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FAMILY FIRMS IN THE GREATER REGION

PROFESSIONAL MANAGEMENT

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FAMILY FIRMS AND PROFESSIONAL MANAGEMENT

INTRODUCTION

In this report, based on survey and interview data from a 2-year research project on family firms in the Greater Region, we offer an extended understanding of professional management in family firms. The topic of professional management has been widely discussed in family business research – its necessity arising from the perceived need to 'balance' out the effects of family issues on the business[1]. Behind this supposition is an assumption about a set of principles that focus on making the practice of family management more modern, professionalized or scientific (i.e. based on accomplishment bestowing objectivity as well as 'expert' competency or skill, rather than family ties[2]). In contrast to this dominant perspective, we show that 'family management' is not mutually exclusive from 'professional management'[3] and indeed family and professional management are closely interrelated leading to positive performance outcomes and business longevity.

We identify 4 dimensions that show this positive interrelationship. These dimensions also explain what makes family businesses 'extraordinary and special forms of organization[4]' enabling them to sustain over time. These dimensions are now outlined:

FOUR DIMENSIONS THAT CHARACTERISE THE SPECIALNESS OF FAMILY FIRMS

1) **Family firms have ownership autonomy which means they have faster decision-making, greater discretion when making strategic choices and they can allocate resources to resolve problems.**

2) **Family firms are influenced by obligation and responsibility to stakeholders – an obligation which is transferred through the generations and translates into a strong commitment towards external stakeholders.**

3) **Family firms have financial stability and a long-term perspective which means they are open to organizational, digital and social change.**

4) **Family firms are concerned about the common good and prioritize community and social interests.**

[1] Gibb Dyer, 1989
[2] Haiman, T. 1962
[3] Hall and Nordqvist, 2008; Stewart & Hitt, 2015, p.67.
[4] Gersick et al. 1997, p.3

1. FAMILY FIRMS: OWNERSHIP AUTONOMY DECISION-MAKING AND RESOURCE ALLOCATION

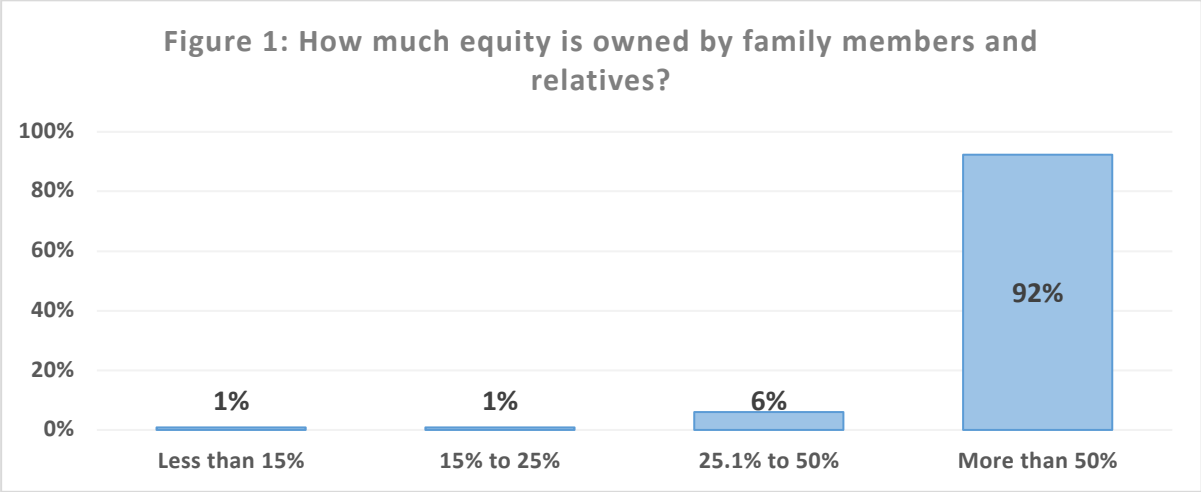
The first dimension to be examined relates to the ownership autonomy that family firms have and the benefits that this control yields. Family firms have ownership autonomy which means they have an external orientation, faster decision-making, greater discretion when making strategic choices and ability to allocate resources to resolve problems)[5]. This statement is inspired by an interview quotation from a third-generation family owner (owning more than 50% of shares in the company).

> *"So we react very very quickly and that's our strength because we are a family-owned business and we take decisions here."*
> *(3rd gen owner, sales/service company)*

We begin examining this dimension by beginning with some charts showing the equity holdings and the extent of family participation in the board and executive positions.

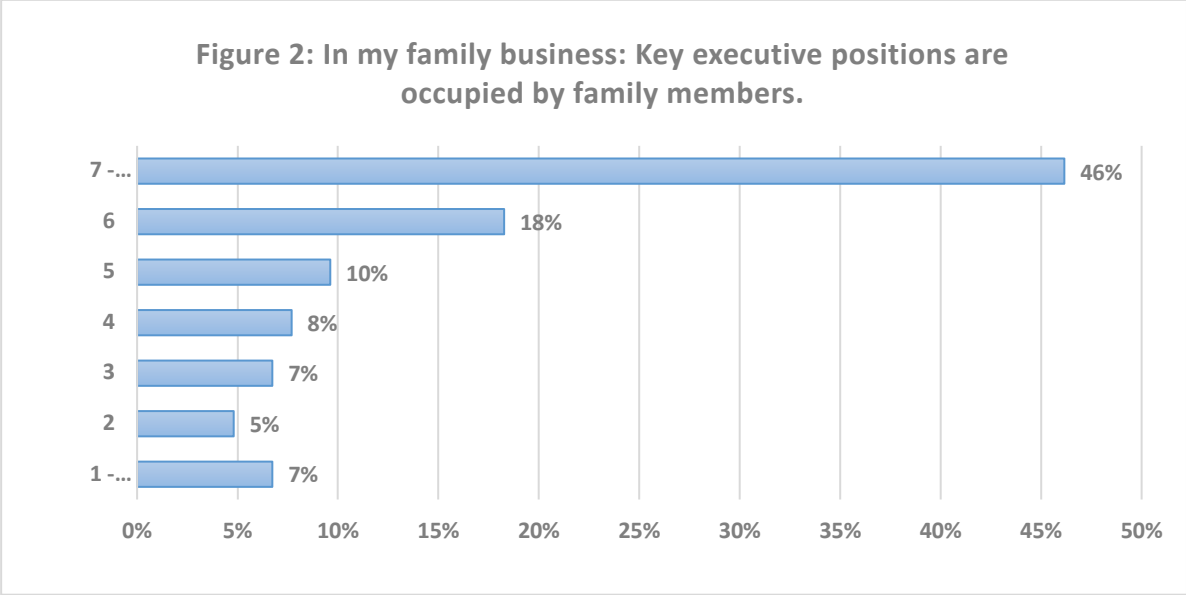
1.1. EQUITY HOLDINGS AND FAMILY PARTICIPATION IN BOARD AND EXECUTIVE POSITIONS

As shown in Figure 1, 98% % of the respondent firms indicated that family members held more than 25% equity of the business, with 92% owning more than 50% and only 2% owning between 1 and 25%.

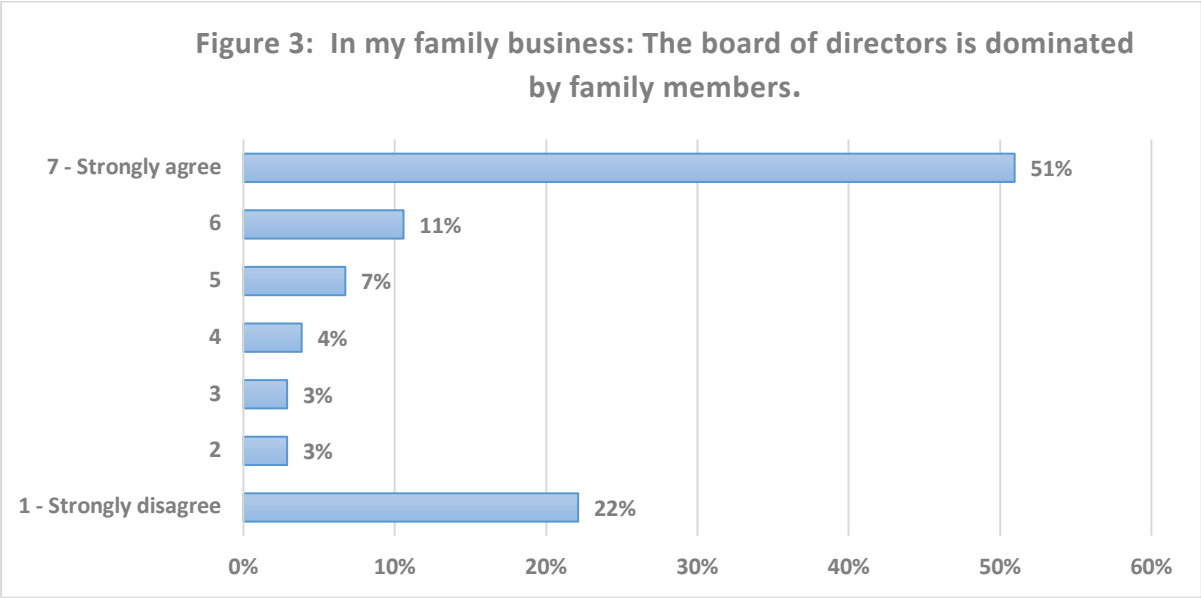


In addition to the equity holding of family members, 74% of firms responded that key executive positions are also held by family members (see Figure 2, with 46% indicating strongly agree). At the other end of the scale, 19% indicated degrees of disagreement suggesting that for these firms, executive positions are more inclusive of non-family members (with 7% highlighting that family members do not dominate executive positions).

[5] Zahra et al. 2004



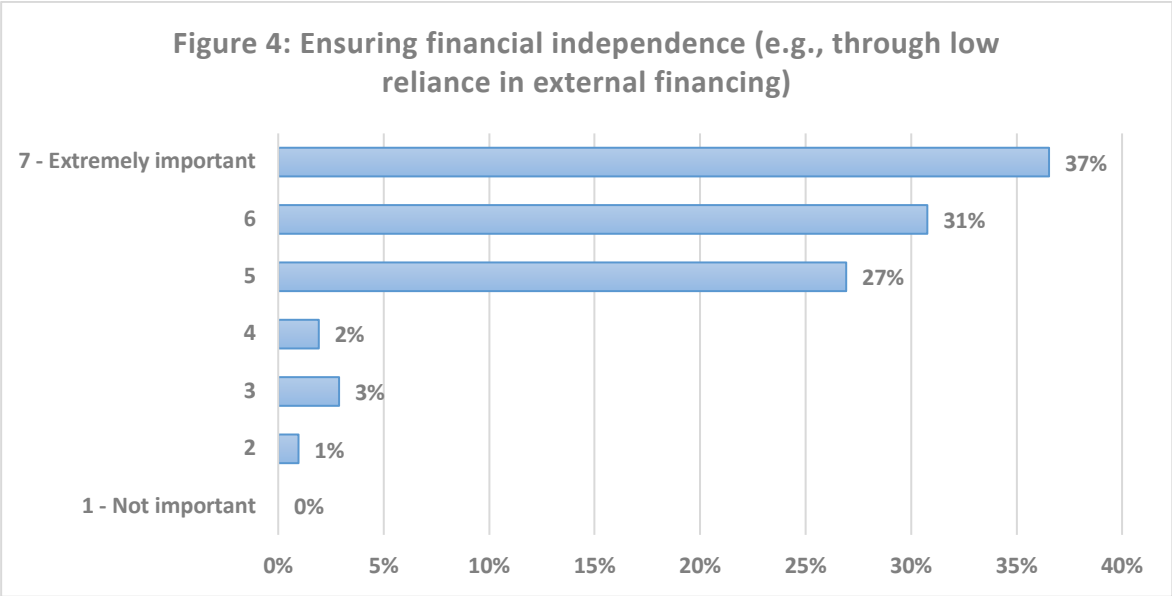
A similar pattern emerges with respect to the Board of Directors and the extent to which the board is dominated by family members. Figure 3 indicates that 68% of firms 'agreed' with this statement (with 51% in strong agreement). Twenty-eight percent disagreed, suggesting that these boards were more diversified involving non-family members – a fact which could either lead to greater goal conflict between owners and non-family members[6] or could bring enhanced social capital to the business[7].



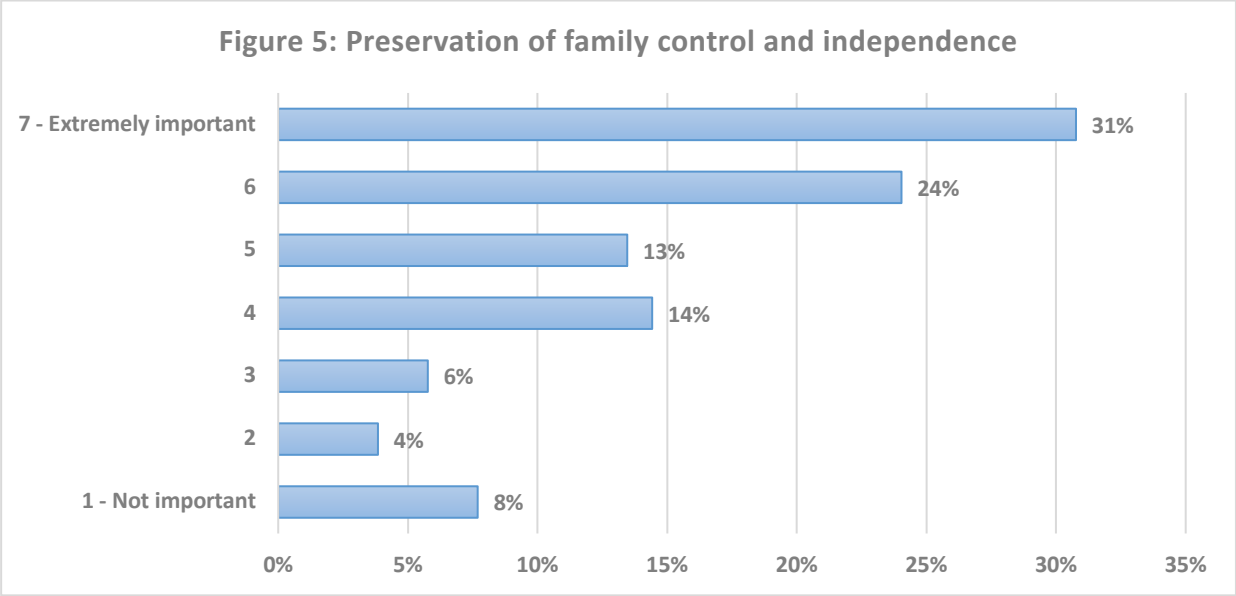
A further distinctive feature of family businesses is their financial independence which implies the ability to make fast decisions, giving greater flexibility (and power) to dedicate resources to organizational problems or growth strategies. In response to a question about the extent to which financial independence is an important goal for the business[8], Figure 4, shows that 95% agreed that retaining financial independence was a priority. Only 4% disagreed with the

[6] Jaskiewicz & Klein, 2007.
[7] Salvato & Melin, 2008.
[8] McKenny et a. 2012

statement, suggesting that financial autonomy is more important than the benefits that external investment might bring. This is also explained by the predominant legal status of the respondent firms (86% are private firms).



