses in question. They were also able to establish a behavioural pattern in the firms with majority family interest which differs from those without.

Hence, the foundational conceptualisation of family business was embedded in studies involving the behavioural patterns of small business owners (Brockhaus, 1994:25). These researches were based on observing the personal attributes and behaviours exhibited by an entrepreneur whose small business accommodates the involvement of family members. The behaviour of this type of entrepreneur (1) was thought to be different from the entrepreneur (2) 'who separate family' from their business. The entrepreneur (1) is believed to thrive on goals which are clearly different from entrepreneur (2). The two overarching goals suggested in the literature for entrepreneur (1) are: the drive to keep the business alive and relevant and the desire to pass it on to the next generation within his family. These observations and others sparked up research on this form of business enterprise. Due to the efforts of practitioners behind these early researches, family business research began to gain recognition within the academic community, among prominent business journals professional associations and conferences. Consequently, scholars from different disciplines started showing interest in the field, more scientific approaches were introduced but these were mainly descriptive. Gradually, the field gained due recognition in the academia, to the extent that newspaper reports were gradually replaced with publications on families with successful businesses; furthermore, leading finance, economics and management journals started welcoming articles on family-owned and controlled enterprises and so on until Family Business Research became a major topic of discourse at academic conferences in most advanced countries.

Thereafter was the emergence of family business centres and professional organisations, whose sole aim mostly was to form a forum for researchers and practitioners to meet, network, and jointly address overarching issues in the field. Most of these centres till date are concentrated in the U.S. Example of such are Centre for Family - began in 1962; Family Firm Institute (FFI)-began in 1986; Family Business Network-International (FBN-I) started in 1990; International Family Business Research Academy (IFERA)-established in 2001. Institute for Family Business (IFB), established in the United Kingdom in 2001. Similarly, some academic higher institutions of learning that played early intervention roles in family business research are: Harvard, Indiana, Loyola, Baylor, Kennesaw State, Alberta and Calgary Universities. It is also noteworthy to mention these two organisations: 1) GEEF, a pan-European group established in 1997 to represent the interest of family-owned small, medium and large enterprises operating in the EU; and 2) The Economic and Social Research Council (ESRC), a UK based organisation that has funded various family business researches and centres across the country. The names of some ESRC funded research centres in the UK are: Centre for Business Research, University of Cambridge; Small Business Research Centre, Kingston Business School; Centre for Small and Medium- Sized Enterprises 'CSME', Warwick Business School; Centre for Employment, The first specialist journal wholly dedicated Competitiveness and Growth, University of Kent.to family businesses was 'Family Business Review'; it was first published in 1988. However, there are many other prominent academic journals which are used frequently to publish researches in family business, 'see table 1 below' for the list. In a recent survey carried out by Chrisman, Kellermanns, Chan and Liano (2010) to investigate the most cited articles on family business, four journals were identified as major outlets for family business research, they are: Entrepreneurship Theory and Practice (ET&P); Family Business Review (FBR); Journal of Business Venturing; Journal of Small Business Management.

In Nigeria, the focus of this thesis, there are no specific centres disseminating information on family business research in the country. However, in 2003, a government funded agency, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established in Nigeria. SMEDAN was founded to boost the development of small and medium-scale enterprises in Nigeria. There are also few private organisations and centres promoting entrepreneurial development in the country, however, none is linked to family business research as at the time of writing this thesis.

Some notable contributions to the theory of family business research in the last one decade include the development of specific theories and concepts which are tailored to the field. Examples are familiness; family influence on power, experience and culture; family embeddedness; family orientation; family entrepreneurship; family centred non-economic goals. All these concepts and theories points toward shifting the focus of investigations in family business research from ‘firm level’ to ‘family level’ which would then provide more insights on the dynamics of family involvement in a business.

Other successes recorded in family business research are development of key research areas such as succession; ownership; control or governance; performances of family business; kinship and family networks; organisational culture; entrepreneurial; orientation; corporate governance; finance and theories for family business research.

Table 1: List of Journals for Family Business Research

S/N	JOURNAL	DOMICILED COUNTRY	DATE OF COMMENCEMENT
1	Journal of Applied Psychology	US	1917
2	Harvard Business Review	US	1922
3	Management Science	US	1954
4	Academy of Management Journal	US	1958
5	Journal of Small Business Management	US	1963
6	Journal of Business Research	US	1973
7	Organisational Dynamics	US	1973
8	Journal of Financial Economics	US	1974
9	Academy of Management Review	US	1976
10	Entrepreneurship Theory and Practice	US	1976
11	Strategic Management Journal	US	1980
12	International Small Business Journal	UK	1982
13	Journal of Business Venturing	US	1986
14	Family Business Review	US	1988
15	Entrepreneurship and Regional	UK	1989
16	Organisation Science	US	1990
17	Journal of Family Business Strategy	US	2010

(Adapted from Wale-Oshinowo, 2015)

In the last few decades, family business research has witnessed substantial interest from management and organisational sciences’ scholars who have started to transfer models from organisational behaviour, strategy, human resource management, and finance, to smaller-sized or privately owned businesses. Furthermore, the field has also garnered interests from historians, finance experts, accountants, sociologists, economists, psychologists, who also use conceptual models from their various fields to interpret their observations from studies carried out on family firms thus creating a knowledgebase for emerging researches to consolidate on.

MODULE 2: DEFINING THE FAMILY BUSINESS

Unit 1: Introducing the Family

A family is referred to as a permanent body consisting of individuals who are bound together by 'obligation' rather than by contract as it exist in corporate organisations (Lumpkin, Cogliser, & Schneider, 2008). Historically, the family was traditionally made up of father, mother and children. In some rural and typical ethnic societies, extended family members made up of brothers, sisters, cousins, uncles, aunties, grandparents are important when defining family. Membership of the family unit is mainly by biology/blood and marriage. However, modern science and the legal system have introduced other means through which individuals are admitted into the family unit. An example of such is if a couple have tried without much success to conceive naturally, then help is sought from a Surrogate Mother (this is a woman who bears a child for a couple where the wife is unable to do so). The legal system has also made it possible to become a member of a family through adoption. Adoption means to take into one's family a person 'mostly children and sometimes teenagers' through legal means and raise the person as one's own child. Based on the afore-mentioned illustrations, family for this review is defined according to U.S. Bureau of the Census' definition - a family was defined as a group of persons (two or more) related by birth, marriage or adoption and residing together (U.S. Bureau of the Census, 1998c).

The above illustration gives a brief view of how individual family members are related to each other. A thorough understanding of this relational tie and the dynamics of the family is fundamental to our study of family business. It is appropriate at this point to discuss the duties of individual family members within the family and functions of the family to its members and the society (See table 2 below). The explanations of these two areas might provide a clear picture of the dynamics of the family.

Responsibilities of Individual Family Members

Table 2 below summarises the responsibilities of each individual member of the family to the family but the list is not exhaustive.

Obligation

Family members are expected to maintain a sense of duty through being obligated to the family, mostly placing the interest of the family above their individual interests. Obligations tie each individual to the family, its beliefs, values, ethics, and other demands.

Culture

This is the way of life built into individual family members. Family culture represents beliefs within the family system which dictates their attitude, influences their perception about issues and programs individual behaviour. Individual family members are expected to live their lives and approach issues based on the family culture.

Values

Family values are usually viewed as positive attributes within the family system. Family values teach unity, love, tolerance, honesty, giving to less privileged people and entrepreneurial behaviour. These are planted into individuals within the family system and are expected to be upheld by each member of the family. Family businesses are known not to be interested in transferring the ownership/management/control of the business only but values distinct to the founding family to subsequent generations.

Ethics

Ethics creates a moral sense of right doing (Lumpkin et al., 2008). Individual family members are expected to maintain a sense of loyalty to the family name hence behave appropriately both within and outside the family circle.

Trust

Individual family members are expected to make sincere efforts in maintaining their commitments to the family especially along the following areas discussed above: duty; family beliefs; family values and ethics (Sundaramurthy, 2008). Trust is crucial to the survival of every family unit. Trust is viewed as one of the competitive advantages present within the family (Lumpkin et al., 2008).

Table 2: Functions of Individual Family Members for the Family

Functions of Individual Family Members	'Family' as the Recipient
Obligation	Possess a sense of duty to the family to preserve and obey its rules and regulations
Culture	Culture is important within the family system. Culture dictates the beliefs and way of life of a particular family (Dyer, 1986). Individual family members are expected to protect the family culture and live according to same.
Values	There are certain values embedded within each family which must be upheld by all individual members of that family.
Ethics	Maintain a conduct of right doing both within and outside the family circle. This is particularly important in protecting the family reputation
Trust	Trust demands loyalty and honesty on the part of individual family members
Procreation	Individual family members are also expected to assure the continuation of the family unit

Summary based on review of various articles on family and family business. Two journals, 'Family Business Review' and 'Journal of Marriage and Family' were particularly useful.

Procreation

The demand to carry on the family name leads to procreation. There is a natural responsibility on each individual member of the family to ensure that the family name does not go into extinction (Bertrand and Schoar, 2006). The survivability of the family is crucial to the family and of the means of achieving this is to ensure that the family carry on its existence. This function of procreation also influences the desire to keep assets (whether physical or businesses) of the family among its members only. Longevity of family businesses and trans-generational successions in the ownership, management, control of same are predicated upon this factor.

The six functions of individuals within the family illustrated above were identified from an extensive review of the literature. These functions were conceptualised to further provide clarity on the attributes of families.

Functions of the Family

Overtime, especially since the birth of family business as an independent field, researchers in the fields of economics, finance, and entrepreneurship and ‘of recent’ family business, have come up with various theories/concepts that seeks to differentiate family business from other types of business. Some of the constructs developed have added unquantifiable value to the progress made in the field of family business till date. Notable among the constructs is ‘familiness’ introduced by Habbershon and Williams, (1999), which refers to the inimitable resources and capabilities that might be available within the family system. The family as a unit also has a moral obligation to its members and the community it resides in. Table 3 below presents the functions of the family based on a summary done by Patterson (2002).

The family system in an ideal situation will provide membership; economic support; training and protection or security for its members. Similarly, in another ideal environment, the fulfilment of these functions by the family will generate reciprocal behaviour from its individual members as illustrated in table 3 below. The demand placed on each individual members of the family in certain areas and the expectations from the family by its members and the community have shed some more light on how some characters and/or behaviours are peculiar to the family system. These behaviours will particularly affect the management and governance of any firm owned by a family.

Table 3: Functions of the Family to its Members and the Community

Family Function	'Individual Family Members' as Recipient	'Community' as Recipient
Membership	Provides a sense of belonging, personal and social identity	Controls the reproductive function within the community
Economic Support	Provides basic needs of food, shelter and clothing; Provide financial assistance to its members when needed	Provides breeding ground for healthy family members who have little or no need for public support
Training	Provides adequate nurturing in family values; culture; and traditions which usually promote wholeness in its members. Provides training in basic skills and also appropriate education for its members; Provides physical, psychological, social and spiritual development of its members	Prevents antisocial behaviour in its members through proper training in family values and culture; Provides productive family members into the community; Prepares family members for proper integration into the community
Security	Provide protection and support for its members	Prepares well-behaved individuals who are willing to believe in the community and also serve the community accordingly

Summary based on Joan Patterson's work on Family Resilience and Family Stress Theory; Journal of Marriage and Family, 2002

Family Orientation

Lumpkin, Martin and Vaughn (2008) to explain the dynamics of the family through a construct called Family Orientation 'FO'. The 'FO' construct was developed to provide a clearer picture on how individual family members relate to the family. This might help in the understanding of how individuals within a family business behave. In answering the question of the distinctiveness of family businesses, it is important to have a good understanding of the dynamics within the family. Family Orientation provides a detailed explanation of how individual family members relate to the family.

The ‘FO’ construct was conceptualised along two theories namely: Bowen’s Family Systems Theory and Contextual Family Therapy. The five dimensions that explain family orientation are: tradition, stability, loyalty, trust and interdependency.

Tradition

Tradition refers to the recognition of a shared history and practices that connects individual family members to each other. Under, family orientation construct, tradition is a fundamental element.

There are five main characteristics identified under tradition as operationalised by Lumpkin et al., (2008). They are:

1) Identification of roles by individuals within the family; this is based on expectations placed on children by their parents and vice versa;

2) Rituals and Routines: Rituals are used to communicate the practices of the family. It is connected with emotions and attitudes and tends to have a transgenerational impact. Examples of rituals are familial celebrations like birthdays and holidays. Routine on the other hand is less connected to emotions and attitudes. Routines are used to accomplish perfunctory roles; things that needed to be done on a day-to-day basis;

3) Sharing the same family history;

4) Having similar approach to issues; and

5) Legacy: maintaining the superiority of the family at all times.

In every culture, there are traditions which promote the beliefs and values of the people. Within the family system, traditions are developed to provide identity and maintain stability.

