The Family Business: Characteristics and Special Issues

A literature review based article

By
Annika Hall
Jönköping International Business School
P.O Box 1026, SE-551 11 Jönköping
E-mail: annika.hall@ihh.hj.se

Article published in:
Scandinavian Journal of Organizational Psychology, Vol. 10, nr. 2, 2000: 6-24.

Welcome to the World of Family Business!

> *"For most people, the two most important things in their lives are their families and their work. It is easy to understand the compelling power of organisations that combine both"* (Gersick et al 1997:2).

Are you familiar with the world of family business? If not, this literature review might be a good place to start. As a field of research, family business is quite young. The main magazine covering the area was first published in 1988. Since then the interest in family businesses has been steadily rising, shown by for instance the increasing number of consultancy firms, universities, and business schools engaged in various aspects of the field. Surely, family businesses must be quite interesting. But what are they like? What is so special about them?

According to Gersick et al (1997), businesses owned and managed by families are different from other organisations. Being from the same family, sharing its history, and culture can indeed offer special advantages for the running of a business, including efficient decision making, independence and long term perspective (Kets de Vries 1996), committed and hardworking staff (Davis and Stern 1988), strong business cultures and a caring atmosphere (Kets de Vries 1996, Miller and Rice 1988), and good working relations based on co-operation and trust between family members (Tagiuri and Davis 1996) leading to unique opportunities for individual as well as professional development (Rosenblatt et al 1985). But being a family business is not only advantageous. Among the many drawbacks are the welcoming of family members in the business regardless of competence, the "ghost-of-the-padron" syndrome leading to conservative cultures and stagnant companies (Kets de Vries 1996), envy and jealousy between family members (Kepner 1991), and the risk of the family being torn apart by too much devotion to the business (Gersick et al 1997).

Does it sound complex? Interesting? Challenging? Fascinating? It is! Welcome to the world of family business!

On the Content

Apart from some of the most influential books in the field, this literature review is to a fairly large extent built on articles from Family Business Review 1988-2000[1]. From these sources, the characteristics of family businesses and some of the most common[2] special issues facing them have been crystallised. The number of articles used for each issues varies with the amount of research done and aspects covered.

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[1] A majority of the articles presented in FBR is based on the work of management researchers using quantitative methods. Even if there is a rise in the amount of qualitative work, the former approaches are still dominating the field (Dyer and Sánchez 1998)

[2] Although very important, the issue of taxation has been excluded for the reason that it is very nation specific.

The article is made up of two parts. The first part contains a discussion of the development and the changing character of the family business over time. The development of a family business founded by the father and succeeded to younger generations is described. As the company and the family grow and mature, the characteristics and special issues facing them vary. In the second part, the special issues are discussed. Certain aspects introduced in the first part might be deepened when related to the special issues.

The Family Business - A Different Business

The family business: interactions of different social systems
Most conceptual models of family businesses are built on a description of theses organisations as an interconnection of two systems: the family and the business.[3] Understanding the workings of the family business means recognising that decisions and actions of members of the business are at the same time actions and decisions of members of a family. It is the interplay between these two systems that gives the family business its distinguishing characteristics. ”For these firms, competing successfully with the outside world is only the beginning. Intra- and interfamily conflict and rivalry must be managed as well” (Kets de Vries 1996:5).

Gersick et al (1997, building on the work made by Tagiuri and Davis p. 5) argue, however, that this two-system concept is insufficient since ”many of the most important dilemmas faced by family businesses ... have more to do with the distinction between owners and managers than between the family and the business as a whole” (p. 5). For a more thorough understanding of the complexity and dynamics of family businesses, they suggest an enlargement of the two-system concept into a three-circle-model.

Figure 1: The Three -Circle- Model of Family Business (Gersick et al 1997: 6).

[3] Although useful, the dual system approach has its potential drawbacks. As pointed out by Whiteside and Brown (1991:383), viewing the family business as the interaction of two separate systems might lead to ”a stereotyping of subsystem functioning (such as the description of the firm as totally task-oriented and the family as totally relation-oriented), inconsistent and inadequate analysis of interpersonal dynamics, exaggerated notions of subsystem boundaries and underanalysis of whole system characteristics”.

According to the three-circle model, the family business consists of three independent, but overlapping, subsystems: business, ownership, and family. As an outcome of the overlaps, seven sectors emerge and family members working in the family business can be placed in at least one of these sectors. The complexity is highest in the middle sector (7) where a family member is both owner of and works within the company. Individuals in this sector occupy three roles simultaneously. ”As family members they are concerned primarily with the welfare and the unity of the family; as owners they are interested in return on investment and in the viability of the firm; as managers, they work toward the firm’s operational effectiveness” (Taguiri and Davis 1996:201). Several researchers (Davis and Stern 1988, Kets de Vries 1996, Gersick et al 1997), point out that these interdependencies, and the special issues facing family businesses originating from them, have not been taken into account by most management theories.