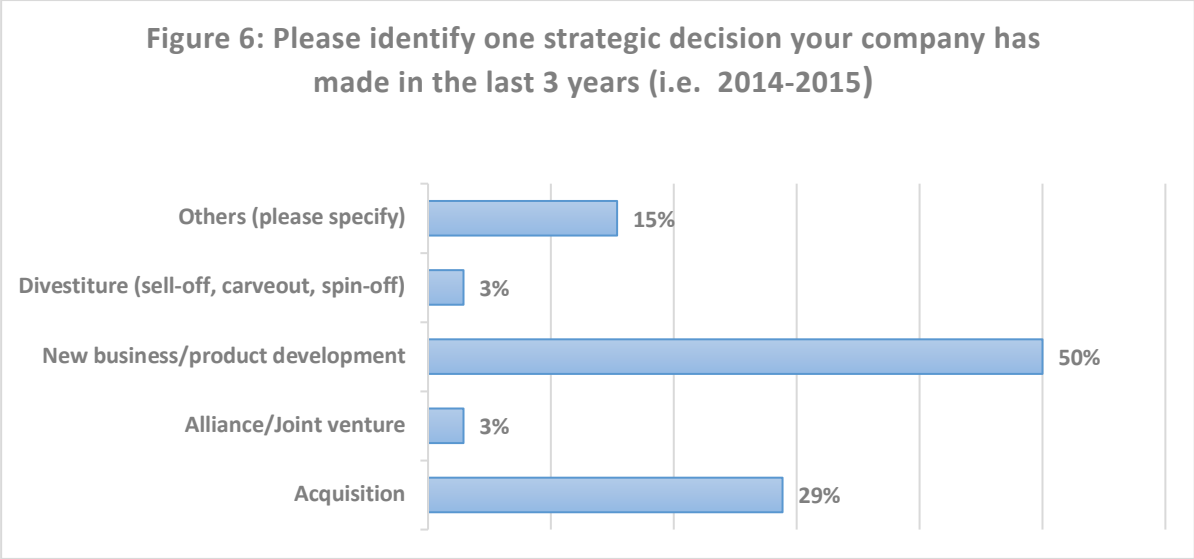
Another explanation for the strong orientation for ensuring financial autonomy is the preference to maintain family control and independence. Figure 5 shows that 68% of respondents agree that preserving family control and independence is important for the company (with 14% neutral and 18% in disagreement).



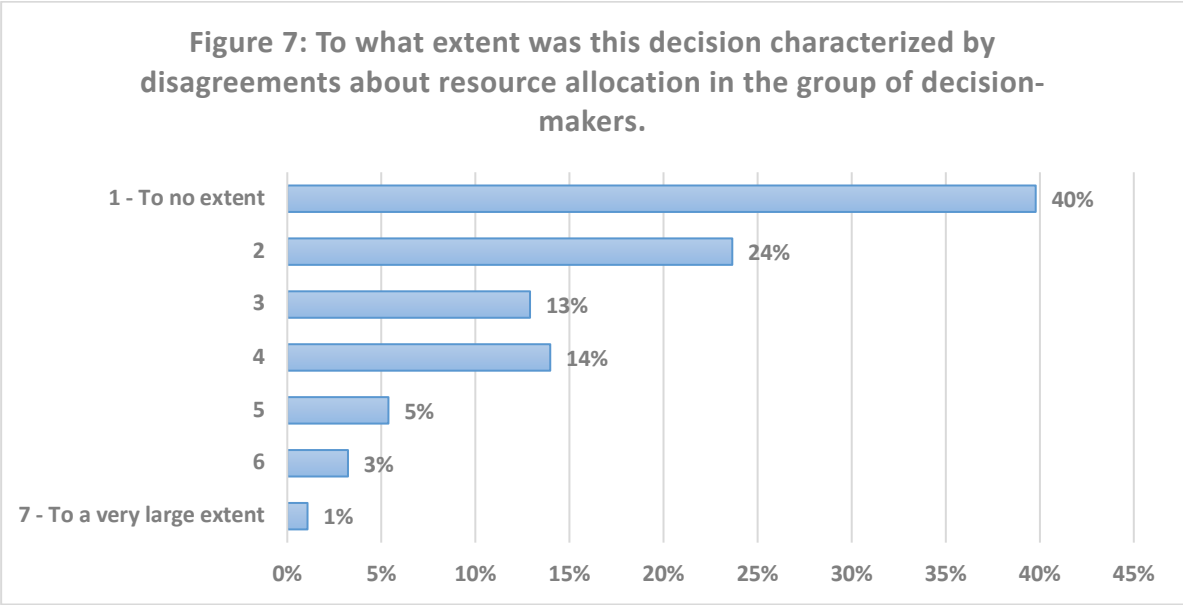
There is some association, therefore, between maintaining financial independence and family control as indicated in this quotation:

> *"To my father, he does not want to give away shares and rights of the company to someone other than a family member because he has invested a lot in this society and for him I must be the only successor".*
> *(3rd Gen, daughter, craft manufacturing sector)*

As stated above, a special feature of family firms is their ability to allocate resources to problems or strategic decisions when required (without the need for complex and time consuming authorizations). Figure 6 depicts the range of strategic decisions made in the last 3 years. The most common strategic decision was new business development (50%), followed by acquisition (29%) and 3& for alliances. Other strategic projects identified under 'other' were efforts related to: new HR policy, modernization, making the business fit for the future, and putting in place new buildings. Interestingly, only 3% were planning to divest, again indicating a long-term orientation but possibly inertia towards divestment[9].



With the strategic decision identified in Figure 6, in mind, Figure 7, shows the extent of disagreements about resource allocation. The results show that 77% of respondents replied that there was little or no disagreement within the group of decision-makers about resource allocation. This suggests, that, affirmed also by the 9% of responses at the other end of the scale, that resource allocation decisions are not difficult to achieve.

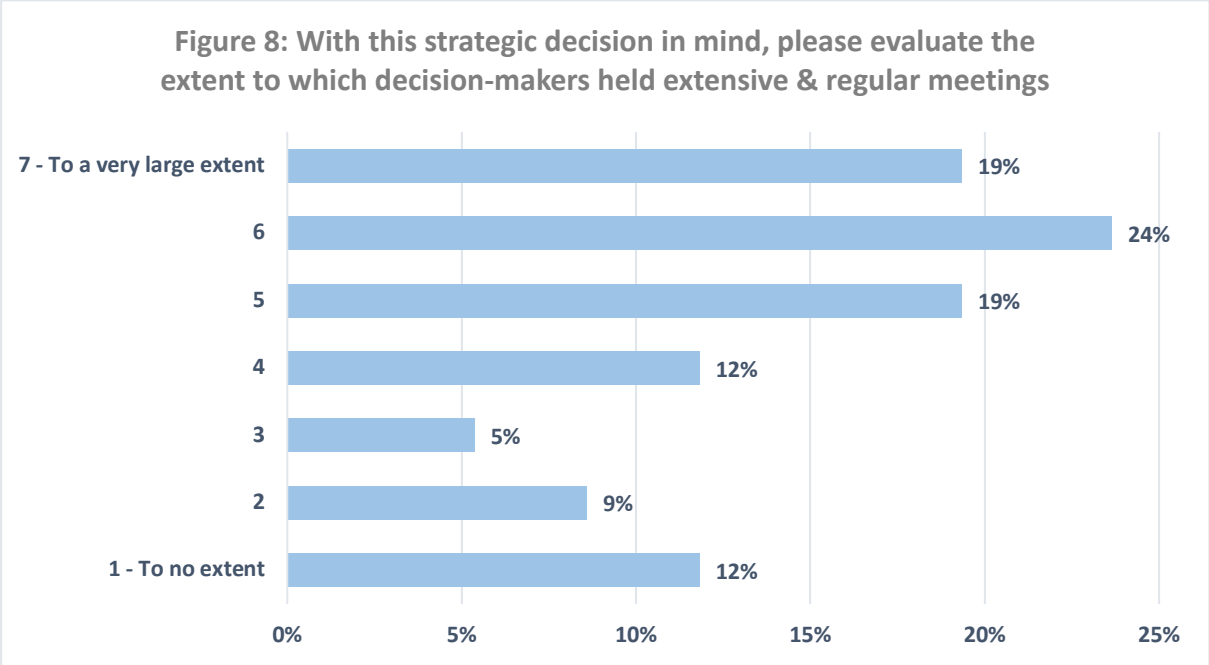


[9] Sharma & Manikutty (2005).

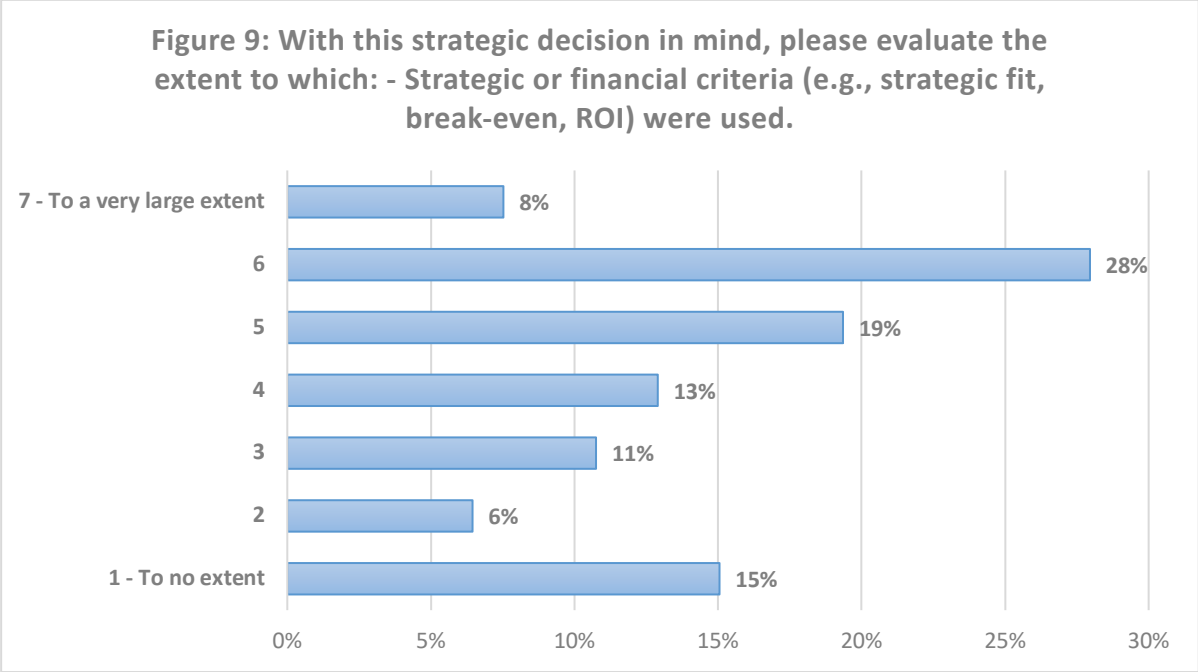
This ability to allocate resources might also be enabled by the extensivity of meetings within the family firm. Again, reflecting on a recent strategic decision, respondents were asked to give agreement to the whether the decision-makers held extensive and regular meetings. Sixty-two percent indicated agreement (19% in strong agreement) with the hosting of extensive and regular meetings. A quotation is given now of an example company where weekly meetings were built into their culture:

> *"Yes, once a week, to two or three hours the family all these people sit together and discuss the turnover and sales and what is happening, what to do with the strategy and issues if we have some. It's very good to have that every week. We are very close to the market and react and we do it all ourselves because we are doing the marketing strategy and I study …. what happened on the market."*
> *(3rd Gen owner, service sector)*

The results also show that 12% have a neutral stance with regard to meetings, and 26% are in disagreement. The latter disagreement statements might also be explained by the fact that 90% of the surveyed firms are SMEs (with 9% less than 10 employees, and 45% in the 10-50 employee range), in that for smaller firms there are often informal communication methods reducing the need for regular formal meetings.



The ability to allocate resources where needed might also be explained by the extent to which strategic or financial criteria are used to evaluate whether a strategic decision should be made. In Figure 9, the responses show that 55% of respondents indicate that strategic criteria were used to evaluate their decision choices, although 32% indicated disagreement with this statement (and 13% in neutral).



Following the last point, it is interesting to refer to another result in the data which suggests a high usage of personal judgement criteria in making strategic decisions. Having ownership autonomy can also mean that owners but also managers (if their interests are aligned with owners) have more discretion for using their own 'gut feeling' or personal judgement when making strategic decisions. Figure 10 shows the level of agreement with this statement.

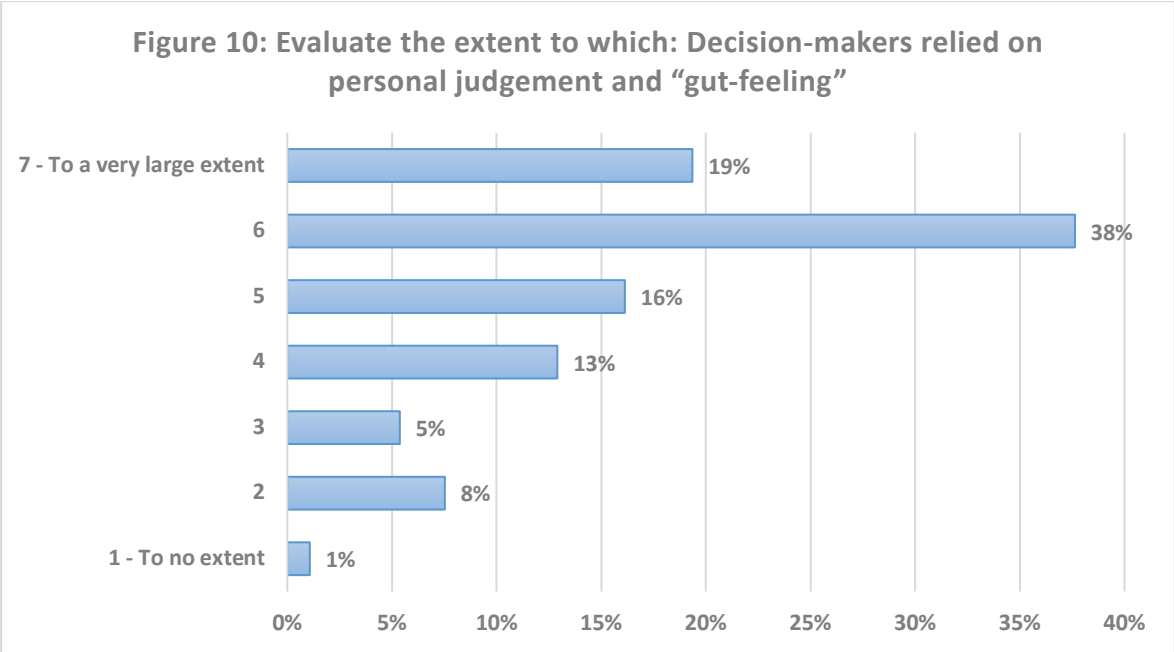
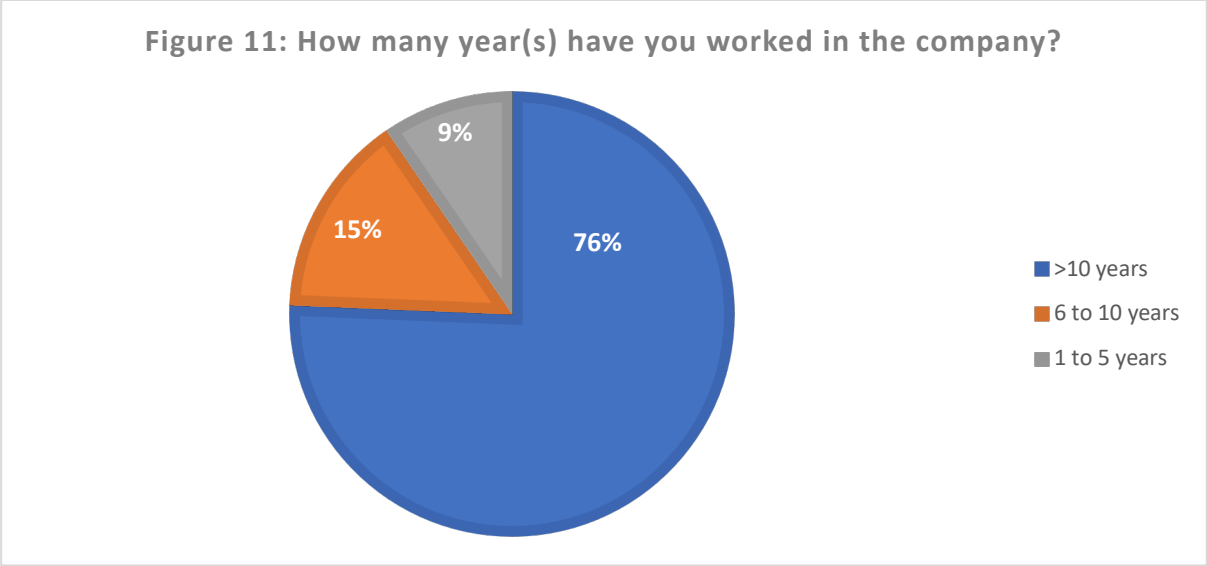


Figure 10 shows that seventy-three percent agree that decision-makers use their personal judgement in making decisions (with only 14% in disagreement). Whilst this could, at first glance, indicate a lack of formality and professionalization in the business, it can also point to the experience and knowledge base of the respondents, especially where owners or managers

have been with the business for several years or decades. For example, in our sample, 76% of the respondents have worked in the family firm for more than 10 years (with 15% having worked there for 6-10 years (see Figure 11).