Stability

Stability refers to the sense of permanence in any system. In a family, stability represents those aspects of the family that ensures that its legacy is preserved and continued. The five main characteristics identified under stability are:

1) Homeostasis: maintaining a similar posture or balance;

2) Maintaining predictable interaction patterns such as routines and rituals discussed above;

3) Governed by rules achievable through set boundaries;

4) Change is usually resisted and continuity or permanence is desired; and

5) There are penalties for unacceptable behaviour. Stability usually gives birth to a sense of security and safety within a system. Most times, individuals enjoying peace in a relationship will be develop a sense of loyalty to it.

Loyalty

Loyalty is central to the other dimensions. It is the force that binds a family together. Without loyalty on the part of individual family members, the willingness to follow set traditions; maintain stability within the family; trust people, earn other people's trust; and ensure dependency on each other, cannot be achieved. Loyalty refers to a strong sense of commitment and duty that individuals with a strong family orientation are likely to experience irrespective of their environment (Lumpkin et al., 2008: 132). In other words, an individual with a strong family orientation will be loyal to any organisation, whether it is a family business or not. Therefore loyalty is proposed as an underlying and advantageous resource embedded in family businesses. Within a family, individual members are expected to be loyal to the family and all its concerns, to the extent that loyalty is sometimes demanded. A good example of a family dynasty whose members were tightly bound together to the extent that all members were strictly guided by the family motto of Unity (Concordia), Integrity (Integritas), and Industry (Industria). Any behaviour, vision or goal out of this motto was forbidden. The patriarch, Mayer Rothschild (1777-1836) kept his five sons on a tight leash and their loyalty to the family was unquestionable. The Rothschilds family under the leadership of Mayer, ran a successful banking empire from five major cities in Europe, London, Paris, Frankfurt, Vienna and Naples. The five sons were bound by trust and strong loyalty to the family and were not allowed to divulge any information relating to their business operations or the size of their fortunes to third parties. The four characteristics identified under loyalty are as follows:

1) Sense of duty and obligation;

2) Sense of commitment;

3) Priority on togetherness;

4) Sense of indebtedness: this is guided by feelings of guilt. Being loyal to a union or relationship naturally breeds trust, the next dimension.

Trust

Trust is defined as a psychological state comprising of the intention to accept a vulnerable position by a party based on a positive expectation of the intention or behaviour of the another party (Rousseau et al., 1998: 395). Trust within the family system is built on familial connection, shared belief, shared history, similar approach to issues and common characteristics (Sundaramurthy, 2008). Individual family members over time develop a strong sense of trust in the family system in addition to depending on each other for support. This is because trust promotes agreement and cohesion among a group of people. The literature views trust as very to the success of any relationship. Hence the proposition that individuals with high family orientation must have a very strong sense of trust. The four characteristics identified by Lumpkin et al., under trust are:

1) Safety;

2) Protection;

3) Fairness and reciprocity; and

4) Trustworthiness. Trust in a relationship usually leads to dependency, the last dimension.

Interdependency

Within the family, it is a common practice that people depend on each other for various reasons and different things. Members of the same family look up to one another for support physically, emotionally, financially and spiritually. There is a natural confidence (mostly based on emotional ties) that if a need arises within the family or among any of its members, other members will be willing to bridge the gap without much solicitation.

Lumpkin et al., identified four characteristics under the interdependency dimension:

1) Reliance on one another;

2) Cohesion;

3) Emotional ties and closeness; and

4) Support of family members.

Family Orientation and Functions of the Family System: Linkages

How does the family orientation construct connect with the functions of the family system? As expected, the FO construct and functions of the family (at different levels) connect easily. Individuals with strong family orientation are expected to be strong in the following areas: tradition, stability, loyalty, trust and interdependency. Similarly, family members are under strong obligation to maintain the family tradition by adopting its values and practising its culture. Loyalty, which is central to all attributes of the family as a whole is based on strong ethics. Trust is based on strong emotional ties among family members and promotes interdependency or cohesion.

Each family has an identity physically and socially. Protecting this identity is very important to individual families. Most rules and values introduced into families are usually connected with promoting its reputation and identity. This might be the process through which independent culture, traditions and values are developed to maintain stability and some form of collaboration.

A strong family orientation is therefore deeply embedded in the natural demands placed on the family system at different levels. Having established the characteristics of the family, it is important to now attempt to define a family business.

Unit 2: Who are the Family Firms?

A family firm draws its specialness from shared history, identity, and common language of the family. For example, the job a Chief Executive Officer is carried out differently when the Executive Director occupying the office next door is his younger brother. Similarly, the Chairman of a board acts differently when the company is founded by his father; his siblings and mother are directors and also shareholders in the firm.

In the last three decades scholars have grown the body of literature on families and their businesses, although, there are still more disparity of views than consensus on what constitute a family involvement in a business. In the broadest sense, a family business is a distinct form of business separate from other types of enterprises termed as 'non-family businesses' in their behaviour, values, culture, long-term orientation, performance, operations, institutional requirements, decision-making, composition, strategic orientation; and most importantly, their contributions to the economy and society at large. Although, Family business as a field of research may overlap with entrepreneurship and Small Businesses, but they have been established in the literature as a separate line of research enquiry due to their distinctiveness (Sharma, Chrisman, & Chua 1997).

Unit 3: Identifying the Distinctiveness of Family Businesses

Two and Three Circle Models

The process of differentiating family business from other forms of business organisation was one of the approaches used by early family business researchers to define family business. One of the models used by early family business scholars is the dual circle model as shown in figure 1 below.

The dual circle model describes the involvement of a family in the business system. This model was used over the years to provide a useful platform for early researchers, academics and practitioners to analyse complex organisational behaviour, strategy, family dynamics, organisational decisions and attitudes that occur within family businesses. The underlying conceptual model then held that the family firm is made up of two overlapping subsystems: the family and the business, with each system having norms, rules, values and structures peculiar to it. The business sub-system is expected to operate and be guided by sound business practices and principles while simultaneously meeting family needs for employment, identity, and income. The dual circle model clearly shows the challenges facing all family enterprises which is trying to harness any conflicting goal of the two subsystems and also finding the right strategies that satisfies both.

Gersick, Davis, Hampton and Lansberg (1997) introduced the three-circle model by incorporating family ownership of the business into the equation. This concept was borne out of their work with many different companies of varied sizes which show that there was more need to differentiate between the ownership and management subsystems within the business circle than between the family and the business as a whole. Gersick et al.'s work was developed based on the original arguments presented by Taguiri and Davis (1980).

The three-circle model sheds more light on the relevant attributes, peculiarities, distinctiveness as well as possible conflicts that may exist between these two systems. The model describes the family business system as three independent but overlapping subsystems: business, ownership and family. The underlying idea behind the concept suggests that any individual in the family firm can be placed in one of the seven sectors formed by the overlapping circles of the subsystems. In the event that an individual has more than one connection to the firm, he/she will be in one of the overlapping sectors which fall in two or three of the circles at the same time. Supported widely in the family business literature, the three-circle model shown in figure 2 below delineates accurately the roles of different individuals within the two overlapping systems.

Figure 1: Two-Circle Model

a.

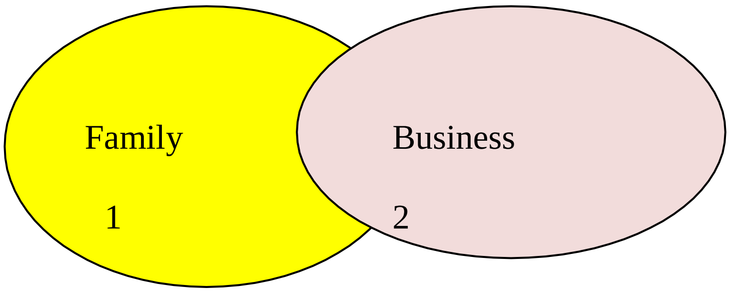
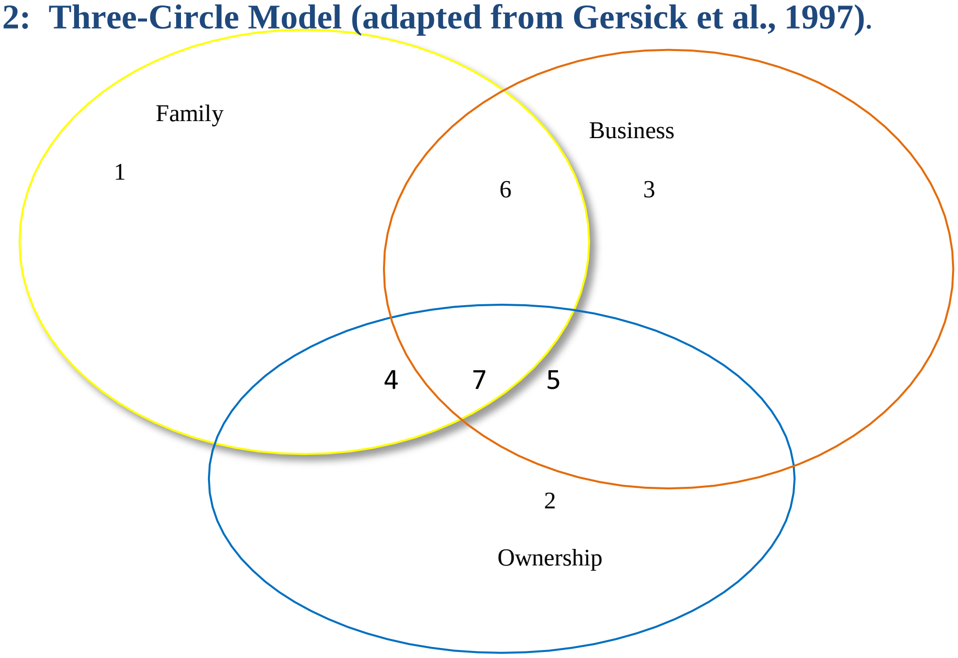


Figure 2: Three-Circle Model (adapted from Gersick et al., 1997).

b.



(Adapted from Wale-Oshinowo, 2015)

- Family members: All individual family members occupy anywhere within the top right circle – sector1;

- Owners: All owners (and owners only) occupy anywhere within the bottom circle – sector 2;

- Employees: All employees (employees only) occupy anywhere within top right circle – sector 3;

- All individuals who have only one connection to the enterprise are in any one of the outside –sectors 1, 2, or 3;

- Family members who are also owners of the business (but not employees) occupy – sector 4;

- Family members who are also employees within the business (this could be at any level – managerial role or Chief Executive Officer, but not owners or shareholders) occupy – sector 6;

- Owners who are also employees within the business (but not family members) occupy sector 5;

- Finally, individuals who have an interest in all three areas, that is, they are owners or shareholders in the business; a member of the family; and an employee within the enterprise occupy – sector 7. (Gersick et al., 1997).

Following the above explanation, the three-circle model indeed provides a clear descriptive picture of the degree of overlap between the family and the business. These two complex social systems on interaction, differentiates family businesses from non-family businesses. Although, the three-circle model provides a good description of a family business, it does not explain the distinct resources that accompany a family's involvement with a firm.

The Sustainable Family Business Model – SFB (1999)

The sustainable family business model is another early theoretical model that was used to differentiate family businesses from other types of business. The premise of this construct is on family systems theory that highlights the key characteristics of family system and business system respectively. These characteristics were used to develop a model by Stafford, Duncan, Dane and Winter (1999). They propose that the two systems (family and business) exist independently but with an underlying assumption that they could interplay to achieve a mutual sustainability of family businesses. The authors also use their model to show that both family and business systems are affected by environmental and structural changes, and they both react to those changes differently.

In summary, the Sustainable Family Business Model was created to guide empirical research in identifying those unique characteristics that exist in the interaction of family and business systems which may lead to the sustainability of family firms. It is important to note that this model built on Gersick, Davis, Hampton and Lansberg's (1997) three circle model to highlight the various advantages and also likely disruptions that arise from the interaction of the family and business.

Familiness (1999)

The familiness concept is one of the few constructs developed within the field of family business which focuses on identifying the distinctiveness of family firms. This construct is first introduced by Habbershon and Williams (1999). The theory of familiness is built on the familial relationship that exists among individual family members involved in the business and its subsequent effect on the performance of the firm. Familiness, according to Habbershon and Williams (1999), is defined as "the idiosyncratic firm level bundle of resources and capabilities resulting from the interactions among three systems – the family, family members, and the business." Similarly, Chrisman et al., (2003) define the construct as resources and capabilities related to family involvement and interactions," while Pearson, Carr and Shaw (2008) describe familiness as the resources and capabilities that are unique to family involvement and interactions with the firm. This systematic interaction of the family, business and individual family members is responsible for creating the unique resources and capabilities for family firms. The concept of familiness has further contributed to the literature on family business by promoting the understanding of the collaboration that exists among three independent systems. The conceptual paper by Pearson, Carr and Shaw (2008) attempt to bridge the theoretical gaps identified in the familiness concept. These researchers suggest that subsumed in the concept of familiness are inseparable and synergetic set of elements that create competitive advantage for the firm. They further used social capital theory to build on previous studies on familiness by Habbershon and Williams, (1999); and Habbershon et al., (2003). Pearson et al., (2008) via the social capital theory, investigated the unique behavioural and social resources found in the family vis-à-vis the capabilities of the firm. Their research summarises four conditions that may precede the occurrence of familiness within a family firm. These are summarised in table 4 below. The researchers also suggest in their study that part of the competitive advantages which a family firm has over a non-family firm might have its foundation in these four conditions.

