Professional Management in Family Businesses: Toward an Extended Understanding

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Our purpose is to challenge the dominant meaning of professional management in family business research and to suggest an extended understanding of the concept. Based on a review of selected literature on professional management and with insights from cultural theory and symbolic interactionism, we draw on interpretive case research to argue that professional family business management rests on two competencies, formal and cultural, of which only the former is explicitly recognized in current family business literature. We elaborate on the meanings and implications of cultural competence and argue that without it a CEO of a family business is likely to work less effectively, no matter how good the formal qualifications and irrespective of family membership.

Introduction

> It is extremely important to understand the culture of the family firm. It means that as a leader you have to be sensitive to the organization's reactions on the things you say and do. I have a long-term employee in my management team and she is my guide in these issues. She can tell me how the organization will react and how things are likely to be received. We have to build on the past even though we have to do a lot of things in new and different ways. But because of the culture this might be very sensitive.
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> Nonfamily CEO in a family business

> As a nonfamily CEO you have to have in-depth respect for the invisible forces among the employees in the family firm. You cannot escape the fact that there will always be special bonds between the family firm and the owner. Always.
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> Nonfamily CEO in a family business

Most researchers would probably agree that family firms derive their special dynamic from the influence of family on business. Earlier research has argued that family values and norms have a considerable impact on family businesses (e.g., Astrachan, Klein, & Smyrnios, 2002; Dyer, 2003; Fletcher, 2002; Habbershon & Williams, 1999). It has also been stressed how the influence of family is expressed through the goals of the family business, typically a complex mix of economic, social, cultural, and emotional aspects (Sharma, 2004). Through the intimate connection to family, every family business is, moreover, ascribed certain meanings by the family members (Hall, 2003).

There is an overall recognition of family influence on the business; however, it has rarely made its explicit way into theorizing on top management in family businesses (Fletcher, 2002). In this article we address this limitation by focusing on the often used but rarely discussed or defined concept of *professional management* in family business research. Based on a review of key literature we challenge the dominant view of professional family business management, which we argue is too simplistic and insensitive to the sociocultural dynamics of family firms. Our purpose—to suggest an extended understanding of professional management in the family business context—is guided by an overall research question: How can we understand professional management in family businesses in a way that more explicitly recognizes the special characteristics of these firms, originating in the influence of family on the business?

Our theorizing on the extended notion of professional management is inspired by cultural theory and a symbolic interactionist perspective. In different ways, both theories deal with values, norms and relations, and the creation of meaning though social interaction. They therefore provide a relevant theoretical foundation for the fulfillment of our purpose. Empirically, we lean on findings from interpretive case research to furnish our arguments and suggest an understanding of professional management that extends the concept beyond its current focus on formal competence.

Given the strong influence of the owning family's values, norms, goals, and meanings of being in business, we argue that professional management in family businesses requires also *cultural competence*. Although the important role of family-influenced organizational cultures for managing family businesses has been acknowledged in earlier research (e.g., Denison, Lief, & Ward, 2004; Dyer, 1986; Hall, Melin, & Nordqvist, 2001; Zahra, Hayton, & Salvato, 2004), it has to our knowledge not been explicitly conceptualized and discussed as a central part of professional management. We elaborate on the meanings and implications of cultural competence and argue that without it a CEO of a family business is likely to work less effectively, no matter how good the formal qualifications and irrespective of family membership.

An extended understanding of professional management in family businesses is important because there is a tendency in the literature to equate professional managers with external, nonfamily, nonowner managers (e.g., Chittoor & Das, 2007), meaning that professional management and family management often are seen as mutually exclusive. A typical argument in the literature is that professional nonfamily managers should be brought in to provide "objectivity" and "rationality" to the family firm (Gersick, Davis, McCollom Hampton, & Lansberg, 1997; Schein, [1983] 1995), even if it is also recognized that integrating external nonfamily management is challenging (Aronoff & Ward, 2000; Fletcher, 2002).

In brief, we argue that a simplified notion of professional management dominates the literature, fomenting an outdated assumption that family members are not professional. Given the large number of family businesses that are facing the challenge of securing competent top management, and that the difficulties of finding a suitable *and* sustainable CEO are well known (Astrachan, Keyt, Lane, & Yarmalouk, 2002), we believe this article to be highly relevant not only for researchers but also for practitioners.

Research explicitly focusing on the notion of professional management in family businesses is still scarce. Dyer (1989) is an exception. He gives insightful descriptions of three modes of professionalizing the family firm, but surprisingly little research has been published since his article. There is a large body of literature concerned with management succession (e.g., Cabrera-Suárez, De Saá-Pérez, & García-Almaida, 2001; Le Breton-Miller, Miller, & Steier, 2004; Sharma & Irving, 2005) that touches on the issue of professional management, but does not discuss the meaning of the concept. In this article, our interest is in the meanings and implications of the concept professional management, while we do not pay specific attention to issues of management succession in family firms in general. Our intention is, rather, to build further on Dyer's (1989) work.

We define a 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" (Chua, Chrisman, & Sharma, 1999, p. 25). This definition is relevant given our purpose, since it allows us to take a longitudinal perspective and to include as family businesses both those businesses managed by a family member as well as those managed by a nonfamily member.

In the next section, we describe and discuss the origin and key elements of the dominant understanding of professional management. This is followed by a discussion of the need for sociocultural sensitivity in the management of family firms. The discussion ends with an introduction of the theoretical frame of our research. After a section on methodology, we integrate our theoretical framework with empirical findings into an overall analysis of meanings and implications of professional management in family businesses. The analysis is structured around one major theme, emerging from our interpretative research, (1) cultural competence, and two subthemes closely related to cultural competence, (2) reciprocal role taking and (3) arenas for interaction and communication. We finish with conclusions and implications for theory and practice.