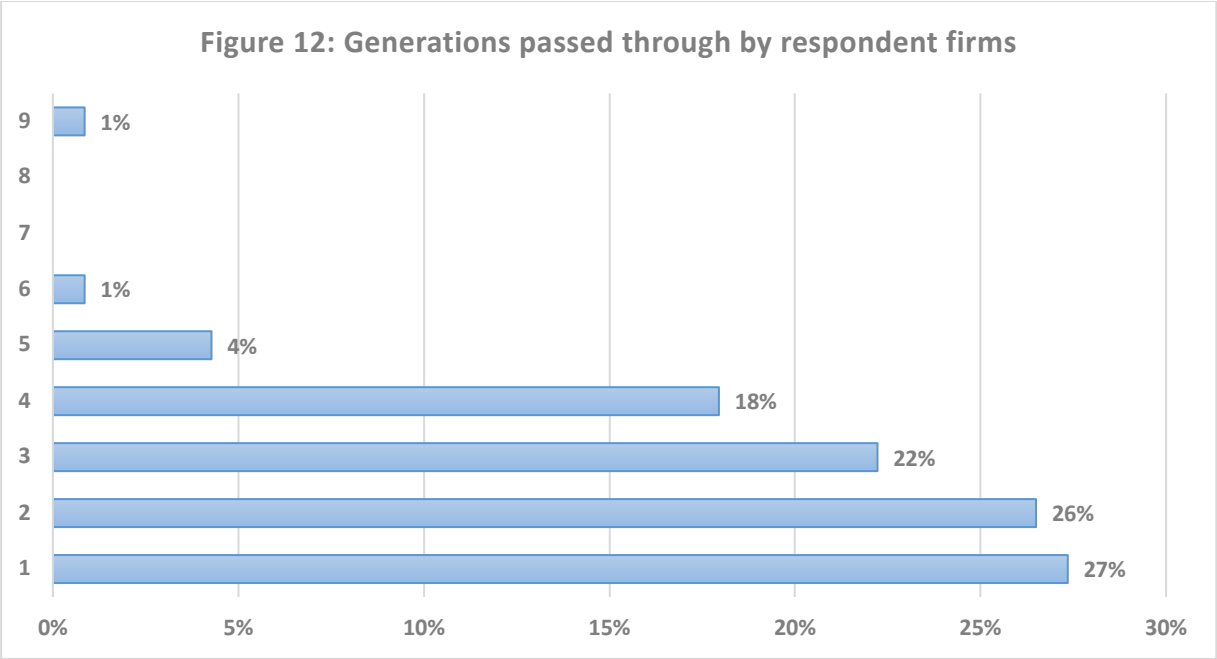


2. FAMILY FIRMS: RESPONSIBILITIES AND COMMITMENTS TOWARDS EXTERNAL STAKEHOLDERS

Family firms are influenced by obligation and responsibility to stakeholders – an obligation which is transferred through the generations and translates into a strong commitment towards external stakeholders. This statement is now examined in relation to the data from the survey. In particular, we highlight results that refer to the effort and attention allocated to managing relationships with external stakeholders[10].

This focus is relevant as there is conflicting research about the extent to which family firms devote time to managing relationships. On the one hand, it is reported that family members spend excessive amounts of time managing family conflicts and relations with shareholders that they have less time to control managers and external stakeholders[11]. On the other, 'family firms are reported to bond with their external environment, enabling executives to manage critical independencies that could influence long term performance and survival[12]. Also, the transfer of knowledge that goes from one generation to another (and with it knowledge about key external stakeholders) is a valuable (non-financial) asset in family firms.

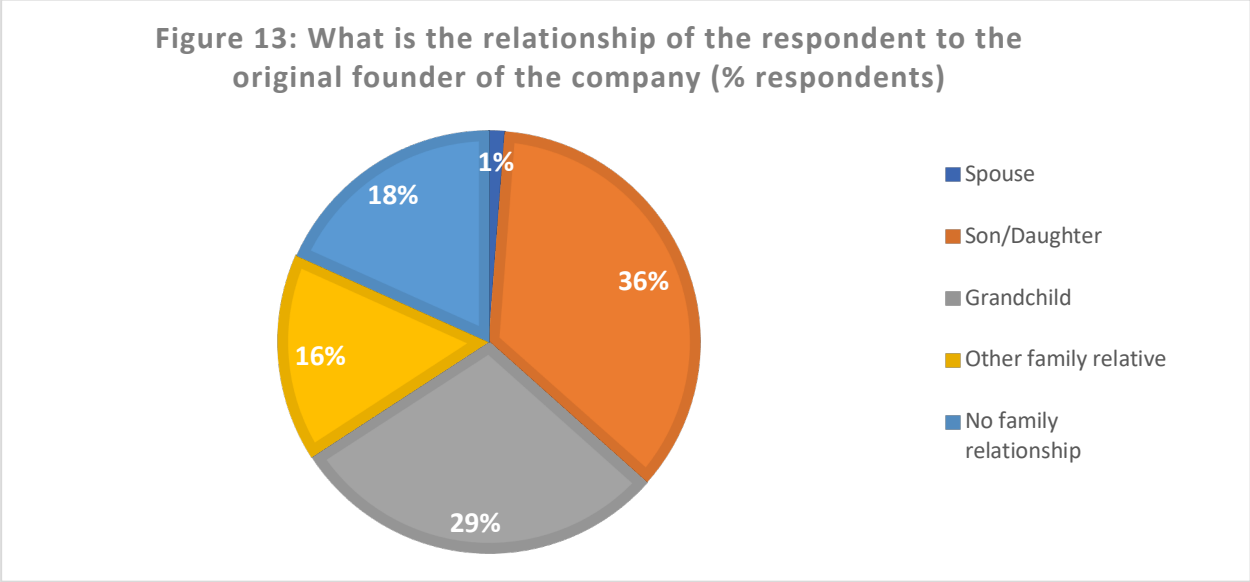
Three factors are instrumental here. First, in our respondent firms, 73% have undergone an inter-generational transfer (see Figure 12) which indicates the likely presence of substantial amounts of transgenerational knowledge (especially as the firms progress beyond 2nd generation).



In addition, 99% of respondents had some relationship to the founder (i.e spouse, grandchild, relative or son/daughter, see Figure 13). The special knowledge that transfers in these

[10] Cennamo & Cruz, 2017.
[11] Block et al. 2010.
[12] Zahra et al. 2014, p.443

relationships over time, forms part of the organizational memory[13] and helps new family members to learn from these past ways of working providing continuity in the management of relations with external stakeholders (amongst other things).



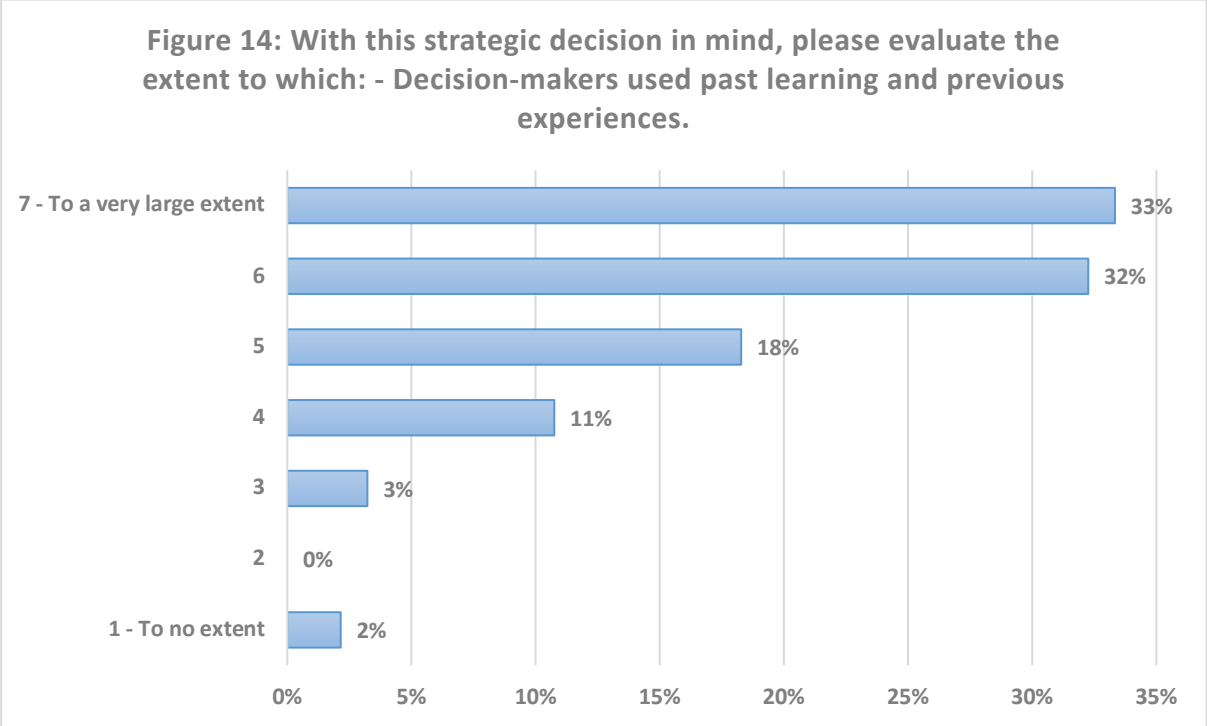
A further finding, as shown in Figure 14, is the extent to which decision-makers refer to past learning and experiences when making strategic decisions shows a strong agreement with this statement (83%). This is further illustrated in the following quotation which also shows the sensitive nature of drawing from the experience of parents at the same time as finding one's own place/role in the business.

> *"My father, especially, is not very good with the new technology and there is a generational conflict between us. It's not always easy. He wants to control everything and thinks he is always right but I do not let him control me. (Laughs). He really works the old way and is very nervous when he is upset. The way of conducting differs completely from mine.... but from a technical point of view, it is true that I often seek the advice of my father".*
> *(2nd Gen, manufacturing/traditional sector)*

> *"Yes, so I assisted my father in everything he did and that was my job to assist him and to be the second, kind of shadowing, yeah kind of that but then for health reasons, he stepped back and now he wants nothing to do with the business... no he don't want to; if we need him he is here to help us but he doesn't like to come its rather like, 'please no leave me alone I don't want anything to do with [the business] anymore which is hard cause he has so much knowledge know-how which is a little bit lost .... "*
> *(2nd Gen, son service and retail)*

[13] Hjorth & Dawson, 2016.

A further feature influencing this is longevity of tenure which is evidenced in our study by the fact that 76% of the decision-makers in our sample, as described earlier, have worked for more than 10 years in the business (indicating a potential for organizational learning and memory).



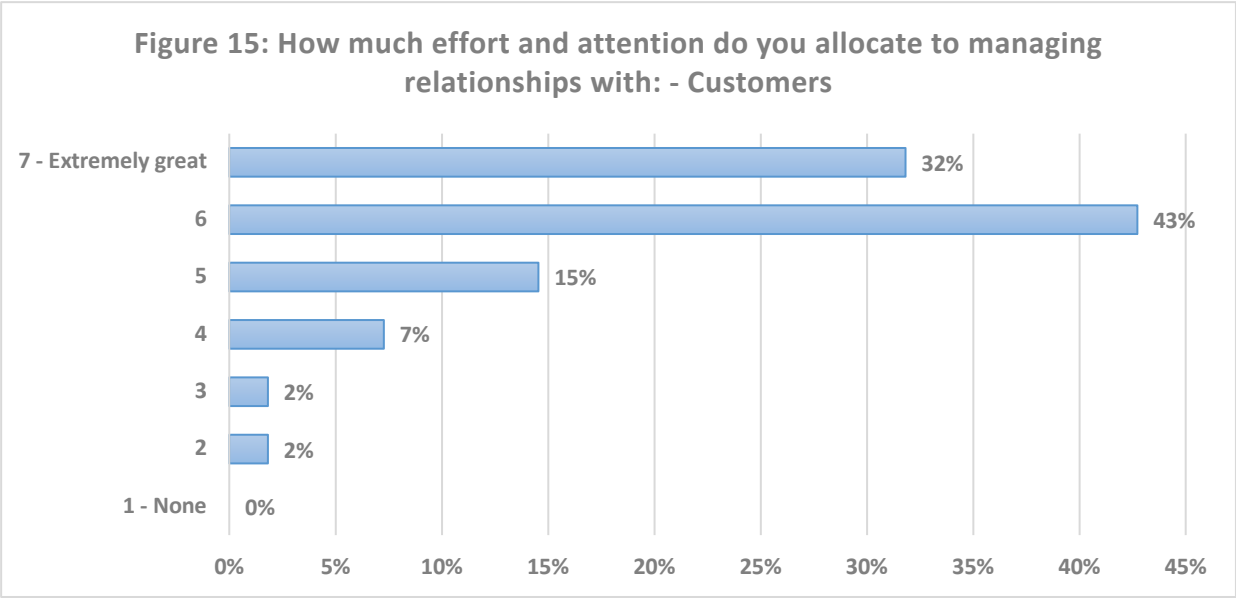
With these descriptors in mind which are influential for stakeholder management, we turn now to the specific findings on the effort and attention given to external stakeholders.

2.1. RELATIONS WITH EXTERNAL STAKEHOLDERS

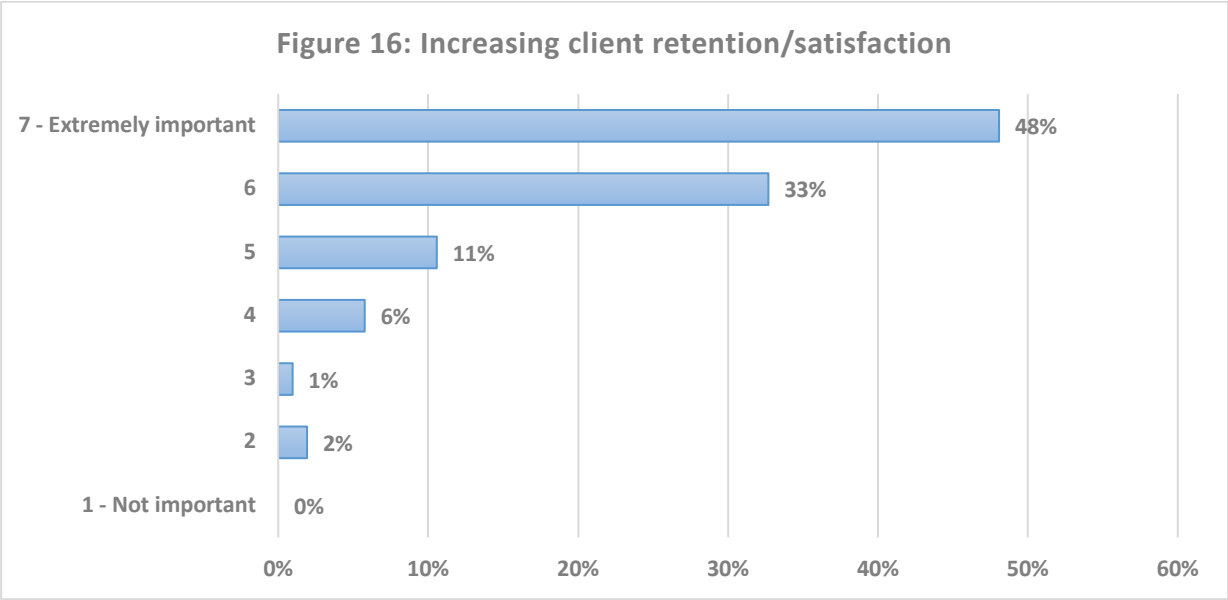
2.1.1. RELATIONS WITH CUSTOMERS

Customers are the stakeholder group with whom family firms invest the most effort (90% of agreement). This is followed by suppliers (59% agreement), shareholders/owners (51%), banks and other financing bodies (43%), local community (36%), government agencies (28%) and trade unions which were the stakeholder group that received the least agreement (13%). These levels of agreements are displayed in the charts that follow.