Table 4: Antecedents of Familiness Construct Pearson, Carr and Shaw (2008)

Time	**Closure**	**Interdependence**	**Interaction**
Family structure promotes longevity in terms of value, culture, vision. Relationships within the family system are not	Family firms' exhibit closure through early involvement of children in the business; continued active involvement of the founding	Family firms in nature, provides a higher level of interdependence within their social structure than non-family firms. This contributes	Family members within the firm continue to interact even after business hours. This is required for maintenance of social capital.

Summarised based on an article written by Pearson et al., 2008 (adapted from Wale-Oshinowo, 2015)

Familiness: Approach by Zellweger, Eddleston and Kellermanns (2010)

Another set of authors took a different approach in explaining the familiness construct. Zellweger, Eddleston and Kellermanns (2010) expanded on the familiness construct by investigating the type of families that are likely to build familiness. They introduce the "organisational identity dimension" into the literature on familiness. Organisational identity dimension seeks to assess the degree to which family and non-family members see the firm as a family business. It addresses the 'who' question of the familiness construct by focusing on the family itself. Their view is that the way a family firm is viewed by its founders, managers and non-family employees may affect how each party leverages on the bundles of resources and capabilities available both internally and externally in the firm. Figure 3 below is the three- circle model proposed by Zellweger, Eddleston, and Kellermanns.

Figure 3: Dimensions of Familiness

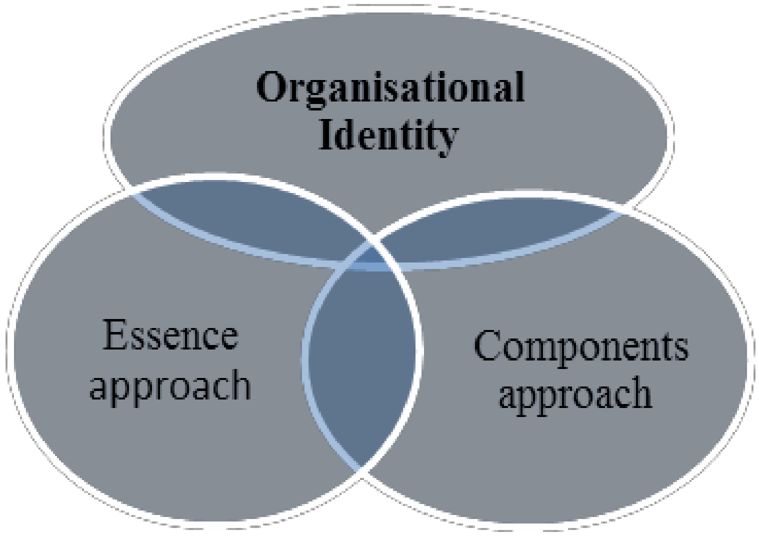


Figure 3: Dimensions of Familiness, adapted from Zellweger et al., 2010(adapted from Wale-Oshinowo, 2015)

Familiness is summarised to be about behavioural and social resources. In essence family businesses under the lenses of familiness can be described as one without stringent control, less monitoring and structure, therefore would be more flexible and efficient in decision making when compared with non-family businesses.

The Bull's Eye Model (1996)

Shanker and Astrachan (1996) proposed the Bull's Eye Model for a clearer identification of the components of family involvement in a business. The Bull Eye's model was a employed a quantitative approach to assess the contributions of family businesses to the United States of America and its economy. Furthermore, the model engaged a multi-dimensional approach to provide a continuum definition for family business, and this differentiates the Bull Eye from most other earliest approaches that focused mainly on separating family business from non-family businesses.

The Bull’s Eye Model categorises family business into three groups (broad, middle and narrow), based on the degree of family involvement in them. The broad definition captures direct family involvement as very minimal. Under the broad definition, the family is involved to strategically control the business to facilitate generational transfer. The middle definition depicts a business that has the direct involvement of the founder or a descendant in management. The narrow definition, which occupies the central point in the concentric circles, shows a firm that has of multiple generations of a family directly involved in ownership, management, and control.

Figure 3 below is a diagram representation of the Bull Eye’s Model (adapted from Shanker and Astrachan (1996).

Figure 4: The Bull’s Eye

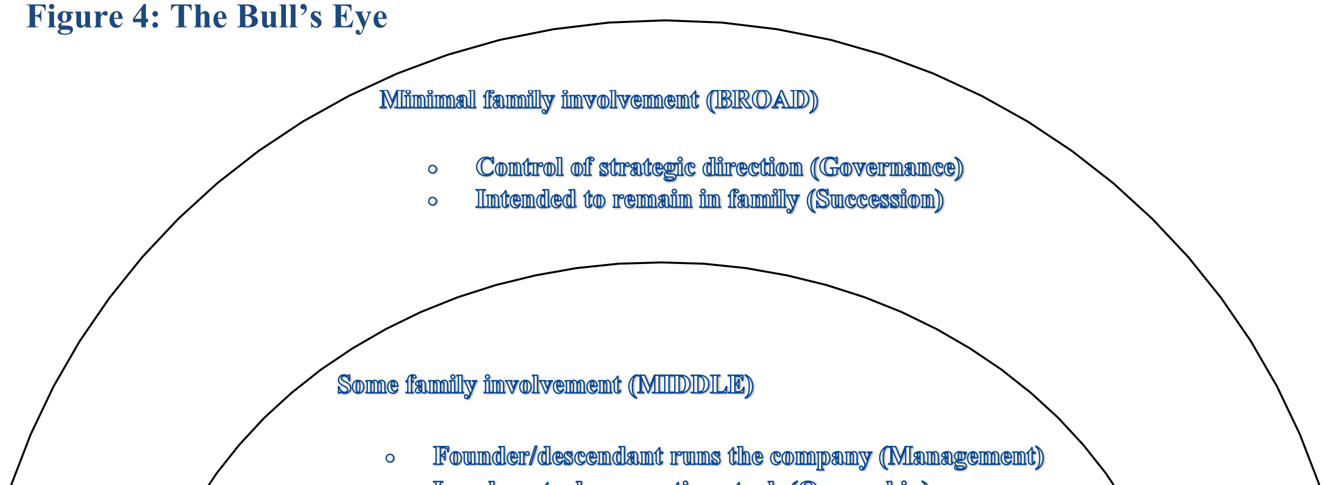


Figure 4: The Bull's Eye by Shanker and Astrachan, 1996 (adapted from Wale-Oshinowo, 2015)

Four Elements of Family Business Definition by Westhead and Cowling (1998)

The study by Westhead and Cowling, (1998) used the component approach in determining what constitute a family involvement in a business. The authors carried out an extensive review of the literature and identified four key elements which they considered fundamental in defining a family business within the context of businesses not quoted in the stock exchange. These include:

- **Perception**: How does the chief executive office perceive the company, family business or otherwise?
- **Ownership**: Is the majority ordinary voting shares owned by members of the largest family group?
- **Management**: Is the management team primarily drawn from the single dominant family group that owns the business?
- **Intergenerational Transfer**: Has the company experienced a generational transfer to a second or later generation of family members drawn from a single dominant family?

Table 5 below shows the seven definitions proposed by the authors as a guide in defining family involvement in an unquoted company. Please note that these definitions were further put in different categories by Wale-Oshinowo (2015).

Table 5: Classification of Westhead and Cowling's Definitions of Family Business

DEFINITION	**FB DEFINITIONAL**
The company is perceived by the Chief Executive, Managing Director or Chairman to be a family business	Perception (Organisational Identity)
More than fifty percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage	Ownership
More than fifty percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage and the company is perceived	Ownership; Perception (Organisational Identity)

More than fifty percent of ordinary voting shares are owned by the members of the largest single family group related by blood or marriage, the company is perceived by the Chief Executive, Managing Director or Chairman to be a	Ownership; Perception (Organisational Identity); Management
More than fifty percent of ordinary voting shares are owned by the members of the largest single family group related by blood or marriage, the company is perceived by the Chief Executive, Managing Director or Chairman to be a	Ownership; Perception (Organisational Identity); Management
More than fifty percent of ordinary voting shares are owned by the members of the largest single family group related by blood or marriage, the company is perceived by the Chief Executive, Managing Director or Chairman to be a family business; and one or more of the management team is	Ownership; Perception (Organisational Identity); Management; Intergenerational transfer (Succession)
More than fifty percent of ordinary voting shares are owned by the members of the largest single family group related by blood or marriage, the company is perceived by the Chief Executive, Managing Director or Chairman to be a family business; and fifty-one percent or more of the	Ownership; Perception (Organisational Identity); Management; Intergenerational transfer (Succession)

Classification of Westhead and Cowling's Seven Family Business Definitions (adapted from Wale-Oshinowo, 2015).

Family Influence-Power, Experience and Culture Scale *(F-PEC Scale)*

Another approach widely used in the literature to measure family involvement in a firm in the continuum is the F-PEC scale. This scale developed by Astrachan, Klein, and Smyrnios (2002) further expands our understanding of how to measure the quantum of family influence in a firm. The F-PEC scale builds on previous studies that introduced the use of continuous scale measure such as: Shanker and Astrachan, (1996); Westhead and Cowling, (1998); and Chua, Chrisman, and Sharma The F-PEC scale is considered unique because of its combination of two approaches to define family business. They are familiness (discussed previously) and the components of family involvement which are mainly reflected in ownership, management, governance and succession.

The three important dimensions associated with the F-PEC scale are discussed below.

Power

Power refers to dominance. It measures the family's influence in the firm through ownership, management and governance of the firm. Figure 5 below shows how the Power subscale measures family influence.

Figure 5: Power Subscale of F-PEC Scale

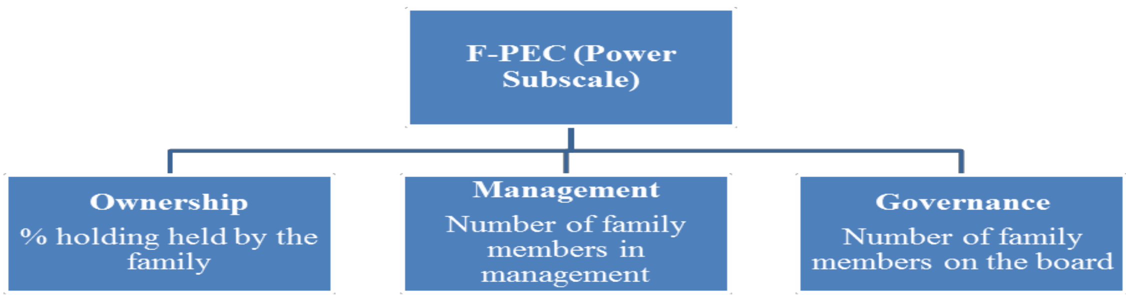


Figure 5: F-PEC Power Subscale 'Adapted from Wale-Oshinowo (2015)

Experience

The total experience in knowledge, skills and number of years is what this subscale measures. The items being measured by the experience subscale are shown in figure 6 below.

Figure 6: Experience Subscale of F-PEC Scale

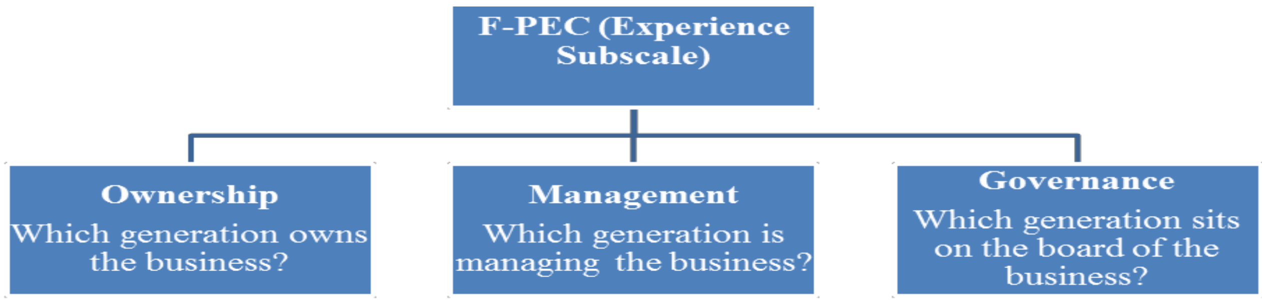


Figure 6: F-PEC Experience Subscale (adapted from Wale-Oshinowo, 2015).

Culture

In the context of an organisation, culture is subsumed in the shared values, experiences and basic assumptions of its founders. In the broadest sense organisational culture refers to shared values that guide the members of an organisation on how to behave (O'Reilly & Chatman, 1996). It is a pattern of shared basic assumptions learned by a group as its solved its problem of external adaptation and internal integration, which has worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems (Schein, 2010:18). The above definitions underscore a cognitive process that takes place in individual members of an organisation to adapt to 'the organisation's ways of doing things'. The F-PEC culture subscale measures the extent to which family values and business values overlap in a family firm; it attempts to capture the degree of family values that have been integrated into the character of the firm and are being reflected in the company's behaviour and strategic orientation.