> *”The influence of families on the business they own and manage is often invisible to management theorists and business schools. ... The economic models underlying most management science depend on interchangeability of decision makers, so that it does not make any difference ‘who’ anybody is”* (Gersick et al 1997:4).

To enhance the understanding of the family business, Gersick et al (1997) argue that it is necessary to separate the three different systems of family, business, and ownership. By this separation, interpersonal conflicts, role dilemmas, and different priorities could more easily be uncovered.

There is, however, another dimension essential to the understanding of the family business and that is time. With time, both systems and people age and change. Children of family businesses belonging initially to the family circle are with time likely to become both owners and managers/employees and thus to be found in the mid segment. The founder of the company might decide to retire and to move out from the mid segment (see fig. 1 page 2), remaining only in the owner- and family circles. Changes such as these affect not only the inner workings of the business but have an impact on roles and relations within the family as well. Because family members tend to occupy their professional roles for quite a long time, the three-circle- model is bound to change with the ageing of individuals.

Adding time to the three-circle-model transforms it into a Three-Dimensional-Developmental Model with three axes, on which the stage-wise development of the three circles (family, ownership, business) respectively is illustrated. The development of the three axes could influence each other but are also independent. Depending on where on the axis the family business is, its characteristics and the problem it faces will differ.

Fig 2: The Three -Dimensional -Developmental -Model (Gersick et al 1997:17).

Classic Family Business Types

Through combining different stages of the three dimensions, Gersick et al (1997) identify four[4] classic family business types.

- The first-generation, founder-run business owned and managed by an individual entrepreneur.

- The established business owned by a sibling partnership and experiencing rapid growth and change.

- The complex, mature cousin consortium.

Founders and the Entrepreneurial Experience

The Controlling Owner, Start-Up Business, with a founder in the Young Business Family stage, is the first of the four classic types. This is a very important period in the life of a family business since the business will be deeply affected by its first years of existence; ”the Start-Up stage is a time when the foundations are laid for three core aspects of the family business: company culture, strategy and asset management values” (Gersick et al 1997:149).

As the business still is in the cradle, ownership is likely to be concentrated to the founder. Being the only one responsible for the survival of the company, the founder must often work very long hours to get sales stable and to create legitimacy for the business among clients, employees, suppliers, etc. For the family, this often means having to cope with an absent father and husband.

The Growing and Evolving Family Business

[4] Three of the business types are discussed above. The fourth, the Business at the Brink of Transition, is discussed in the second part of the article under the issue ”Succession”.

This is a business in the Expansion/Formalisation stage, where ownership has developed to a Sibling Partnership. The families involved in this family business have reached the Entering the Business stage. Although these family businesses could be very different, Gersick et al (1997: 153) argue that they share some common challenges such as ”finishing the consolidation of ownership in the sibling generation, developing an entry process for the next generation and restructuring the business and its systems to initiate and sustain growth”.

These organisational, strategic, and psychological challenges make this period a critical one in the life of the family business. As the business grows, more and more family members get involved in the daily running. This implies a need for collaboration and the ability to deal with an increasing complexity of interpersonal relations as ”the business is becoming a central component of the family identity” (ibid: 154). At the same time as the family members have to deal with changing business relations, they also have to cope with changing private life situations. The middle generation (normally in charge of the business) has begun to approach middle age and starts to (re)evaluate their lives (often with the help of the children questioning their way of life and their running of the company). The children, in turn, have their own struggling trying to find a place in life and (perhaps) in the family business. For the oldest generation, the main challenge is to adapt to a life ”without the foundation of authority in the business and ownership circles that used to be the core of their identity” (ibid: 162).

The business itself also faces some major changes and challenges in this stage. As a bigger and more established company, the family business faces tougher competitors, which requires more knowledge and long term strategic planning. With an expansion in number of employees and sales comes also the need for a more formalised organisation. It is usually no longer possible for a single person to control the business. Instead, responsibility must be delegated, leading to a structure with more hierarchies and functional differentiation.

The growing number of family members involved in the business, as well as the organisational and strategic challenges also put ownership issues in focus. An increasing number of family members involved in the company raise the question of how to spread the shares. In the case of the siblings having unequal number of children there is also the problem of how to divide the shares between the different branches of the family. Should each sibling turn the shares over to his/her own children, or should the shares be equally divided between all cousins? The organisational and strategic challenges might also lead to a need of more capital. Should that be obtained by more reinvestment and less dividend or should external capital - and influence - be accepted?

The Complex Family Enterprise

The family business has now turned into a mature Multigenerational Cousin-owned Enterprise. This stage is characterised by a high degree of complexity in all three dimensions. In the third generation family business (cousin-owned) there can be very many relatives who all want their share in the company, financially and/or as a career opportunity. According to Gersick et al (1997), one branch of the family is now usually dominating the company. To avoid family fights, it is very important that this family in one way or another involves other family shareholders in the development of the business. One way to do this is to build a family council; another to have a professional board of directors.