Discussing relations with customers first, Figure 15 outlines effort put into managing relations with customers. This shows that 90% of respondents agree with this statement (with only 4% in disagreement).

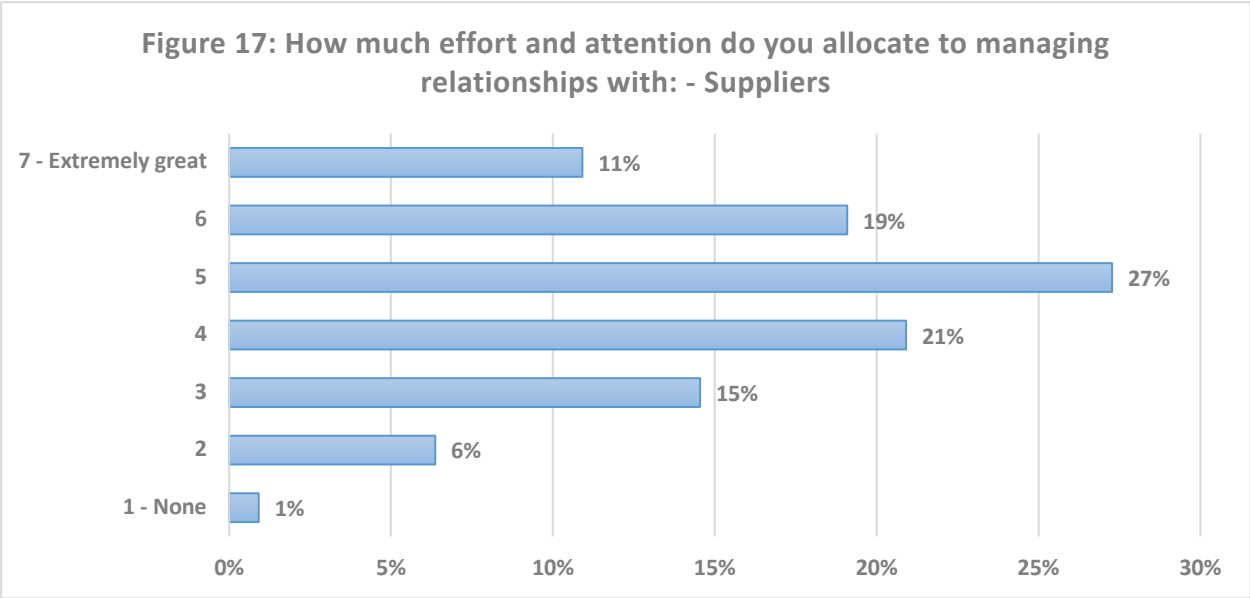


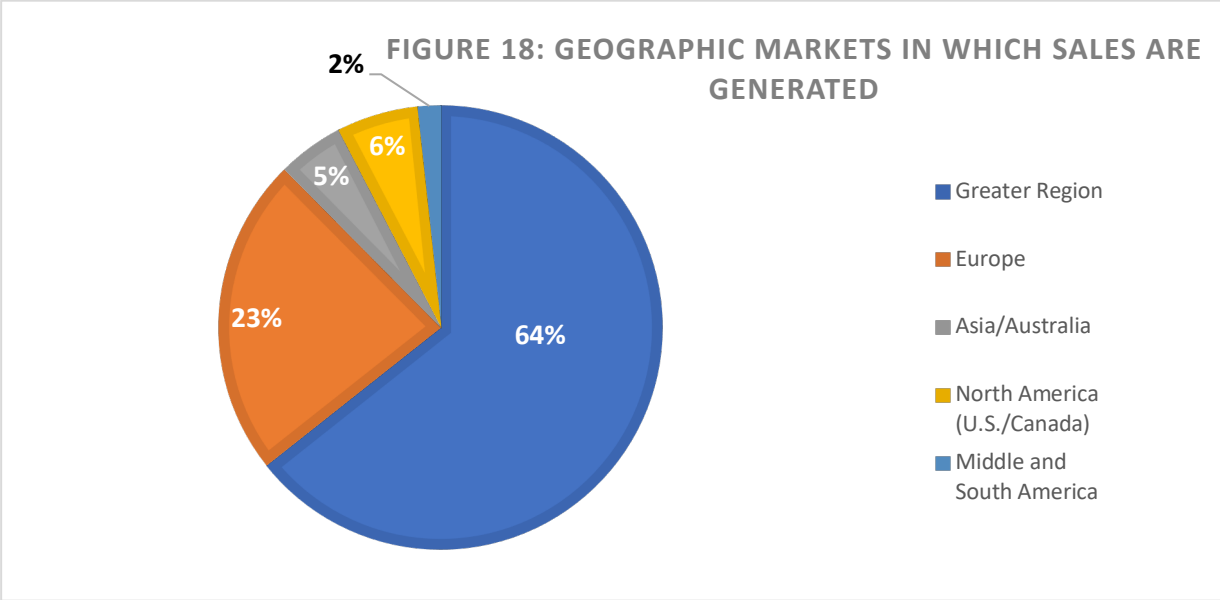
This is explained to a great extent by the high rate of agreement with the statement that increasing client retention and satisfaction is a goal of the company. In Fig. 16, it can be noted that 92% agree with this goal for the company compared to only 3% in disagreement.



2.1.2. RELATIONS WITH SUPPLIERS

For suppliers, in Figure 17, it is shown that 43% are either neutral or in disagreement with the statement about the allocation of effort. This could indicate that relations with suppliers are quite stable and requiring less relationship management, or that access to suppliers is not a problem. This could be explained by the reputational effects of family firms which give a sense of legitimacy and security to suppliers (i.e. family firms are not likely to go bankrupt and also there is a vested interest in supplying goods to a family firm that is likely to be in business for the long term). In addition, 64% of the geographic markets of the respondent firms are based in the Greater Region (see Figure 18), which suggests an accessible market for suppliers.



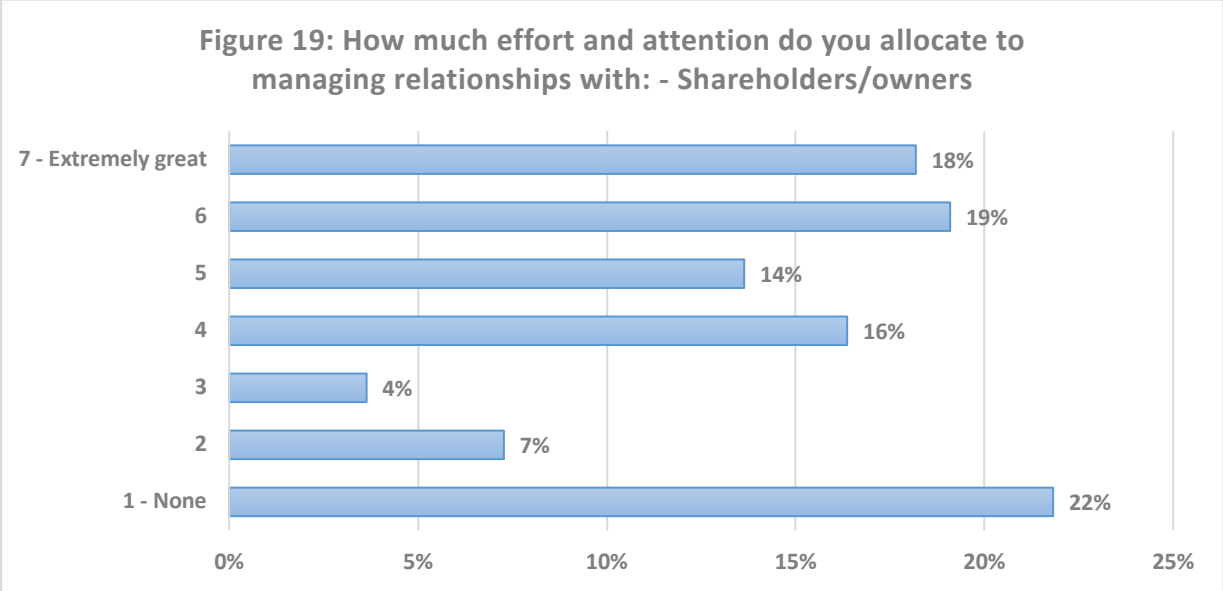


2.1.3. RELATIONS WITH SHAREHOLDERS

Turning now to shareholders, this category was ranked as third the most important stakeholder with whom family members allocate effort and attention. Fifty-one percent agreed with the statement about putting effort into managing relations with shareholders, but this was evenly spread across the categories (with 18%, 19% and 14% and 16% in neutral). See also a quotation from a company where fighting with stakeholders was detracting from the business:

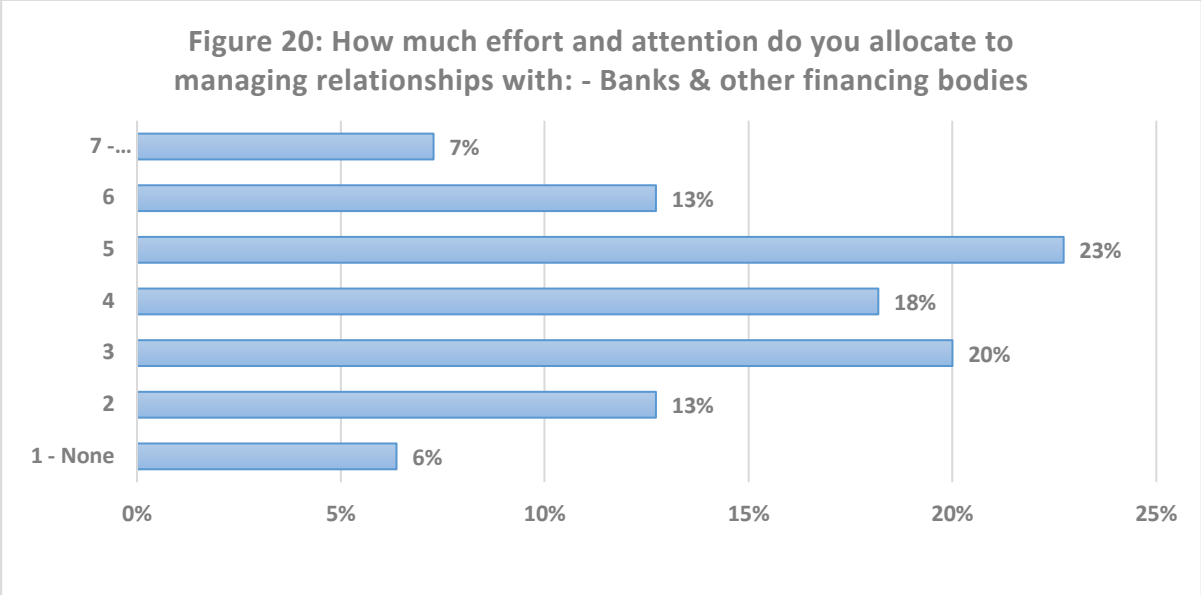
> *"Last year.. it was very bad year last year …. because to be honest we were five shareholders and it was constant fighting with one and we are fighting in the management we can destroy the company and it was the fact and at the end of the year we decide to put him out, …. And this was the key to let the company start again to grow"*
> *(1st Gen Owner, manufacturing, craft)*

An interesting observation is that 33% accorded low agreement figures, with 22% investing no time in these efforts. For these firms, it does not appear that managing family conflicts and relations with shareholders detracts from managing other stakeholders.



2.1.4. RELATIONS WITH BANKS/FINANCING BODIES

A surprising finding is the 39% of respondents who indicated disagreement with the statement about effort in managing relationships with banks etc. (see Figure 20 with 18% in neutral).



This could be explained by the fact that the banking/finance eco-system is abundant and well established in Luxembourg and/or that family firms tend to have long time relations with particular banks – relations that need less management. Also, as indicated in Figure 4 earlier, family firms put greater emphasis on financial independence which suggest less interest in

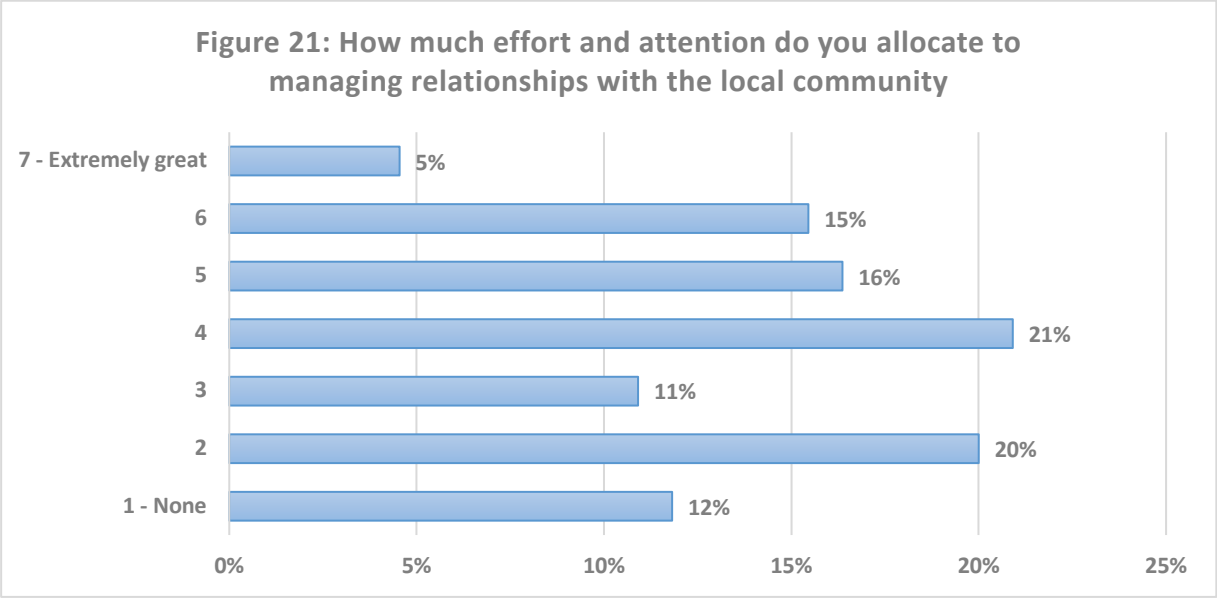
building relations with financing bodies. Trust and reputation is also important with regard to banks as illustrated in the following quote where the manager is discussing how, even at the time of a crisis, he had a good relationship with his bank:

> *"I did not have any problem with banks or suppliers. I always kept my promise to pay the bills. I am a person of trust and loyalty to everyone else, otherwise I will not be able to overcome the crisis"*
> *(3rd Gen Owner, construction sector)*

> *"From travelling…. I got "a very good overview of how good companies are built up financially and ……. you understand when the business is not in good shape but the most important thing is that ……. that gives a lot of weight now when I talk to the bank that the bank knows that I know my stuff and that is a great advantage in comparison to my parents who did not have that experience"*
> *(2nd Gen Owner-son, hotel sector)*

2.1.5. RELATIONS WITH LOCAL COMMUNITY

It is commonly perceived that the local community is an important stakeholder for family firms, especially given that many family firms are embedded in their local communities[14]. It is surprising then that there was not a large agreement with the statement in Figure 21 with only 36% in agreement, 21% in neutral and a rather high (43%) in disagreement. This result is difficult to explain as family firms are strongly associated with non-financial, philanthropy and social responsibility.