Family Business Definition in this Course Guide

Having established various approaches used to measure family business in the literature, this unit provides a more concise presentation of how scholars define a family business. It is important to mention that a family firm comes in any business ownership form: sole proprietorship, partnership, Limited Liability Company, or Publicly-traded Company (but with majority family ownership). Some definitions found in the literature for family business are as follows:

- the largest percentage of shares in a business is owned by a family
- when the family is actively involved in firm management and the intention of the family members is to retain ownership of the firm
- as an enterprise in which two or more family members hold 15 percent ownership, family members are employed in the business, and the family intend to retain control of the firm in the future
- a firm that has the owning family in executive and other key positions
- the extent to which the family intends to maintain significant involvement in the future
- the number of owning family's generations involved in the business
- the number of family members involved in ownership and/or management
- the influence of a family on ownership, governance, management of a firm and their direct participation in the strategic direction, involvement in day-to-day running of the business and their intention to retain voting control
- Family firm was defined as those in which ownership lies within the family and at least two family members are employed by the business

- a firm controlled and managed by one individual who employs only immediate family members and has some degree of his or her family identity connected with the business.
- as one controlled and managed by a collection of relatives who represents multiple generations of one family but has a significant number of non-family employees
- a firm in which the direct descendants of the founder has ownership and/or management control
- as one with multiple members of the same family involved as major owners or managers either contemporaneously or over time
- a business partly owned by one or more family members who together control at least 20% of the total assets outstanding
- as those with evidence of family ownership and succession with two or more individuals are related by blood or marriage and are directors and/or shareholders

A quick review of the above definitions and others that contained in the family business literature will convince you that the key elements of defining a family business is contained in Chua, Chrisman, and Sharma’s (1999) prominent work in this area. The authors carried out a comprehensive study of 2 different definitions of family business in their review of 250 articles; their findings produced two central themes:

- dominant control in the hands of the family
- trans-generational perspective: long-term value creation and emphasises the relevance of succession

Chua, Chrisman and Sharma (1999) defined family business as a business governed 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.

Based on the comprehensive review provided above,

A family business is defined as a firm that is dominantly ***owned***, ***managed, governed/controlled*** by a family, with the intention to retain the ownership and control of the business within the family across ***generations***.

We also suggest that a broader definition to guide our peculiar environment should include *"the presence of family as* ***employee****s and a dominant* ***family culture*** *guiding the behaviour of members of the organisation"*.

The above definitions will guide the other discussions in the rest of this course guide. The next unit gives a brief discussion on the components of family involvement highlighted in the above definitions.

Unit 4: Components of Family Involvement

The following are the main components of family involvement identified from the previous units: ownership, management, governance/control, succession (generational involvement), family employees, and family culture.

Ownership

The ownership of a firm belongs to the person/person or group that holds the controlling shares. Ownership is represented through either of these two definitions: the number of shares an individual or a family owns in a firm; or the percentage of shareholding or voting rights held by a group in a firm (Wale-Oshinowo, 2015). A group that has an overall significant ownership interest in a firm is believed to hold a strategic position in shaping its performance outcome across different generations (Anderson and Reeb 2003a). This right of ownership also guides commitment, decision making and other strategic behaviour in the firm. The ownership dimension may be the most fundamental element required to define a family business.

Management

The management team is hired either internally or externally to organise and co-ordinate all the affairs of a firm, in accordance with the objectives and policies given by its owners (Drucker, 1974). Therefore if the family has significant presence in the management team, that firm may be considered as dominantly family.

Governance and Control

Governance is another important and key element of family involvement in a business. It is a role that is reflected in family member's involvement in directing the relationships and occurrences within the firm. Governance role involves control and decision making. Other governance roles as identified in the literature in family SMEs include: monitoring, providing advice, creating external legitimacy for the company, disciplining, networking, providing access to capital.

Succession

The succession plan of a family firm shows its long-term goals. The position of key researchers is that the exclusion of trans-generational involvement from defining family business makes it incomplete. This is because multiple generation involvement in family firms has been linked with continuity, sustainability and a firm's focus on innovation. Succession is defined as the process through which a firm is transferred from one generation to another.

Family Employees

Family members represent important sources of human and social capitals for both old and new enterprises. Empirical studies have established that families depend on the easy access to a pool of human capital from among family members to work within their firms, especially during the early days of such businesses. Family employees, based on their emotional tie to the firm, would be more committed to long hours of work, less pay and provision of external networks, which may eventually translate to competitive advantages for family firms. Family employees therefore represent family members (both nuclear and extended), who are employed into different positions within the firm (Wale-Oshinowo, 2015).

Family Culture

Culture refers to a cumulative set of assumptions that guides the belief systems of a group of people. Culture is referred to as the phenomena beneath the surface that constrain and guide behaviour (Gill, 2009). It is cultivated, learnt and mostly enhanced by its clarity and acceptance so it can be managed. Culture is not genetically created but on the contrary, it is learnt either from the society in which an individual was nurtured or an organisation in which he/she works (Hofstede and Hofstede, 2005). In the context of a family system, the family shapes and guide the behaviour of its members and those values and behaviours are most often transfer to the business system to serve are its strong organisational culture. The underlying assumption guiding this suggestion is that when a family gets involved with a firm, there is a possibility that the business would be guided by the same principles, and values embedded in the family.

Distinctiveness of a Family Business

In summary, the distinctiveness of a family business from other forms of businesses is defined by the following characteristics: the presence of a family in the firm; the overlap of family roles in ownership, management and governance which may prompt its decision to transfer the firm to the next generation; tacit knowledge transferred from one generation to the other; long-term orientation; and strong family values.

MODULE 3: THEORIES GUIDING FAMILY BUSINESS RESEARCH

In this module, five theories that are frequently used in family business research to connote the distinctiveness of family businesses among different forms of organisations would be discussed briefly.

The Systems Theory

The systems theory is a theoretical approach that was used in the scholarly study of family business. It presents the family firm as a model with three overlapping, interacting and independent subsystems of family, management and ownership. It suggests that each system maintains its boundaries which separate it from the other subsystems and the general external environment in which the family business operates in. Other assumptions guiding the systems theory are:

- one subsystem cannot be understood separately from the entire system within which it exists
- understanding comes when all the three subsystems with their interactions and interdependence are studied as one system

The Resource-based View (RBV)

The Resource-based view theory of the firm seeks to answer the question of why some firms perform better than the others. It is an economic tool used to determine the strategic resources available to a firm" (Barney, 1991). The RBV has been and still remains the most widely used theory to guide family business research. The framework developed by Barney (1991) has two underlying assumptions. First is that, a firm's resources can be referred to as a bundle of productive resources, if they are heterogeneous. This implies that the firm's resources must be diverse in nature for them to lead to any form of competitive advantage; and second, a firm's resources must not be perfectly mobile, which suggests that they must be inelastic in supply and not easily copied.

Under the discussion on RBV, a firm's resources that have the potential to impact positively on organisational outcome and create competitive advantages for that organisation must have four characteristics:

- it must be valuable- this implies that the resource must be able to influence the firms effectiveness and efficiency in a positive way
- it must be unique and only available to the firm
- it must be inimitable – this means that for the resource to create a sustainable competitive advantage, competitors must not be able to copy it; and lastly,
- it must be non-substitutable- this implies that the resource cannot be substituted by a competitor. It is only then that it can secure the strategy of the firm

Social Capital Theory

This is another popular theory used in family business research. The social capital theory addresses the interaction and exchange between individuals in a social network. It describes the relationship between the individuals or between organisations. In terms of resources, it is clearer to define social capital theory as those resources embedded in social relations which facilitate collective action. It is also generally referred to as trust, concerns for one's associates and a willingness to live by the norms of one's community and to punish those who do not (Bowles & Gintis, 2002:F419). Woolcock and Narayan, (2000:226) defines it as the norms and networks that enable people act collectively. These resources include trust, norms and networks of a group with common purpose. The theory guides the assessment of family's role in providing knowledge, information, skills, access to markets and other network resources.

Agency Theory

The agency theory basically presents the argument that the natural alignment of owners and managers (the agents) decreases the need for formal supervision of agents. In a typical organisation, the principal may have divergent views, interests, behaviour, and information from the agent. This could lead to conflict of interest between the principal and agent. However, in a situation where the principal and agents share similar interest, there would be no conflict of interest and no need for agency costs. Agency cost could increase or decrease in a family firm depending on the structure of the firm.

- In a firm with family ownership and external manager: concentrated ownership by a family means a strong interest of that family (principal) in the success of the firm; this would lead to close monitoring of the external manager (agent) which may help align information flow between the principal and agents; reduces the possibilities of the agent using the firm's resources for their personal use and also ensure that the family's interest is well protected. This will lead to reduced agency cost or it could increase if the family loses control of the agent (external manager) and more funds has to be invested in monitoring the activities of the agent.

- However in a firm with family ownership and family manager, agency cost will further decrease in this situation because there is no real separation between ownership and control. Here the family manager represents the interest of the family and would act as both principal and agent.

Agency theory is guided by the following perspectives: control-oriented agent, self-serving, economic factors, extrinsic motivation, and low-value commitment. Please note that in your review of the external literature, you may find that this theory may have undertaken other perspectives in explaining agency cost in family firms other than what you find in this manual.

Stewardship Theory

This theory explains how the founding family view the firm as an extension of themselves and therefore see the good health and continuity of the firm as connected to their personal well-being. Stewardship theory is viewed in contrast to agency theory. This is because, under the stewardship theory, people are argued to be self-motivated to accomplish tasks and responsibilities which have been entrusted into their hands. While in agency theory, people have to be extrinsically motivated, in stewardship theory, people are intrinsically motivated. Factors such as self-actualisation, growth, achievement, commitment, trust, long-term view are known to guide the interpretation of stewardship perspective in family business research.

MODULE 4:
PREVALENCE AND ECONOMIC IMPORTANCE OF FAMILY FIRMS

Family businesses are the primary source of wealth and economic growth of free economies all over the world. This is phenomenal feat is embedded in their pervasiveness of most of these economies, to the extent that the literature has recorded family businesses as the most prevalent form of business enterprise in the world. They are found in almost every sector of the world's economies. The contribution of family firms to the economies of this country dates back centuries and they continue to serve as growth engines for these countries. For example, there are interesting records of family businesses that has been in existence for over a century in in three leading economies: Japan has 25,321, the United States of America has 11,273 and Germany has 7,632 (Yiu, 2017). Below are summaries of statistics on family businesses from around the world.

World Statistics

- Family firms accounts for 80-90% of all businesses in the world; Global Data Points from Family Firm Institute (2016) puts it as two-thirds of all businesses in the world
- Family firms creates an estimate of between 75 to 90% of the world's Gross Domestic Product
- Family firms employ between 50 to 80% of the world working population
- 85% of start-ups from around the world were created with family money
- In most countries around the world, family businesses are between 70 to 95% of all business entities

Source: Global Data Points, Family Firm Institute (2016)

In the United States of America (USA)

- Family business generates approximately 60% of the country's GDP
- Family business employ an estimate of 80% of the company's working population
- Family business creates 85% of all new jobs in the United States
- Family-owned and family-controlled businesses account for approximately 90% of all incorporated businesses in the country.
- Consistent over one-third of the *Fortune 500* companies are family controlled
- 60% of all publicly traded companies are under family influence

Source: Family Business by Poza, E.J (2007)

United Kingdom (UK) – Statistics for 2014

- In 2014, family firms account for an estimated figure of 4.6 million businesses in the UK. This translates to 87% of all private sector firms

- 99.6% were small businesses; 0.3% were medium-sized businesses and 10.9 percent were large firms
- Family firms employed 11.9 million people in 2014, This is 47% of all private sector employment and 36% of total employment in the UK
- Family business generated £1.3 trillion in turnover in 2014
- Family firms was estimated to have added a gross value of £418 billion to the country's GDP
- Family firms paid an estimated figure of £125 billion in tax in 2014

Source: Institute for Family Business Report (2015)

China

In China (adapted from Global Data Points, Family Firm Institute, 2016)

- 85.4% of private enterprises in China are family owned

India

In India (adapted from Global Data Points, Family Firm Institute, 2016)

- Two-thirds of the country's GDP is provided by family firms
- Family firms account for 90% of the country's gross industry output
- 79% of the country's organised private sector employment is generated by family firms

General Statistics from other Countries across Europe

Family firms account for the following share of private-sector ownership in Europe: Austria (80%); Belgium (70%); Finland (86%); France (95%); Germany (95%); Italy

(93%); Netherlands (69%); Spain (75%); Sweden (80%) and Switzerland (88%). ***Source: Flören, Uhlaner & Berent-Braun (2010); Zellweger, (2017).***

General Statistics from Asia-Pacific

85% of the companies in Asia-Pacific are family owned; they employ 57% of the workforce in listed companies in South Asia and 32% of the workforce in North Asia; family firms generate 32% of the total market capitalisation and 34% of the nominal Asia GDP (Family Business Yearbook, 2014).

Although, China is relatively new to family business research, a study carried out by Sun Yatsen and Zhejiang Universities report that approximately 85.4% of the country's private enterprises are family-owned; in Singapore, 80-90% of industrial companies are family firms (Lee, 2006 as referenced in Zellweger, 2017).