A mature business has to face the challenge of renewal and change. The original business idea is more or less obsolete, and has to be changed or supplemented. This is hard for any business. The situation for the family business is however even more complicated. For sentimental reasons, or to avoid family conflicts, family members might tend to hold on too long to more or less obviously outdated business ideas, which could be devastating for the company. Gersick et al (1997) argue that professional management is a necessity for the survival of a third generation family business. Whether this management is to be family based or external is one of the main concerns facing a Complex Family Enterprise.

Special Issues

One of the conclusions that could be drawn from the first part of the review is that the most distinguishing characteristic of the family business, and the one from which most other features could be derived, is the close relationship between family and business. This will also be evident from the discussion of the special issues facing family businesses. The integration of family and businesses is, more or less explicitly, the source of most of the special issues facing a family business.

i) Definition

The issue of how to define a family business has received a great deal of attention in the family business literature (Handler 1989, Brockhaus 1994, Wortman 1994, Sharma et al 1996). In spite of rather ambitious efforts to find ways of reaching a common definition (for instance Litz 1995), this is still lacking. Instead, different researchers use different definitions, depending on research interest.

As pointed out by Gersick et al (1997), family businesses could indeed be very different, ranging from the smallest corner convenience store to large multinational conglomerates. Moreover, the companies might have existed for generations or they might be new-founded companies. What unites these otherwise very different businesses is their connection to a family. However, this connection might, in turn, also differ. Some family businesses are totally owned by the family and all family members are actively involved in the daily running of the businesses. Other families see their firms just like any other investment and hire people for management positions. Because family businesses are so heterogeneous, it is important for researches to be very explicit about what kinds of families, businesses, and business environments that are studied (Sharma et al 1997). As pointed out by Handler (1989:262), ”to the extent that researchers uses different criteria, they may actually be studying different forms of organisations”. Melin and Nordqvist (2000) argue that it would be a big mistake to treat all family businesses as if they were a homogeneous population. Even if there are some characteristics that unite these businesses, they can be very different in terms of for instance size, life cycle position, and governance structures. Therefore, research conducted on a certain type of family business is not automatically valid for family businesses in general.

ii) The impact of the business on the family

When family businesses are discussed, the focus is often on how the family influences the businesses. Influences do, however, also flow in the other direction (Kepner 1991, Kets de Vries 1997, Minuchin in Lansberg 1992).

> *"There are certain influences the firm will have on the family dynamics, because the firm is a part of the psychological if not the actual environment of the family. It is always a 'third party' that is carried around in the minds of the people in the family system"* (Kepner 1991:454).

Belonging to a family in business could heavily influence the developmental process of a child (Kets de Vries 1996, Minuchin in Lansberg 1992). In the process of becoming a person of its own, one important step for a child is to acquire a sense of separateness, that is, the child must start to perceive him- or herself as an identity separate from the mother. In this process of separation-individuation, a very important role is fulfilled by so called transitional objects, such as for example a teddy bear. When a beloved parent is absent, the teddy bear provides the child with the calming experience normally obtained from that parent. Over time, the child learns to internalise the feelings of calmness, and the transitional object losses its function. According to Kets de Vries (1996:39), the family business could be viewed as such a transitional object. "In many instances, the family business provides the family members with transitional space, a stage between the comforts of family life and the realities of the harsh outside world". In this way, the family may be a hindrance for a healthy individuation of the child. Kets de Vries (1996:40) describes this as on of the paradoxes of the family firm: "it offers enormous opportunity for taking up responsibility at an early age, at the same time, it can become a block to further personal development".

The family business can be a hindrance to other developmental processes as well. Normally a person moves from childhood dependence to a state of adulthood independence. In some families, relationships can, however, be very entangled and control very tight, with strict rules and regulations prescribing correct behaviour. A member of a business family is, for instance, supposed always to act in the interest of the business and the family, even if this means giving up alternative careers and opportunities for self-development; "the demand is to put the family before self" (Miller and Rice 1988:195).

As if this was not enough, family businesses could be an arena where envy, jealousy, and vindictiveness flourish. According to Kepner (1991: 456), "sibling rivalry begins as soon as the second child is born into a family". The intensity of this rivalry depends to a large extent on the relationships between the parents and their children. One great challenge of parenting is to minimise sibling rivalry through making the children feel that they are being fairly treated. An important ingredient in avoiding sibling rivalry is that the parents have enough time to devote to their children. If this is not the case, the children might start to fight over the small amount of time available, leading to a pattern of rivalry and competitiveness within the family. Normally, these feelings get less acute when the children grow up and form lives of their own. When, however, the children stay together in the family business, ”continuing closeness aggravates the situation, while the presence of the parents in the business may rub the additional salt in never-healed wounds. Old feelings of envy and jealousy cannot be put to rest because all the actors in the play are still present” (ibid: 44). This might affect the decision making within the business. Instead of focusing on what is best for the company, business decisions could be turned into means for siblings to fight each other.

Not only siblings suffer from envy and jealousy. As Kets de Vries (1996) points out, parents are also the victims of these feelings. Being envy of their own children, parents might deprive them from certain pleasures or privilege, defending this by arguments of moral. Children who stay in the family business might never be able to escape this depressing atmosphere. As they try to make their own careers in the company, the senior generation might actually fight them by trying to make them fail or not letting them advance to higher positions. Early born children are most likely to face these problems since they are often perceived as more threatening to the parents than their younger siblings.