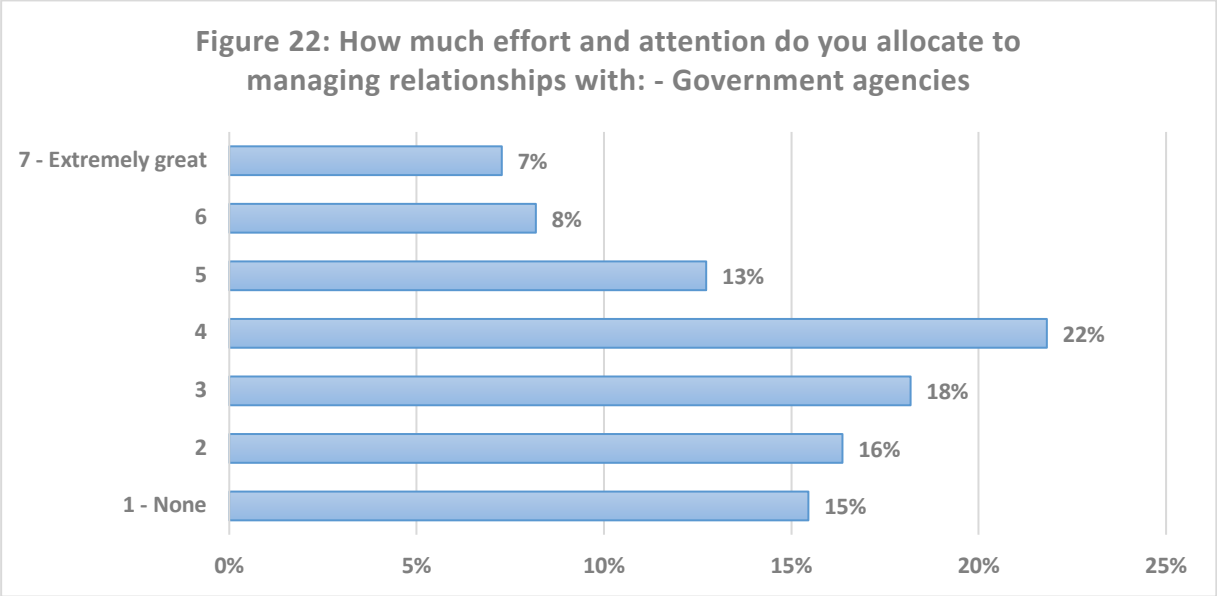
[14] Niehm, Swinney and Miller (2008).

2.1.6. RELATIONS WITH GOVERNMENT AGENCIES

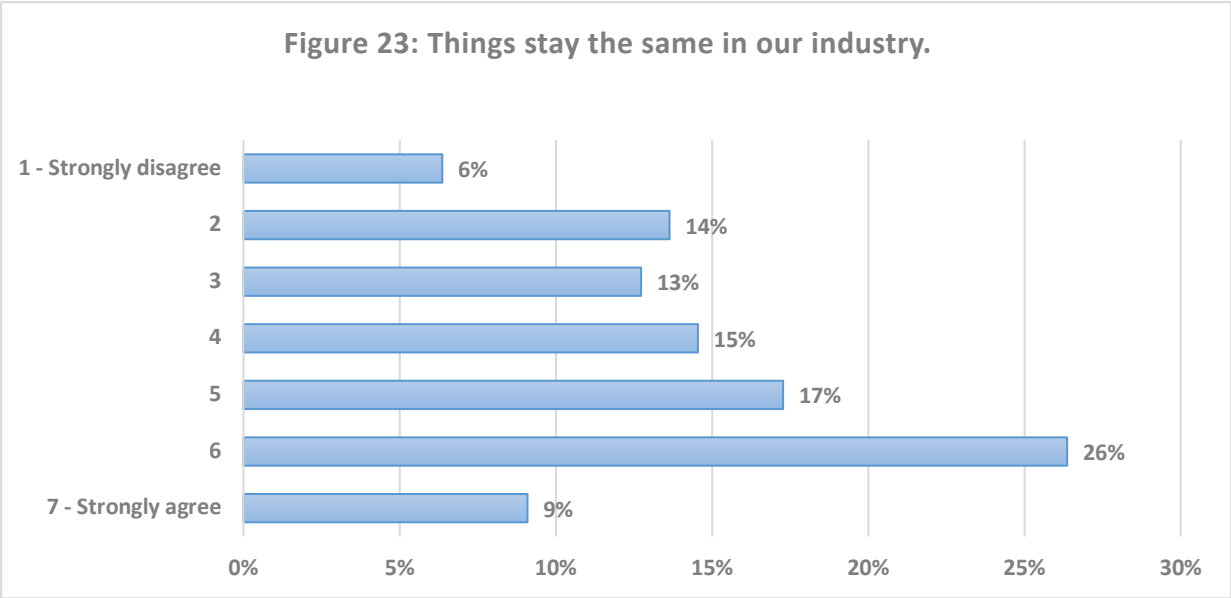
A further surprising finding was the lack of attention given to managing external relations with government agencies. Often family firms are very active in lobbying (both industry and political) especially in sectors where the government regulations are complex as alluded to in this quotation.

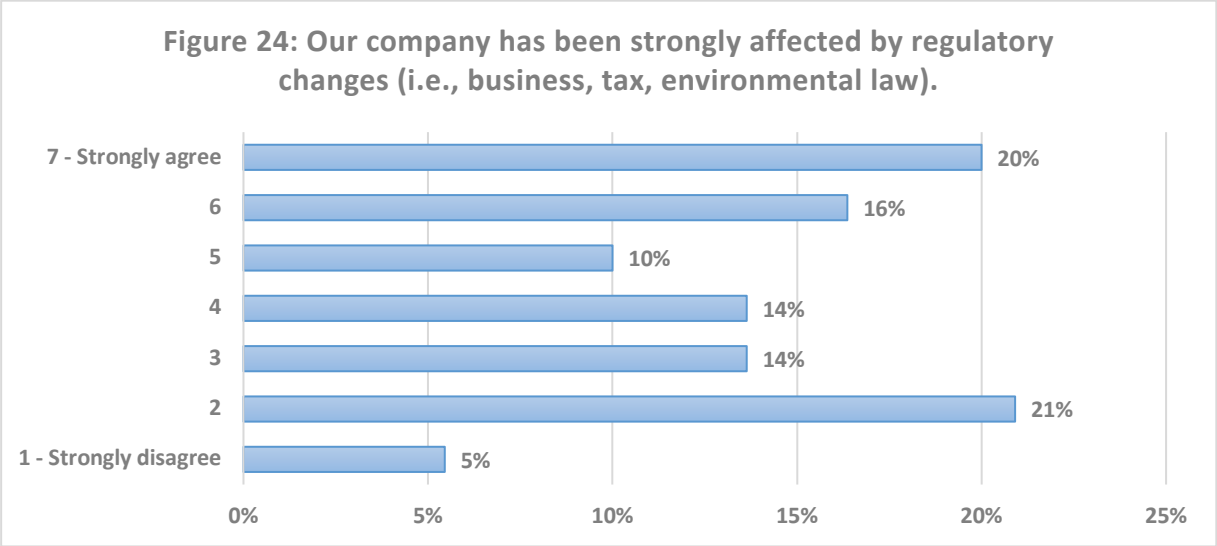
> *"…you see in Luxembourg - its very complicated to develop because of all the rules of the governmental side from the Ville du Luxembourg the city of Luxembourg"*
> *(2nd Gen. Business owner – multiple businesses)*

In Figure 22, however, it is shown that 28% of respondents invest effort with government agencies (with 22% in neutral and a very high 49% in disagreement with the statement).



This could be partly explained by Figure 23 which shows that respondents give high agreement to the statement that 'things stay the same in their industry' (52% of agreement, 15% in neutral, and 33% indicating that things are more dynamic). Clearly, the responses in Figure 23 are sector specific with some sectors (i.e. hotels not changing much over time, but other sectors i.e. ICT are more dynamic). They may also be country specific as is suggested in Figure 24 about the extent of regulatory changes affecting the respondent firms. This result suggests that just under half of the respondents are affected by regulatory changes (i.e. 46% in agreement but also 29% are in disagreement). Given that only 20% strongly agree that they are affected by regulatory changes, perhaps this indicates a stable business environment and less need to see government agencies as important stakeholders.





2.1.7. RELATIONS WITH TRADE UNIONS

Finally, taking into account the stable business environment in Luxembourg and the Greater Region, and the absence of a strong trade union activism, the results outlined in Figure 25 indicate a very low agreement with the effort given to managing relations with trade unions (13% agreement) and a high (77%) in disagreement about the necessity for this.

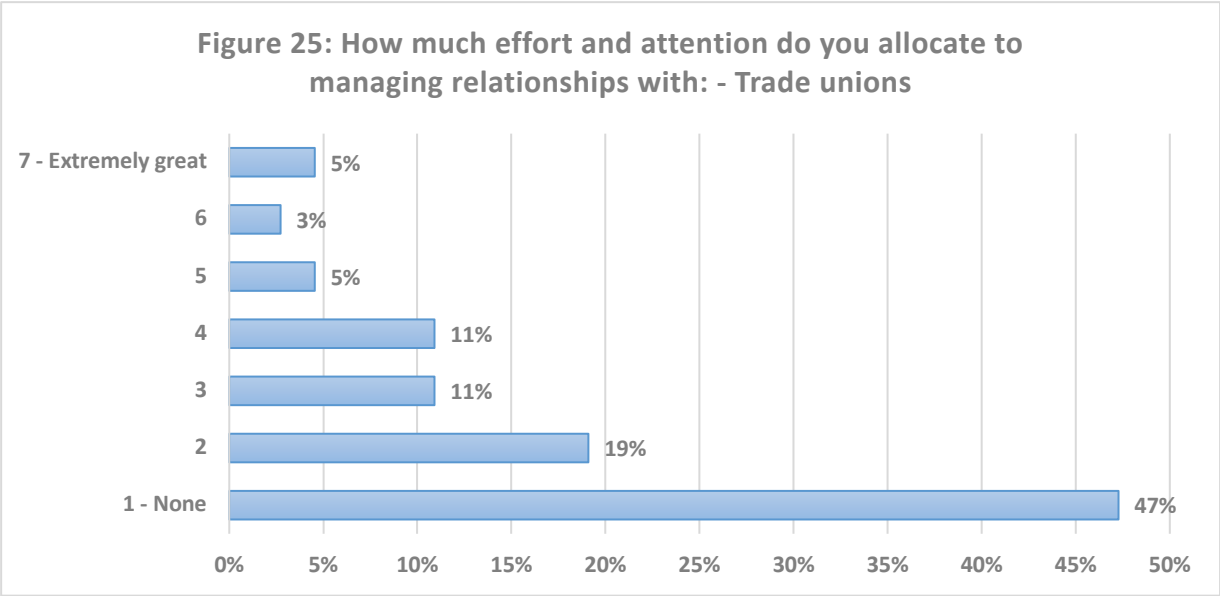


Figure 25: How much effort and attention do you allocate to managing relationships with: - Trade unions
7 - Extremely great
6
5
4
3
2
1 - None
5%
3%
5%
11%
11%
19%
47%
0%
5%
10%
15%
20%
25%
30%
35%
40%
45%
50%

3. FAMILY FIRMS: FINANCIAL STABILITY, LONG-TERM PERSPECTIVES AND OPENNESS TO ORGANIZATIONAL, DIGITAL AND SOCIAL CHANGE

Family firms have financial stability and a long-term perspective which means they are open to organizational, digital and social change. In this statement, the key supposition is that if family firms are financially stable, this gives more freedom (and liquidity) for experimentation and creativity[15] It also means they are have more space for embedding in the local community[16] . In view of this they are more trusted in the market place because people see their involvement in the community and expect them to be around for the long term[17]. This is illustrated in the following quotation:

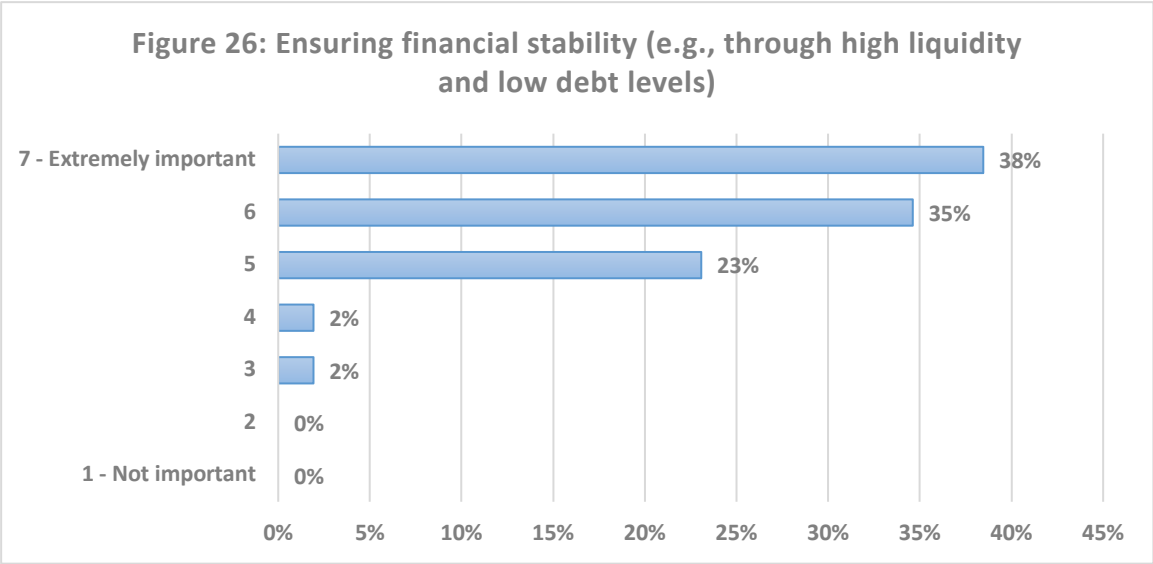
> *"Yesterday, I was talking to a very big company and they were saying that being a family business in Luxembourg is very important and it's really important when they are discussing with clients and getting new business because people think that family business is more stable and reliable and they can trust"*
> *(2nd Gen, technical trade/service)*

In addition, if firms are seeking financial security, it could imply that family interests (or non-financial goals) are prioritized over financial or other strategic goals. As financial stability and independence feature strongly in the results, it is relevant to evaluate their orientations and postures towards the exploitation of opportunities, product diversification, organizational change, and use of digital technologies vis a vis family interests.

3.1. FINANCIAL STABILITY

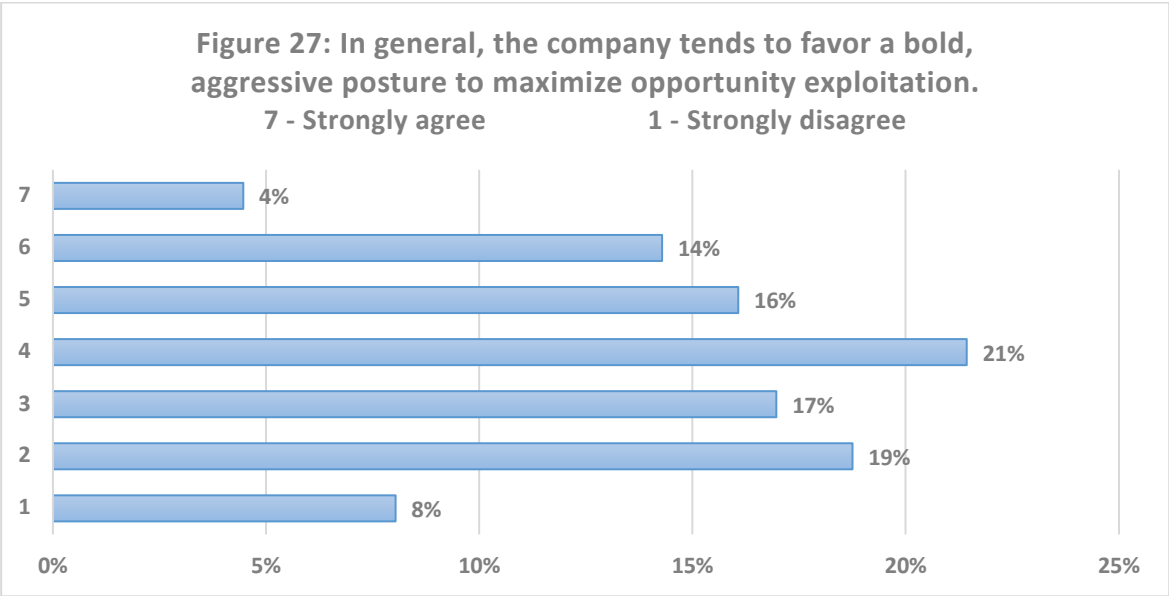
Prioritizing financial stability is categorized as a goal for the respondent firms with (see for example, Figure 26, which indicates that 96% of respondents have the goal of ensuring financial stability (with 4% in neutral and only 2% in disagreement).

[15] Lumpkin et al. 2010.
[16] Zahra et al. 2014.
[17] The entrepreneurial success of Luxembourgish family firms is portrayed in 'Histoires de families' (2018).