General Statistics from Latin America

65 to 98% of businesses in this region are family firms (Flören, 2002 as referenced in Zellweger, 2017).

Family Businesses Operating From Across the World

The following are examples of family businesses from around the world: Nike, USA (the Knights); Wal-Mart, USA (the Walton's Family); McKesson, USA (McKesson Family); News Corporation, USA (the Murdochs); Phillips 66, USA (the Phillips Family); Sainsbury UK (Sainsbury was a family- owned family-managed firm for 129 years up until 1998 when David Sainsbury, the last family Chairman of the organisation retired); Peugeot in France; SoftBank, Japan (the Son' Family); Hoshi Ryokan, Japan (the

Houshi's Family); Tata Group, India (Tata Family); Dabur Group, India (the Burman Family); Reliance Industries, India (the Ambani Family); Sing Holdings in Singapore (the Huang Family); Archer Family Farm, Australia (the Archer Family); Agnelli (major investor in Fiat); Benetton Group; Luxottica Group; Zegna Group in Italy; The Salvat company in Spain (founded in 1869, developed from a small family-owned Catalonian publishing house into a world-rated large publisher in Spanish language in the 1970s); and Lum Chang Holdings in Singapore; Richemont, Switzerland (the Rupert Family); Sun Hung Kai Properties, Hong Kong (the Kwok Family); Foxconn, Taiwan (the Gou Family).

Family Businesses in Nigeria

Although there are relatively little to no formal records of family business research in terms of size, prevalence or economic significance in Nigeria, a compilation of a few known businesses with family involvement by Wale-Oshinowo, (2017- in press) are as follows:

- The Mike Adenuga Group of Companies- comprising of Conoil Producing Nigeria Limited and Globacom Limited (Adenuga Family)
- Ekene Dili Chukwu Group of Companies (Ilodibe's Family)
- Honeywell Group Nigeria (Otudeko Family)
- Sani Brothers Group of Companies/Azman Oil & Gas Ltd (Abdulmunafi's Family)
- Isyaku Rabiu and Sons (Isyaku Rabiu's Family)
- Kabo Holdings (Adamu Dankabo's Family)
- Mai Deribe's Venture (Mai Deribe's Family)
- Nigerian Tribune (late Obafemi Awolowo Family)
- Henry Stephen's Group (Fajemirokun Family)

- First City Group (the Baloguns)
- Adebola Adegunwa Group (the Adegunwas)
- The Punch Newspaper (the Aboderins)
- Folawiyo Group of Companies (the Folawiyos)
- Eleganza Group (Okoya Family)
- Elizade Group (The Ade Ojo Family)
- Orange Drugs Group (The Ezenna Family)
- BUA Group; AIT Group of Companies
- Ibeto Group (the Ibeto Family)
- Fagbohun Tailors (The Fagbohun Family)
- The Tejuosho Group (the Tejuosho Family)
- Ibru Business Dynasty (The Ibru Family)
- Dominos Stores/ Silverbird Cinemas (the Bruce Family)
- Diamond Bank (The Dozie Family)

MODULE 5: STRENGTHS AND WEAKNESSES OF FAMILY BUSINESSES

Strengths of Family Firms

- Conflict of interest between owners and managers are fewer: The alignment of interest between owners and managers from the same family is a major strength of family firms. Fewer agency conflict is recorded due when family members are present at both ownership and management levels of the business

The RBV, unlike most other theories commonly used in family business research, focuses on the internal stimulus of firms (Penrose, 1959) by describing the inherent resources and capabilities in such firms. The fundamental principles of the RBV are especially relevant to family business studies because the focus of family business research is centred on understanding the sources of competitive advantage embedded in a family when it interacts with the firm (Habbershon et al., 2003; Habbershon and Williams, 1999).

The resources used in the context of the RBV are not only limited to the attributes that enhance the effectiveness and efficiency of a firm, but they also include those that create competitive advantages that would impact positively on performance (Habbershon and Williams, 1999).

Resources that create competitive advantages in firms must be valuable, rare, inimitable and not substitutable (Barney, 1986). Resources can also be tangible or intangible in nature (Habbershon and Williams, 1999; Barney et al., 2001). Tangible resources in this case refer to physical beneficial characteristics, such as capital, networks, geographical location, and assets; while intangible resources include family values and culture, tacit knowledge, family name, family reputation, relationships, family orientation, loyalty, trust, traditions. Therefore, the theory of RBV argues that the factors or stimulus responsible for growth and positive performances of firms are capabilities which can be found inside those firms (Barney, 1991; 1986). While the source of a firm's capabilities is its resources, capabilities are derived when a firm is able to develop its resources into competence and invisible assets (Sirmon and Hitt, 2003).

On family business research, several studies have argued that family-involved firms acquire, anchor and leverage on their resources in ways that clearly separates them from non-family businesses (Aldrich and Cliff, 2003; Habbershon et al., 2003; Habbershon and Williams, 1999). Some major examples in literature are: long-term orientation and goals of family businesses (Sharma et al., 1997); sustainability of family businesses even in periods of recession (Forbes 2011 report; Stafford et al., 1999); tacit knowledge (Miller et al., 2007); resilience; family culture leading to an invaluable organisational culture (Eddleston and Kellermanns, 2007; Zahra et al., 2004); trust (Sundaramurthy, 2008); and socio-cultural and economic stability (Sharma, 2004). Therefore, the Resource-Based View explains the competitive advantages of family businesses through their resources and capabilities (Habbershon et al., 2003; Habbershon and Williams, 1999).

In Though, family businesses pervade the universal business landscape, they face numerous challenges which would be discussed in this course guide. There are three key challenges facing family businesses: first is generational involvement and leadership; second is ensuring that family commitment to the business transcends into competitive advantage for them; and third is aligning family's investment in financial and human capital with the business strategy to create value in an intensely competitive global economy. Other issues are: conflict management, succession planning, managing nepotism, professionalism, and a few others.

(Zahra, 2005); and their contributions to the growth and Gross Domestic Product (GDP) of these countries are evident in the literature (Astrachan& Shaker, 2003; Colli, 2003). Among other motivators, lifestyle and wealth accumulation goals play an important role in whether a particular family member or members choose to start a business in conjunction with their family. At the same time that the business provides income to the family,the family may serve as a critical supply of paid and unpaid labour, as well as contribute additional resources such as money, space, equipment and other factors of production in the business . Family business range in size from small owner-managed firms to large multinational corporations and are spread out across a variety of industries; a testament to the successful possibilities that emerge when families engage in business.Fortunately,sustainability and long long-term perspectives are embedded objectives within most family firms (Donnelley 1964; Miller and Le Breton-Miller 2005; Ward 1987). The desire and intention to sustain the longevity of the family business (Davis 1968; Gersick et al. 1997; Sirmon and Hitt 2003)

As they grow, family-owned businesses face the same challenges and pressures as any major corporation. To thrive, they must remain ahead of the competition through innovation, build strong relations with suppliers,develop aprofound understanding of their customers and skilfully navigate through market changes.

Family business should be able to come up with a variety of general `success factors` such as shared power, a balanced life between work and play, and the planning of succession. Though interesting, this approach is likely to provide limited insights given the abundance of types of family businesses that co-exist. Different businesses may have different motivations and ways of doing business, which will have consequences for the critical factors that will make them flourish. For example, if the long-term motivation for a family-run business is to keep the family tradition alive, child succession will be a critical concern. If, on the other hand, the goal is to create a sound financial business – with or without family input-the critical factors may shift to other issues like strategic planning and developing a strong board of directors.

In family business, the family's involvement adds complexity when family dynamics mix with business dynamics. The family business is often represented as an intersecting set of complex subsystems (Gersicks et al.1997; Tagiuri and Davis 1996). Earlier literature suggested that family and business dynamics are different to the extent that they cannot possibly co-exist (e.g. Cohn and Lindberg (1974), Levinson (1974), as cited in Sharma et al.1997). Literature now concur that family dynamics and business dynamics are highly interrelated (Aldrich and Cliff 2003) and balancing the synergies between the two dynamics presents a recipe for deriving advantages for the family business(Chua et al. 2003).The family dynamics, via family influence, is that which differentiates family businesses from other forms of business(Klein et al.2005).These differences exist on a number of dimensions including ownership, management structures, strategies, performance, ethics, and succession planning.

The basis for these differences is largely a result of the idiosyncratic resources and capabilities that are generated when the family and the business interact and co-exist in unison. This idiosyncrasy has been referred to as`familiness` and is that which gives family firms their distinction (Habbershon and Williams 1999). The familiness concept is drawn from the Resource-based view (hereafter RBV) theory of the firm which states that the performance of firms can best be analysed through the heterogeneous nature of its internal resources (Peteraf 1993).

DEFINITION OF TERMS

Definition of key concepts*:family, family business, succession*, familiness, Entrepreneurial Orientation (EO).

Family; family has been defined as “people who have a shared history and shared future, bound by blood, legal and/or historical ties”(Carter and McGoldrick, 1999, p.1). In the context of family business research, however, one can more clearly define family as the group of people related either by blood or marriage to the founder or founders of the business.

Family business; family business is defined as a business regardless of company size, sector, or legal structure (though most typically privately held)- in which the majority of the ownership resides in the hands of one family and in which at least two members of the same family either own and/or managed the business together.

Succession;

Familiness; familiness refers to the resources and capabilities that emerge when the family and the business co-exist within the family business. The term was first coined by Habbershon and Williams (1999) and whose definition is adopted here,

"…the unique bundle of resources a particular firm has because of the systems interaction between the family, its individuals members, and the business" (1999, p.11)

Entrepreneurial Orientation (EO); EO is a concept used to reflect a firm's commitment and capability to pursue entrepreneurial activity. As a business level concept it is ideal for analysis of the EO of the family business. The measure of a business EO is based on three elements; risk-taking, innovation, and proactiveness (Miller 1983). It is the most widely usedbusiness level measure of EO.

WHAT IS FAMILY BUSINESS?

In economies large and small, family-owned businesses createa significant amount of wealth and value. Whether its entrepreneurs pushing their small companies forward or dynasties controlling diverse multi-billion dollarinterests, these business families are found in every corner of the world, innovating, creating and producing.

But what is a family-owned business? Definitions among various institutes and agencies vary in the details. The even greater challenge in quantifying family businesses' collective impact is that there is no concise, measurable, agreed upon definition of a family business. Experts in the field use many different criteria to distinguish these businesses, such as percentage of ownership, strategic control, involvement of multiple generations, and the intention for the business to remain in the family but at the core they are similar. In general ,a family business can be seen as any company in which a single family owns a significant block of voting shares, about 25% or more for a listed company, has at least one seat on the board and can influence or control important decisions. Family owned businesses can be publicly traded companies or private entities but the vast majority are private .Family members influence the family business through their participation, their ownership control, their strategic preferences, and the culture and values they impart to the business.

Participation refers to the nature of the involvement of family members in the business, whether as part of the management team, as board members, as shareholders, or as supportive members of the family foundation.

Control refers to the rights and responsibilities family members derive from significant voting ownership and the governance of the agency relationship.

Strategic preferences refers to the direction family members set for the business through their participation in top management, consulting,the board of directors, shareholder meetings, or even family councils.

Culture is the collection of values, defined by behaviours that become embedded in a business as a result of the leadership provided by family members, past and present.

ECONOMIC AND POLICY OF FAMILY BUSINESS

Finances are remarkable factor of any business. Financial analysis of the business reveals the state of sales and profits, truth about market share and sufficiency of reinvestment. Additionally, it will expose efficiency or inefficiency in use of cash and productivity of the firm. If the business is successful, it requires reinvestment to grow, in addition to knowledge of management of finances, knowledge about markets and competitors is essential in managing successful family business. (Ward 1997, 75-97.)

LIQUIDITY NEEDS OF THE FAMILY BUSINESS AND HOW TO SATISFY THEM

The capital needs of a family business can be satisfied in a number of ways:

- Through internally generated cash flows
- Through additional capital injections by current shareholders.
- By broadening the circle of shareholders (without floating shares on the stock exchange), for instance, by inviting employees, directors or investment institutions to buy shares.
- Through loans from insiders and/or third parties.
- By selling parts of the business that that do not belong to the core activities of the business

FINANCIAL ISSUES OF FAMILY BUSINESS

Family businesses face the same financial constraints as any other type of business and to the choice of financing method (equity vs. debt financing, reinvestment of profits). In all cases, the issue of taxation plays a major role.

a) *Fiscal bias on equity finance rather than debt finance*

As set out in the study, the transfer of a family business triggers a series of financial constraints which may endanger the viability of the business. The payment of inheritance and/or gift tax represents the biggest challenge. Tax systems are typically set up to counteract wealth accumulation and as a result may put financial pressure on the family business, which can destabilise its capital base.

Moreover, the intergenerational transfer process may require funds to, for example, buy the shares of heirs not willing to be involved in the business.

The situation varies enormously between the countries surveyed.

b) *Financial disadvantages of equity financing (compared to debt financing)*

One of the characteristics of family businesses is their long-term sustainability, often associated with cautious risk-taking behaviour. This has an impact on the financial decisions they take.