Origins and Key Elements of the Dominant View on Professional Management

To understand the dominant view of the concept of professional management in the family business literature and to suggest an extended understanding, we need to uncover its origins and implicit assumptions. We do this through a brief review of some key historical works.

Essential to the traditional and still dominant understanding of professional management is Weber's ([1921] 1968) notion of the bureaucratic organization. This organization is characterized by modern, efficient, and rational ways of organizing economic activities, thus differing from organizing on traditional and charismatic grounds. The rational/legal authority of the bureaucratic organization is based on objective rules, norms, and rational decision making, where managers' authority is grounded in technical qualifications and rational values rather than in individual characteristics and personal ownership rights.

After Weber, Berle and Mean (1932) and Burnham (1941) fomented the dominant view on professional management, which has come to permeate also the family business literature, with their works on the dominance of the managerial class of professional CEOs in the corporate United States. Like Weber, Berle and Mean and Burnham observed how ownership and executive management became increasingly separated and emerged into two distinct functions of economic and social life. Although the role of owners seemed to be limited to investing capital and expecting returns on this investment, executive managers were increasingly seen as forming a distinctive profession with their own agenda, expectations, and goals.

Picking up on this theme, Chandler (1977, 1990) argued that the reason for the decline of the U.K. economy compared to that of the United States was a function of the relative dominance of family firms in the United Kingdom. He argued that the professional, employed nonowner managers that dominated U.S. firms had a much greater motivation to act rationally than managers who inherited both the ownership and the executive office from earlier generations in the family since the former had to *gain* their status whereas family managers *inherited* the status.

The notion of family members as inherently nonprofessional managers that need to be replaced in order for the firm to grow and prosper influenced the dominant view on professional management in family firms. It also led to a tendency in especially normative literature to equate professionalization of the family firm with bringing in outsiders, that is, nonfamily members (Gersick et al., 1997; Levinson, 1971; Schein, [1983] 1995) and to view professional managers and family member managers as mutually exclusive. "In general, the wisest course for any business, family or non-family, is to move to professional management as quickly as possible," Levinson (1971, p. 98) argued in an often-cited article. The aim of such professionalization seems to be, Upton and Heck (1997, p. 252) observe, to "provide objectivity and rationality to an emotional milieu."

In another influential article, Schein ([1983] 1995) maintained that entrepreneurs/founders/owners and professional managers are radically different with respect to four categories: motivation and emotional orientation, analytical orientation, interpersonal orientation, and structural/positional issues. Professional managers are "identified as non-family and as non-owners and, therefore, less 'invested' in the company. Often they have been specifically educated to be managers rather than experts in whatever the company's particular products or markets" (Schein, [1983] 1995, p. 234). Schein ([1983] 1995) seems to view the entrepreneur/founder/owner working in the family business and professional managers as two different breeds, where professional family managers become an oxymoron. As we shall elaborate on below, we do not agree with this view.

Building on Schein's ([1983] 1995) work, Dyer (1986, 1988, 1989) devoted considerable attention to professional management in the family business context. Dyer (1986, p. 101) saw professional management as the "rational alternative to nepotism and familial conflicts that plague a family business." He argued that professional (nonfamily) management typically leads to new leadership patterns "because of the very nature of professional manager" (1986, p. 102), and new strategic development routes for the family firms, in particular toward growth and expansion. He also argued that professional managers have formal business training, often an MBA, which distinguishes them from family managers, who are supposed to have no such training. Therefore, "professionals rely on their years of formal training to make rational decisions" (Dyer, 1988). To qualify as professional, a manager should not pay much attention to context. Instead, he or she must base actions on a "general set of principles . . . independent of a particular case under consideration," be "experts in the field of management and know what is best for their client," make sure that "relationships with clients are considered helpful and objective," gain status "by accomplishment as opposed to status based on ties to the family," and "belong to voluntary associations of fellow professionals" (Dyer, 1989, p. 221).

Another step toward professionalization, inherent in the traditional understanding of the concept, is to change the informal atmosphere of the organization by introducing more formalized systems (cf. Songini, 2006), meaning, among other things, increased use of quantitative and systematic information collection in the organization (Charan, Hofer, & Mahon, 1980).

Importantly, Dyer (1989) presents three ways through which professionalization of family firm management can occur: (1) to professionalize members of the owner family, (2) to professionalize employees already working in the firm, and (3) to bring in outside professional management. Dyer (1989) presents insightful arguments regarding under which circumstances each of these three ways is most appropriate. For instance, he observes that a common problem with bringing in professional nonfamily managers is their lack of understanding of "human issues" in organizations and their short-term focus on financial performance (Dyer, 1989, p. 222). He also makes an important contribution by stressing that family members can also be professional managers. These are insights that have inspired our research and that we build on further. We agree, for instance, that family members may be as likely as nonfamily members to have formal managerial training and education.

A limitation with Dyer's work is, however, that he seems to assume that most activities that make a manager professional occur outside the family firm, such as the acquisition of general, formal education and training. Although we agree that formal competencies are important, we argue that, in isolation, they are not sufficient for professional management of family firms. In the next section, we introduce the argument that professional management in family firms must also rest on sociocultural sensitivity.

Sociocultural Dimensions of Professional Management

From the previous section we conclude that the traditional view of professional management equates professional management with individuals who are external to the firm, nonfamily members and nonowners. A professional manager is traditionally depicted as someone with formal management education, no close bonds, for instance, family bonds to other people in the business, industry experience, and the ability to take a universal, that is, noncontextual and objective, impersonal and nonemotional approach to the job.

It is not difficult to argue that this notion of professional management contains a number of simplistic and outdated connotations. Whereas certain aspects of the professional, such as formal training and education, are easy to agree with, others, such as universal (or noncontextual), objective, impersonal, and nonemotional aspects, can easily be challenged. Moreover, family managers are often seen as inherently nonprofessional as managers whatever their previous background and relations to the firm. For nonfamily managers the opposite seems to be true; they are inherently professional whatever their previous background and understanding of the firm. For contemporary family business research this is a view that is not very fruitful for advancing our understanding of professional management in family businesses.