3.2. STRATEGIC POSTURE (BOLD/AGGRESSIVE VS 'CAUTIOUS WAIT AND SEE')

Figure 27 below indicates that only 34% of respondents agree with the statement favouring a bold aggressive posture to maximize opportunity exploitation, with a surprising 21% neither agreeing nor disagreeing. Forty-four percent indicate degrees of disagreement, suggesting a less than bold posture in these matters.



A further set of responses can be seen in Figure 28, where respondents could select agreement according to two opposing statements. On the left side, postures capture low risk, cautious 'wait and see', avoiding competitive clashes and staying with tried and tested products. On the right, are postures indicating high risk strategies, aggressive postures,

technological leadership and dramatic changes in product/service lines. Both posturing stances are equally valid depending on the orientation and product area of the company.

Figure 28

The following questions contain two opposing statements. Neither is better or worse than the other. Please indicate the statement to which you are closest in agreement.								
In general, the company tends to favor:								
	←						→	
A cautious, "wait-and-see" posture to minimize the chance for costly errors.	8%	19%	17%	21%	16%	14%	4%	*A bold, aggressive posture to maximize opportunity exploitation.*
Low-risk projects with normal and certain rates of return.	8%	13%	24%	27%	20%	8%	0%	*High-risk projects with chances of very high returns.*
Responding to actions that competitors initiate.	4%	8%	5%	33%	14%	24%	12%	*Initiating actions that competitors respond to.*
Avoiding competitive clashes, "live-and-let-live" posture.	11%	25%	13%	23%	17%	8%	3%	*A very competitive, "undo-the-competitor" posture.*
Minor changes in product or service lines.	5%	16%	12%	20%	25%	16%	6%	*Dramatic changes in product or service lines.*
Marketing true and tried products.	7%	18%	13%	15%	21%	16%	9%	*R&D, technological leadership and innovations.*
		Highest			Lowest			

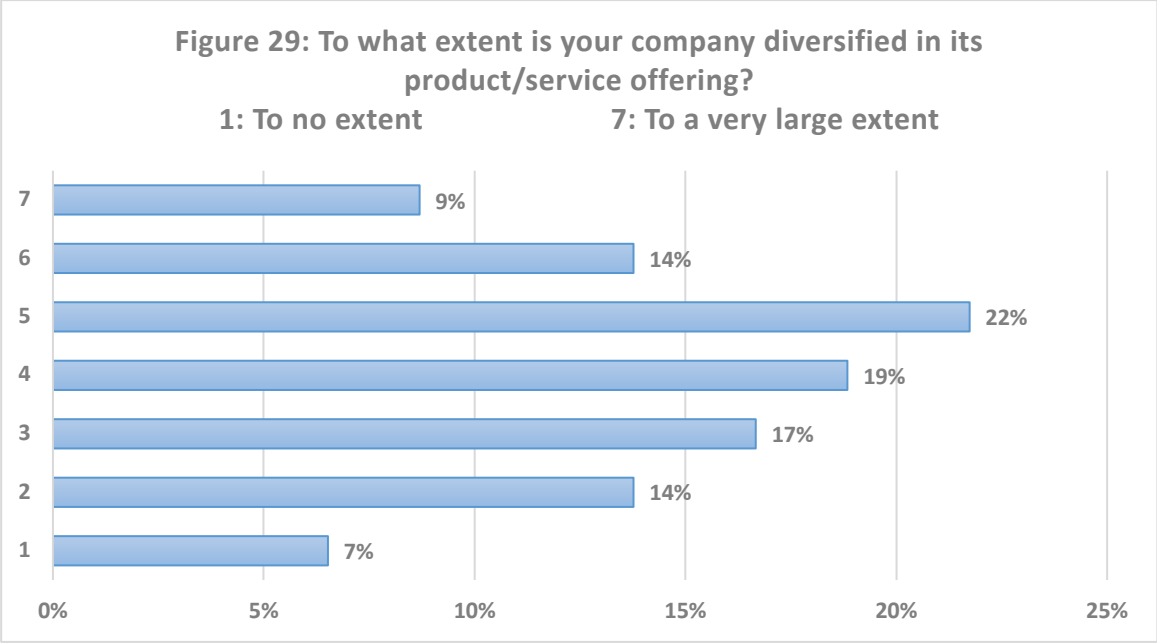
As seen in the table, the strongest agreement scores are in the middle/neutral categories (highlighted in green). The statement in row 2 (cautious/'wait and see' vs bold aggressive posture) receives low agreement on the right-hand side (with just under 35%) and the left-hand side receiving agreements of 45% (21% in neutral). This indicates a stronger orientation towards the cautious wait-and-see posture.

The same pattern emerges for the kinds of projects that are favoured (high vs low risk), with 28% on the high-risk side, and 45% on the low risk side. In terms of row 3 (responding to actions that competitors take), this category has higher agreement on the right-hand side (with 50%) and 17% on the left side of the table. This item indicates that the respondents favour the initiation of actions that competitors respond do. The highest score for this item is in the middle position with 33% (which suggests a neutral posture in terms of responsiveness to competitor actions.

This result is consistent in the next item (avoiding competitive clashes, 'live and let live' posture). Here, the highest agreement scores are on the left side (39%), with 28% on the right and 23% in neutral.

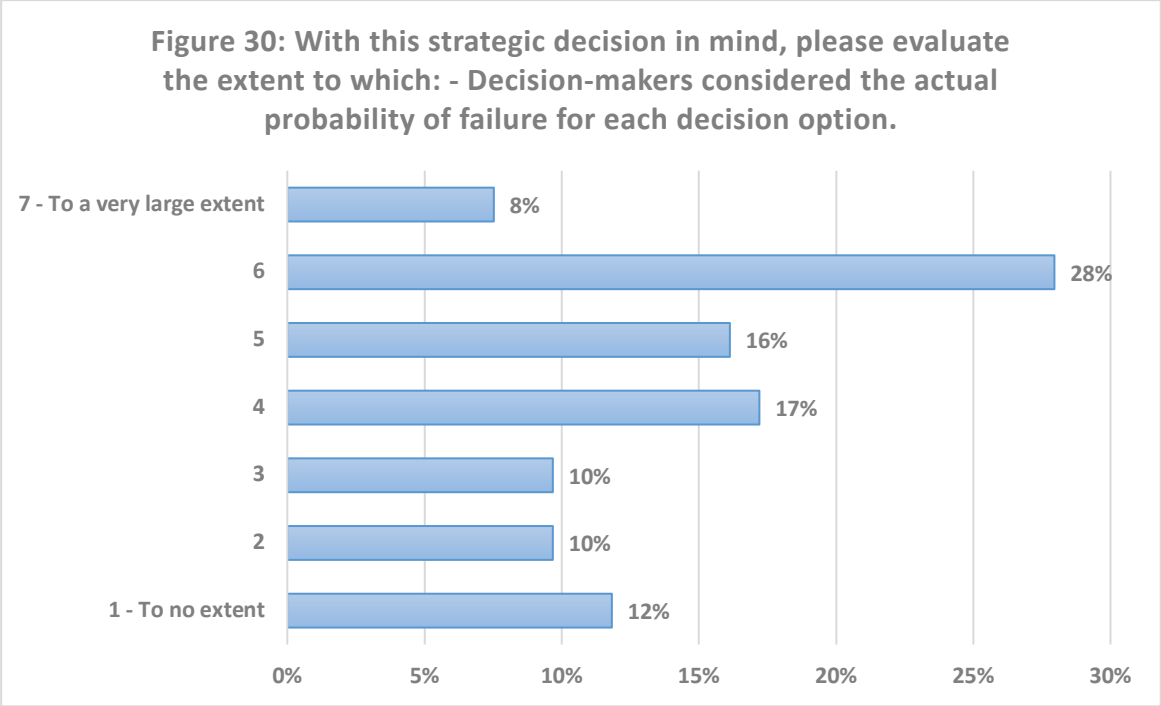
For the last 2 items regarding postures towards product changes and innovation, the highest agreement scores are on the right side, indicating a slightly stronger orientation to leadership in these domains (i.e. 51% agreement for dramatic changes in product lines and 46% agreement for the R & D/technology leadership/innovation. On balance, the results in Figure 28 show a stronger orientation towards the (cautious) left side which affirms the general view of family firms as risk-averse[18]. This observation is also explained by the results in Figure 23 (presented earlier) where respondents indicated a 52% agreement that 'things stayed the same' in their industry.

These figures do not indicate remarkable or noteworthy results, especially for the exploitation of new opportunities. This point is reflected in responses about diversification of product/service offering (Figure 29). Here it is shown that there a fairly even distribution of scores (with 44% in agreement, and 38% in disagreement, and 19% in neutral) suggesting that there is possibly less need for aggressive competitive postures if the company already has niche products and/or a strong market position.



This tendency is also borne out in Figure 30, where the responses indicate consideration of the probability of failure for the strategic decision taken. This shows that 52% agreed that they considered the likelihood (which aligns with the cautious weighing up of options and implications of failure). Although, in contrast, 32% were in disagreement suggesting a bolder approach.

[18] Zahra et al. 2014

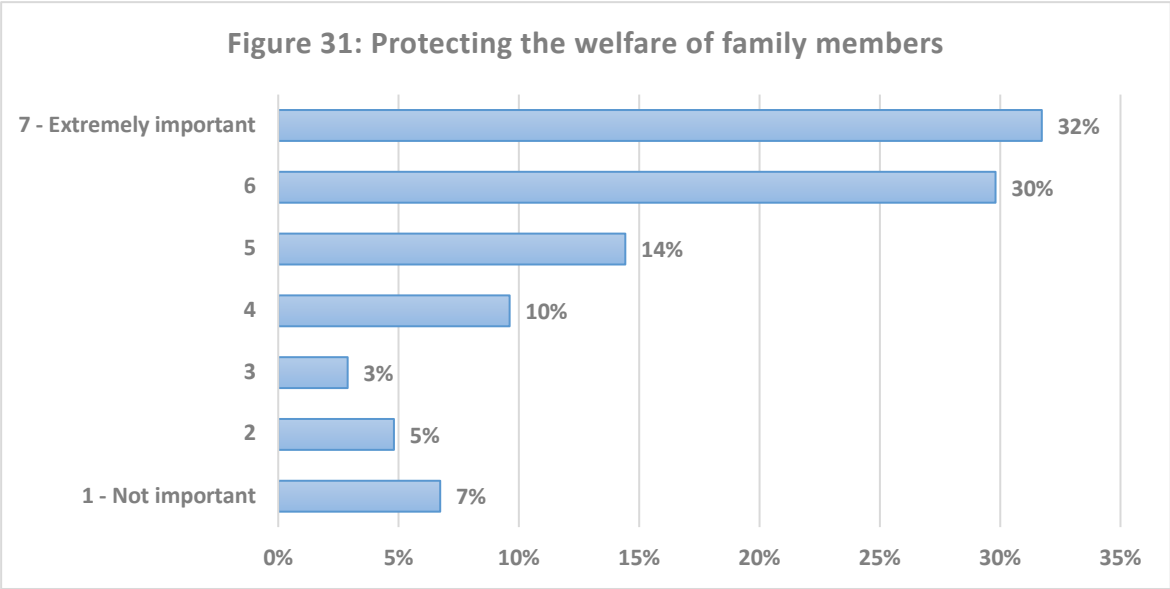


3.3. BALANCING GROWTH, MODERNIZATION WITH THE FAMILY LEGACY

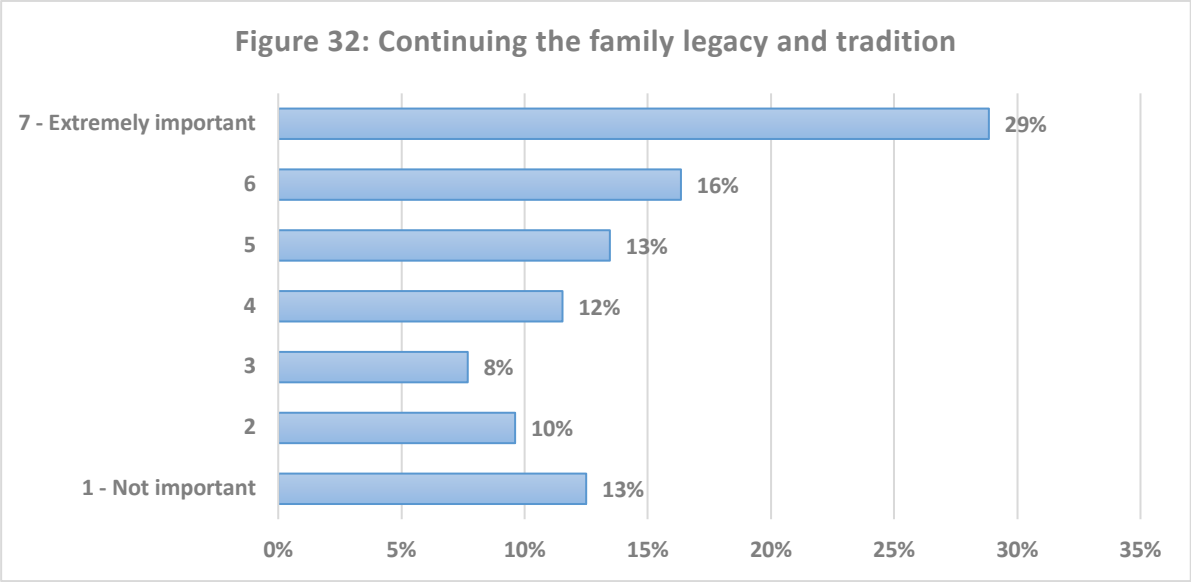
One explanation for this could be the preference of family firms to keep in balance the family legacy – meaning that expansion and exploitation is always aligned with the family interests or priorities.

> *"To me, the future is to be a little more modern and adapt to new technologies. But it is not easy to make changes because there is always this family aspect and so my father has a hard time leaving me alone to make his decision. But the vision, the strategy is the same as my father. The most important is the way of doing and having innovative products".*
> *(3rd Gen, craft sector)*

In Figure 31, for example, the results indicate that 72% of respondents agreed with the statement about protecting the welfare of family members as a goal for the business (and only 15% indicating that this was not important for the company).



In addition, Figure 32, depicts that continuing the family legacy and tradition receives agreement from 68% respondents and for 29%, this issue is extremely important.