A further difficult situation may be caused if a child decides to leave, or not to join, the family business. Such a decision is likely to be viewed as a treachery. ”Success in another walk of life is frequently taken to mean that if only those who have succeeded had been less selfish they could have made a valuable contribution to what is essential to the family, the family business” (Miller and Rice 1988:196).

iii) Governance structures

A very common way of conceptualising the governance structure of a business is to describe the relation among owners – board – executive as a chain of command with distinct levels and roles. Since the owners want to make sure the hired executive acts to maximise shareholder wealth (and not his or her self-interest), a board with external members are appointed to monitor and control the work of the executive. These theories are, however, seldom fully applicable to family businesses. In these businesses, ownership, management, and board membership tend to be held by (the same) family members, leading to an overlap or integration of the different levels and roles of the chain of command (Melin and Nordqvist 2000). To understand the governance structure of family businesses we therefore, at least partly, need other theories and models than those normally applied to business organisations.

When governance structures in family business are discussed, the main concern is often the composition and the role of the board. Dyer (1986) has identified four basic types of boards in family businesses. The *Paper Board* consists of names on a paper (usually family members). This kind of board hardly ever meets as its main function it to fulfil the requirements of the law. The *Rubber Stamp Board* often includes members external to the family, such as bankers, lawyers, accountants, etc. with close contact to the family business. Not really having the power to influence the decisions of the family, the members of this board merely fulfil the function of supporting the decisions already taken by the founder and the family. In the *Advisory Board*, the external members do, in fact, have some influence as they are seen as protectors of the company shareholders - both family and non-family. An *Overseer Board* is primarily used by family businesses that have gone public, in which the family no longer owns a majority of the shares. This board fulfils the normal functions of any board in a publicly owned business; apart from electing management it also makes the main decisions concerning the overall strategy and policy of the business. Being an external board member in a family business is, however, somewhat different from holding the same position in another organisation. In a publicly listed company wealth maximisation is one important criterion for guidance. But in a family business this might not be the overriding goal of the owner-family. In fact, there might not even be one overriding goal but many differing goals in a family business, in which case an external board member is faced with the problem of knowing which of the goals to represent and prioritise (Melin and Nordqvist 2000).

Most businesses with ownership concentrated to family members do not really use a board in the traditional sense. According to Danco and Jonovic (in Lamont and Lamont 1988), the reason for this is that an outside board of directors is believed to threaten the autonomy and flexibility of the entrepreneur. As pointed out by for instance Kets de Vries (1996), this can turn out to be devastating. According to Kets de Vries, taking over as manager could change the personality of a person. A family member taking over as leader after many years in the company might find herself in a quite isolated position, having no one to really discuss his or her problems with. Moreover, as a manager she suddenly finds herself in a situation where she is expected to be more or less perfect, or at least as good as the father. Another potential risk is the admiration employees might show a manager. Too much uncritical admiration might lead the manager to think that she really is as perfect or intelligent as other people think, which might cause her to loose contact with reality and to neglect advices given by other people. ”Losing one’s grasp on reality in this way is a common human failing, but it can be particular dangerous for entrepreneurs and presidents of family firms because they often have the power to act on their delusions of grandeur” (ibid: 51). In a publicly owned company, the board serves as a protection mechanism, hopefully putting a stop to these dysfunctional tendencies before the company is destroyed.

iv) Management

A common, very broad, way of characterising family business management is to distinguish between internal (family member) and external/professional[5] (non family member) management. Research on management of family businesses shows that family leaders are different from external ones (Dyer 1989, Schein 1995). Family business leaders are usually born into the company, thus developing skills and practices

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[5] Very often the expression “professional management” is used as a substitute for “external management”. Even if not as common, family member managers could, of course, also be professional in the sense that they have formal management education/experience.

idiosyncratic to that particular organisation. The management style of businesses owned and run by families tend to be quite informal, and the personal involvement of the leader is often very high. Due to the concentration of ownership, family business managers can also have a relatively long-range time horizon. Moreover, there is a tendency among retiring family member managers to hang on to the company by taking another (influential) position within the company. Because these family members symbolise the power of the owner-family, this could cause the succeeding CEO quite big problems of getting acceptance as the leader in the company (Melin and Nordqvist 2000).

Professional managers, in contrast, have a quite different management style. Typically, they have begun their management career with some kind of formal education, thereby acquiring rather general management skills. These educations often have a bias toward large bureaucratic organisations, characterised by a high degree of formality and well-defined systems and processes, that is, organisations that are quite different from the family business. Moreover, while family business managers often must take both business and family interests into consideration, professional managers are typically taught a more value free, analytical way of running a business. Not being as emotionally tied to the businesses they run, professional managers are, moreover, likely to change jobs more frequently, thereby acquiring a broad range of organisational experience.