ENTREPRENEURSHIP EDUCATION AND FAMILY-BUSINESS SPECIFIC MANAGEMENT TRAINING

Entrepreneurship is hugely relevant to family businesses. Most start-ups begin as a family business and are faced with the question as to whether they want to continue the business beyond the founders. Therefore, promoting entrepreneurship is directly linked to promoting family businesses.

As most start-ups begin as a family business, education should also include specific family business issues such as ownership, succession and family governance to better prepare future entrepreneurs to successfully run their businesses.

Management training should not be confined to business schools. It should be somehow included in the curricula of all professions to promote the entrepreneurial spirit in all fields. The concept pf 'ownership education' should be further developed.

Entrepreneurship education should aim to foster new family entrepreneurs, but also to promote entrepreneurial behaviour (including innovation) in existing family business. This knowledge should enable heirs to re-invent the business, which is proved to be what keeps the company going from each generation.

National governments could plan to makes changes to their education systems and work closely or in partnership with private-sector organisations and educational institutions (e.g. business schools and universities) to develop family-business-specific course as part of existing curricula or as new curricula.

DISTINCTIVENESS OF FAMILY BUSINESS

In his new publication, Poza (2004, 6) reveals the characteristics that bring forth the distinctiveness of family firms:

1. The presence of the family
2. The overlap of family, management and ownership, with its zero-sum (win-loss) propensities, which render family business particularly vulnerable during succession.
3. The owner's dream of keeping the business in the family
4. The unique source of competitive advantage derived from the interaction of family, management, and ownership, especially when family units is high. (Poza 2004, 6.)

   Strengths of family businesses stem from relationships and commitment to generation perspectives such as inherent values defined by the family. Often, over a long term, business values and family values will correspond producing desirable outcomes. That means effective diversified performance of family businesses in our society. (Aronoff & Ward 1995.)

   Some distinctive assets of family businesses such as commitment, trust, reputation and know-how can lead to competitive success based on the tacit knowledge embedded in these resources (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). David Bork (in Syms 1992, 8-9) explores some specific qualities that are critical in ensuring success, profitability, longevity and happiness in family business:

   - Shared values
   - Shared power
   - Shared traditions
   - Willingness to learn and grow

- Fun activities together
- Genuine caring
- Mutual respect
- Mutual assistance and support
- Privacy
- Well-defined interpersonal boundaries.

VALUES IN FAMILY BUSINESS

When family values are extended into the business, they provide a powerful source of strength and continuity to meditate financial priorities and shape more humanistic plans and actions. Values can act as a kind of glue for business and family success. Crucially, family values are a source of competitive advantage to many successful businesses, they serve many different purpose in family business. In some families they express a code of family conduct; in others they reinforce the organization's culture or underpin the firm's business strategy. In some families they frame social responsibility, while in others they support philanthropy or spell out next-generation leadership behaviours.

A family business' beliefs and values start with the founder, reflecting his or her behaviours as the family leader and entrepreneur. Over time, these values are shared by a wider group of family members-passed from one generation to the next and renewed each time. Although family values are not always explicit they have a big impact on company culture and the way a business operates. Without shared values, family business success is unlikely because disagreements over priorities and decisions become a source of struggle and conflict.

Family values are inmany ways the family's attempt to express who they are, to make meaning for themselves- and a guiding star for the business. Values are unique to each family, representing a narrative business. Values are unique to each family, representing a narrative about how their behaviours make them successful. Success is always socially constructed, which means that it is expressed or interpreted in the context of each family's experience and relationships. One family may interpret success by financial performance, where another measures it terms of family reputation or services to others. Values also form the basis of performance standards or expectation within the family. Again, one family may see higher education as an important measure of accomplishment while another would see work experience as the real indicator of achievement.

The family's values set the internal standards of behaviour so that members will know what to expect from each other. There is a classic line that many parents repeat when a child acts inappropriately: "That is not how we behave in the family."When families act in accordance with shared values, trust develops. Shared assumptions, norms, beliefs, and experiences also help family members understand each other's motivation. Common values can frame decisions and planning by encouraging cooperation, promoting relationships, reducing harmful conflict, and enabling effective responses to crisis.

Values also act as the glue for building and sustaining long-term family and interpersonal relationships across generations and branches. Agreed values are important to the next generation in supporting how they will work together. Family values shape thinking about issues such as careers and compensation. Shared values are the bedrock of stability but they can also be a roadblock to change, especially during generational transitions. Family business struggle as generations and branches multiply, because the same values are interpreted differently according to experiences, education, and changes in the business world. Members of the senior generation, who accepted equal salaries, may have sent their children to top business schools, where they were taught that compensation is based on qualification and contribution.

Family business drive their key decisions regarding:

- Strategy
- Structure
- Competitive advantage
- Culture

- Employee recruitment
- Governance
- Succession
- Owners’ cohesion
- Owners’ commitment
- Owners’ constitution or protocol

The family’s values often define the number of business units and which markets a firm chooses, and certainly the degree of risk-taking. The family’s values often define the organization structure: who works where, for whom. And in what areas. The family’s values might make quality differentiation or long-term investing the obvious competitive advantage. Or, the key to success may be the goodwill created in their community or country through lifelong relationships and local philanthropy. The family’s values are the company’s culture. That culture is so important to most business owners that it calls for unique ways to recruit, train and compensate the employees-or members or associates, as many family business calls their employees.

Values common in family business are;

- Courage
- Dignity
- Reputation
- Fairness
- Open-mindedness
- Authenticity
- Hard work
- Stewardship
- Dependability
- Empathy
- Curiosity

- Humility
- Discipline
- Prudence
- Loyalty
- Sincerity
- Respect

FAMILY AND BUSINESS VISION

Discussion about the shared vision is critical for helping the family articulate their thinking and develop a consensus about the family and business strategies to pursue. Family members who see the business primarily as a source of dividends and wealth will not have the same the same vision as those who interesting in reinvesting the profits in a high-growth strategy to strengthen the business competitive position.

BUILDING FAMILY BUSINESSES THAT LAST

Without vision and leadership from members of two generations and the use of select family, management, and governance practices, the future is bleak for family controlled business. The blurring of boundaries among family membership, family management, and family ownership subjects family businesses to the potential for confusion, slow decision making or even corporate paralysis. An inability to adapt to changes in the competitive marketplace or powerlessness to govern the relationship between the family and the business will ultimately undermine the business. As a result, a family business that lacks multigenerational leadership and vision can hardly be positioned to retain the competitive advantages that made it successful in a previous, often more entrepreneurial, generation.

Building a family business so that it continues takes ongoing dialogue across generations of owner-managers about their vision for the company. Family businesses that have been built to last recognize the tension between preserving and protecting the core of what has made the business successful on the one hand and promoting growth and adaptation to changing competitive dynamics on the order. Family businesses that are confident that each generation will responsibly bring a different but complementary vision to the business, have a foundation on which to build continuity.

BUSINESS VISION

A family business vision consists of two interrelated parts. The first is the state of the business in a given future time frame, say ten years. What does the family want the business to become in terms of impact, size, reputation, markets, financial structure, number of employees, and profits? This is a very quantifiable discussion that, when it results in clear agreement, establishes the parameters for the second part of the vision: a clear understanding of how the family contributes to and benefits from the business' success.

FAMILY VISION

The exploration of family vision also has a transformational effect, reframing family conversation from "what's in it for me?" to "how do we contribute?"The idea of the family's contribution to the business' continued success is the basis for stewardship-leaving the next generation and other stakeholders a more valuable asset than you inherited. The family's long-term vision can become a competitive advantage to the business. Developing a shared vision influences the family behaviour by encouraging a long-term perspective on plans and decisions.

Many families make their vision the guide to investment and strategic actions. For example, Roche, the giant Swiss pharmaceutical company, focused its efforts on diseases that are difficult to treat because the Hoffmann family's controlling ownership gave them the benefit of a very long-term investment horizon. As Andre Hoffmann, non-executive vice president of Roche Holding Ltd, says, The goal of our family owners is based on a duty to pass on a stronger business to the next generation/ this creates incredible glue that focuses on the best interest of the family. We also have a sense of responsibility to our “compagnons de la route.”

ADVANTAGES OF FAMILY BUSINESS

To many, the main advantages of the family business seem to be related to trust, control, and employee motivation. In a recent article, Gregg Roth, a second-generation family business owner states: “To me, the advantage of being in a family business is that there is a personal relationship with employees and suppliers that encourages confidence and cooperation”. Family ties and values are often said to create a strong business identity and a high level of internal closeness, which may lead to better performance of the firm in terms of internal trust and control. Therefore firms with a strong family orientation tend to score higher on trust, control, and motivation than firms with a weak family orientation

Other prominent advantages are:

Strong values .family firms grow around the values of the founder and often focus on strong relationships with family, employees, business partners and the community. Family-owned businesses are more likely to sacrifice immediate profits for other goals, such as preserving jobs or protecting the community, than broadly held companies. As a result, they create loyalty and shared values among their various stakeholders.

“Family business take corporate social responsibility more seriously. Family business may enjoy greater loyalty from staff members, who are motivated to build up the reputation of the family brand name”.

Long-term orientation.for leaders of family-owned companies, the future is personal.

“They think in terms of generation because everyone wants to do their best to leave their grandchildren something special.”

-Ed Nusbaum ,CEO Grant Thornton International Ltd.

Because they are relatively isolated from the demands of the stock market,family-ownedbusinesses have the headroom to look beyond the next quarterly or annual results.

Entrepreneurial passion. Almost every family business started as a small enterprise pushed forward by the passion of an individual. In the best cases, this passion to create, to innovate and to serve is woven into fabric of the business and becomes a core element for generations.

DISADVANTAGES OF FAMILY BUSINESS

As the family –owned business prospers however, these advantages can be countered by a series of disadvantages that can become significant if not approached skilfully.

Family dynamics. Family involvement in the business is a two-sided coin. Especially after the founder relinquishes control, quarrels among siblings or cousins can interfere with the effective stewardship of the company. Bad feelings unrelated to the business can spill into the boardroom and executive suite. In addition, pressure to bring family members on to the payroll with little regard for qualifications can lead to morale and operational problems.

***Haphazard succession*.** Leadership succession based solely on family lineage can damage the business. Although children and grandchildren may have grown up with the company, they may not have the right skills or capabilities to run it successfully. Further, jealousies among various contenders for leadership positions can cause disruption.

Talent retention. Family-owned businesses may also have difficulty attracting and retaining the best outside talent for various management roles.

FAMILY BUSINESS LIFE CYCLE

- ✓ First stage: The wonder period
- ✓ Second stage: The blunder period
- ✓ Third stage: The thunder period
- ✓ Fourth stage: The sunder or plunder period

FAMILY BUSINESS GOALS

There are four key sets of goals that matter to business families; they are:

- Economic: Wealth creation and preservation is about growing and sustaining the family's wealth.
- Social: Symbolic responsibilities and business reputation are important for many families. They might see themselves as representing the interests of their community, the larger business community, or even their community, the larger business community, or even their nation. These families place great significance on using their economic power and prestige to contribute to society as well.
- Psychological: Individual talent development and emotional wellbeing represent the family's attempt to use its business activities

as a platform for developing its members' skills and creating opportunities for them to experience professional success.

- Spiritual: The family seeks to create deeper personal or collective meaning in their lives. Typically these goals are expressed through religious commitment or service to others with no business connections.

THE IMPORTANCE OF STUDYING FAMILY BUSINESS

We need to study family business because of the important roles it plays in:

1. Employment
2. Income generation
3. Wealth accumulation
4. Commitment show to local communities
5. Early industrialization
6. Economic growth

CHALLENGES OF FAMILY BUSINESS

The challenges family businesses face can be grouped into three different categories: those common to any type of business (family businesses and non-family businesses), those that affect all businesses but are of particular concern to family businesses and challenges that only family business face. The challenges can be categorised according to their origin:

- Challenges that arise from the **environment** in which companies operate:

  . Unawareness of policy makers of the specificities of family businesses, and their economic and social contribution;

  . Financial issues (e.g. gift and inheritance tax, access to finance without losing control of the firm, favourable tax treatment of reinvested profits).

- Challenges that develop as a consequence of the **family firm's internal matters:**

  . Unawareness by family firms of the importance of planning business transfers early;

  . Balance between the family, ownership and business aspects within the enterprise;

  . Difficulties in attracting and retaining a skilled workforce.

- Challenges related to **educational aspects,** which have an impact on both the business environment and on family business internal matters:

  . Lack of entrepreneurship education and family-business-specific management training and research into family-business-specific topics, plus effective coordination with education systems to ensure proper follow-up

OVERVIEW OF RESEARCHES ON FAMILY BUSINESS

The field of study of family business goes back only to 1975, when entrepreneur, family business educator, and consultant Dr. Leon Danco published his pioneering work, *beyond survival*: A guide for the business owner and his family. Two watershed events played key roles in turning the study of family business into a field:

1. The publication of a special issue of the journal Organizational Dynamics in 1979.
2. The launching of a specialized journal,family Business Review, in 1986

Still, between 1975 and the early 1990s, most of the published work on family businesses was anecdotal, rooted in the stories of consultants and observers of these mostly privately held businesses.