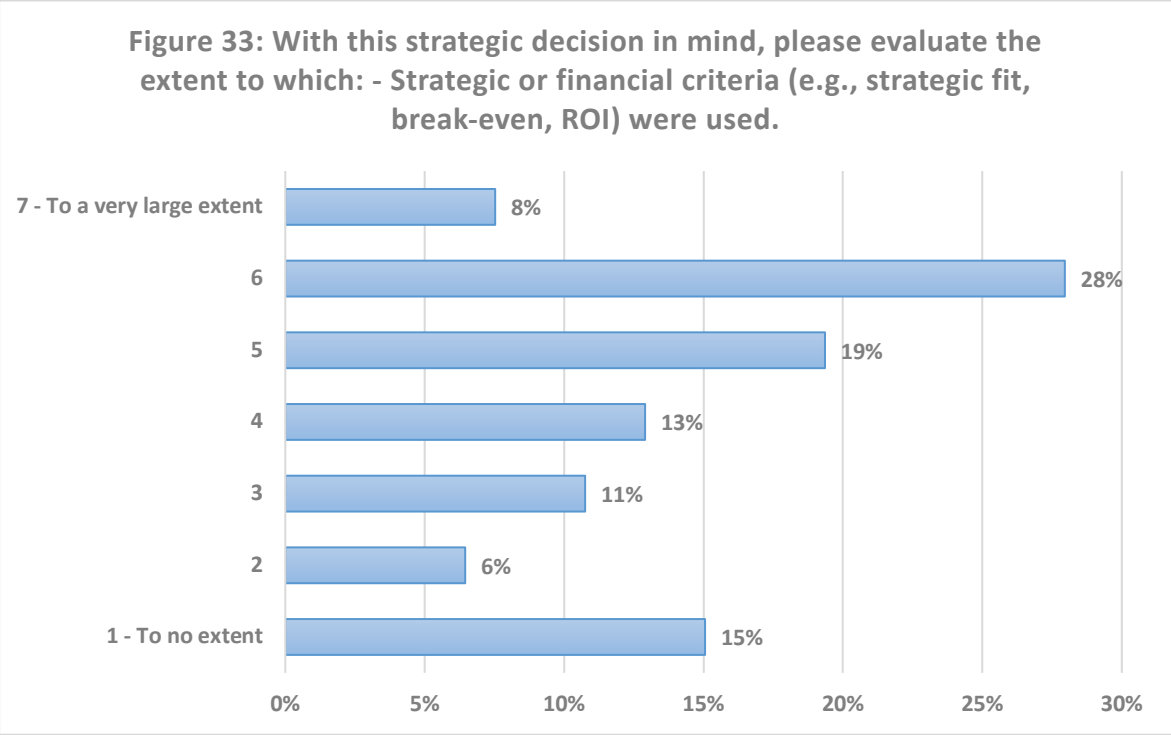


That said, for 31% of respondents, this statement is not of high importance suggesting that for some family firms maintaining the family legacy is unlikely to influence expansion and growth decisions. This is illustrated in the following quote:

"We have mainly a generational change behind us. The last, I call them "dinosaurs", are now retired, so that we have realigned the board, that we renewed the management and that we hired a lot of young people behind, that we will be getting their experience. As I said, everything came together: that's why I am more than confident that we now well positioned for the future. There are still a few pieces of the puzzle missing, but now we can focus ourselves again onto our core business and we can now invest more energy into strategies for the future and the vision of how the company should develop in the next 10, 12 years….").
(3rd Gen, engineering/technical)

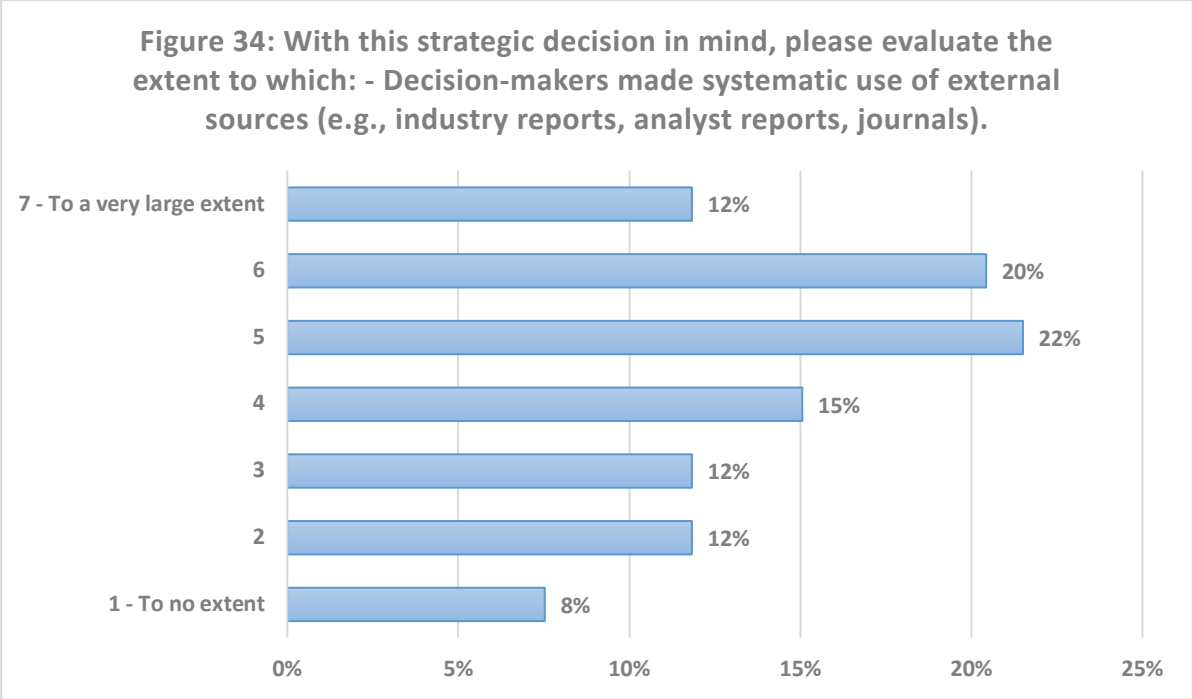
3.4. FAMILY LEGACY VS STRATEGIC/OBJECTIVE CRITERIA SHAPING OPPORTUNITY EXPLOITATION

This preference for prioritizing the professional and strategic aspects point is reflected in Figure 33 which portrays the extent of agreement as to whether strategic or financial criteria was used (in the making of a strategic decision in the last 3 years). Figure 33 shows a set of balanced responses to this issue with 55% in agreement (although only 8% in large agreement) and 32% in disagreement.



This suggests that strategic criteria are used to evaluate major decisions by just over half of the respondents.

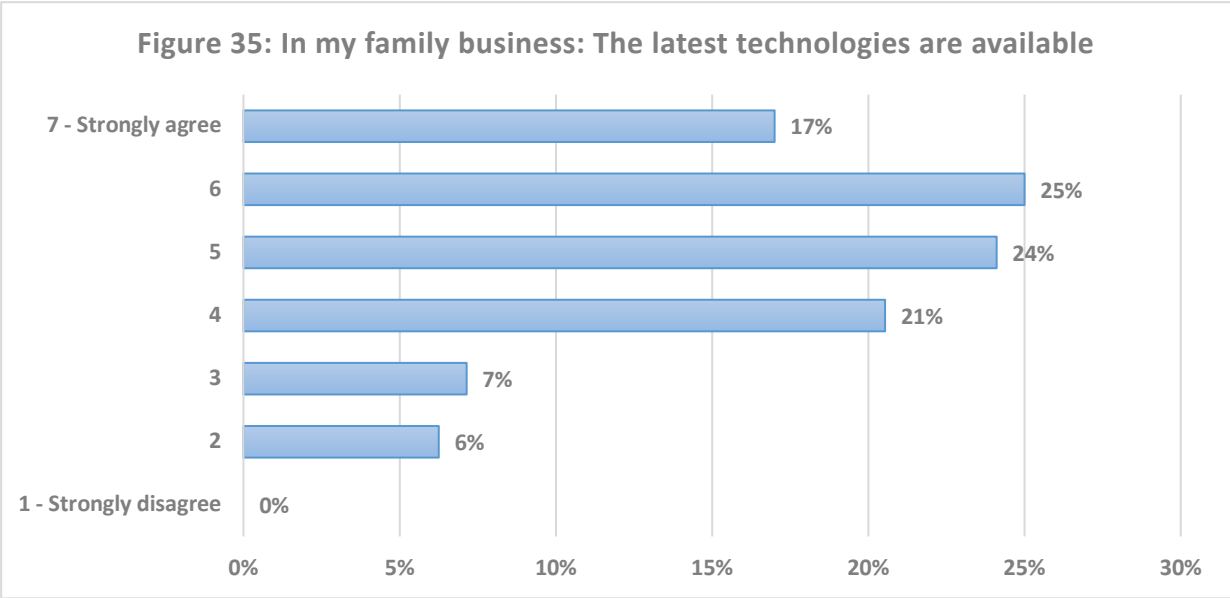
Continuing the evaluation of the extent to which objective (rather than family) criteria are used to assess strategic decisions and choices, Figure 34 shows that there is no clear pattern on extent to which decision-makers make systematic use of external (and objective) sources of data. Figure 34 shows that there is a 54%/46% split on this issue with the slightly higher figure on the agreement side of this statement. This aligns with the results on the reliance on personal judgement and 'gut feeling' as discussed earlier (which showed high agreement with this at 73%).



Against this context, it is interesting to observe the responses concerning the adoption/use of ICT and digital technologies.

3.5. ADOPTION AND USE OF ICT/DIGITAL TECHNOLOGIES

In Figure 35, responses to a question about whether the latest technologies are available are portrayed. Here, it is shown that 66% of respondents agreed that the latest technologies were available with just under a quarter taking a neutral stance on this issue, and only 13% showing disagreement.



In Figure 36, the extent of technology adoption is shown. Similar to Figure 35, the results indicate that 62% of those surveyed agree that their firm has a high degree of technology adoption, with 18% in neutral and 20% in disagreement.

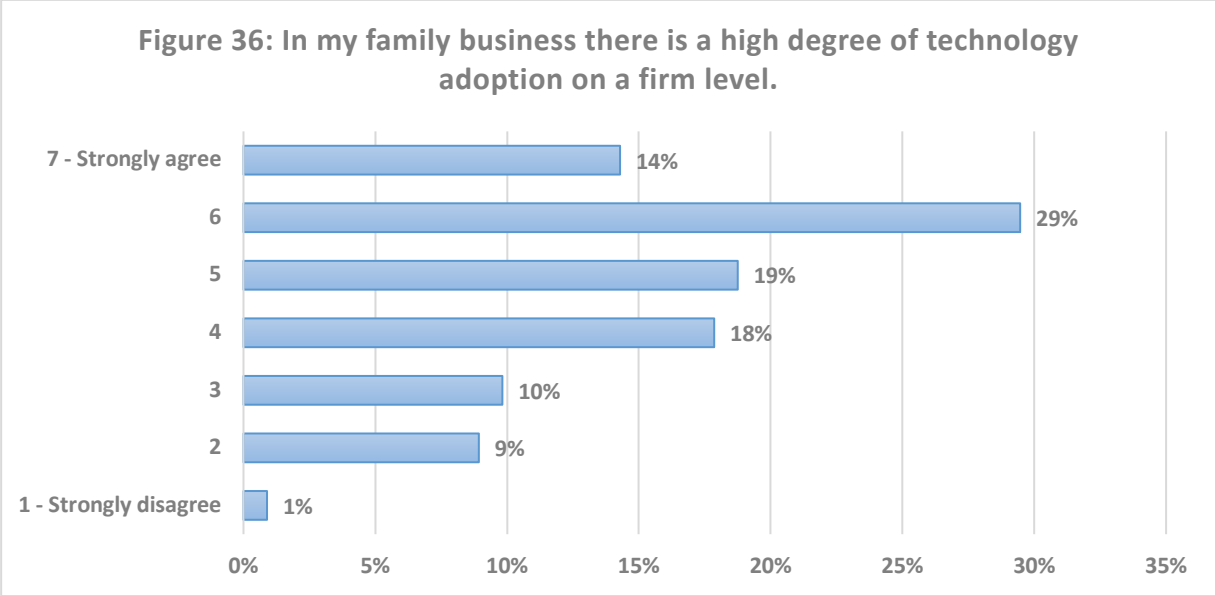
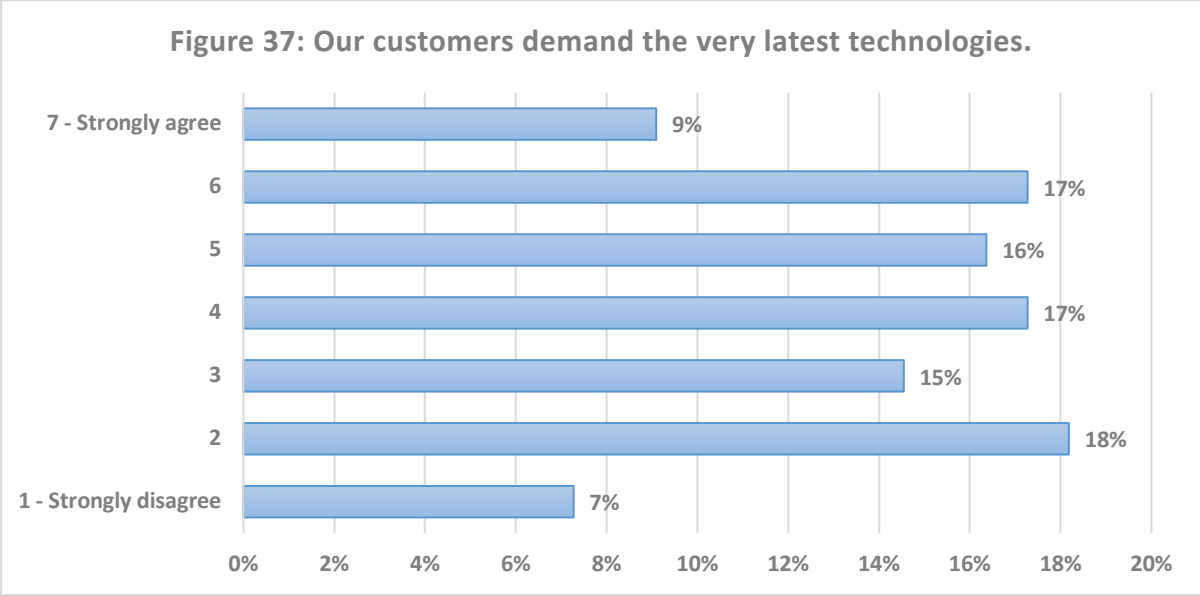
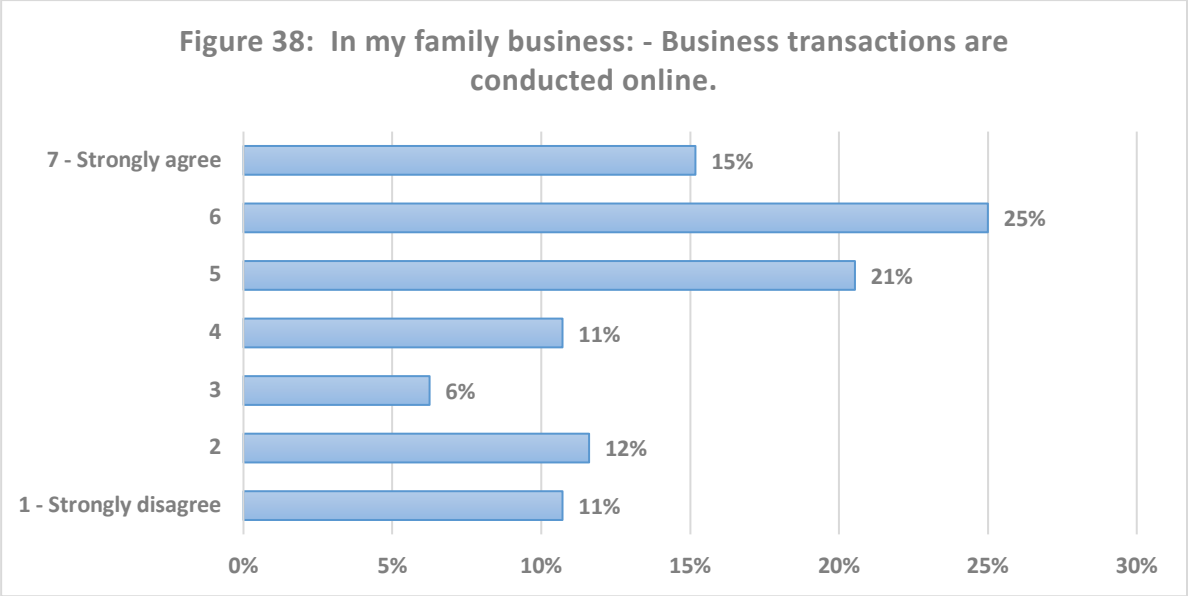


Figure 38 gives responses to a question concerning the extent of online business transactions within the business. Again, most responses are in agreement (61%) but still 29% are not conducting transactions online (which could reflect sectoral variation). In addition, the results show that there is not a hugely strong demand from the respondent firms' customers for the latest technologies. In Figure 37, it is shown that there is an equal distribution between agreement (42%) and disagreement (40%) concerning this matter. Thus, if relations with customers are important (as indicated above) and that they are not strongly demanding the latest technologies, this could partly explain why technology adoption is evident albeit not in a wholehearted way.





From the interviews, the orientation towards and adoption of ICT was characterized by a generational issue. For most second-generation firms, the issue was introducing technology in a positive way as a point of contrast to the way parents had (not) implemented this. But also technology in this company was seen as important for responding to changing trends and customer needs.