Eventually, the family business might reach a point where there is a need for professional/external management. A growing family business might, for instance, find itself in a much more competitive environment, which demands management experiences and competencies not available within the family. The bringing in of external management into a family business is always a challenge as ”the entry of professional managers is likely to create some tension within the organisation, as new skills and values are introduced” (Dyer 1989:231). If not properly dealt with, these tensions can be the cause of significant conflicts both between the family and the professional manager, as well as between family members with different views on how to run the company.

Because the letting in of external management means giving up the absolute control over the company, some family members may be very resistant to the idea. According to Dyer (1994), the choice to professionalise often gets most support from the younger generation. Through influences from sources outside the family, this generation has been exposed to other values and ways of looking at the world. As a consequence, ”they are less defensive about family dynamics because they see the problems as existing largely in the senior generation; and the buffer of non-family managers would give them some protection from the expectations of the senior generation, as well as needed time to learn the company” (Gersick et al 1997:168-169).

v) Culture

Quite naturally, the culture of the family business is very much a result of the close connection between business and family. It is hard to be ”only” a manager during work hours and ”only” a parent during spare time; instead, the professional and private roles interact and become more or less inseparable.

According to Reiss (1981, in Walsh 1994), every family constructs its own family paradigm, consisting of shared beliefs about the world. This paradigm influences the way problems are solved and the meaning family members attach to situations and relationships. Most likely, ”these paradigms describe not only the family’s culture, but also the culture of the business owned and managed by the family (Walsh 1994:191).

The role of the founder in shaping this culture is often emphasised in the literature on family businesses. Even if some researchers (Hollander and Elman 1988, Schein 1995) point out the risk of oversimplification in focusing solely on the founder in the process of cultural development, there seems to be a pretty high consensus among writers on family businesses that founders are very important for the culture of these organisations (Harvey and Evans 1994, Schein 1995, Dyer 1986, Kets de Vries 1996, Gersick et al 1997).

According to Kets de Vries (1996), founder-entrepreneurs share some common characteristics, or themes, that affect the running and culture of their companies. Two such themes are suspicion and the need for control. Many founder-entrepreneurs tend to be rather suspicious of other people, not really relying on anyone but himself or herself. As a consequence, they cannot let go of the smallest detail concerning the company but have to have a say in every decision and be involved in every activity. Therefore, founders are not likely to delegate power, and new founded companies are usually very centralised and dominated by the founder’s beliefs and ways-of-thinking. Dyer (1986) supports this picture. In his research on first-generation family firms, Dyer identified four kinds of cultural patterns[6] of which the most common is the paternalistic pattern.

> *”In this pattern, relationships are arranged hierarchically. The leaders, who are family members, retain all power and authority and make all the key decisions. The family distrusts outsiders and closely supervises the employees... Employees are assumed to have a ‘doing orientation’: that is, they are supposed to carry out the family’s orders without question”* (Dyer 1986:39).

As pointed out by Gersick et al (1997), the endurance of the culture requires some method for transmission. Since ”the family is perhaps the most reliable of all social structures for transmitting cultural values and practices across generations” (ibid: 149), the culture of family businesses is quite persistent to change (Davis and Stern 1988, Dyer 1986, Harvey and Evans 1994, Gersick et al 1997, Schein 1995).

The preservation of the culture is, however, not always resulting from the family not wanting to change. Major resistance to change might come from first-generation employees, who have worked a long time with the founder and therefore are very loyal to his way of running the company (Schein 1995, Dyer 1986). This loyalty can even prevail long after the founder himself is gone.

[6] A cultural pattern is defined as ”the cumulative set of assumptions a group hold (Dyer 1986:38). The paternalistic pattern is only one out of four cultural patterns identified in family business. The other ones are: the Laissez-Faire culture, the Participative culture, and the Professional culture.

"After his fathers death he (the son) found that he couldn't handle living with his father's ghost. The employees had worked with Mack (the father) for many years and were very loyal to him. Whenever a decision was to be made, the employees consulted the father's ghost: 'What do you think your father would do'? they would ask David (the son). When David made a decision the employees didn't like, they would remind him: 'your father wouldn't have done it this way'" (Dyer 1986:86).

Conservative as they might be, cultures of family businesses do however change. Even if the family is an effective transmitter of values and attitudes, children hardly ever end up with values and beliefs identical to the ones held by their parents. Through school, sport activities, etc. they are influenced by a wide variety of people, causing them to modify and rethink some of the "truth" of early childhood. Shaping their own view of the world, the children eventually start to challenge the taken-for-grantedness of both the family and the business.