The main problem with the dominant view on professional management is the way it downplays social and cultural contextual particularities. This is a problem in family firms where family relations, norms, and values are crucial to the workings and development of the business. Our critique of this social and cultural insensitivity receives support from Watson (1995, p. 40), who posits that the concept of professional management "departs seriously and naively from a recognition of the empirical possibility of these principles of neutrality, formality, delegation and so on coming about in an organization employing living human beings with their immense variety of potentially conflicting perceptions, wants, interests, fads and foibles." We advocate a view on professional management as an inherently relational and sociocultural process. Managerial work is about "balancing meanings and resources across those constituencies whose support is needed for the continued existence of the organization" (Watson, 1995, p. 41), and must therefore rest on an understanding of the specific sociocultural context in which it takes place.

Building on earlier literature (Astrachan, Keyt et al., 2002; Dyer, 1986, 1989; Fletcher, 2002; Watson, 1995), we argue for an extended understanding of professional family business management that explicitly takes into account social and cultural dimensions such as values, norms, and meanings of the owner family. From the literature on family business cultures we know that these dimensions tend to be strong in family businesses (Dyer, 1986; Habbershon & Williams, 1999; Hall et al., 2001; Kets de Vries, 1993; Zahra et al., 2004). Astrachan, Keyt et al. (2002, p. 192) even go as far as to argue that "beyond financial considerations, the family business exists for perpetuating family values and unity . . . these values are so important that anything, or anyone that interrupts this fragility could send the family business into chaos." Indeed, there seems to be an increasingly shared understanding among researchers that culture and close social relations are central dimensions in family firms. We hold that they are central enough to be explicitly included in a definition of professional management. Next we build further on this reasoning.

Culture and Symbolic Interactionism: The Interpretative Framework

To further our theoretical reasoning we rely on cultural theory and a symbolic interactionist perspective. Concurring with Alvesson (1993, p. 23), we define culture as "a shared and learned world of experience, meaning, values and understanding which inform people and which are expressed, reproduced and communicated in partly symbolic form." This definition is appropriate for the following reasons. The culture of the organization constitutes a frame of interpretation and action for its members. As such, the culture tells its members what is right and wrong, good and bad, normal and not normal, and so forth. The stronger the culture, and the more shared it is among the members of the organization, the more pervasive its influence on these members' way of thinking and acting.

The culture of a family business is to a large extent the result of values and norms of a founder and rooted in the family and its history. These values and norms manifest themselves in a rather stable way of thinking. Through socialization they are transmitted over generations (Berger & Luckmann, 1966) and shape a relatively stable family culture that, due to the integration of family and business, over time is likely to characterize the business also.

Individuals create and recreate cultural patterns through social interaction and communication. To capture and integrate the social dimension of professional management in this cultural framework, we therefore draw on symbolic interactionism (Blumer, 1969; Charon, 2004; Mead, 1934). This theory highlights how individuals continuously interpret and assign meanings to their own and others' actions and interactions. Efficient cooperative action between human actors requires mutual understanding, contextual sensitivity (Blumer, 1969), and the ability to "take on the role of the other" (Mead, 1934). This means being able to view and understand a situation from someone else's perspective. Social interaction, interpretive processes, and meanings are central to our everyday life in this theory.

In short, symbolic interactionism rests on four central assumptions: (1) human actors act toward things, objects, and people on the basis of the meanings that these have for them, (2) these meanings are derived from, or arise out of, the social interaction that an actor has with other actors, (3) these meanings are handled in and modified through interpretive processes (Blumer, 1969), and (4) individuals are engaged in ongoing activities, which lead to a processual and dynamic everyday life (Charon, 2004; Mead, 1934).

Based on this framework, we argue that in order to be effective in the family firm, top management must be sensitive to the owner family's values and norms as well as to their goals and meanings of being in business. These values, norms, goals, and meanings are continuously created and recreated over time in processes of social interaction and communication in the family and the firm. Management is, thus, processual and deeply embedded in the social and cultural contexts in which it is enacted.

Research Methodology

This article draws on case-based, empirical interpretive research. Interpretive research favors empirical accounts based on lived experience (Burrell & Morgan, 1979; Schwandt, 2000). A central aim of interpretive research is to challenge, extend, and provide novel ways of understanding a social phenomenon where a dominant, often taken-for-granted, view is influential, although there are reasons to argue for new ways of seeing it (Burrell & Morgan, 1979). The result of such research is typically—as in this article—the generation of new or extended conceptual understanding. By turning findings into new or extended concepts, interpretive research generalizes in an analytical and theoretical rather than statistical sense (Yin, 1994). The new or extended concepts are applied to see things from new perspectives, thereby supporting reflection and, perhaps, change (Alvesson & Sköldberg, 2000) in family businesses other than those that were actually studied. The extended conceptual understanding provided in this article therefore aims to enable both researchers and practitioners to describe and comprehend professional management in family businesses in at least partially a new light.

Case research is appropriate when the purpose is to generate new, or extended, theory of complex social phenomena (Eisenhardt, 1989; Yin, 1994) since it provides insight through rich detail (Pettigrew, 1997). Altogether we draw on five case studies, three of which were conducted in depth as part of two different research projects on top management and governance in family firms as the authors' doctoral dissertations (Hall, 2003; Nordqvist, 2005). The remaining two case studies are part of an ongoing research project on top management in family firms and investigated in less depth. The meaning of professional management and its implications for family and nonfamily members was a major theme that emerged in all five cases. The cases contain both effective (Cases 2 and 4) and less effective (Cases 1, 3, and 5) CEOs. This means that, taken together, the cases all give important insights into the prerequisites of successful family and nonfamily CEOs. An overview of the cases can be found in Appendix A.