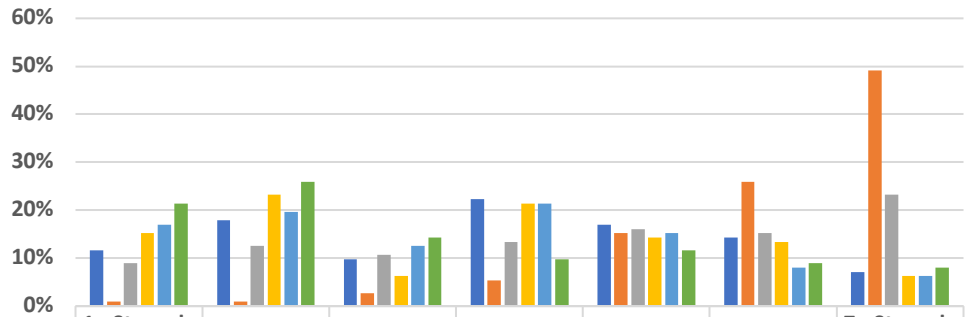
"What I want really to do is change the business model change the organization and follow new concepts, put the backbone of the company to technology Internet - very important nowadays we really have generation difference so my parents they don't follow these new trends very much but I see now that we really should but there are also the habits of people are changing people are eating less and less meat so the menu has to change the kitchen employees have to be trained the kitchen technologies have to be adopted room amenities are changing the way of how you distribute your hotel rooms changing so we can follow the trends much more now"
(2nd Gen. Owner, hotel/restaurant)

"We have to look where especially this new technologies where they are and then you have to look for niches where everyone is going and when there is too much competition we are trying to find some niches when are also many people are going but in general it's not that we want especially to make the company bigger but it's not because you have hundred people that you earn more money, but it's better to keep it, keep smaller, yeah keep it on a way that you can like a middle size company so we can also do bigger contracts using intelligent technology…"
(2nd Gen, electrical/technical service)

The risk is getting higher and I think with our investment in the new informatics is in the right direction, and the digital - we have to be present on more channels than just retail in brick and mortar.
(5th Generation, retail)

Finally, Figure 39 shows the comparison between six functional areas for which ICT or digital technologies are used. Respondents were asked to agree with statements concerning the use of technology in the following areas: internal communication, overhead tasks, product/service design, existing customers, new customers, customer service. The results show that ICT and digital technologies show the strongest role with regard to overhead tasks (where 90% agree and only 4% disagree. Product/service design comes next where 54% agree and 33% disagree). For internal communication there is a more of a balance with 38% of the respondents in agreement and 40% in disagreement. Concerning existing customers, new customers and customer service, the majority of operations are offline with a disagreement of 44%, 50% and 61% respectively, and an agreement of 33%, 29% and 29%. These results point to a general preference in investing in ICT and digital technologies to facilitate operational tasks and internal organization in family firms rather than in communication with customers, their acquisition and retention.

Figure 39: Please indicate the extent to which you agree with the following statements



	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Internal communication is reliant on information and communication technologies (e.g., intranet, videoconferencing)	12%	18%	10%	22%	17%	14%	7%
Overhead tasks (payroll function, accounting process, back office) are electronically supported.	1%	1%	3%	5%	15%	26%	49%
Product and/or service design and development rely on computer-aided tools	9%	13%	11%	13%	16%	15%	23%
Existing customers conduct business online	15%	23%	6%	21%	14%	13%	6%
New customers are acquired online	17%	20%	13%	21%	15%	8%	6%
Customer service is provided online	21%	26%	14%	10%	12%	9%	8%

4. FAMILY FIRMS: COMMUNITY AND SOCIAL INTERESTS

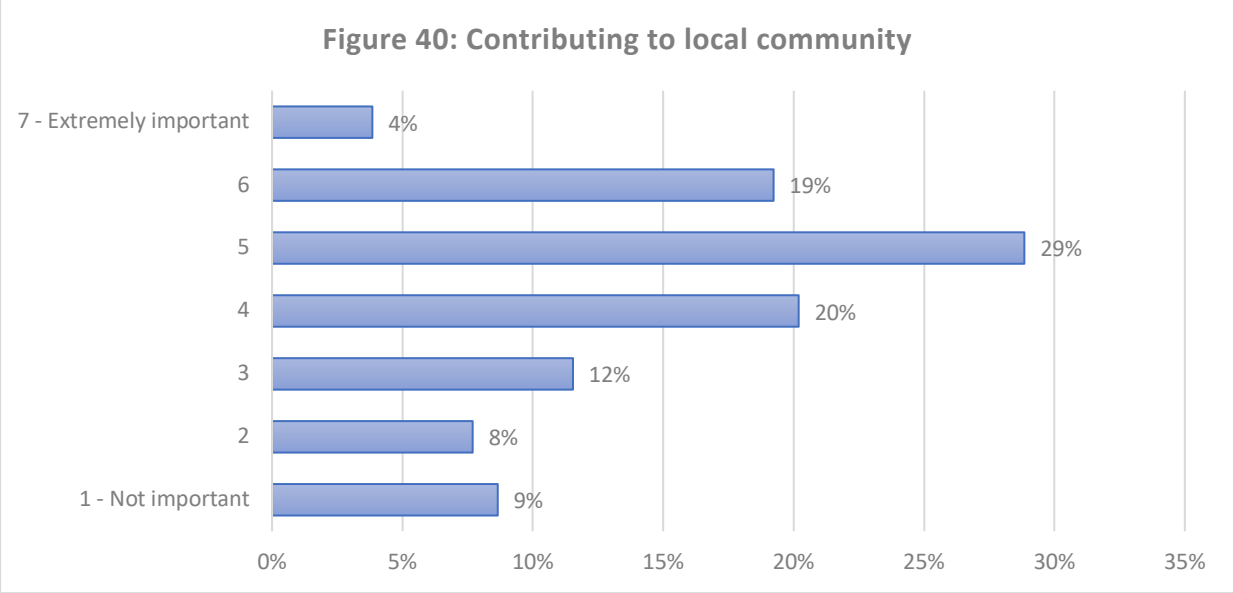
Family firms are concerned about the common good and prioritize community and social interests.[19] This statement is guided by research which shows that because family businesses are embedded in local communities, they often have a strong orientation or concern for the common good as shown in participation in community initiatives and projects oriented towards social responsibility.

It was shown earlier (p.16) the extent of effort and attention given to the local community as an external stakeholder [i.e. Figure 21 p. 16, which shows a rather high (43%) disagreement with this statement and a modest 36% in agreement and 21% in selecting neither agreement or disagreement].

This orientation to social/community goals is now examined more closely in relation to three findings: contributing to local community (Fig. 40), goals in terms of achieving resource efficiency (Fig. 41) and environmental footprint of packaging/supply chain (Fig. 42).

(heading) Company goal - Contributing to local community

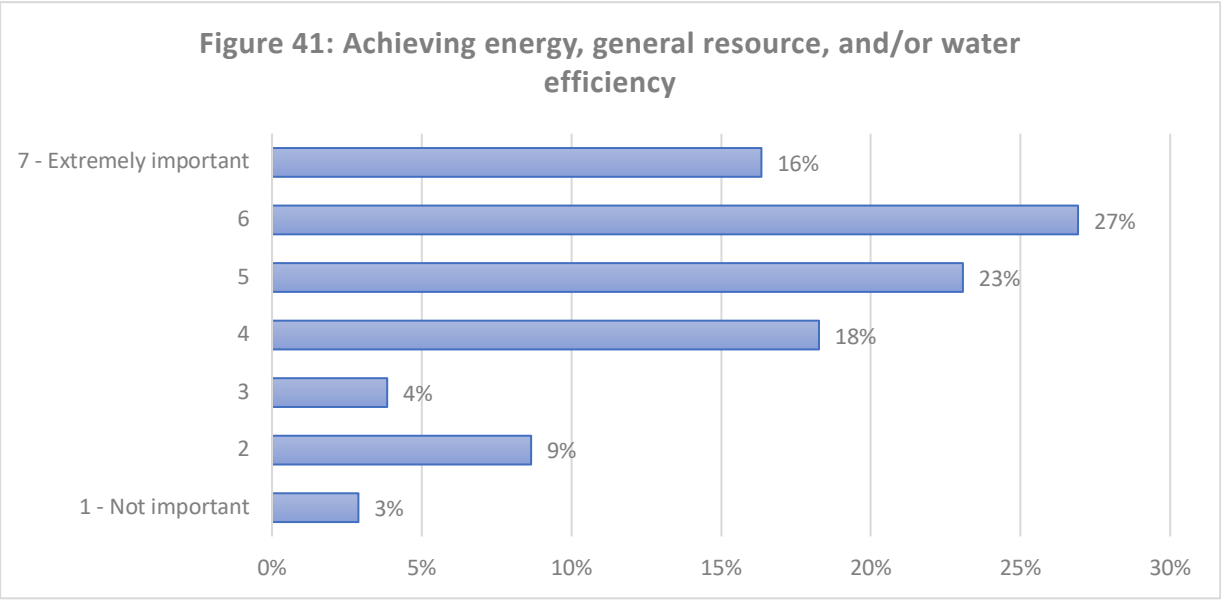
Figure 40 shows that only 4% of respondents reported that 'contributing to local community' was an extremely important goal for the company, although 48% indicted that it was either important (19%) or quite important (29%). Overall, 52% were in agreement about the importance of this goal with a third in disagreement (29%) and 20% indicating a neutral stance.



Heading – Company goal – importance of energy, water, resource efficiency

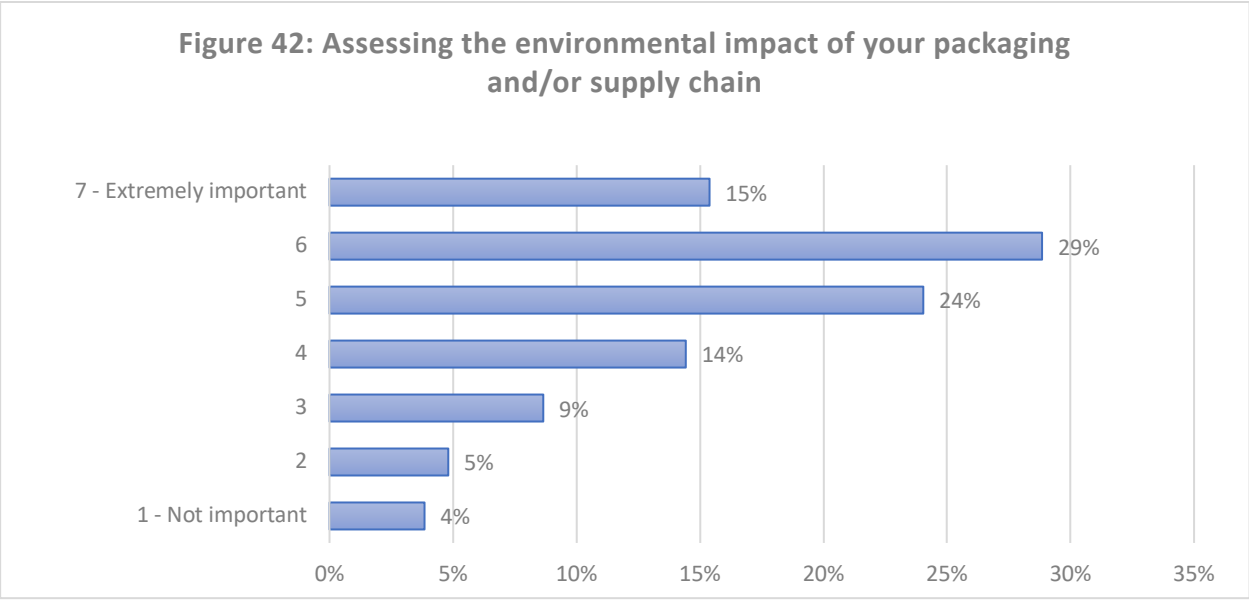
Figure 41 shows the distribution of responses concerning how important energy, resource and water efficiency was to the goals of the company. Sixty-six percent indicated agreement with this statement (and 16% in disagreement and 18% in neutral). This shows a strong support for resource efficiency.

[19] Niehm, L.S., Swinney, J. & Miller, N.J. (2008)



[Heading] – Company goal – Importance of assessing environmental impact

Figure 42 displays the importance to the goals of the company of assessing the environmental impact of their packing and/or supply chain. Similar to the resource efficiency results, it can be seen that 68% are in agreement with this statement (with 18% in disagreement and 14% in neutral).

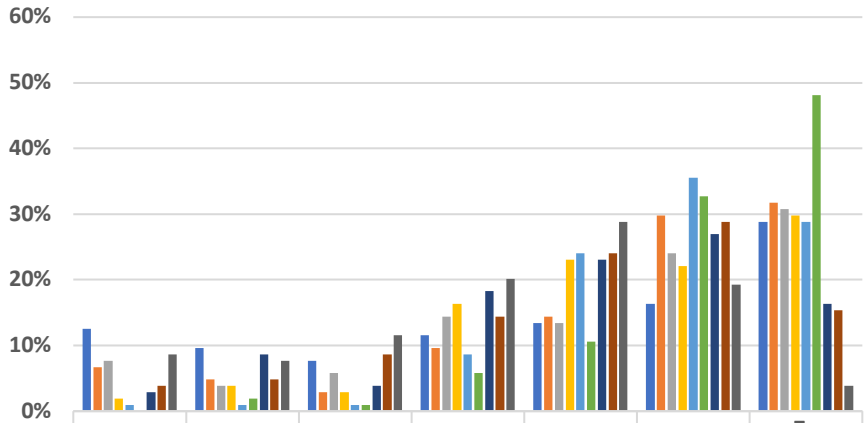


To investigate further the orientation towards community and social goals, a comparison was made between the corporate goals identified as important by the respondents. In Figure 43, this comparison is demonstrated. We categorize the corporate goals in three categories: (i) as family goals (three first statements), (ii) performance goals (three middle statements) and (iii) community/social goals (three last statements). It is shown that all these goals are considered important by the respondents. Concerning family goals, for "continuing the family legacy and

tradition" there was a 58% agreement rate on its importance and a 31% disagreement rate. 76% deemed the statement "protecting the welfare of family members" important, while 17% did not. For "preservation of family control and independence", 68% find it important and 18% find it less important. Regarding performance goals, "increasing firm sales growth" is an important goal for 75% of the respondents and unimportant for 9%. Eighty-nine percent find "increasing firm profitability" a priority, whereas only 3% consider it unimportant. The same unimportance rate (3%) is shared by the next statement, "increasing client retention/satisfaction", while 92% agree on its importance. Finally, concerning community/social goals, 66% of respondents thought of "achieving energy, general resource, and/or water efficiency" as important, while 16% disagreed. 68% considers "assessing the environmental impact of packaging and/or supply chain" important and 18% unimportant. "Contributing to local community" is deemed important by 52% of respondents and unimportant by 29%.

In summary, it can be concluded that performance goals are considered as the most important goals of the respondents with an average of 85% importance rate, followed by family goals with an average of 67%. Community/social goals have an average of 62%, having the lowest priority in our sample.

Figure 43: To what extent are the following goals important for your family business?



	1 - Not important	2	3	4	5	6	7 - Extremely important
Continuing the family legacy and tradition	13%	10%	8%	12%	13%	16%	29%
Protecting the welfare of family members	7%	5%	3%	10%	14%	30%	32%
Preservation of family control and independence	8%	4%	6%	14%	13%	24%	31%
Increasing firm sales growth	2%	4%	3%	16%	23%	22%	30%
Increasing firm profitability	1%	1%	1%	9%	24%	36%	29%
Increasing client retention/satisfaction	0%	2%	1%	6%	11%	33%	48%
Achieving energy, general resource, and/or water efficiency	3%	9%	4%	18%	23%	27%	16%
Assessing the environmental impact of your packaging and/or supply chain	4%	5%	9%	14%	24%	29%	15%
Contributing to local community	9%	8%	12%	20%	29%	19%	4%

CONCLUSION

Using the survey and interview data from a 2-year research project on family firms in the Greater Region, we have presented an 'extended understanding' of professional management in family firms. Our interest has been to show that 'family management' is not mutually exclusive from 'professional management'[20] and that what is special about family firms is the 'double-edged' way in which family and professional business matters become aligned (sometimes positively and sometimes negatively for family interests, performance outcomes and business longevity. To understand this nuancing, it is helpful to acknowledge two strategic orientations that we see from the results. The first is a 'family as investor' mindset. At this extreme, family owners favour and promote return on investment, redeployment of unproductive assets, disregard for tradition, history and family legacy, professionalizing of financial processes/decision-making and proactive search for new opportunities[21]. The second is a 'family as curator' mind set which puts 'family first' and is strongly oriented towards family values, history and traditions and uses the non-financial assets of the firms to progress family intentions and market opportunities. In the middle of these two extremes, come a whole range of other postures and it is this variety which makes up the specialness of family firms.

[20] Hall and Nordqvist, 2008; Stewart & Hitt, 2015, p.67.
[21] Habbershon & Pistrui, 2002, p.234.

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