Often this is, however, not enough for changing the culture of the family business. According to Dyer, cultural change in the family business usually requires the moving away of the founder from direct management. This can be the case if the founder dies or retires. But the founder could also be more or less forced to leave due to a lack of competence, shown by, for instance, a decrease in profitability or by a change in products, markets or technology. If the new leader has a strong vision of his/her own, the employees might eventually abandon the old ways-of-thinking, and a new culture can emerge. According to Dyer (1986), abandoning the paternalistic culture of the first-generation family business is often a necessity for a successful transformation of the business to the next generation.

vi) Strategy

The strategic management process is relatively similar for both family businesses and non-family businesses (Sharma et al 1997). In both kinds of organisations strategic management is a question of goal formulation, implementation, and follow-up procedures. The key difference is that in the family business all stages of the process are likely to be deeply influenced by family values, goals and relations. According to Holland and Boulton (1984), the family has a considerable impact on the strategic development of the business. By placing "strategic constraints" (for instance procurement of financing or attitudes toward risk) on the business within which managers have to act, the flexibility of the business is limited. Moreover, the close interrelationships between family and business often lead to family and business issues being mixed up.

"... business decisions may be transformed into highly charged arguments about family issues, while family decisions may be made on the basic of company needs. Consequently, companies can suffer from a lack of marketplace objectivity and poor profit discipline, and families from a feeling of being sacrificed for the good of the firm" (Davis and Stern 1996:201).

Since relatively little research has been conducted on family business strategy (Harris, Martinez and Ward 1994, Sharma et al 1997), the knowledge of how these influences affect the strategic process of family firms is quite limited. Some research findings do, however, exemplify how family values and interests affect the strategic development of the business (Harris, Martinez and Ward 1994, Dyer 1994). There is the case of one family business splitting the company in as many business units as there were children in the family; and another family cancelling plans to open an office far away since the mother of the successor was the opinion that this would mean too much travelling for the parents of her grandchildren (Dyer 1994). A study by Kahn and Henderson (1992) also showed that, relatively to non family firms, family businesses tended to look for locations near the family residence.

For the same reasons that the culture of the family business could be very persistent, strategic change might be resisted by family members. Change could be difficult for individuals in any company, family dominated or not. In the family business, change is, however, likely to be more heavily resisted since ”the feelings and emotions related to change are likely to be deeper and more intense than those in non family businesses” (Dyer 1994:125). According to Harris, Martinez and Ward (1994), emotional bonds between individuals can be the cause of the family business staying in markets or hanging on to products just because they are the creations of older generations. To achieve strategic change it is therefore often necessary for family members to ”reinterpret the entrepreneurial hero, challenge past strategy paradigms, and relate strategic choice to future family vision and resource availability” (ibid: 165).

vii) Succession

Perhaps no other family business issue has been devoted so much attention as the issue of succession. This is, however, hardly surprising since succession can be seen as the ”ultimate test of the family business” (Gersick et al 1997:193), involving issues of technical, organisational, and psychological character (Kets de Vries 1996). Researchers on family business (Gersick et al 1997, Handler 1994) emphasise that succession must not be understood as a single event. Instead, succession is a ”multistage process that exists over time, beginning before the heirs even enter the business” (Handler 1994:134). During this process, both the present manager and the successor should get used to their roles and learn how to handle their new situations, which includes both practical skills and emotional challenges.

A large part of the succession literature focuses on the resistance of the founder-entrepreneur to passing the business on to the next generation. Related to this problem is the tendency of founder-entrepreneurs to hang on to their creations even when they formally have passed the baton (Handler 1994, Dyer 1986, Kets de Vries 1986, Schein 1985). Having devoted most of their time and energy to the business, founders are likely to be emotionally very attached to them. According to a Latin American executive (quoted in Berenbeim 1990:84), this attachment deepens over time: ”At first it is your mistress, but it winds up being your child”.

Gersick et al (1997) point out that the exit from the family business is a big change and challenge in the life of a family member whose authority and identity over the years has been derived from being a manager of the business. Thus, succession might be resisted out of fear for the losing of positions, not only in the business, but also in the family.

Other factors that might promote resistance of succession are the lack of interests besides the business as well as fear of ageing, retirement, and death (Handler 1994).

Despite the focus of succession related issues, Gersick et al (1997) argue that the existing literature underestimates the complexity of the succession process by mostly dealing with the case of the father passing the company over to his son. Building on the work of Lansberg, Gersick et al discuss two core concepts, with the help of which this rather uncomplicated picture of succession could be broadened. The first concept deals with the importance of the succession being guided by a shared dream, ”in which the aspirations of individual family members become woven together in a collective vision of their future” (ibid: 194). Quite natural, different family members have different dreams and visions for themselves and for the family business. A successful transition of the family business requires an uncovering of these dreams and visions as well as their integration into one acceptable common vision. Such a vision could then serve as a navigator in the transition process.

The other concept concerns the variety of post succession options available to a family business, and the requirements necessary for the implementation of each. A business just ahead of succession has three basic option: i) to recycle the structure that has worked under the previous leadership; ii) to divide ownership and/or management obligations, thereby creating a more complex structure; and iii) to simplify ownership and governance structures. The ownership decision is perhaps the most important one in the succession process, since the ultimate power of the business resides with the owners; ”the one who has the gold, rules” (Gersick et al 1997:195).