Using the social network theory (Bras, 1995), Kelly et al. (2000) have developed the concept of founder centrality within a family firm and its influence both during and after the tenure of a founder. They suggest three dimensions of centrality–betweenness (central to the flow of information), closeness (direct linkages with top management group), andconnectivity (ability to influence the most connected members). A variety of hypotheses are proposed, such as that high founder centrality should lead to (1)an alignment of perceptions between founder and other family and nonfamily executives,(2)better firm performance along the dimensions of success that are important to a founder and(3)a stronger influence of the founder on the firm after his or her tenure ends.

An extensive literature has examined differences in risk-taking behaviour between family and non-family firms and the implications for performance (see e.g. Hiebi, 2013 for a review). Studies generally find that family firms are more risk averse than non-family firms.

Altruism encompasses consideration among family members, loyalty and commitment to the family and firm. Altruism can have a damaging effect on family firm survival. For example if family firms appoint family members regardless of their ability, rather than recruiting non-family members who do have the skills, they expose themselves to costly-to-mitigate adverse selection problems (Schule et al.20003). Besides reducing performance, such lack of ability may mean the family firm lacks the human capital resources they need to adapt in order to survive. Further, the absence of traditional agency costs noted above may be offset by principal-principal agency problems that lead to managerial entrenchment and a failure to sanction under-performing family members, especially in private firms (Gedajlovic et al., 2012). We have noted the potential benefits of the social capital of family firms above. However, the potential downside to family firms likely having long-standing trading relationships is that their social capital is more restricted.

EXAMPLES OF KNOWN FAMILY'S

There are some of course many huge, multinational, family-controlled firms that are household names including: Ford, Bechtel, Mars, Estee Lauder and Levi Strauss 9USA0; Tetra Laval, the Wallenberg group and, H&M(Sweden); Hermes, Michelin, Bic, Marie Brizard and L'Oréal(France); Tata (India); Kuok group(Honk Kong); Seagram and Bata(Canada); Fiat, Ferrero, Barillo, Beretta and

Benetton (Italy); Lego(Denmark); Caran d'Ache, SGS and Andre(Switzerland);C&A(Netherlands); Bahlsen (Germany); Kikko-man(Japan); Claroen Pokphhmd(Thailand); and the Rothschild banking family.

OWNERSHIP OF FAMILY BUSINESS

When we talk about ownership of a family business, we are talking about ownership of the company's assets, which are the instruments the company uses to do business. However, a company is much more than these instruments; it is a community made up of the people who work in it, the peoplewho contribute capital to acquire the instruments the company uses in its operations and, indirectly, the company's customers and suppliers. Family businesses exist in a wide variety of ownership structures and in sizes from micro to very large-scale operations based on the empirical examination of the nationality representative 1997/2000 NFBSs data. However, business ownership is only one defining aspect because ownership is merely a legal structure choice that is often arbitrary and fails to truly represent the involvement and management of the family business (Heck and Trent, 1999).

The primary venue in which the family exercises its ownership right is the boardroom.it is here that the practical aspects of the alignment between family and business strategies are set into motion, that corporate and individual performance is judged and family values are reaffirmed. The role of the board is prominent in the governance of the relationship between a family and its business.

The mistake that can be made in ownership of family business is to consider business ownership as a right rather than as a responsibility, and to believe that being owners automatically means possessing good governance and management skills. "it`s necessary to have good ownership skills within the family. Good owners establish a system of accountability within the organisation and understand enough to know when they have been hoodwinked.

MANAGEMENT OF FAMILY BUSINESS

Managing family business is about compromises, flexibility in relationships and expertise about the company. Tagiuri and Davis (1996) suggest that the success of a business will depend on whether the bivalent characteristics are effectively managed. The effective management of these attributes should result in a positive outcome for the business dimension, as well as for the family and ownership dimensions. The idea that long-term prosperity of the family business system requires positive outcome in both the business dimension and the family dimension is widely acknowledged (e.g. Ward, 1987; Litz, 2008; Sharma, 2004). Family business leaders have been observed to adopt to five leadership styles: participative, autocratic, laissez-faire, expert, and referent (Sorenson, 2000). Participative leaders, who value the input from and consistently evaluate family and nonfamily employees, were found to achieve high performance both on family and business dimensions.

> Family shareholders who are not active in the business and who have little understanding of management and the time cycles involved in new strategies or new investments, can hamper effective operation of a family-controlled business. These family can cause the business to lose the founding culture, which valued the role of patient capital, or investing in the family business for the long term

MANAGING CONFLICT IN FAMILY BUSINESS

Conflict, a difference of opinion, is a necessary and natural part of human relationships. Most common types of family business conflicts are employment and exit policies, role definition, control issues, salary policies and recognition.

Many conflicts in family businesses or enterprising families are *predictable*, but they are not necessarily *inevitable*. By focusing on helping family members and other interested parties associated with a family-owned enterprise to recognize those predictable conflicts, you can more accurately determine which of those conflicts might be headed off, brought to resolution, or managed over the long haul. The need to address unspoken issues should also be recognized.

Guildlines for how conflicts can be managed in family business:

1. Create a culture or norm that genuinely invites appropriate one-on-one discussions when conflict begins to build in family business.
2. Bring in an outside, third-party facilitator when necessary and appropriate.
3. Set a specific time and place for the discussions.
4. Strive to create a communication atmosphere that is safe for all parties- where open and genuine sharing result in compassionate listening, not defensive criticism.
5. Avoid attributing blame or responsibility for the conflict

   Some of the significant problems that can be addressed in family meetings include the following:

   - Frustration over alienation or lack of inclusion. This source of conflict is widespread as a result of the emotional distance between family members of the powerful current generation and those of the significantly less powerful next generation. Geographic separation and lack of frequent and consistent communication only heighten this conflict and often lead to mistrust and a propensity for zero-sum dynamics.
   - Anger over the unfairness of hiring practices, promotions, family benefits, and other opportunities enjoyed by some but not by others. In many families “fair”means “equal”. But in multigenerational families, when being fair means being equal, family leaders soon run out of options. The family, and often, the company become paralyzed.
   - Frustration over divided policies and lack of liquidity. By the time a family-owned company has begun to hire its third generation of family members, the financial needs of the various branches and individuals have become incredibly diverse.

It is not unusual for change itself to be an underlying source of conflict in a family because change upsets the status quo and requires a realignment of relationships, responsibilities, and expectations. An important part of managing conflict well lies in the commitment to accept change, to understand that it will have an impact, and to explore how change in either family or business affects key stakeholders.

TRIANGULATION

Triangulation is a common practice in families that creates dilemmas both in the present and for the future. Triangulation refers to a situation in which conflict between family members is managed independently by any or all of them by talking to a third party. This third party then becomes a sounding board, relieving some of the tension and dissipating negative emotion in the short term. But when conflict in a family becomes chronic or recurrent and when triangulation is a frequent coping tactic, it will simply make some problems worse, creating dilemmas for everyone involved.

For example, when a triangulated person attempts to resolve a difficult situation by interceding on behalf of the family member who has been talking with him or her about a conflict, the triangulated person may then actually become a part of the conflict that he or she tries to resolve and even make it worse.

Five Unwanted Effects of Triangulating

Triangulated family member have several challenges when stepping in to “help” in a conflict that can make matters worse and create new dilemmas for the family;

1. They could make decisions that are one-sided due to a biased selection of facts.
2. They may be perceived as “sticking their nose where it doesn’t belong.
3. They will be viewed as biased and ``playing favourites``.
4. They could take too much of the stress of the conflict upon themselves.
5. They may unintentionally be ``siphoning`` off the impetus for the parties to talk directly to each other to manage or resolve the conflict

GUILDLINES FOR MANAGING TRIANGULAATION

- Getting advice from a trusted manager or family member may be a good practice, but resolving to talk directly to the other person will limit the dilemmas produced by triangulation alone.
- Separate the need to have a trusted person serve as a sounding board to help craft difficult conversations with others or to think through an appropriate response from a knee-jerk complaint to a family member that may relieve initial tension but also removes the incentive or energy to resolve the problem.
- The person acting as a sounding board likely hears only one point of view and may unknowingly support and solidify that one person's view even though there are always at least two sides to every story. Therefore ,it is important to be committed to "fight your own battles" rather than hoping the person being triangulated will also take up your complaint and straighten out the person you are in conflict with
- The person acting as a sounding board may well experience stress and discomfort because of the position that he or she is being put in. this is particularly true if the person being triangulated is a parent or sibling. If talking to a third party is necessary, it is best to get help outside of the business and the family from a trusted advisor or counsellor.

GOVERNANCE OF FAMILY BUSINESS

Governance of family business is an important topic of management theory and practice. It explains how the company is directed, controlled and reported. Typical governance structure of family business consists of three elements:1) the family and its institutions, 2) the board of directors and 3) top management. Commonly used family institutions are family meeting, family assembly, family council and family shareholders committee (Neubauer& Lank 1998)

For the family-owned business good and corporate governance makes all the difference, its critical for decision making. Family businesswith effective governance practices are more likely to do strategic planning and to do succession planning. On average, they grow faster and live longer. Moreover, they are more likely to develop the important formal policies addressing critical family business issues such as redemption, family employment, dividends etc.

"The main challenge in family business governance relates to the existence of an additional layer of relationship that the owning/controlling family brings to the business." The need for good governance encompasses the family group

THE CONCEPT OF CORPORATE GOVERNANCE IN A BUSINESS FAMILY

The word governance comes from the Latin verb gubernare, to steer, to direct. Tracing the word 'governance' etymologically makes it easier to understand the definition of corporate governance as it is now used in everyday management practice, corporate governance is an umbrella term that includes specific issues arising from interactions among senior management, shareholders, boards of directors and other corporate stakeholders.

The by now almost legendary 'Cadbury Report' stated that '*corporate governance is the system by which companies are directed and controlled.*

Corporate governance can also be defined as a system of structures and processes to direct and control corporations and to account for them.

Two major aspects of corporate governance:

- The key corporate governance tasks, namely
  -directing
  -controlling
  -accounting for/ reporting
- The key elements of a typical corporate governance structure, namely
  -the family (and its institutions),
  -the board of directors,
  -top management

Directing means being involved in decisions that are strategic in nature.

Controlling means oversight of management performance and monitoring the progress towards objectives.

Directing an enterprise should not be confused with everyday involvement in management. Rather, this activity means;

- Shaping the strategic direction of the firm in the long term.
- Involvement in decisions that are far-reaching in nature.
- Involvement in the allocation or reallocation of significant financial resources (for example large investment decisions) as well as other resources (for example human resources) such as the appointment of the CEO.
- Involvement in decisions that are precedent setting and/or are difficult to reverse

A family, like any other organization, must have a governance structure if it is to continue to function as an entity. How a family in business is governed will have a major impact not only on the family's own health and ability to survive, but also on the success and longevity of its enterprise and how it is governed. Families who wish to continue as managers/or owners of their business increase the probability of being able to do so if they themselves are strong, cohesive and appropriately 'enmeshed'. Also the values, ideas and sense of purpose nurtured by the owning family are potentially a vast source of strength and energy for a business.

DESCRIPTORS OF A STRONG FAMILY

- Commitment to each other
- Mutual appreciation
- Open communication
- Spending time together
- Spiritual wellness

- Ability to cope (with life’s challenges)

Commitment ‘could be considered the foundation on which the other characteristics are built’.

THE COMPETITIVE ADVANTAGE OF A COMMITED FAMILY BUSINESS

Many experts believe entrepreneurship is a “necessary condition for family business continuity.” At the earliest stages of a family business, this entrepreneurial commitment is given. The entrepreneurs who create family business are first and foremost committed to making their business venture a success. The founder’s “global” commitment of his or her creativity, business talents, and assets shapes all aspects of the new firm’s culture and strategy. Unfortunately conflicts between the family and business systems, life cycles, changes and the separation of management and ownership roles may weaken he commitment of the subsequent generations over time. As the family business grows and matures, ownership and management, once concentrated in the hands of the owner-manager, get distributed and dissipated across a wider array of individual. As ownership spreads to individuals with different life experiences, values, and levels of business understanding, there is a danger of the family losing its coherence, focus, and commitment to owning the business, the larger number of family members also presents problems for achieving clarity, consensus, and agreement.

To succeed, business families need to plan to renew commitment with each succeeding generation, a commitment that is different in form but provides the same intention to grow and sustain the business as the founder offer. Unless the family works to ensure a broadly shared commitment to investing both their financial and human capital in the business, family ownership will lack impact and focus, families need to align their commitment with the demands of the business.

Family commitment is essential if a business is to survive for multiple generations.it is a fact that families that have made the commitment to stewardship for the business, much like the founder did through his or her personal investment, stay in control longer. For entrepreneurs and second generation owner-managers, life is relatively simple: they are totally committed to their businesses socially, psychologically, and financially. They have a personal engagement with the business because it gives them financial and psychological rewards. This may not be the case for other members of the family, particularly in later generations, where the connections between family and business, and indeed between members of the family, are weaker.