The fieldwork comprised 95 interviews (for details, please see Appendix B), observations of several meetings, and many site visits to the firms where we interacted informally with family and firm-related individuals. Although all empirical material to some extent contributes to our preunderstanding, only parts of the interview material are explicitly presented in this article. Considering space limits, we use short quotations, excerpts, and brief descriptions to illustrate our interpretations and new concepts. We are aware that we had to leave out a considerable amount of the case material and that "thicker descriptions" would have provided better empirical closeness for the reader. To reduce this problem, we put effort into choosing illustrations representative enough for the reader to understand the empirical foundations for interpretations and conclusions. Our case material does not intend to be normative but, rather, descriptive and illustrative in order to support the generation of new conceptual understanding.

The empirical analysis was conducted by a repeated reading and successive interpretation of the transcribed face-to-face interviews and observation notes. Patterns of reoccurring aspects in the cases that seemed to enhance and impede the work of the CEOs in the cases were grouped together in empirical categories such as "importance of communication," "the influence of values," and "mutual understanding." We then furthered our understanding of these categories through the theoretical frame of organizational culture and the symbolic interactionist perspective. These were theories we had already used in our doctoral dissertations (Hall used organizational culture as a major theoretical frame; Nordqvist used symbolic interactionism). As described above, these perspectives are here combined into one theoretical frame.

Eventually, the categories were merged, that is, clustered into three themes related to professional management. Reflecting on the content and meaning of these themes, we finally conceptualized them as *cultural competence*, *arenas for interaction and communication*, and *reciprocal role taking*. We are aware that there might be, as in all aspects of dynamic social life, several themes and processes relevant for an extended understanding of professional management. The themes above were chosen, however, as they emerged as especially visible and relevant given our research focus and interpretive framework.

Once the themes were in place, we reinterpreted the cases to make sure that we did not miss out on relevant aspects in relation to the themes. The three themes are therefore the result of theoretical interpretations of gradually refined and abstracted empirical patterns of aspects (Alvesson & Sköldberg, 2000). Our concept of cultural competence is rooted in the organizational culture literature and our notions of reciprocal role taking and the importance of arenas for interaction and communication are theoretically rooted in symbolic interactionism. This means that we followed an abductive research process (Alvesson & Sköldberg, 2000), in which we moved back and forth between theory and empirical material. The actual research process was thus not as linear as it might appear from the structure of this article, but this is normal in qualitative research (Suddaby, 2006).

Professional Management in the Family Business: Empirical Illustrations and Further Theorizing

From this point on, we develop the discussion of the meanings and implications of professional management in family businesses with the help of findings from our case research interpreted through our theoretical framework. Just like the reviewed literature, our empirical findings suggest that *formal competence*, that is, formal education, training, and experience is relevant for professional family business management. But our findings also suggest that, in the family business context, this is not sufficient for top management to be effective. The reason for this is that owner families subscribe meanings and goals to being in business that extend beyond merely profit making and efficient organizing. One such core meaning is to perpetuate family values and norms. In our cases, those managers who acted effectively in the family businesses—both family and nonfamily members—acknowledged and acted on extended meanings, expectations, and goals such as this. In all cases, the dominant goals and meanings, comprised of central values and norms, constituted the frame within which the CEO was bound to act.

In line with this we propose an extension of the meaning of professional management with what we call *cultural competence*, defined as *an understanding of the family's goals and meanings of being in business, that is, the values and norms underlying the reason for the family to be in business*. This competence is, we suggest, as relevant as formal competence for professional management of family firms. Based on the empirical findings and theoretical interpretations, we further propose that cultural competence presupposes *reciprocal role taking* and the formation of appropriate *arenas of interaction and communication.* Below, we elaborate on this under separate headings.

Cultural Competence

We have argued that the main problem with the concept "professional" in the family business literature is the way it traditionally has downplayed the culture of the family business as a central dimension of management practice. We saw this clearly in our fieldwork. The owners hiring nonfamily CEOs looked mainly for formal competence. In one case, the owner needed a new CEO "to meet increased globalization and structural changes within the industry." Another was looking for "a market oriented CEO with international orientation." In two cases, the owners thought their companies had reached a point where size and competition called for a totally new organization. To reorganize, the companies needed "someone more experienced than ourselves in running a large organization . . . new knowledge was needed to take the company further."

The cultural understanding seemed not to be among the criteria for selection of a CEO in any of the companies. The fact that all nonfamily CEOs in our studies were recruited from culturally very different firms, sometimes multinationals, was not given much attention in the recruitment process. To the extent that the differences were discussed, it was done very briefly. In one case, the new nonfamily CEO and the owner discussed the difference between "a very large firm compared to a much smaller one." In another case, the recruitment firm pointed out that the firm the nonfamily CEO was about to enter had a long family tradition in management, which could impact his work conditions. Apart from this, no measures were taken to assure the nonfamily CEO's understanding of the specific family business context. Neither did the families consider presenting their values, expectations, and goals to the candidate.

In some cases, both family and nonfamily members were even unaware of, or downplayed, the importance of values and close relations in favor of normative connotations of objectivity, universality, and rationality, which are attributes traditionally subscribed to professional management. In one firm, the new family CEO claimed how important it was for him to increase professionalism. For him, this implied that he needed to "distance myself from the owner's perspective, and act as CEO in a very professional way." In the same company, an outside board member argued that the family dealt with their relationship in the company "very professionally," since they "isolate it to a normal CEO/Chairman relationship." A further sign of professional management was, according to him, that there were "no emotional overtones" in the company.