If there are just one son or daughter, the transition of leadership from one individual to another is relatively easy. Of course, it could be very difficult for the older generation to let go of the company, and both the father and the daughter or son (as well as the rest of the family and employees) could have a hard time getting used to new roles and expectation. In the case of two or more siblings, the choice to recycle the original structure is, however, more complicated. In this situation, the family has to choose which one of the children who is most suitable to run the company and find ways to compensate children who are not getting access to top positions in the company.

When family solidarity is regarded as important, succession is most likely to take place by the transition of the business into a sibling partnership. The biggest challenge with this alternative is the need of co-operation between the siblings taking over ownership and management. If the siblings are able to cooperate well, this could result in competitive advantages due to complimentary talents. If the siblings, on the other hand, are unable to cooperate, the outcome could be a serious threat to the survival of the business.

The transition into a cousin consortium is even more difficult. Now there are several family branches with unequal number of children among which the shares must be divided. One of the hard decisions to take for the ones handing over the company is whether each branch should be allowed to allocate their shares according to their own preferences, or if all cousins should have an equal amount of shares (which would mean a redistribution of shares between the family branches). The question of future leadership must also be faced. This implies discussing and evaluating each other's children, a truly difficult and potentially "explosive" task. Another challenge of the transition to a cousin consortium is to keep the dream alive. Some of the cousins have perhaps not even met the founder of the business and might look upon their shares in the business as just another financial source.

viii) Women in family businesses

Besides the founder and, perhaps, the son succeeding him, the early literature on family business more or less neglected all other family members. Since the beginning of the 90's, there has, however, been an increasing interest in the role of the woman in these organisations (Hollander and Bukowitz 1990, Gillis-Donovan and Moynihan-Bradt 1990, Danco 1990). Even if women in family businesses do not have a formal position in the company, their impact on the business could be rather pervasive, operating through the family network. The wife of the manager of the family business is, for instance, often the informal adviser of her husband. She simultaneously is the listener, the workaholic's therapist, the mediator, and the retirement counsellor. Moreover, the traditional role of the wife to take care of the family members could incorporate informally nurturing the employees as well (Danco 1981). Salganicoff (1990) argues that some of the characteristics by which women define themselves, such as loyalty, concern for the needs of others, flexibility regarding roles and judgements, and contextual thinking could be of critical value to a family business.

Women of business families face some disadvantages as well. One is the tendency of these women to feel "invisible", i. e. "not viewed by others, whether within the business or outside, in the same way as male members of the business" (Hollander and Bukowitz 1990:143. For daughters of family businesses, invisibility often means not even being considered as potential successor of management. According to Hollander and Bukowits (1990) and Kets de Vries (1996), the reasons for this might lie within the traditional roles of the family stating that management eventually is to be handed over to the oldest son. Traditionally, sons are viewed as being more suited to meet the challenges of the hard business world. "The father who supports his daughter in the position of business owner often has difficulties sending a woman out to confront the world when he feels she should be protected" (Hollander and Bukowitz 1990:144). Research disconfirming this picture does, however, exist. In a study by Cole (1997) women and other family members were interviewed on how gender affected their work. The result was that most women seemed not to be neglected but to have just the same opportunities as their male siblings. Perhaps this is a reflection of Dyers (1996) prediction that changes in attitudes will lead to more female leaders of family businesses in the future.

A further disadvantage is that women with formal positions in the business sometimes tend to feel accused of holding these position not out of competence but simply because they are the boss's wife. Moreover, these women might be caught in role conflicts. As a mother and wife, the traditional role of the woman is to take care of the home and the family. This role might not be compatible with the role of the businesswoman, who is supposed to dedicate most of her time and energy to the business (Salganicoff 1990).

ix) Balancing family and business

Several researchers on family business highlight the fact that the family and the firm, even though deeply interconnected, have different basic logics that are not always compatible (Rosenblatt et al 1985, Miller and Rice 1988, Handler and Kram 1988, Sharma et al 1997). Families are often described as non-competitive, relation-based systems, whereas a business, through its existence in a highly competitive context, is seen as more performance-based (David and Stern 1996). Other potential trade-offs between the interests of the firm and the family concern areas such as profit making versus security of employment or the question of whether the surplus generated from the business should be reinvested or used for shareholder income maximisation. The interconnection between family and firm could also lead to family members trying to convince each other in matters concerning one of the contexts (family or firm) by referring to the other.

> *”One minute the talk is about business, the next about family. One person tries to make a business case for an unpopular decision, the other invokes family feelings that might be hurt if the decision is realised. The collision of discourses of family and business becomes incessant, sometimes for the better, sometimes for the worse. One form of discourse is used against the other to persuade or justify one’s actions, often outside the awareness of the protagonists”* (Budge and Janoff 1991:369).

All this highlights the need for the family business to try to find a balance between the interests of the family and the interests of the business. The literature on family is quite rich on descriptions of family businesses failing to reach this balance, thus ultimately destroying the family, the business, or both. Kepner (1991:445) discusses the very difficult trade-offs facing key decision makers of family businesses. She argues that these people are ”called on to make choices that put them in ‘no win’ double-bind situations. If they base their decisions on what the firm needs, kinship bonds may be disrupted and damaged; if they choose to honour family bonds, the business is likely to suffer”. According to Rosenblatt et al (1985:281), it is important to realise that these trade-offs between family and firm is inherent in the very system of a family business. ”People must, therefore, make choices among desirable ends, aware that something less than realisation of full potential is likely in at least some area”.