Secrecy, lack of information, and absence of education threaten continued commitment by family members to the continuity of a family-controlled business

SOME COMMON RESPONSES THAT SOME BUSINESS FAMILIES ATTRIBUTE THEIR SUCCESS:

- Introducing excellent management development systems, at least for family and often for non-family employees also
- Training family members in ownership rights and responsibilities-for example the norm of stewardship and creating wealth for future generations.
- Treating employees fairly and with loyalty that is usually reciprocated; many non-family employees may be third and subsequent generation employees of the business.
- Having a strong sense of responsibility to society-local, regional, national or transnational-which is often reflected in the contribution of time and money to worthwhile community projects.
- Emphasising value for money and quality, as the family's good name depends on the product or service.
- Taking decisions quickly as everybody knows where the locus of power is.
- Taking a long-term strategic perspective not bound by next quarter's earnings and working to maximise shareholder wealth even a generation hence.
- Remaining innovative and entrepreneurial, the keys to future success.

WOMEN IN FAMILY BUSINESS

Women working in family business is not an unusual thing nowadays, but situation is still complex because women often feel invisible as their professional capabilities are ignored. In addition, there are some relevant differences between man and women. Women are said to be dependent, to take longer to make decisions, and to be more concerned about balancing between work and home than men. Nurturing and peacekeeping are roles expected from women working in family businesses as are listening and meditating. In spite of this, women are making more advancements than men in their family companies. Those working in family businesses should be interested in the individual skills of each female family member rather than relying on assumptions about women or women in family business. (Cole 1997.)

Most women with a family business have inherited or married it and thus got involved with it. However, nowadays more and more women set up or take control of family businesses on their own. Women can confidently play many roles in addition to the role of mother in relation to the family: wife, employee in the company, a business in the future-approximately half of business students and female. (Connolly& Jay 1996.)

SUCCESSION IN FAMILY BUSINESS

Succession, the generational transition from a founder to a successor, is challenging issue faced by all family leaders at some point of time. Most business owners find succession difficult because of its complexity. It involves personal, family and business issues as well as legal, financial and taxation issues. (Voeller, Fairburn, Thompson 2000; Doud, Jr. &Hausner 2000)

Ward (1997, 54-74) names four common features to successful succession:

1) A founder of the company needs to be ready and enthusiastic about passing on the business.
2) A successor is instilled with positive attitudes toward business challenges by a mentor, is educated for the task and is able to handle responsibility.
3) Trust between founder and successor

4) Commitment to cooperation with the family, for instance, sharing decisions with them.

As mentioned earlier, succession does not involve the successor and the founder solely. It is a family matter that involves other family members as well. Establishing Family Council can be a constructive way to improve communication between family members when planning succession. In succession planning, juridical issues and tax planning should be processed carefully with or without outside specialist. Problems in succession process may come up if founders expect their children to take over the business on a future even if successors are not willing to do it.it must be kept in mind that that there need to be a good fit between the abilities and interests of these family members with the needs of the business Furthermore, problems will arise if a family and a firm do not share same values and beliefs. (Garcia Alvarez& Lopez-Sintas 2001).

Family business are unique in the extent to which succession planning assumes a key and very strategic role in the life of the going concern. There are hundreds of reasons why organizations fail, but in family-owned and family-controlled companies, the most prevalent reason relates to a failure in succession planning. If a family business is going to survive, it hasto successfully craft its succession process.Families that successfully find a way to work together stand to reap huge rewards. The family business can offer challenging experiences, as well as values, the mentoring, and the feedback necessary to hone the skills of successors who can really make a difference in the success of the business, the strength of the family, and the health of the community in which they live and work.(Foster 2001, 39,)

Three patterns of ineffective succession:

1. Conservative: Although the parent has excited the business, the parental shadow remains and the firm and its strategies are locked in the past.

2. Rebellious: In what is often an overreaction to the incumbent generation's control of the firm, the next generation launches a clean-slate approach to the organization. As a result, traditions, legacies, and even the business model or its "secret to success" are destroyed or discarded.
3. Wavering: The next generation is paralyzed by indecisiveness, unable to adapt the business to current competitive conditions, it also fails to make its mark and assume leadership effectively.

THE COMMON MISTAKES OF SUCCESSION IN FAMILY BUSINESS

Mistake 1: failure to understand the differences between ownership, governance and management; family involved in the company can play three different roles: they can be owners, directors or managers. In many family businesses, especially in first and second generation and in small companies, these roles often overlap because the same people may carry out more than one. Failing to understand that these roles differ in content, that they require specific structures and professional skills, and that they are transmitted according to different rules,can make generational transitions more complicated.

Mistake 2: Considering succession as an obligation to the past and not as an opportunity for the future; it is just natural that a parent who has built up a successful company wishes to pass it on to the next generation. It is only natural, and even desirable, that for this wish to come true a parent is ready to show all positive aspects of the entrepreneur's job to his/her children. It is quite legitimate that a parent influences children by leveraging on their aptitudes and, by this means, leading them to commit themselves to the company.

It is, though absolutely wrong for a parent to force children to embark on studies or experiences aimed at facilitating their entry into the family business against their will, only for the purpose of perpetuating the past family history.

Sooner or later, many of these children will look back and regret they could not pursue their own vocation; for this reason, they will find it difficult to commit themselves to the family business. The same mistake could be made by a son/daughter who hesitates to frankly present his or her ambitions, diverging from commitment within the family business, in order to avoid displeasing parents and/or grandparents

Mistake 3: Considering succession as an event and not as a process; Generational transition of family leadership is something that occurs in a moment-making a simplification, when the new generation formally takes over-but is actually the end of a long process made up of a traumatic event, the transition starts with children’s training , it goes on with them(possibly) being introduced into the family business, it continues with parents and children working together over a set period of time, and it ends with children taking over.

Mistake 4: Failure to transmit entrepreneurial orientation; Research on family businesses in the third and fourth generation converges on one point: each generation has added something to the entrepreneurial tradition of the family. In other words, each successive generation has produced at least one person with the attitudes of an entrepreneur, who is future-oriented, able to assume the risk of difficult decisions, able to involve other people in a long-term strategic plan, with the necessary strength to start again after a partial failure. To become entrepreneurs, it is necessary to develop the entrepreneurial attitudes that are latent in many people; thinking of successful entrepreneurs` distinctive features.

Mistake 5: Lack of a sound dialectic between parents and children; A series of mistakes relate to the inability of actors involved in the succession process to check their opinions with evidence coming from reality and with the opinions of others. This inability to compare can present different shapes entrepreneurs who fall in love with their children without having the courage to properly assess them; entrepreneurs who consider the business model and do not allow for any critique; children who believe that the business model of their father or mother is “completely wrong” or that the parents collaborators are “old”, without trying to distinguish what should be retained what should be changed. The lack of a sound dialectic can thus mean that this dialectic either does not exist or has fallen into conflicts. Without a dialectic, the children do not develop their own personality and do not become leading actors within the business; on the other hand, if the dialectic turns into a permanent conflict, it both make interpersonal communication extremely difficult (to the extreme of complete incommunicability) and produces- sooner or later- negative results for the business

Mistake 6: Considering patrimony of values as the solution; A family able to transmit positive values such as sobriety, humility, tendency to family unity, spirit of sacrifice, meritocracy and entrepreneurship has undoubtedly more chances of successfully coping with succession. Some families, especially those characterised by a deep religiousness, think that it is enough to maintain the patrimony of values to secure the continuity and survival of the firm. In reality every patrimony of values, although made up of deeply-rooted principles and convictions that keep their validity over time, needs to be re-interpreted and updated due to the change in the social, cultural and economic context in which they are embodied. Every generation has thus to recognize and interiorize the values of the past, and should also re-interpret them to allow their use in the new context.

Mistake 7: Choosing the wrong ‘third actor’; In the history of family businesses which have been successful in overcoming one or more generational transitions we always find “third parties”-that is, people or institutions other than the owning family or family members in trouble-who have helped overcome some delicate phase. The third party can be a relative, a manager of the company, an outside director, a professional or a consultant, or a friend of the entrepreneur.

First, the role of third parties is to bridge any gap of knowledge or resources to the benefit of the entrepreneur and/or the key decision making team. Secondly, their role is to reduce the area of emotion, which is typically quite vast in the case of family businesses, as well as to enlarge the area of technical-economic evaluations.

HOW TO AVOID MISTAKES OF SUCCESSION IN FAMILY BUSINESS;

- A proper concept of the ownership; first of all, it is necessary to consider that the link between the ownership and the business in family business has a special strength, which tends to confer stability to the governance and the direction of the firm, or to the group of controlled business. In family business, indeed, the ownership takes part intensively in the life of the firm since the economic and emotional ties are considerable and the exit process is often more difficult to achieve; the ownership is strongly identified with the owners, whose values and objectives influence the strategic choices; it presents dynamics within the owning family(intra-and intergenerational) which have a strong impact on the business's life(also because one or more family members are usually involved in governance or management roles). This linkage between the family and the business has both positive and negative potentials. The former is revealed in the complete devotion the family has to the business, and in the subsequent willingness to bear economic and personal sacrifice for the sake of the firm itself; the latter show up in possessive attitudes and in refusing to make the necessary distinction between the needs of the business and the needs of the owning family, and in the consequent confusion between the administration of the business and that of the family

The first recommendation to the owning family is thus to develop and pass on to the next generations a concept of ownership that considers the business as a valuable asset which, although ownership is in the hands of few, must be managed with a deep sense of responsibility with respect to all the business stakeholders; customers, collaborators, partners, banks, and other financers, territory and local communities.

- A culture of merit; the second recommendation to adopt without delay is the culture of merit. Companies must be managed by competent people and if the children are not, it is fair to look for alternatives, both for them and for the company itself. It is possible to learn a culture of merit when people are fairly young; this culture relies on the definition of targets, the timely assessment of achievements, a variety of evaluations, the sharing of both evaluation and self-evaluation, comparison with people of the same age. Without a culture of merit, nepotismtakes place, engaging a vicious cycle: incompetent or unsuited people reach the highest offices in the business and are unable to fulfil their tasks, the best among both family and non-family members leave the business or becomes unmotivated, the firm`s results sooner or later worsen, and, finally, the young and incompetent also unjustly target complaints about the situation at the apex of the business. A culture of merit does not imply exclusion from their rights of the incompetent or unsuitable children. It implies, though, that the children, in their own interest, are supported in understanding their limits and in finding suitable jobs inside or outside the business.

A culture of merit involves some pain, even though it is the only culture that help all the children to find in the long run a professional dimension suitable to their characteristics- in their interests, and in the interests of their future families.

- The education of the young; the third recommendation relates to the need to worry about the education of the upcoming generation. Education is essentially the transfer of values, as human and intellectual capital is the most important capital that needs to be transferred (Hughes, Ginnett and Curphy,1993). But, how can values be transferred? Also, in entrepreneurial families, values transfer first of all and mostly by living them, that is, through the coherent and continuative evidence of behaviours. It must be through clear, joyful evidence demonstrated by someone who believes in the values they profess and, although loyalty to those values requires sacrifices, nevertheless, draws from them intimate satisfaction.

  Testimony through actions and behaviours represents a necessary, but not sufficient condition to transfer the patrimony of values which characterizes family firms: there is also a need to devote enough time and commitment to explaining the reasons that led to the family to practice certain values as fundamental tenets to new generations. Testimony without explanations and checks, indeed, risks not inducing proper understanding and the deep assimilation of those values. Transfer of the patrimony of values may require, then, a codification of the values themselves and the sharing of written documents in order to help remembering and securing memory of the past. The same process through which a code of values or a good family protocol is realized allows depending the consciousness of those values and facilitates a persuaded adherence to them.

It should be very clear, though, that words and written documents are helpful to transmit the values only if they are communicated mostly and foremost through actions; that is to say, through decisions and behaviours coherent to them. Otherwise, both the oral and the written traditions can even become counterproductive, inducing rejection reactions in those people, and especially the young, who are usually very astute in perceiving the incoherence between what is declared and what is actually done

- Choice of the entrepreneurial development model; family business represent a highly important reality in developing and spreading an extremely scarce and crucial productive factor for the development of a country and this is the "entrepreneurial factor". This role of being a reservoir of entrepreneurship is covered by family business in different ways.

A proper concept of ownership, a culture of merit, education of the young and the choice of the entrepreneurial development model are four elements of general validity that can be helpful both for family business of different kinds and to face other family-related issues

CHARACTERISTICS OF SUCCESSFUL SUCCESSORS

- They know the business very well; ideally, they like or even love the nature of the business.
- They know themselves and their strengths and weaknesses, having had the necessary outside experience and education.
- They want to lead and serve
- They are guided responsibly by the previous generation. By advisors, and by a board of outside directors.
- They have good relationships and the ability to accommodate others, especially if part of a successor team (siblings, in-laws, or cousins).

- They can count on competent nonfamily managers in the top management team to complement their own skills.
- They have controlling ownership or can lead, through allies, as if they did.
- They have earned the respect of nonfamily employees, suppliers, customers, and other family members.
- Their skills and abilities fit the strategic needs of the business.
- They respect the past, and focus their energies on the future of the business and the family.