A further illustration of how family values, norms, and relations were downplayed is the recurrent examples of accounts where family members defended their entrance into the company and explained that they were competent *in spite of* being family members. Legitimizing their suitability as managers of the family business to both internal and external stakeholders, they referred mainly to their formal competence, especially education and former work experience outside the family business. In one firm, the main owner and chairman claimed that "it was not given" that his son would take over the position as CEO. However, when it was time for succession, it felt "natural" to appoint him. "And he *is* competent," he explicitly added, referring to the son's formal education and experience from starting his own firm. Also, the son himself expressed the need of verifying that he was not appointed solely on the basis of family background, although he saw potential benefits of it.

> I want to believe that my appointment is grounded in my competence. But on the other hand, that is easy to say. In reality my family name and my experience from the firm helped me to reach this position. However, I also know that the staff has a lot of confidence in me, especially those in the department where I used to work. And actually—I think that also they see my family name as an advantage.

It is interesting to note the mixed feelings of family membership, as expressed in the quotation above. On the one hand, family membership and relations were perceived as drawbacks as they made it harder for the son to obtain legitimacy as a manager. On the other hand, the son saw potential benefits of being a family member. In this case, the son was recruited to the family firm to replace a nonfamily CEO. The CEO to be succeeded seemed to agree.

> I believe there is a point in having a CEO that carries the family name and that is why we'll have him leading the firm. It can be a part of the competence to have the right family name. That is nothing negative, but only positive.

In the same firm, an owner and board member said:

> There is no doubt that, ceteris paribus; it is good if a family member is CEO. That gives a stronger continuity and driving force.

When the nonfamily CEO above talked about "having the right family name" as "a competence," we interpret this as having an understanding of the family's meaning of being in business, that is, its values, norms, and goals. This supports our argument that the pervasiveness and influence of culture in family firms means that formal competence does not, in itself, enable professional management. Without an understanding of the culture of a specific family firm, there seems to be little possibility of making effective use of formal competencies such as general education and training. As Astrachan, Keyt et al. (2002, p. 192) observe, family values and expectations guide the meaning business families attached to their businesses to an extent that "anything, or anyone that interrupts this fragility could send the family business into chaos." In Cases 2 and 4, where the CEO had a greater understanding of the family-influenced culture he or she was able to work more effectively and stayed longer in office.

Extending this notion even further, we found support for the idea that cultural competence exists at two levels. At the first, more aggregated or general level, the understanding concerns the facts (1) that family businesses tend to have strong cultures, (2) that culture has a decisive impact on family business life, and (3) that attempts to change the business in a way that violates the family-influenced culture will meet with notable resistance—even if it "objectively" might seem motivated. The second level of cultural competence is more in-depth and context specific, as it implies an understanding of how and why the specific culture of a family firm enables or restricts daily management practices. As such, specific cultural competence means an understanding of the owner family's goals and meanings of being in business, that is, the values and norms underlying the reason for it being in business. Both levels of cultural competence emerge as key features of professional management in family businesses.

Reciprocal Role Taking

From a symbolic interactionist perspective, individuals must interpret, define, and understand different social situations in order to act effectively. Effective cooperation between individuals requires mutual understanding, consideration, and respect for each other's values and the meanings ascribed to actions, issues, and situations (Blumer, 1969). This entails being capable of taking on the role of the other (Mead, 1934). From this point of view, a new CEO acquires cultural competence gradually by developing an ability to view the situation from the perspective of other dominant actors, which in most family firms are the main representatives of the family. This is done both consciously and unconsciously and the ability to do so is the result of socialization processes (Blumer, 1969; Mead, 1934).

Our case research revealed not only the importance of taking the role of the other for effective top management but also the difficulty of doing so. In one firm, the nonfamily CEO said he tried to "put myself in the situation of me owning something which I was to leave," that is, the role of his predecessor. But it still did not work out between him and the main owner and former CEO. Instead, "having the former CEO on a daily basis in the company" became "very difficult," the new CEO said. After less than two years, and a power struggle with the owner, the new CEO left his position. In this case, the former family CEO and the nonfamily CEO never reached reciprocal role taking and mutual understanding. They therefore did not have a chance to understand each other's perspectives and the new CEO never developed cultural competence. As a result, he was not able to make use of his formal management competencies to manage the firm.

Similarly, in another case, the agreement that the former CEO and new nonfamily CEO were to avoid talking to each other in the daily work complicated the socialization process, the ability to get to know each other, and thus to develop a mutual understanding. Initially, the owner and former CEO had difficulties letting go of his everyday involvement, mainly because he did not know the new nonfamily CEO and did not fully trust his capability.

> In the first weeks and months I noticed that he [the former CEO] had difficulties to let go, because he didn't know who I was and it felt like he checked on me, but it is not like that anymore. At the same time, I said to him that I really would like to have him as a sounding board. I needed that. But it should also be clear who decides, and I should be the one to run this firm towards new goals and visions. We cannot be two on this but we need to be in agreement on what we want, and then he is the owner that together with the board decides the overall direction and I shall execute it. That is why I'm here. (nonfamily CEO)

The problems of not recognizing the importance of reciprocal role taking are further illustrated by a case in which the lack of communication and mutual understanding between the new CEO and the family members led to severe problems, misunderstandings, and even conflicts. In this case, the owner family experienced the entrance and exit of two nonfamily CEOs within a timeframe of only a few years, during which the family business lost not only speed, money, and key employees, but also respect among internal and external stakeholders. In hindsight, a family member described top management in the family business as "a process, and a difficult one for both parties," the extent of which he "did not really comprehend beforehand." He added that when hiring a nonfamily CEO again, he would make sure to have a continuous communication with this person and make clear his perspective and priorities, but also listen carefully to the new CEO's concerns.