What do we know – and what is there left to know? Concluding discussion and suggestions for further research.

In this article general (over time varying) characteristics of family businesses and some of the special issues facing them have been discussed. The literature review clearly shows that family business is an area covering a great many different aspects, most of which originate from the integration of family and business into one system. Even though some researchers point to the need of other approaches to family businesses (Whiteside and Brown 1991, Dyer and Sánchez 1998), this review shows that there is still much to do within the integration perspective. On a general level we have a good deal of knowledge of various aspects and issues of family business; now we need to deepen our understanding in these areas.

From the literature review, is seems that studies taking the family as the point of departure could make important contributions to our understanding of family businesses. According to Kepner (1991:446), "all of the literature on the family-owned business has been written from the firm's perspective and little attention has been paid to the family". As a consequence, she argues, our understanding of the family business as a total system is not fully developed. Following this line of argument, several researchers (David and Stern 1988, Kets de Vries 1996, Gersick et al 1997) point out that the family dimension of the family business has not been properly taken into account.

> *"The influence of families on the business they own and manage is often invisible to management theorists and business schools. ... The economic models underlying most management science depend on interchangeability of decision makers, so that it does not make any difference 'who' anybody is"* (Gersick et al 1997:4).

From this point of view, and considering the argument that there is a lack of understanding of how family businesses really work (Davis and Harveston 1998, Dyer and Sánchez 1998), there seems to be a need of studies that explicitly take the family dimension into account. A fruitful perspective would be to see the family not just as a system overlapping the business but as one of the most important contexts in which the business exists. Such a perspective would, for instance, highlight the importance of family members not actively involved in the business but who are, even so, likely to exert a major influence on the way the business is run. This aspect has partly been covered by research on women in family business, but much work remains to be done in the area. The impact of the wife of the founder (and mother of next generation family managers) on the company culture and on the strategic development of the business is, for instance, one interesting area of research. The issue of governance structures could also benefit from a family perspective. One aspect not very well covered in the literature is the use of family councils. Surely, a family business is not only run in business settings (boardrooms, the CEO´s office and the like) but also through various - formal and informal - family gatherings. A further area in need of deeper understanding, which could benefit from a family perspective, is external management of family businesses. The bringing in of external management in a family business could mean conflicting value systems and thus give rise to considerable tension within the organisation. Case studies of family businesses with both good and bad experiences from external management would make important contribution to this aspect of family business. Further, even though the literature does recognise the advantages of being a family business, there seems to be a tendency to focus on the problems. Perhaps this is quite natural; after all, some problems or challenges - like succession - must be solved in order for the business to survive as a family business. However, there is a need of studies concentrating on the advantages of being a family business. Some of these businesses do, for instance, actively use the family in their marketing. Research from the point of view of the family as a competitive advantage would perhaps reveal new and interesting insights in the field. Finally, the balancing of family and business concerns is widely recognised in the literature. Studies of how this balance is achieved are however lacking. This should be a highly relevant area, not the least for all the family businesses struggling with the issue.

Altogether the impression from the review is that the knowledge of family businesses covers a broad range of areas, but that an in-depth understanding of most of them is lacking. One aim of future research must therefore be to deepen our understanding of various aspects of the field. To do this, research has to move beyond the almost exclusive use of quantitative methods. Even if the number of qualitative studies has increased during the last years, (Dyer and Sánchez 1998), research on family business is still dominated by quantitative approaches. The knowledge provided by these methods now has to be deepened by the use of qualitative approaches like interviews, observations, and even more unconventional methods like ”practising” in the companies. McCollom (1990) argues that the clinical method or qualitative field research is specially adapt to the study of family businesses. Characterised by a complex structure, an emotionally coloured culture, diffusion of roles, etc., research on family businesses requires methods that are capable of capturing all these aspects. By allowing the researcher to develop a relationship with the people studied, encouragement of self-scrutiny and flexibility in research methods, as well as acceptance of depth over breath, the clinical research method has the capacity to capture the richness of the family business. Further, Dyer and Sánchez (1998:295) argue that case studies are important to ”develop theories that are well-grounded in the empirical domain”. Finally, since the characteristics of family and business are changing over time, the understanding of family businesses would benefit from an increase in longitudinal studies capturing the time dimension.

Although there seems to be a demand for qualitative approaches, their usefulness depends on access. As pointed out be Handler (1994:264), ”research in a family business is not like research in any other type of organisation, for the reason that research in a family business is also inherently research in a family. ... Organisation entry, for example, is likely to be particular difficult because it implies access into the family system as well”. This turns access into the perhaps most important selection criteria for researchers using qualitative approaches. Successfully applied, these approaches have the potential to bring the researcher very close to both the family and the business. Thereby, important contributions to our understanding of family business could be made.

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