Our research, however, also gives evidence on quite an opposite situation in terms of taking on the role of the other. In one case, the newly appointed family CEO explicitly stated that he wanted to work closely with his father for some time. He was aware of the father as a "significant other" (Mead, 1934) who would have an impact on his ability to work effectively as CEO. He recognized that working closely with the father to understand his perspective would enable a smooth cooperation in their everyday organizational life. The ability to closely interact and communicate is, however, not limited to family members (Charon, 2004). In two of our cases, the nonfamily CEOs had this awareness, which led to successful communication and socialization processes and eventually to reciprocal role taking and a mutual understanding of each other's values, goals, and meanings. Among other things, this mutual understanding enabled them to remain with, and to make significant strategic contributions to, the family firms for many years.

Arenas of Interaction and Communication

We noted in our cases that communication took place in formal as well as informal arenas in those cases where cultural competence developed. Blumer (1969) argues that for cooperative action to occur and succeed, individuals must develop an understanding and knowledge of each other's values, meanings, and perspectives. These do not have to be completely shared, but individuals must align in order for cooperative action to be effective. Joint or collective action is an outcome of such processes of social interaction. Taking the role of the other is only possible through communication, where both parties put effort into understanding perspectives and roles and evaluate situations also from others' point of view (Charon, 2004). This highlights the need for arenas in which this communication and interaction can take place.

Proponents of the traditional view of professional management typically see the use of formal management practices and systems as a part of professionalization (Songini, 2006). This means a preference for formal arenas of interaction and communication between the CEO, board members, and owners, such as the board meetings. This was also the dominant practice in our cases. In one case, the recruitment of a nonfamily manager meant a new, more formal chain of command, where the former family CEO and main owner and the new CEO were told not to interact outside the formal meetings. The nonfamily chairman was very explicit that the former CEO should not "run around and make a mess and intrude." To ensure the new CEO "space for his competence," all interaction should officially go through the external chairman of the board even if he was almost as new to the firm as the new CEO. The new CEO even explicitly stated that he did not want to be friends with the owners, since that would be "unprofessional." This new formal interaction order became a problem as it made it difficult for the actors involved to get to know each other, and thus to understand each other's values, expectations, and goals. In this case, a mutual understanding between the former and present CEOs did not start to develop until two years after the introduction of the CEO, when a new arena, meetings every second month with the CEO, the main owner, and the chairman, was created and more, interaction had taken place in informal arenas.

Somewhat contradictory to traditional family business literature, our research suggests that given the importance of cultural competence and interaction and communication, the complete avoidance of informal and casual interaction might hurt effective management in the family business context more than it supports it. Our case research suggests that interaction in both formal and informal arenas is needed to develop cultural competence. In one case, for instance, the new, family CEO reported that his reason for accepting the CEO position at that specific point in time was to work closely with his father and learn how he ran the firm. The father and the son interacted and talked extensively in informal arenas to learn about each other's goals and expectations. In formal arenas, such as board meetings and executive committee meetings, they were careful to play down their family relationship. They acted in a "very professional and structured" way, as one nonfamily board member expressed it. The same board member added, however, that this was not a completely positive situation. The interaction between father and son, that is, the new CEO, became unnatural and too much emphasis was put on holding back emotions. This constrained the discussion, rather than improved it.

In another case, the owner and former family CEO, out of fear of "intruding," hardly interacted at all with the new, nonfamily CEO during his brief period of employment. This led to a situation where the family had very little insight into the firm. Eventually, a long-term employee approached the owner and said that a bad atmosphere was spreading in the company because of the nonfamily CEO's very different management style, which was quite contradictory to the traditional firm values and norms that were strongly linked to the family. Turning to the nonfamily chairman of the board for advice, the owner was told not to interfere.

> I had the advice not to do anything. Now the new CEO was in charge, he had the mandate to act, and how he reached the goals was his business. Of course it was also the board's business, but we should not interfere with details but show him faith.

With time the situation got worse. The firm started to lose money. It then became easier for the owner to take action, referring to objective and rational reasons, such as poor financial performance. The nonfamily CEO had to leave his position. Reflecting on this in hindsight, the owner regretted that he had not paid more attention to the social and cultural dimensions and that he had not had more frequent interaction and communication with the CEO.

Among our cases there are also examples in contrast to the ones just discussed. In these cases, the nonfamily CEO and the owner interacted frequently and—according to themselves—this enabled a smooth relationship between them. In these cases, the nonfamily CEOs remained for a relatively long period of time and the overall satisfaction with their work was higher. Even if we cannot isolate the durability and success of these CEOs to the close communication only, both the CEOs themselves and the family members pointed out the frequent interaction, the high level of mutual trust and respect, and their open and often spontaneous communication as core reasons for their efficient cooperation.

> We talk approximately 3–4 times a week. He comes into my office in the evenings and we sit and talk in general terms, about this and that. We have on ongoing dialogue, sometimes also on the phone. But I never tell him what to do. He informs me about what happened and what he has done. (owner and former CEO)

> We have always talked a lot, always, dialogue on meetings and outside of meetings. (nonfamily CEO)

Both our case research and the symbolic interactionist perspective, then, suggest that arenas or venues where social interaction and communication can take place in everyday life are needed to create a mutual cultural understanding. It should, however, also be noted that the dynamic and processual nature of both organizational life and professional management means that the appropriate arenas for interaction and communication might need to change over time. For instance, the case research suggests that once understanding and respect for each other's values, goals, and meanings have developed, less interaction and communication are needed and more can be channeled to formal arenas and periodic meetings.

Conclusions

The purpose of this article has been to extend the traditional understanding of the concept of professional management in family businesses. Rather than focusing on the succession process, which has been widely studied in the family business field, we have addressed the concept of professional management itself. Based on both theoretical and empirical arguments, we posit that professional family business management requires both formal and cultural competence. Whereas the first competence is widely recognized in extant family business literature, the latter has not been recognized to the same extent. Cultural competence refers to an understanding of the unique sociocultural patterns originating from the family's influence on a business. Arriving at this understanding is facilitated by relevant arenas for interaction and communication between the CEO and key family members, where a reciprocal role taking between the parties can take place and result in a closer understanding and alignment of each other's values, expectations, and goals. Below, we summarize our main findings in three overall conclusions, formulated as statements. We also propose an extended definition of professional management in family businesses.

Cultural Competence Is Integral to Professional Management in Family Businesses

Our first conclusion is that the ability to understand and be sensitive to the family-influenced cultural and social processes is the core of cultural competence. Culture is a rather elusive phenomenon. It is often not until the values, norms, and beliefs are threatened or violated, for instance, by someone acting or expressing opinions in a way contradictory to what the culture prescribes as good, right, and normal, that individuals become more conscious of the culture of which they are a part. When they sense their culture being threatened, families are likely to defend it. The introduction of a new CEO who does not possess or is unable to develop cultural competence therefore may result in a struggle concerning the firm's future direction. This struggle may include fundamental issues, the perception of which rests on cultural foundations, such as defining what the organization is, what it should be, what goals and strategies to have, and how to pursue them. We therefore propose that no matter how formally competent, a CEO without cultural competence is relatively more likely to fail as CEO of a family firm.

Professional Family Business Management Is Processual

A second conclusion of our theoretical and empirical analyses is the processual nature of professional management. This is contradictory to the traditional view on professional management, which, as seen above, connotes a more static view. Our interpretations suggest that the competencies a top manager needs in order to be professional are not universal and once and for all acquired, but inherently processual, as they are enacted in ongoing and dynamic interaction between individuals. However, potentially strong values and norms can also change over time through new experiences and changed circumstances (Charon, 2004). Mutual understanding, reciprocal role taking, and cultural competence need to be nourished through interaction and communication between individuals in both formal and informal arenas in everyday organizational life. Rather than using the term *being* professional (which includes a connotation of it being static), we therefore suggest a notion of individuals as *acting* professionally.

Professional Management Is Indifferent to Family Membership

We also conclude that the notion of professional family business management is indifferent to family membership. Both family and nonfamily members could qualify as professional managers as long as they are *both* formally and culturally competent in terms of managing the unique family business. It could be argued that family members have an advantage when it comes to cultural competence since they are more embedded both socially and culturally in the family. However, nonfamily CEOs can acquire cultural competence. A first step toward this is the recognition that cultural competence is an essential requirement of professional family business management (*general cultural competence*). A second step is to actually understand the specific values and norms of the culture and what goals and meanings key family members ascribe to the business, and how these influence the working of it (*context-specific cultural competence*). Such an understanding requires ongoing communication and reciprocal role taking in both formal and informal arenas.

An Extended Definition of Professional Family Business Management

Based on the three above statements, we suggest a definition of professional management in family businesses that extends the current emphasis on formal competence to include cultural competence. We believe this definition is more appropriate for both research and practice than the dominant view of professional management in family business literature. We propose the following definition of professional family business management.

> *Professional management in family businesses means an in-depth enough understanding of the owner family's dominant goals and meanings of being in business (i.e., cultural competence) to be able to make effective use of relevant education and experience (i.e., formal competence) in a particular family business.*

Implications

Implications for Theory and Research

This article has several implications for theory and research. The empirical and theoretical generation of the concepts of cultural competence, reciprocal role taking, and arenas for interaction and communication enhances our understanding of professional management in family businesses. The findings and new concepts extend Dyer's (1989) insights that human issues and the in-depth involvement of family members in the business matters for effective top management in family firms. They also support previous research stressing the importance of sociocultural dimensions for top management in family businesses (e.g., Astrachan, Keyt et al., 2002; Fletcher, 2002; Watson, 1995).

Our research suggests that when using the concept of professional management in family businesses there are good reasons for researchers to go beyond the traditional and, we believe, outdated dominant meaning of the concept. Professional management is not just about formal qualifications, training, and education—it is also about cultural understanding of both the family and its business. Recognizing this should help researchers to avoid the implicit or explicit assumption that family members are not professional managers. It should also help expand on the important research endeavor to better grasp the requirements of effective management of family firms, regardless of whether the manager is a family member.

Focusing on family-influenced organizational culture, our research also contributes to the growing (e.g., Denison et al., 2004; Dyer, 1986; Hall et al., 2001; Schein, [1983] 1995; Zahra et al., 2004), but still scarce, research literature on culture and family businesses. The notion of cultural competence as part of professional management speaks directly to culture being central for our conceptual understanding and theorizing on family businesses.

Finally, our research gives a methodological contribution to family business research. There have recently been increased calls for more in-depth interpretive research both in the general area of management research and in the subfield of family business studies (Nordqvist, Hall, & Melin, 2007). The research reported here draws on such an approach and illustrates how this still quite unconventional methodology can be applied and reported to extend the understanding of important dimensions of management in family businesses.

Implications for Practice

We hope this article inspires owners, actual or potential top managers, and recruiters to pay serious attention to cultural competence in relation to professional management. The notion of cultural competence tells practitioners about the family-influenced "cultural boundary" restricting the freedom of management action in family businesses. This cultural boundary affects the direction in which a CEO can develop a particular family business. This does not, however, mean that strong cultures are necessarily change averse. Previous research has shown that family-related organizational cultures can be open and encourage new ideas and the incorporation of external perspectives and impulses (Hall et al., 2001; Zahra et al., 2004). Our discussion in this article does not say anything of the content of the culture, that is, what the dominant values and norms are. Our argument is that, whatever the content of the culture, managers in family firms need to be aware of it as a frame for their sphere of action to make efficient use of their formal competence and thus to act professionally in strong cultural contexts, such as the family firm.

This does not imply that CEOs are marionettes completely steered by the cultural frame of the family firm. A new CEO is often eager to make his or her personal mark by developing the business through new ideas. Often, this is both necessary and healthy for the business. Indeed, the original appointment a CEO is often for the purpose of getting "new blood" in the business. The concept of cultural competence should not be seen as an argument in favor of the status quo or an argument to keep out necessary new and external ideas and impulses. What our research tells us, however, is that change challenging central family-influenced cultural and social dimensions of an organization must start from an understanding of these dimensions, their strengths, and their implications for everyday organizational life. This is also what the nonfamily CEO in the first opening quote of this article refers to—building on to, as opposed to hanging on to, the past and on what already exists is a wise thing to do even when things need to be done differently. By visualizing and conceptualizing culture, this article has made a contribution in terms of making culture more explicit and easier to act on, and—if necessary—eventually even change. The culturally competent manager takes action to develop the family firm based on its specific social and cultural characteristics.

Limitations and Future Research

There are several limitations with our research and relevant areas that we have not covered. For instance, we have treated organizational and family culture as rather homogenous. This is a simplification. Most scholars agree that cultures often are fragmented and that there may be different cultures within both families and organizations (Martin, 1992). Although we do not believe this insight changes the relevance of our overall contributions, the role and impact of different cultures should be considered in greater depth in future research, not the least because it ties well into another limitation with our research, namely, that that there are not one but many different types of family firms. In other words, closer attention to the heterogeneity of cultures within family firms should accompany closer attention to the heterogeneity between family firms, in terms of, for instance, size, industry, age, ownership, and generation in charge. On a related theme, we have assumed that family and organizational culture are rather closely integrated. The degree of this integration may, of course, differ between family firms.

Another limitation that is inherent in our research approach is that we are not able to say with certainty to what extent professional managers in our definition contribute to financial performance or other numeric measures of value creation. Researchers interested in finding such a relationship should be aware that the goals and objectives of family firms often stretch beyond mere economic performance (Sharma, 2004). Moreover, we have not sufficiently addressed the difference among types of nonfamily CEOs with regard to cultural competence. A manager promoted from within the business is probably likely to be more culturally competent or in a better position to develop such a competence than someone who is recruited externally. Future research should address this in greater depth.

Future research could also look more deeply into the circumstances under which a family CEO lacks cultural competence—the consequences for the family, the individual, and the firm. We further encourage studies on how nonfamily managers might "become one of the family" as the result of socialization processes, and the potential advantages and disadvantages of this. Finally, we encourage research that looks closely at the means and techniques used by managers to develop cultural competence, as well as at the role of the board, especially in assisting the introduction of a new CEO, through mediating between the family's and the individual's expectations. Both these important issues have been briefly noted in this article and should be further investigated.

Appendix A: Key Characteristics of the Five Family Firms

Key Characteristics	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5
Multidivisional group structure	Yes	Yes	No	No	No
No. of employees (group)	80	118	130	20	40
No. of family members working operatively	2	2	4	2	
Total operating income	142 SEKm	151 SEKm	130 SEKm	20 SEKm	100 SEKm
Profitability (net profit)	0.1 SEKm	1.4 SEKm	—	—	—
Industry	Water treatment, biogas energy, services (B2B)	Financial services (B2B)	Manufacturing of steel, metal, and stamped parts	Retailing of kitchenware	Supplier of equipment for light, electricity, and air conditioning
Industry growth (time of study)	Low	Moderate	Moderate	Moderate	High
Year founded	1866	1906	1937	1957	1954
Current no. of generation main owner	4	2	2	1	2
No. of core families as owners	3	2	3	1	4
No. of family board members	3	3	2	1	2
External board members	3	4	1	1	1
External chairman of the board	Yes	No/No	No	Yes	Yes
Family CEO	Yes/No (change)	No/Yes (change)	Yes/No/Yes (change)	No	Yes
University education of CEO	MSc, Engineering	MBA/MBA	—/MSc/—	—	—
CEO managerial experience outside firm	No/Yes	Yes/Yes (start of own business)	No/Yes/No	Yes	Yes

Appendix B: Overview of Interviews in the Complete Empirical Material of the Research Project

Firm 1	No. of Times	Firm 2	No. of Times	Firm 3	No. of Times	Firm 4	No. of Times	Firm 5	No. of Times
1. Owner, former CEO	4	1. Owner, group CEO, and chairman of the board	4	1. Board member, owner	3	1. Owner	1	1. Owner, board member	3
2. Owner, top management team member, HR coordinator	2	2. Owner and board member	4	2. HR manager, owner	2	2. CEO	2	2. Owner, CEO	1
3. Board member	1	3. Owner, CEO, and board member	4	3. Owner	1			3. Former external CEO	1
4. External CEO	3	4. CEO, former group CEO	2	4. Spouse of owner	1				1
5. Family member/ former board member	1	5. Top manager, former board member	3	5. Sales manager	1				
6. Top manager	2	6. Top manager, deputy CEO	2	6. Retired employee	1				
7. Top manager	2	7. Top manager	2	7. External CEO	2				
8. Top manager	2	8. Board member	1	8. Spouse of owner	1				
9. Chairman of the board	2	9. Executive secretary	1	9. External board chairman	1				
10. Family member/ board member	1	10. Executive secretary	1	10. Employee	2				
11. Former top manager	1	11. Board member, senior advisor	1	11. Employee	2				
12. Board member	1	12. Top manager	1	12. Employee	2				
13. Board member	2	13. Board member	1	13. Employee	1				
14. Top manager	1	14. Family member	1	14. Employee	1				
15. Top manager	1	15. Employee (analyst)	2	15. Employee	1				
		16. Former CPA	1						
		17. Former chairman	1						
		18. Board member/ former chairman	1						
		19. Board member	1						
		20. Employee (middle manager)	1						
		21. Former CEO	1						
		22. Family member	1						
		23. Board member	1						
		24. Top manager	1						

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